Business Leaders Point to Key Risks Facing Global Economy

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- Asset bubbles in emerging markets, soaring commodity prices, state debt are key risks
- World's financial system is in better shape than three years ago
- No consensus on how to tackle high state debt
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Davos, Switzerland, 27 January 2011 – Top business leaders see a host of potential dangers facing the world economy – ranging from asset bubbles in emerging market countries to soaring world commodity prices and huge levels of state debt in Europe. However, it is difficult to say just where the next global shock will come from.

On the question of continuing low borrowing costs and cheap money in the most-developed economies, one of the factors that contributed to the global economic crash, participants said that they are confident that the lessons have been learned and that the global banking system has emerged stronger from the test.

"I am a little optimistic. I think that we have a stronger system than three years ago," James Dimon, Chairman and Chief Executive Officer of JP Morgan & Chase, said during a debate on whether the world is now better prepared to face a future systemic shock.

Maurice Levy, Chairman and Chief Executive Officer, Publicis Groupe, the international advertising and communications company, said that he is particularly concerned about surging asset prices in China and other leading emerging markets, which are being driven by the extremely fast growth of cities. "Where you have unremitting growth, you get crises," he warned.

In part, the leap in global commodity prices, which has already triggered fears of political unrest in some developing countries because of soaring food costs, is linked to increasing urbanization, participants were told. Although rises in commodity prices can have the advantage of encouraging greater technological innovation, not all commodities can be easily substituted.

Klaus Kleinfeld, Chairman and Chief Executive Officer, Alcoa, said that with demand for cars in China, for example, is certain to continue to expand; there will be no let-up in the global pressure on steel and copper prices.

But, business leaders were divided on how to approach the issue of huge state debt built up by some European countries during the boom years..

Some saw the need for Europe's stronger economies, particularly Germany, to take part of the load by supporting, for example, the launch of European Union-backed Eurobonds in support of weaker economies, such as Ireland and Greece.

But Dimon warned that any “socializing” of states’ debts, by involving other European Union countries in financing them, could send out the wrong message on the need for fiscal discipline. “You have got to make sure that some are not piggy-backing on others,” he said.

Notes to Editors

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