News Release

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PM of Denmark: Recovery in Europe Could Begin Next Year

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- While Europe has already done a great deal to address its debt crisis, much more needs to be done.
- When Europe begins to recover – probably in 2013 – the rest of the world should support the rebound.
- If European countries do not act more swiftly and decisively, the costs of the crisis will be much higher.
- For more information about the Annual Meeting of the New Champions 2012, please visit: http://www.weforum.org/newchampions

Tianjin, People's Republic of China, 11 September 2012 – While the economic outlook for Europe is bleak for the rest of this year, signs of recovery could appear in 2013, Helle Thorning-Schmidt, Prime Minister of Denmark, told participants in a session on the European debt crisis on the opening day of the World Economic Forum's Annual Meeting of the New Champions 2012. "It is true that Europe is very challenged and will require structural reforms to regain our form." She called on investors not to write Europe off. "When Europe shows the first signs of recovery, which we will do next year, the rest of the world should push this movement. It will not just be for the benefit of Europe but also for the world. Invest in Europe; trade more with Europe; believe that Europe will recover."

Europe, however, remains under severe stress, Thorning-Schmidt acknowledged. "Make no mistake: Europe is still in crisis and we have a situation which is far from satisfactory." But, she argued, "Europe has already done a lot and we should not talk the efforts of European leaders down. Even though the steps we have taken are slow and the way we take decisions may not be pretty, we must recognize that we have come very far and the results we have produced would have been unthinkable only a year ago."

Valdis Dombrovskis, Prime Minister of Latvia, agreed, noting that the European Central Bank (ECB) is now the Eurozone's de facto lender of last resort. "The ECB must be cautious and fiscal discipline must not be forgotten. But having the ECB in the background should remove the questions in the market. The very fact that there is a credible firewall will reduce market pressure." Dombrovskis pointed to the many other steps that eurozone countries have taken, including moves towards a banking union and common supervision of the banking industry, as well as measures to impose stricter control mechanisms and sanctions to ensure fiscal discipline. "These decisions should lead the eurozone out of the crisis," he insisted.

"The euro is safe," Min Zhu, Deputy Managing Director, International Monetary Fund (IMF), Washington DC, declared. "We should have confidence in Europe." But the crisis is not over, he accepted. "There is still a long way to go, but it is moving in the right direction." Zhu also observed that, in addition to the turmoil in Europe, there are other pressing risks to the stability of the global economy, including rising food prices due to droughts in parts of the world, including the US

Midwest.

Despite its actions so far, Europe should move still faster and be even more decisive, ex-president of Mexico Ernesto Zedillo Ponce de Leon, Director, Yale Center for the Study of Globalization, Yale University, USA, advised. “I do not diminish the political cost and courage of the leaders in Europe to take the unprecedented decisions they have. But probably this is not enough. If you are going to preserve the European monetary union, then you are going to have to put on the table all the ingredients necessary.”

Zedillo Ponce de Leon remarked that the ECB becoming Europe’s lender of last resort only happened a few days ago. “If you don’t do what it takes for a banking union and fiscal union, then it will be harder, more painful and more costly, and impose a higher cost on the rest of the world.” Europe, he added, must be more aggressive, especially in dealing with such issues as capital flight. He also said that other countries including the US and China will need to do what they can to help Europe overcome its crisis.

“You should never expect that Europe will ever move fast,” Thorning-Schmidt responded. “We will muddle through and there will be incremental steps to make the right decisions. That’s the way Europe has always worked and that’s the way it will work in the future.”

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