

World Knowledge Forum 2012

Economic Risks 2013

Thursday, October 11, 2012

A panel of economic leaders discussed the various economic risks facing the global economy in the coming year on the third and final day of the World Knowledge Forum in Seoul. The panel focused on the fiscal situation in the United States and Europe, as well as pressing socioeconomic issues facing the international community.

The panel included Mr. David Gordon, Head of Research and Director of Global Macro, Eurasia Group; Fraser Howie, coauthor of *Red Capitalism*, John Chambers, Chairman of Standard & Poor's S&P Sovereign Rating Committee; and Richard Duncan, author of *Dollar Crisis*.

"We are at an inflection point when thinking about global risk," said Mr. Gordon. "In the last four years, the traditional relationship between developed markets and emerging markets has been flipped."

Mr. Gordon continued, "No one wants to drive off the fiscal cliff. There is no constituency that wants to drive off the fiscal cliff. The weaknesses in Europe and the growing uncertainty in China show that the safe-haven status of the United States is going to attract resources in a way that will not create conditions for a fiscal contraction."

"We don't see it as a fiscal crisis. Rather, we see it as a balance-of-payments crisis," said Mr. Gordon.

However, the panelists agreed that the fiscal situation in the West does pose negative consequences for the global economy. "During the [United States] government's second round of quantitative easing, global food prices increased by sixty percent, which created a humanitarian disaster," said Mr. Duncan.

The changing economic climate in China was also credited as a source of international risk. Mr. Gordon asserted that "in recent weeks, the Chinese have chosen to escalate tensions with Japan into the commercial sphere by instigating riots and boycotts directed against Japanese businesses."

"One can't divorce the politics and economic problems in China as much as one would like to," said Mr. Howie. "It wouldn't be a surprise to see China flex its muscles, and that is going to be a very big problem for the world in terms of how they handle it."

While the panel generally agreed that the main risks of 2013 will be associated with the fiscal policies of the West and socioeconomic conflicts in the East, a definitive solution appeared less certain.

"This crisis is going to go on for a decade or even longer. Are we going to waste all this money on domestic consumption and war, or are we going to invest it in new industries?" asked Mr. Duncan.