

# Sustained Recovery in the Asia Pacific

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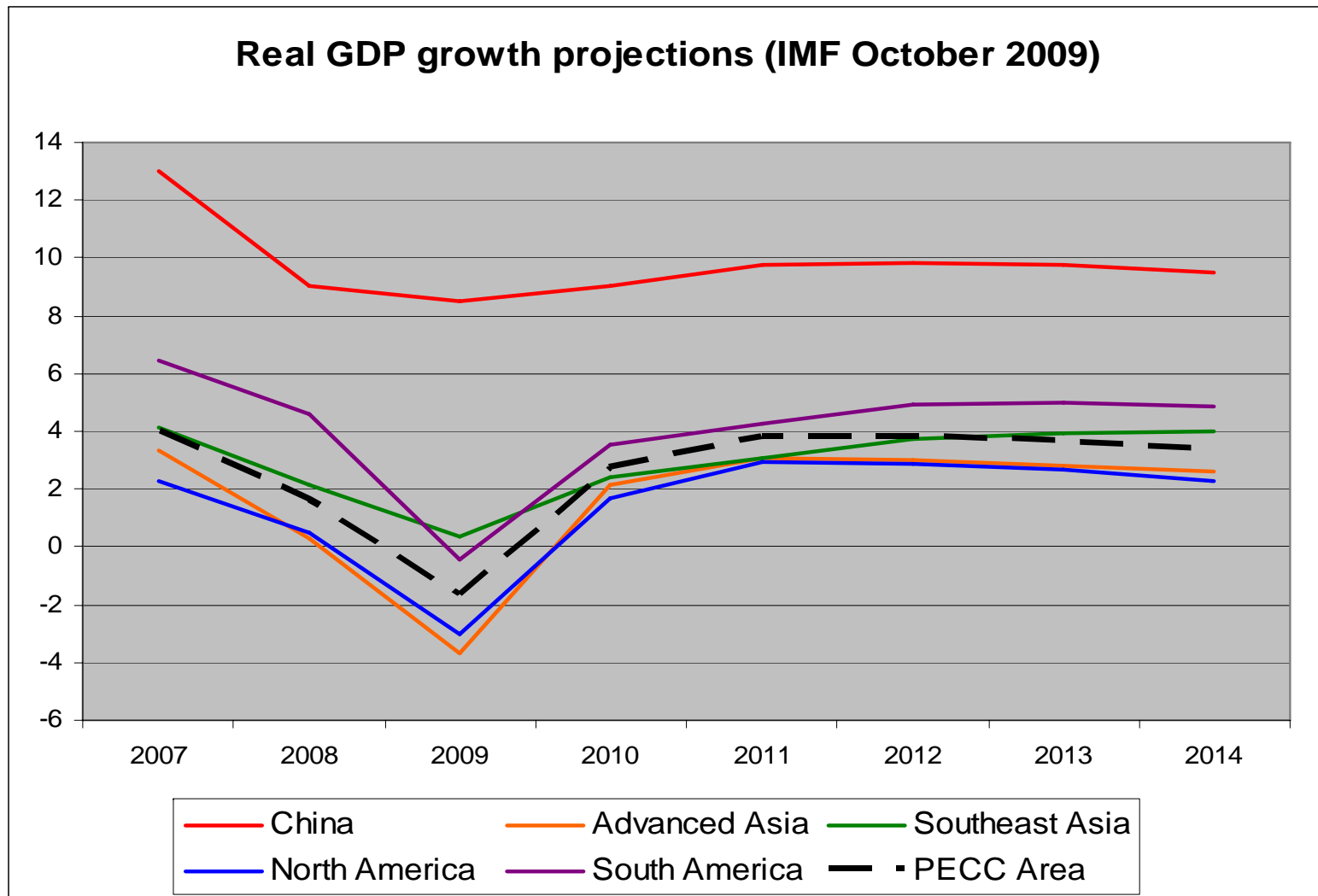
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# It looks like a deep “V”

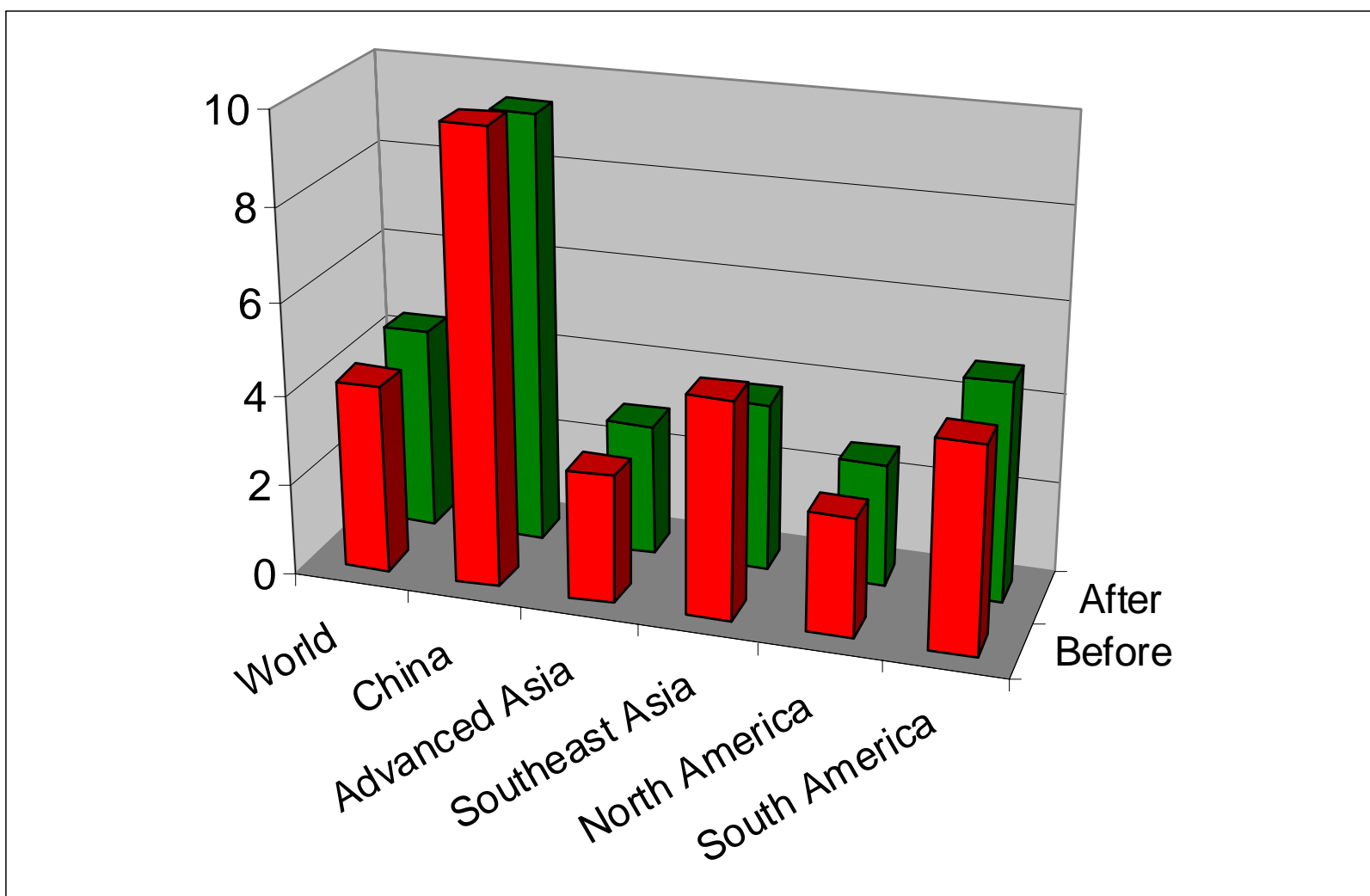


Source: IMF WEO Oct. 2009.

Slide 3

# IMF: growth before and after crisis

Real GDP growth rates, 2000-07 and projected 2011-14



Source: IMF WEO Oct. 2009

Slide 4

# Why rebalance?

- **External balance**
  - Replace US consumption decline
  - Orient growth to dynamic markets
  - Base growth on sustainable demand
- **Internal balance**
  - Consumption vs. investment
  - Public vs. private
- **Supply balance**
  - Tradable (exports) vs. non-tradable (services)

## Don't throw away “baby with the bathwater”

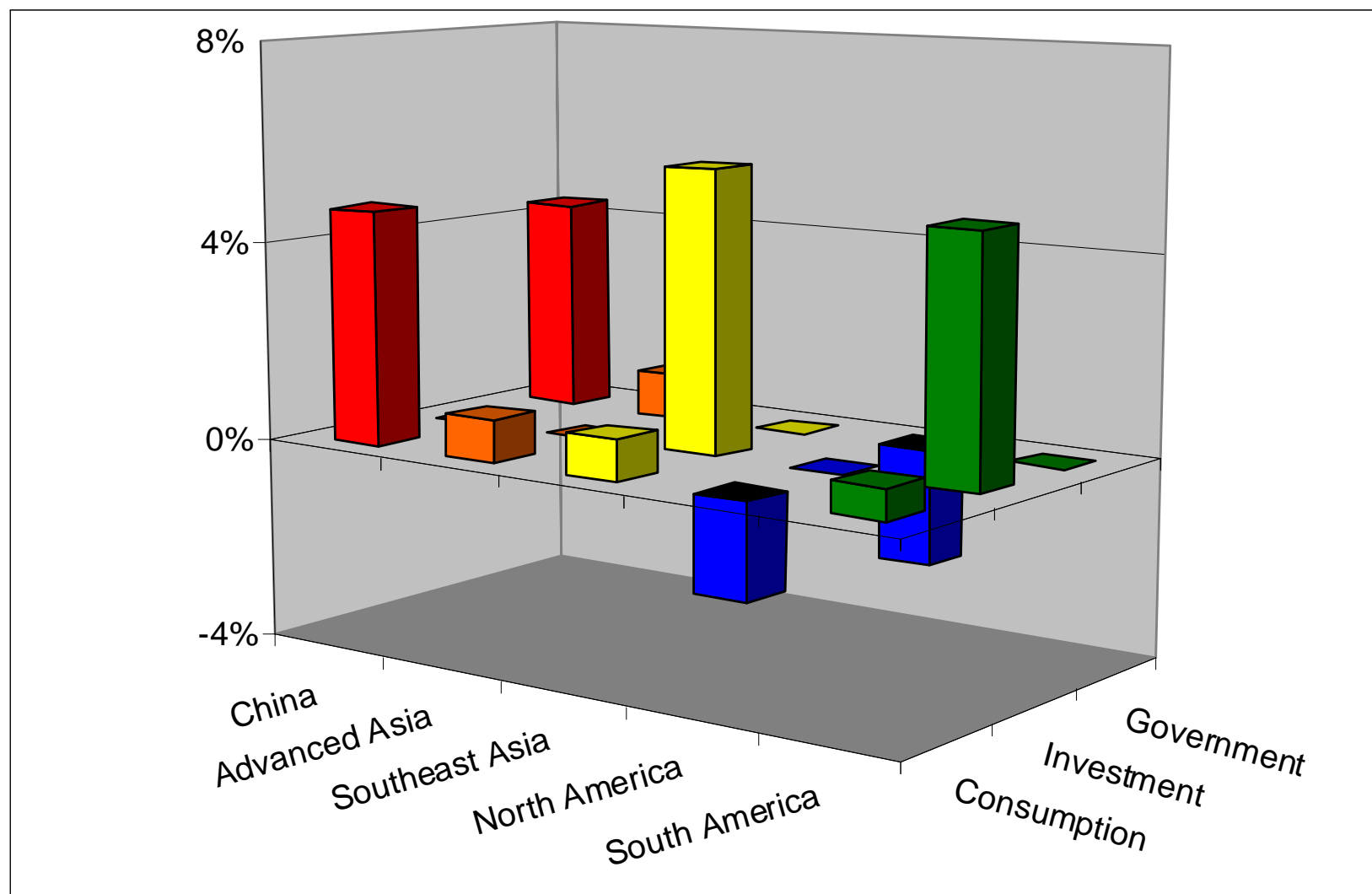
- Size of changes is manageable
- Maintain successful strategies
  - Outward oriented model
  - Efficient manufacturing
  - High savings
- Extend reforms to other sectors
- Some reforms will be difficult

# How big are the numbers?

Values in 2007, US\$ Billions

Asia-Pacific GDP	\$28.8 trill.
Asia-Pacific trade (X+M)	14.4
US GDP	14.1
Asian GDP	11.8
US “excess” deficit (>3%)	.3

# Rebalancing demand

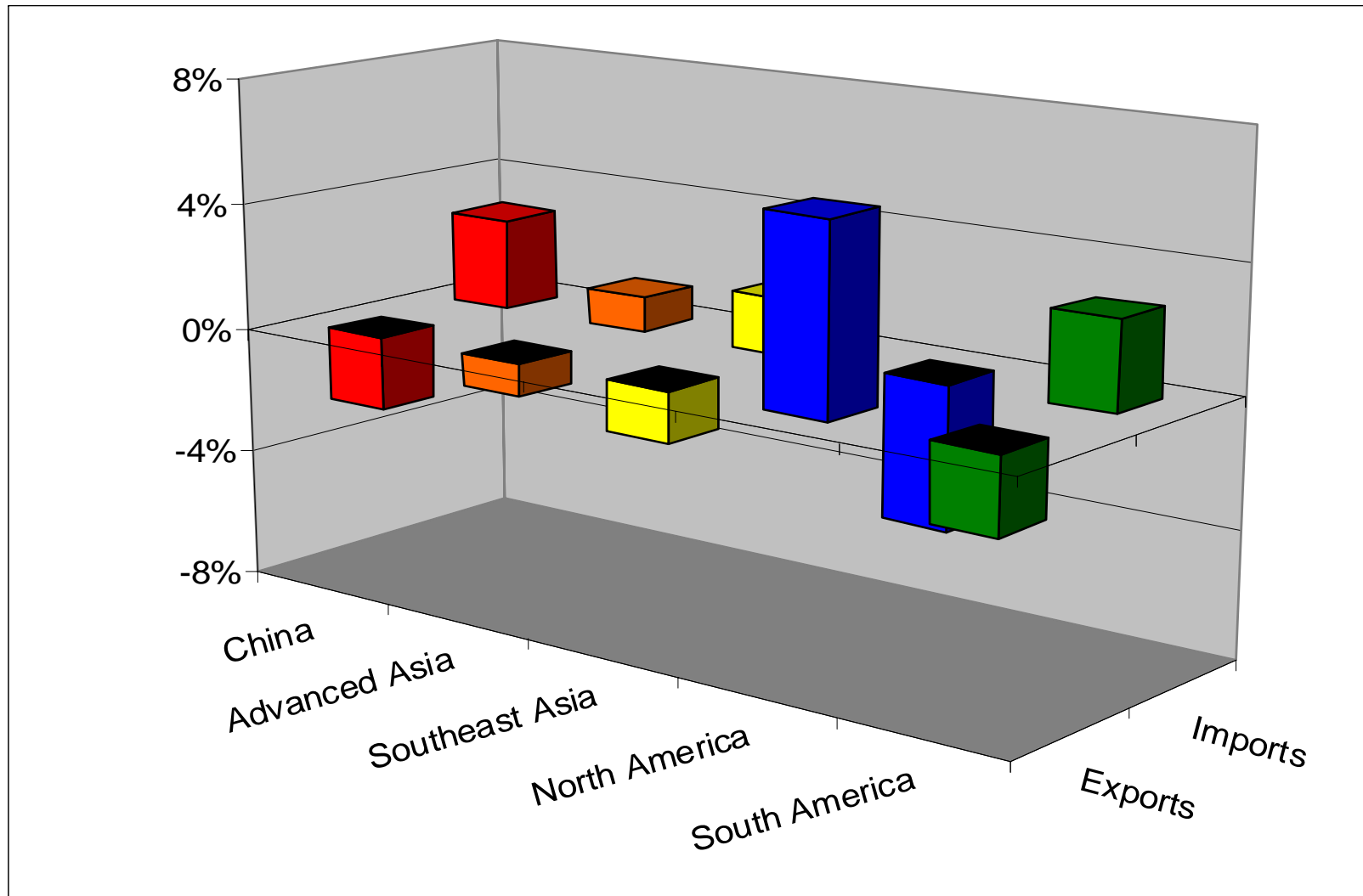


Source: PECC Taskforce.

Slide 8



# Rebalancing trade



Source: PECC Taskforce.

# Are we making progress?

- Some stimulus packages may be contributing to imbalances
- Structural policies are needed
- Growth engines could help

# Structural policies

US	<ul style="list-style-type: none"><li>• Budget discipline</li><li>• Financial regulation</li><li>• Export renewal</li></ul>
China	<ul style="list-style-type: none"><li>• Household incomes</li><li>• Safety nets</li><li>• Health, education, environment</li></ul>
Japan	<ul style="list-style-type: none"><li>• Services</li><li>• Technology for energy conservation</li><li>• Services for ageing populations</li></ul>

# Growth engines (1)

- Growth led by entrepreneurial clusters
- Based on profits generated by changes in demand, market, policy or technology
- Become magnets for investment, output, employment
- Amplify gains by coordinating activities

## Growth engines (2)

Economic integration	Trade with dynamic Asian markets, global and regional agreements, investments in connectivity.
Green economy	Energy conservation, clean coal, alternative energy, efficient vehicles, transport systems.
Investing in people	Health, education, safety nets, infrastructure.
Knowledge, productivity	Education, research and development, policies for productivity.

# Layered cooperation

Layer	Institutions	Tasks
Board of directors	G-20 leaders	Goals
Corporate staff	Ministers, B-W institutions	Targets
Line divisions	B-W institutions, Regional institutions, National economies	Projects

# Asia-Pacific opportunity

- Challenge for Asia-Pacific institutions
- “Go” solution (many benefits)
  - Growth of Asian demand and output
  - Markets for Asian enterprise, manufacturing
  - Positive engagement of US
  - Good use of Asian savings
- Build confidence for recovery