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Zoellick: Global economy will shrink 1-2% in 2009

~World Bank President calls current stimulus plans a “sugar high” ~

BRUSSELS (March 21, 2009) – Speaking at Brussels Forum today, World Bank President Bob Zoellick warned that the global economy will shrink 1% to 2%, and that the current unregulated stimulus plans around the world will result in another crash.

Despite a projection by the International Monetary Fund of 1% global economic decline, Zoellick said World Bank projections showed 1% to 2% decline, a drop not seen since World War II or the Great Depression. He also projected trade to fall to a low not seen in 80 years. He emphasized the significant levels of uncertainty and noted that the wave effects of the developing world had not yet been felt.

Zoellick said injecting money into the economy without fixing the credit systems will inevitably lead to another crash, calling it a “sugar high.”

“The issue now that is most important are the bad assets and recapitalizing the banks, and the reason I use ‘sugar high’ was that it’s like if you have to have stimulus, it gives you a boost, but unless you get the credit system working again, it will drop off,” he said.

The fourth-annual Brussels Forum is a high-level meeting of influential worldwide leaders to discuss pressing transatlantic issues. Brussels Forum is organized by the German Marshall Fund of the United States (GMF) with the Federal Authorities of Belgium & the Egmont Institute, Daimler, and the government of the Czech Republic.

Zoellick said transatlantic leadership is possible, and desirable, but that it went beyond the transatlantic allies.

“It’s a global system,” he said. “This is a global problem.”



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With Europeans in the audience, Zoellick noted that the current crisis presents a challenge to the euro, a challenge to EU solidarity, and it highlights the division and issues between Western and Eastern Europe.

Zoellick used the example of Ukraine in describing the challenges facing Eastern Europe.

“You’ve had a political situation in Ukraine where a lot of the parties have been pulled apart as opposed to together,” Zoellick said. “To deal with this crisis, you’re going to have to have the President and Prime Minister work effectively together.

“I think the best way to do that is for the IMF, for the World Bank, but also for European leaders, to say, if you take these actions, these are the benefits you get.”

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Brussels Forum is an annual high-level meeting of the most influential political, corporate, and intellectual leaders worldwide to address pressing challenges facing both sides of the Atlantic. Participants include heads of state, senior officials from the European Union institutions and member states, U.S. officials, Congressional representatives, Parliamentarians, think tank leaders, academics, corporate executives, and media.

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