

## Concerns Mount over Impact of Monetary Policy Unwinding

12 September 2013

Fon Mathuros, Head of Media, Communications Department, Tel.: +86 158 4088 0591; [fmathuro@weforum.org](mailto:fmathuro@weforum.org)

- The impact of the tapering off of the US Federal Reserve ' s quantitative easing will affect emerging markets in different ways, depending on their respective fundamentals.
- The variation in performance makes it difficult for global businesses to formulate strategy and manage risk.
- For more information about the Annual Meeting of the New Champions, please visit: <http://www.weforum.org/newchampions>

Dalian, People ' s Republic of China, 12 September 2013 While emerging economies recovered strongly from the global economic crisis, concerns are rising about how well some countries will fare once monetary policy stimulus in the US and other developed economies unwinds. In a session on new sources of growth at the World Economic Forum ' s seventh Annual Meeting of the New Champions, leading economists warned of the consequences of the tapering off of quantitative easing by the US Federal Reserve Bank, which is expected to start this month.

The unwinding of monetary policy is one reason that global growth has slowed, including in emerging markets, said Min Zhu, Deputy Managing Director of the International Monetary Fund (IMF). " This will bring volatility to the capital market, " he said. The tapering off of the stimulus will have a negative impact on growth, argued economist Li Daokui, Director of the Center for China in the World Economy at Tsinghua University. " Not everybody will be hit in the same fashion. It will depend on fundamentals. " Some economies such as India and Brazil may see their problems amplified, while " there will be countries like China which have a bigger buffer that will enable them to muddle through, " Li said. Added Adam S. Posen, President of the Peterson Institute for International Economics in Washington DC, " It is the fundamentals in these countries that matter at least as much as what the Fed does. "

This variance makes planning challenging for global businesses, said Ellen Kullman, Chair of the Board and Chief Executive Officer of DuPont, USA. " There are no straight lines anymore. Every market, every country, every sector is different. There has been a divergence as opposed to a convergence. Our planning cycles have to be shorter. Investment theses have to be stronger. And we have to be focused on very small changes because they could make the difference between success or failure, " she added.

While growth may slow, there will continue to be opportunities. " Emerging markets will still lead global growth in the next few years, " said Min Zhu. China will remain a pole on the growth compass, concluded Edward Y M Zhu, Chief Executive Officer, CHIC Group Global Co., People's Republic of China. Of special interest are the agriculture sector and the food industry, especially if technology can be applied to enhance safety, quality and efficiency. " If China can change its agriculture system, especially its land policy, this will drive the economy to grow, " Zhu advised.

- Follow the World Economic Forum Annual Meeting of the New Champions at <http://wef.ch/amnc13>
- For insights from key sessions in 2013 go to <http://wef.ch/amnc13insights>
- View photos from the event at <http://wef.ch/amnc13pix>
- Watch live webcasts of sessions at <http://wef.ch/live>
- Follow the Forum on Twitter at <http://wef.ch/twitter> and <http://wef.ch/livetweet> (hashtag #WEF)
- Follow tweets from participants on our twitter list at <http://twitter.com/davos/WEFChina>
- Read the Forum Blog at <http://wef.ch/blog>
-

- Become a fan of the Forum on Facebook [at http://wef.ch/facebook](http://wef.ch/facebook)
- Follow the Forum on Google+ [at http://wef.ch/gplus](http://wef.ch/gplus)
  - Follow the Meeting on iPhone [at http://wef.ch/iPhone](http://wef.ch/iPhone)
  - Join the Summer Davos Debates in China at <http://davosdebates.youku.com>
  - Visit the Forum ' s video space in Chinese [at http://wef.ch/youku](http://wef.ch/youku)
  - Read the Forum ' s Chinese Sina Microblog [at http://t.sina.com.cn/davos](http://t.sina.com.cn/davos)
  - Read the Forum ' s Chinese QQ Microblog [at http://t.qq.com/davos](http://t.qq.com/davos)

---

The World Economic Forum is an international institution committed to improving the state of the world through public-private cooperation in the spirit of global citizenship. It engages with business, political, academic and other leaders of society to shape global, regional and industry agendas.

Incorporated as a not-for-profit foundation in 1971 and headquartered in Geneva, Switzerland, the Forum is independent, impartial and not tied to any interests. It cooperates closely with all leading international organizations ([www.weforum.org](http://www.weforum.org)).



World Economic Forum, 91-93 route de la Capite, CH-1223 Cologny/Geneva  
Tel. +41 (0)22 869 1212, Fax +41 (0)22 786 2744, <http://www.weforum.org>