

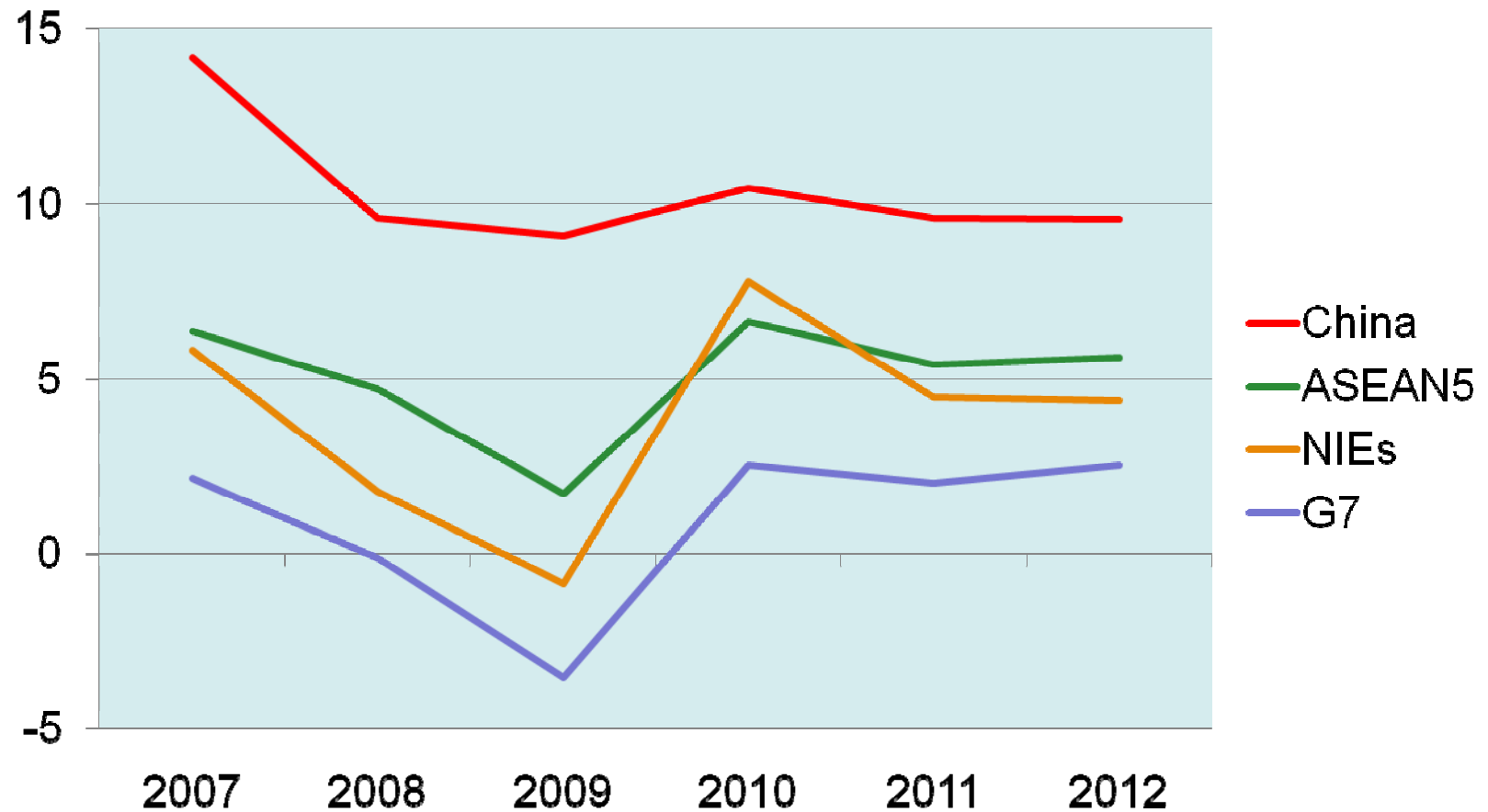
Incomplete Recovery

Peter A. Petri
Brandeis University and East-West Center

PECC General Meeting
Tokyo, 20 October 2010

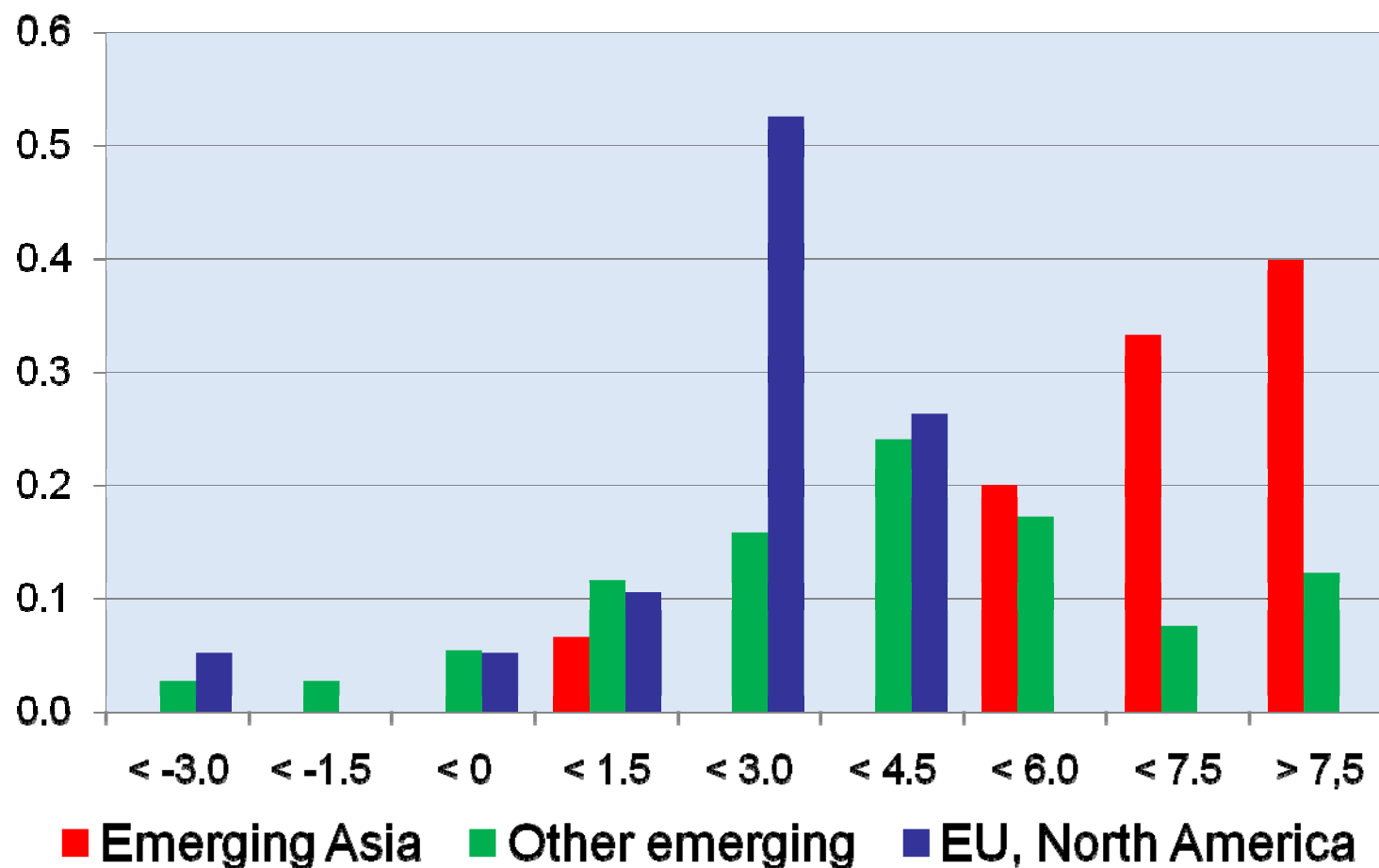
It still looks like a “V”...

Real GDP growth (%)



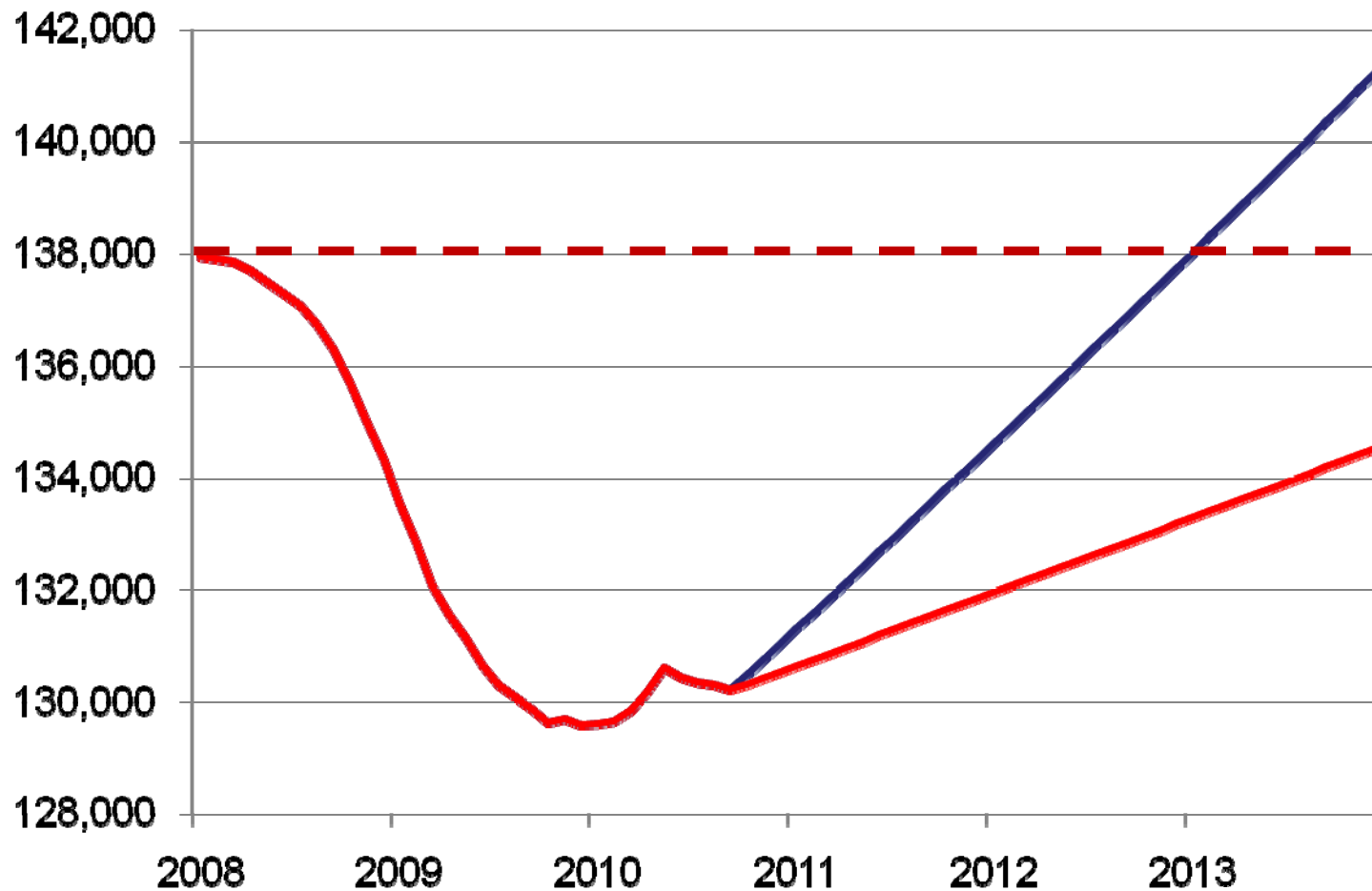
... with Asia leading the way.

Share of 2010 growth rates by group



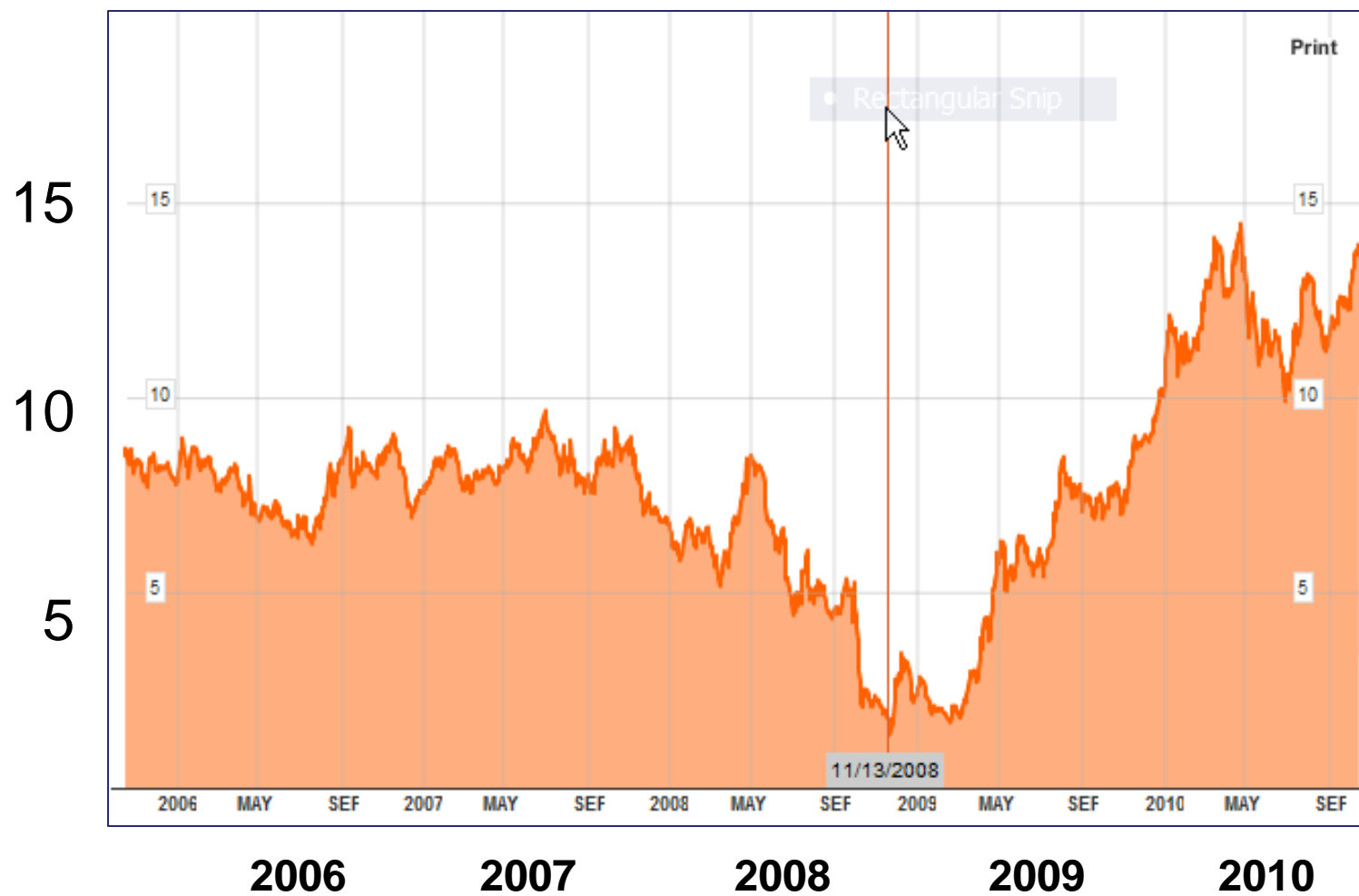
In US, slow jobs recovery...

Non-farm employment (000)

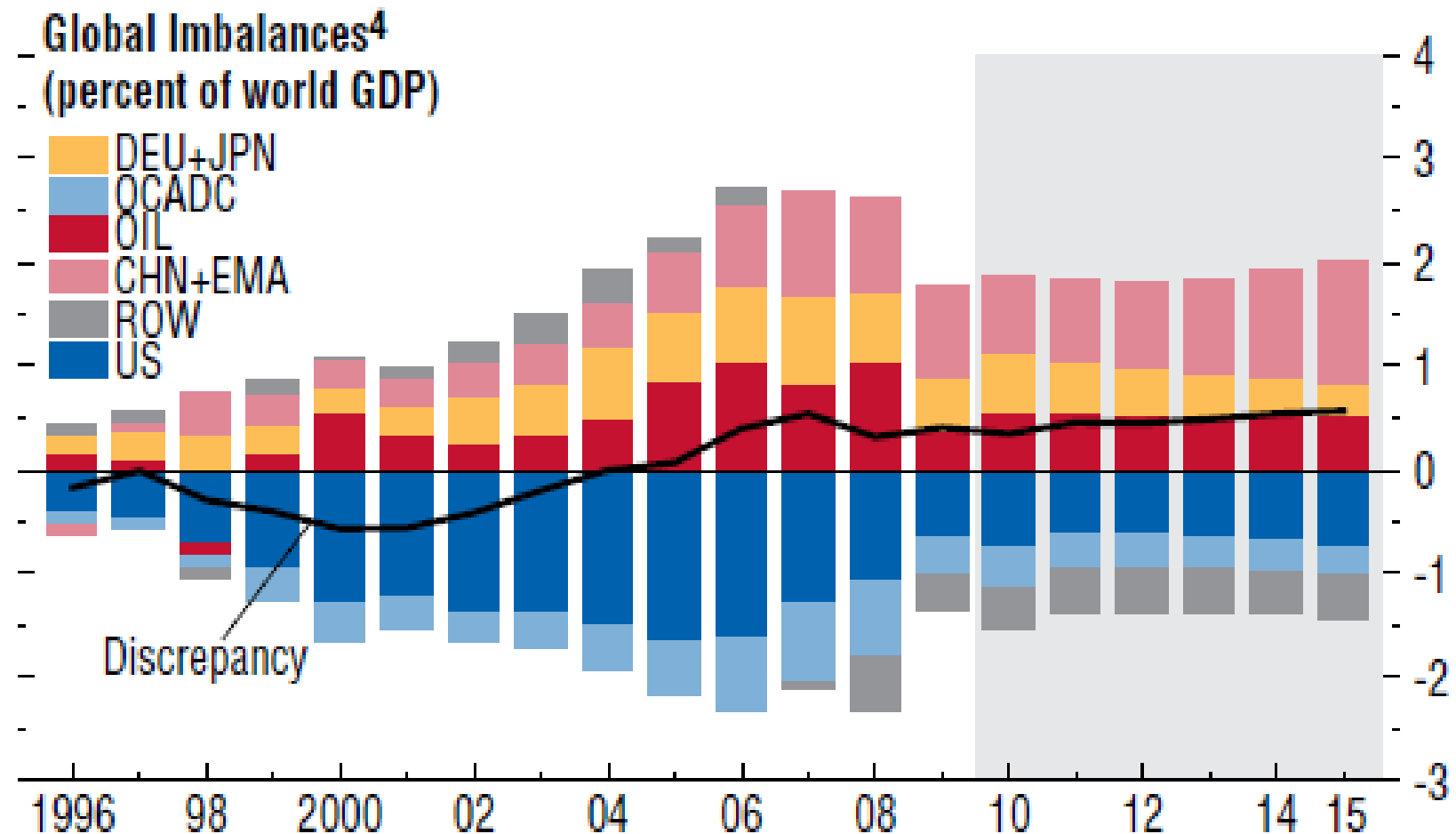


Global Insight database

... but some bright spots.



Global imbalances persist...

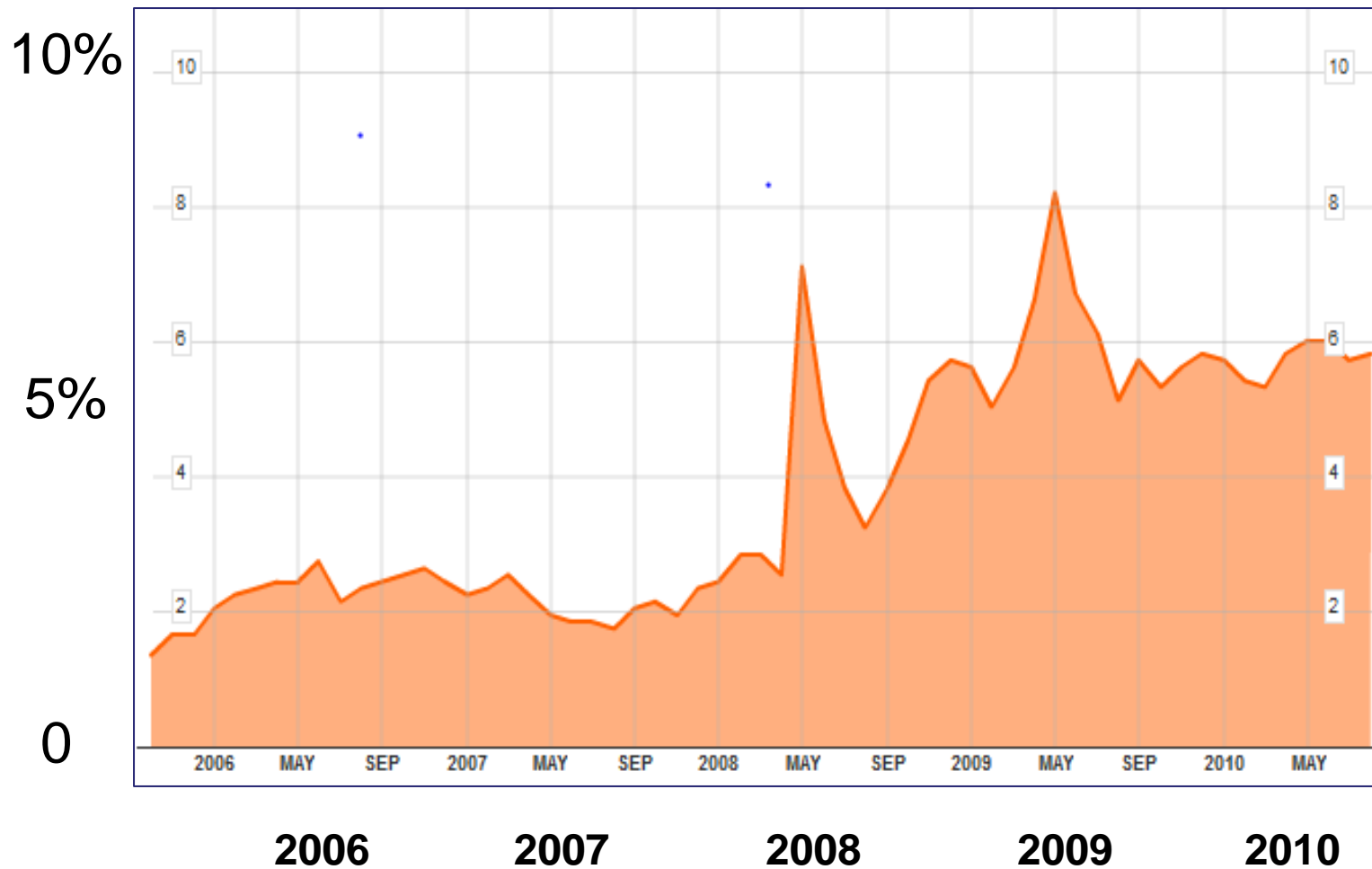


IMF WEO October 2010

... with changing implications.

- Old concern
 - Risk of eventual dollar collapse
- New concern
 - Little net export growth in deficit countries
 - Quantitative easing (QE2)
 - Massive capital flows to surplus countries
 - New rounds of financial instability
- Compounded by Greek crisis

US household savings improve

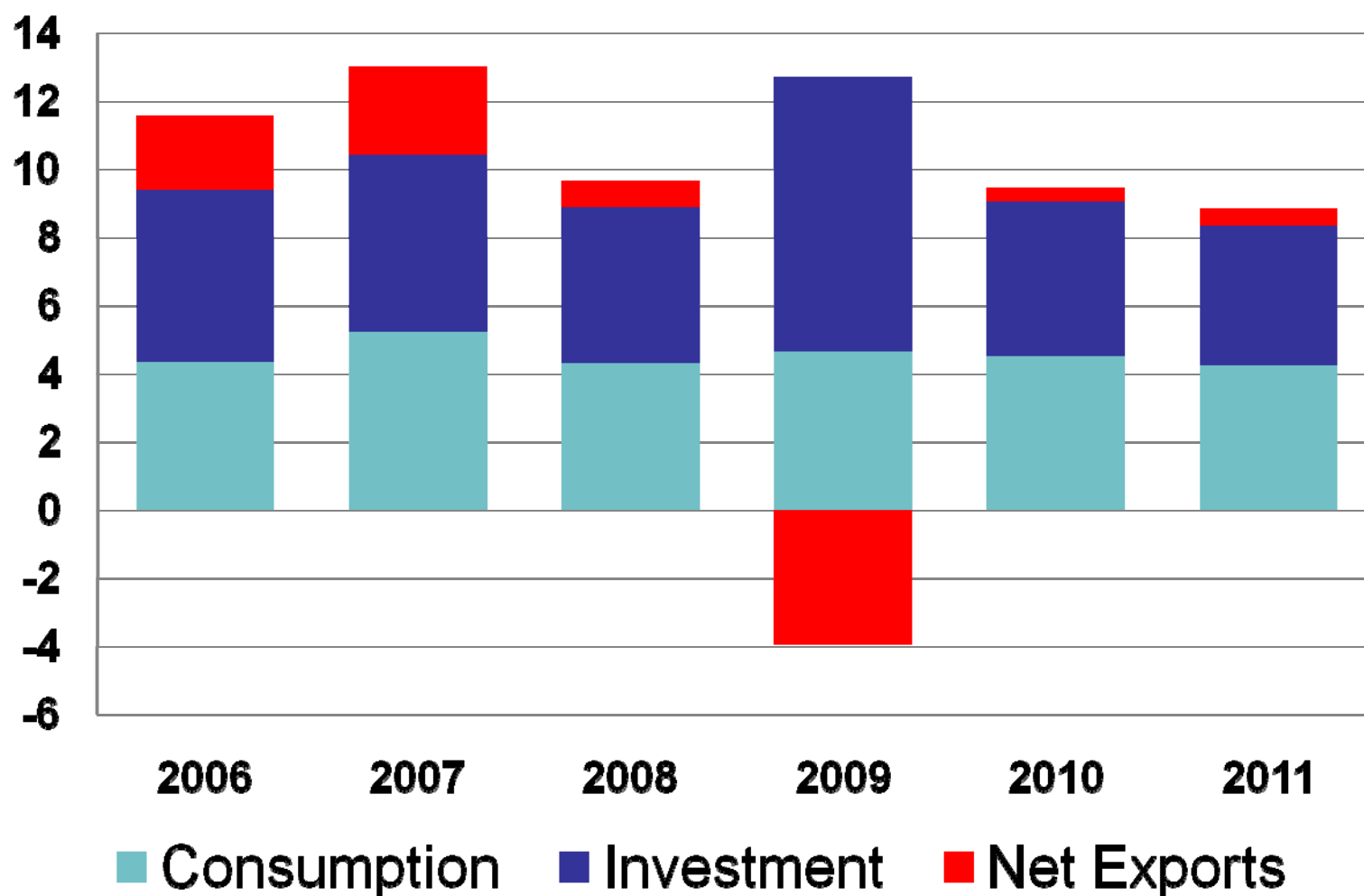


Bloomberg online

Slide 8

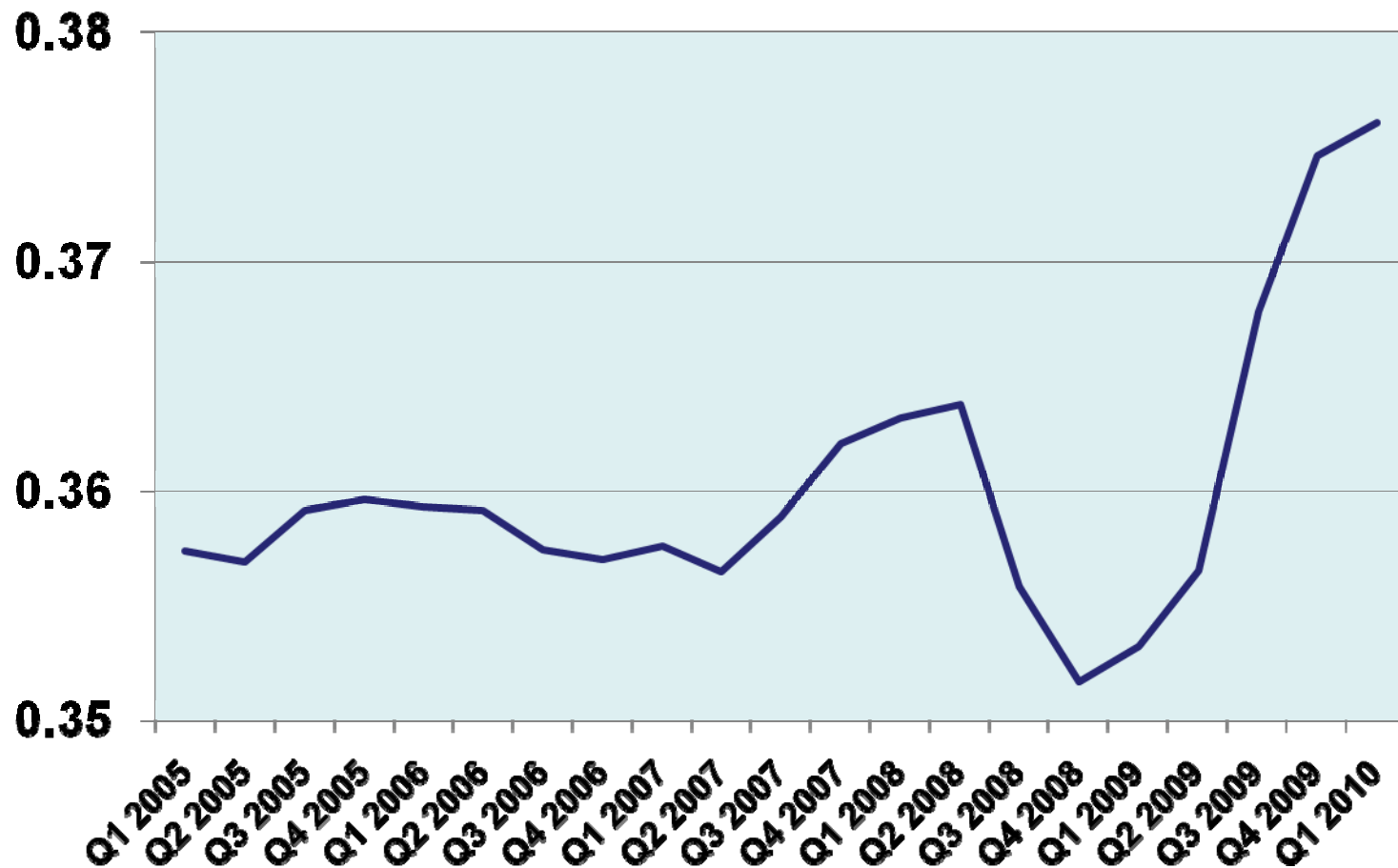
Demand drives Chinese growth

Contributions of GDP components



Asian interdependence deepens

Share of exports to Asia in total exports (4QMA)



Is global policy helping?

Global Report Card, 2010	
Subject	Grade
Financial regulation	<i>B +</i>
Trade policy	<i>C +</i>
Climate change	<i>C</i>
Structural reform	<i>D</i>
Macro cooperation	<i>D</i>

Layered cooperation needed

Layer	Institutions	Tasks
Board of directors	G-20 leaders	Goals
Corporate staff	Ministers, Bretton-Woods institutions	Targets
Line divisions	Regional institutions (APEC) National governments	Projects

Agenda for 2011

- G20
 - Defuse currency conflict
 - Focus on structural agenda
 - Strengthen implementation
- APEC
 - Confirm vision (e.g. FTAAP)
 - Operationalize growth strategy
 - Pathfinders such as EGS
- TPP

The US and Asia

- Pacific presidency is real
 - Emphasized by President and Secretaries
 - ASEAN initiatives / EAS
 - China and India bilaterals
 - Trans-Pacific Partnership
 - Supportive reform (health, exports)
- Unusually adverse circumstances
 - Severe economic crisis
 - Inherited wars
- Little help