



The Global Economy: The New Normal

Khazanah Megatrends Forum
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Tuesday 06 October 2009





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1. The case for bullishness
2. Re-adjusting the global economy: pitfalls and dangers
3. General principles to go forwards

General fear...

- A year in: declines of 15% industrial production, 50% world stock markets, 20% world trade
- Deficit countries, surplus countries

But then...

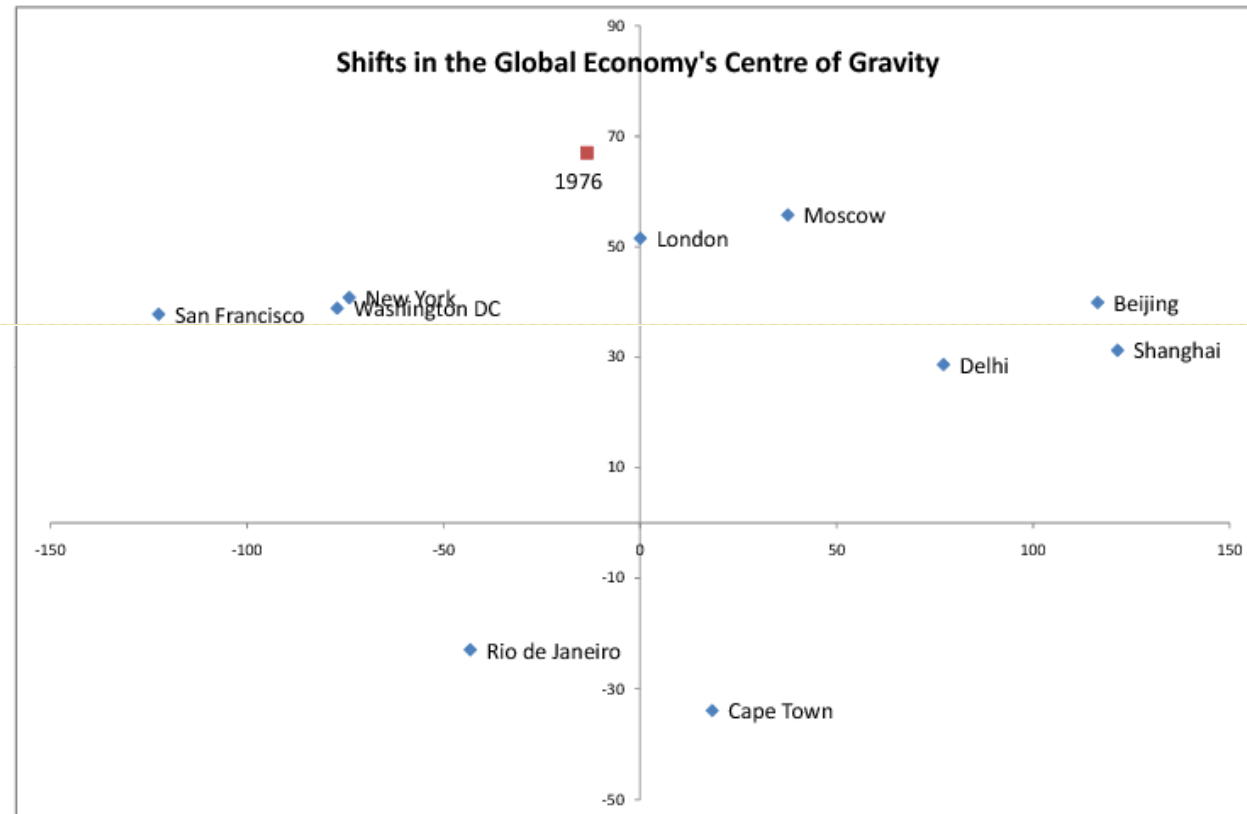


From: The Economist, 2009 August 15

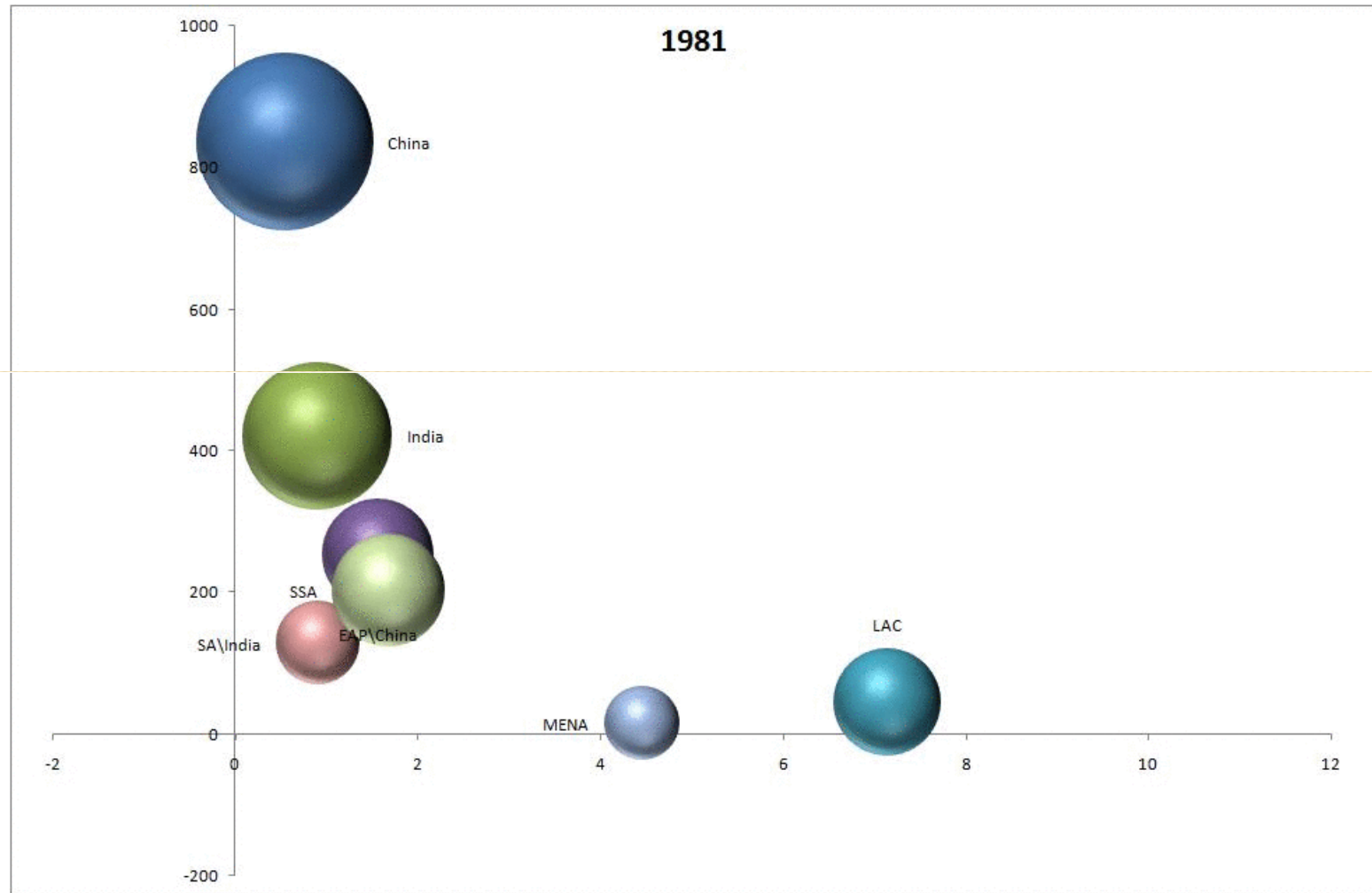
Already in previous downturns it's been Asia... and China and India

Ratio GDP Growth	1960- 1990	1991*	1991- 2000	2001	2001- 2007
ESE Asia/ US	1.03	18.16	0.62	1.75	1.32
China/ US	0.08	2.99	0.26	1.34	0.66
[China+ India] /US	0.13	3.20	0.33	1.67	0.83

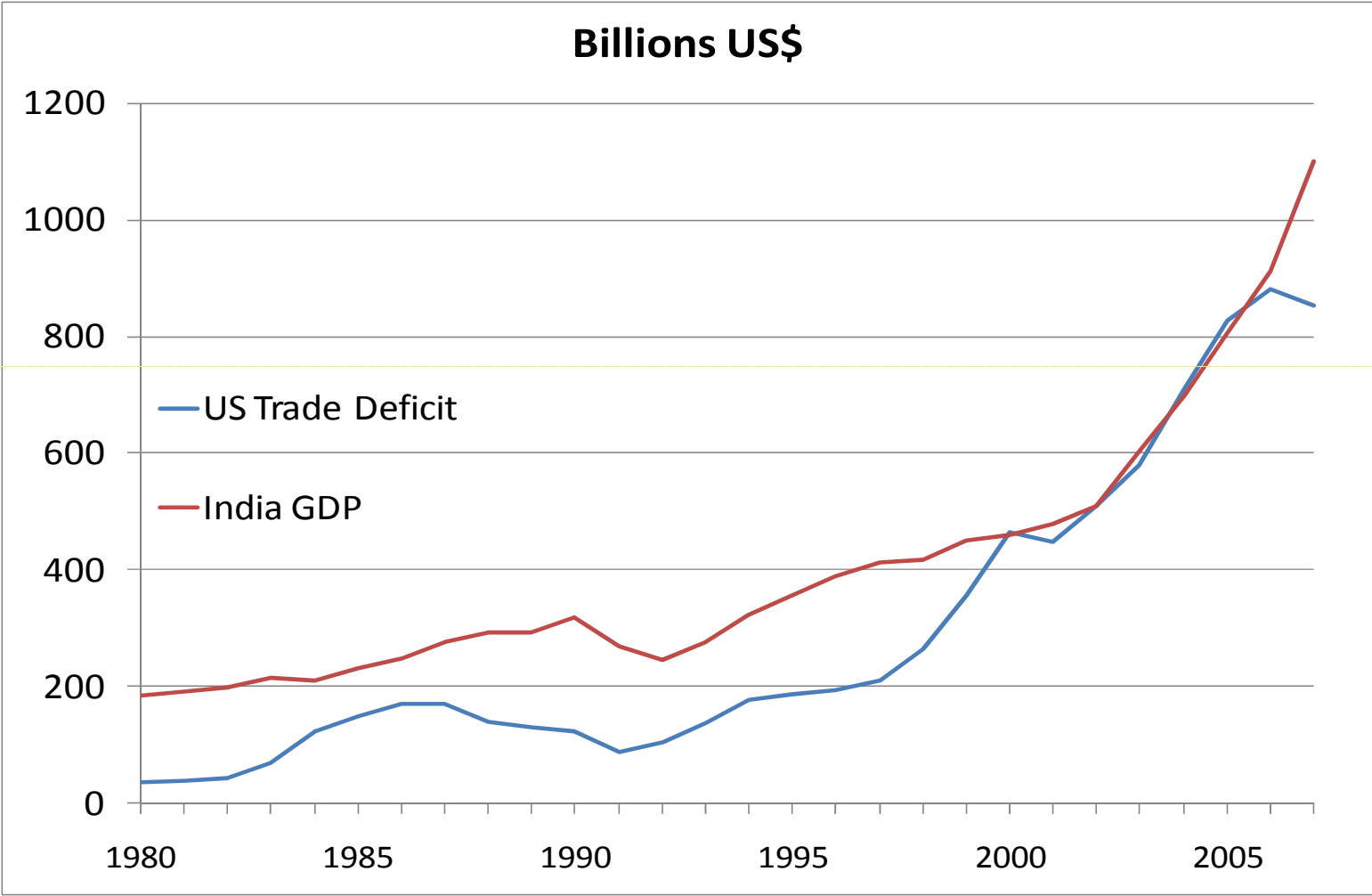
Shifts in the global economy's centre of gravity ... in flat world



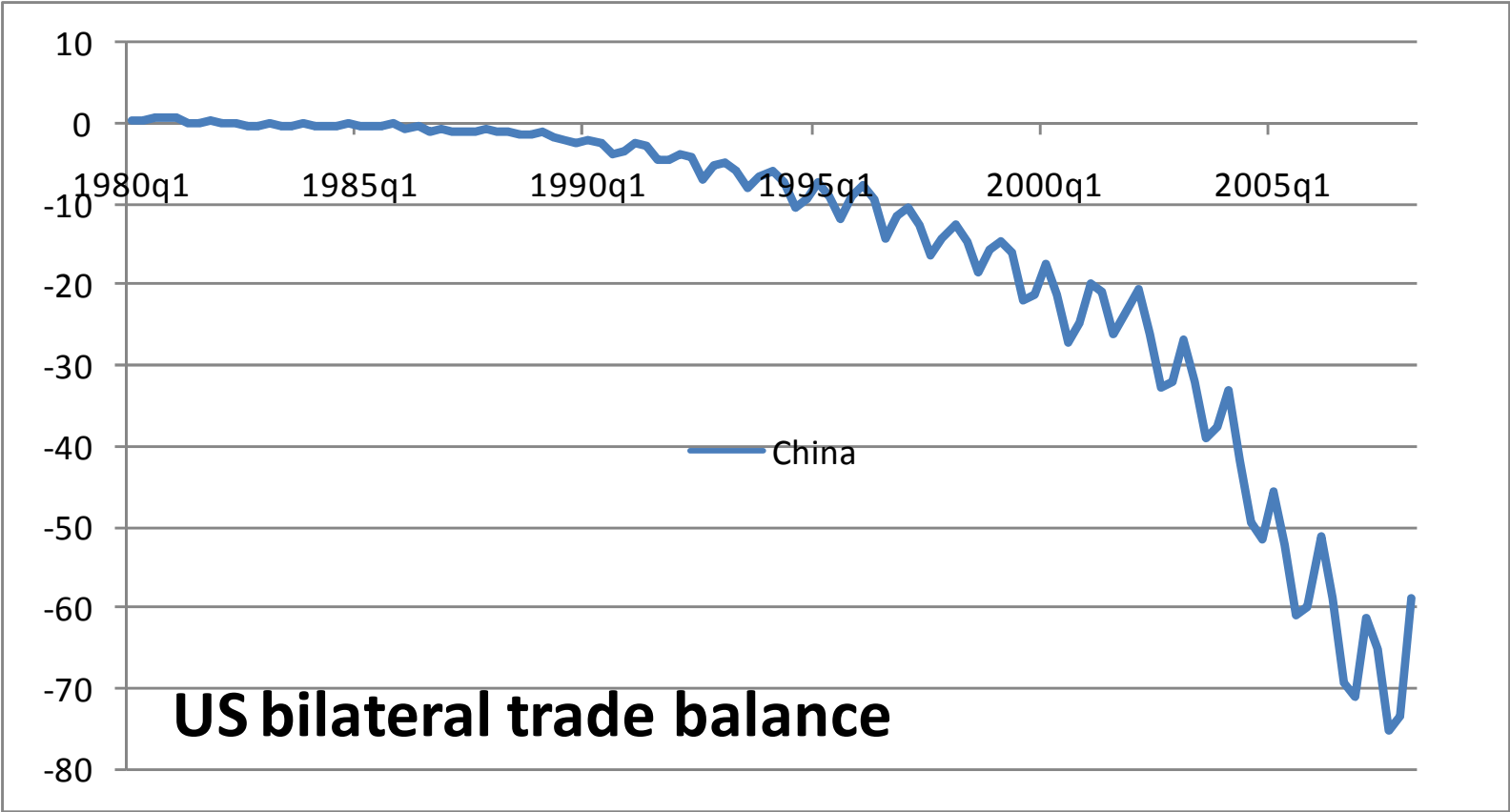
World growth and poverty



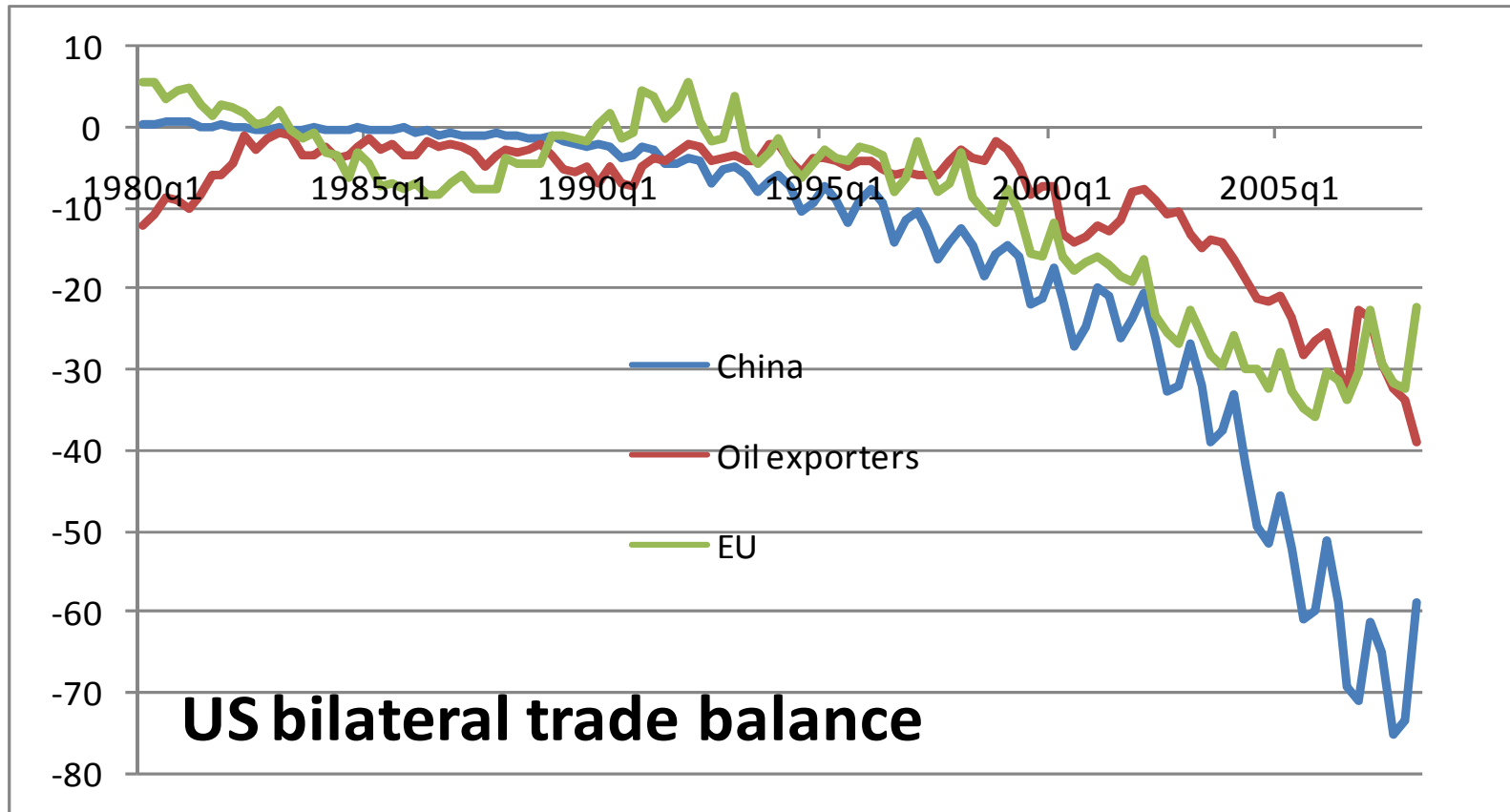
US trade deficit and a GDP



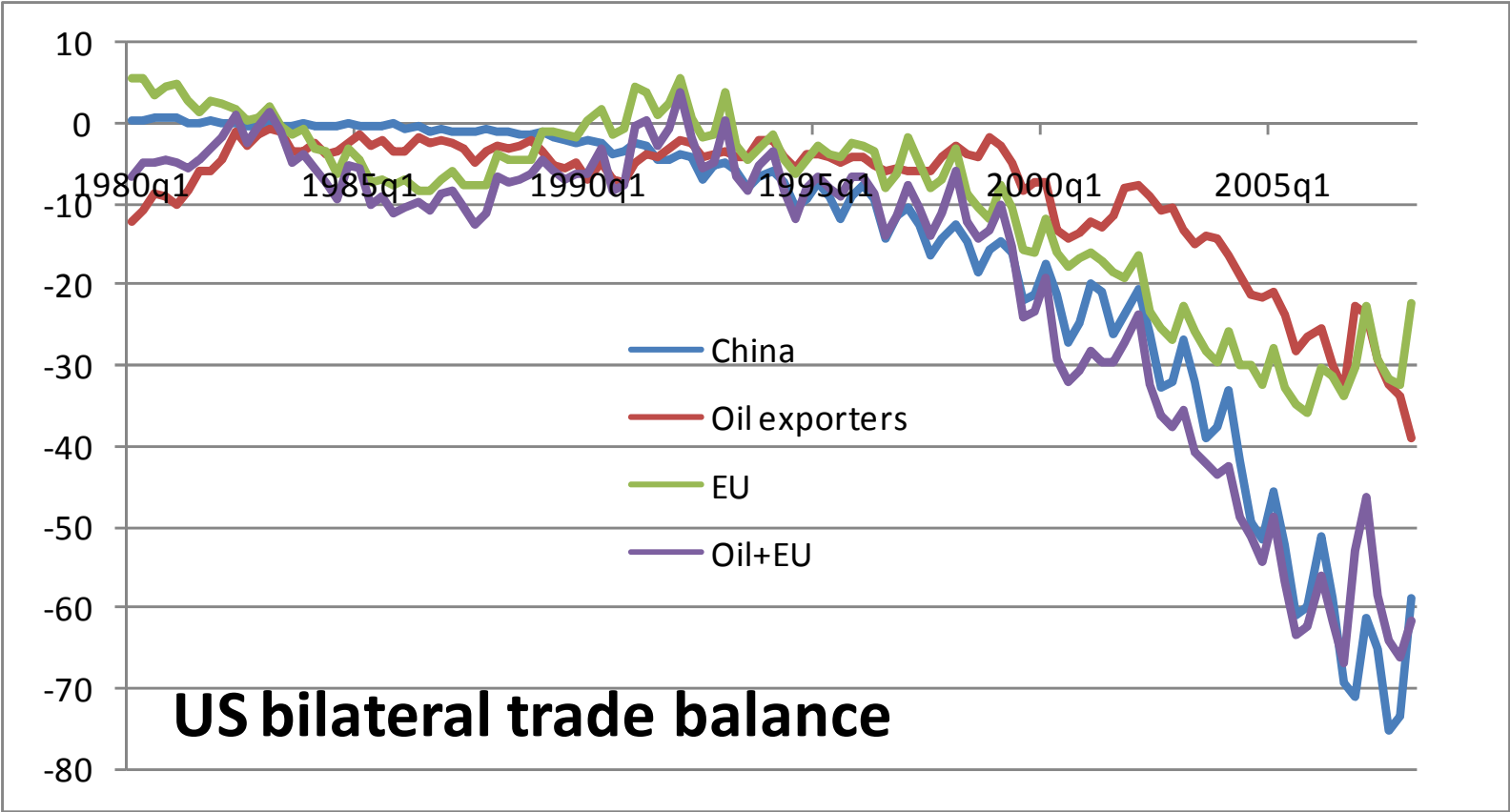
US bilateral trade balance



US bilateral trade balance



US bilateral trade balances



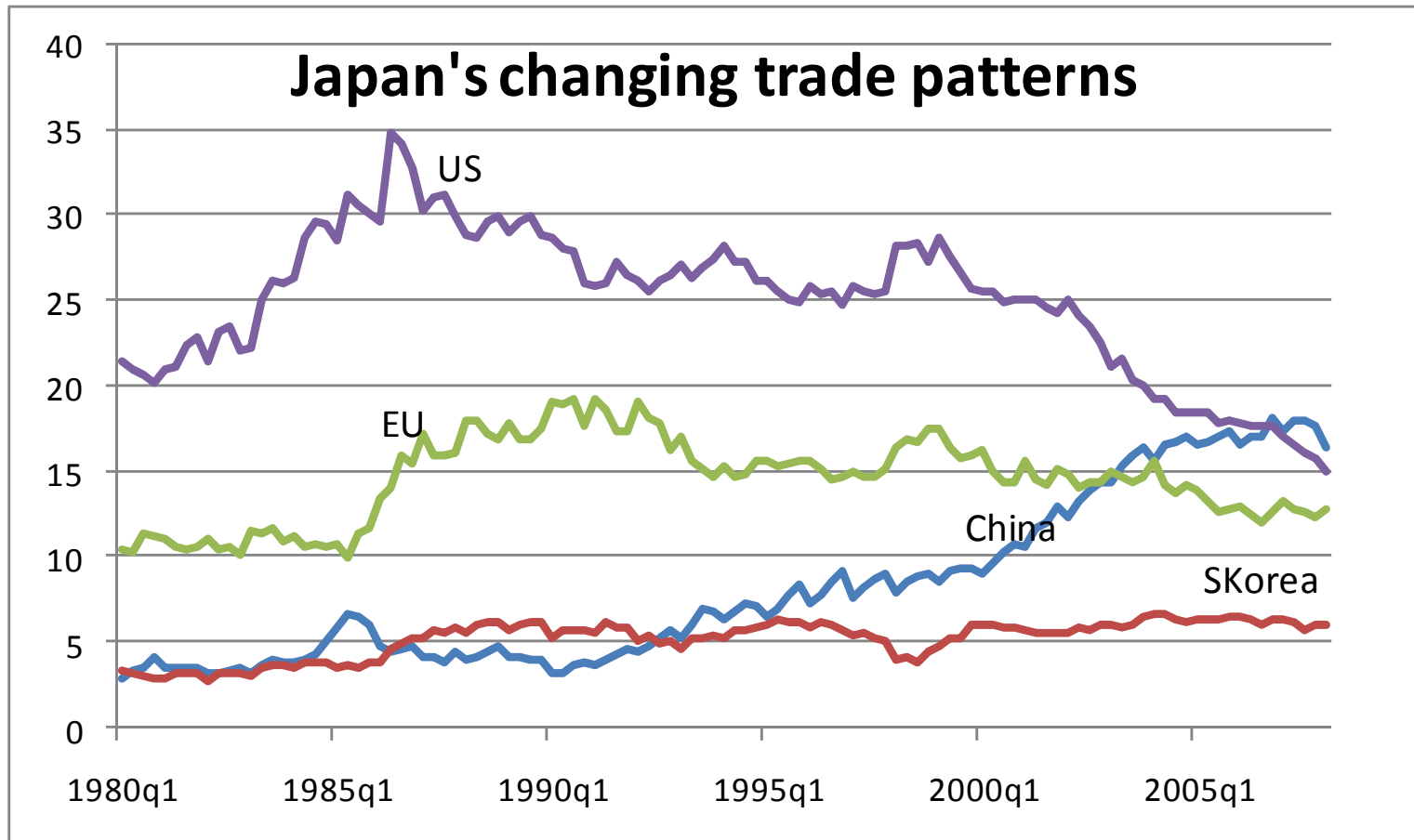
US bilateral trade balance



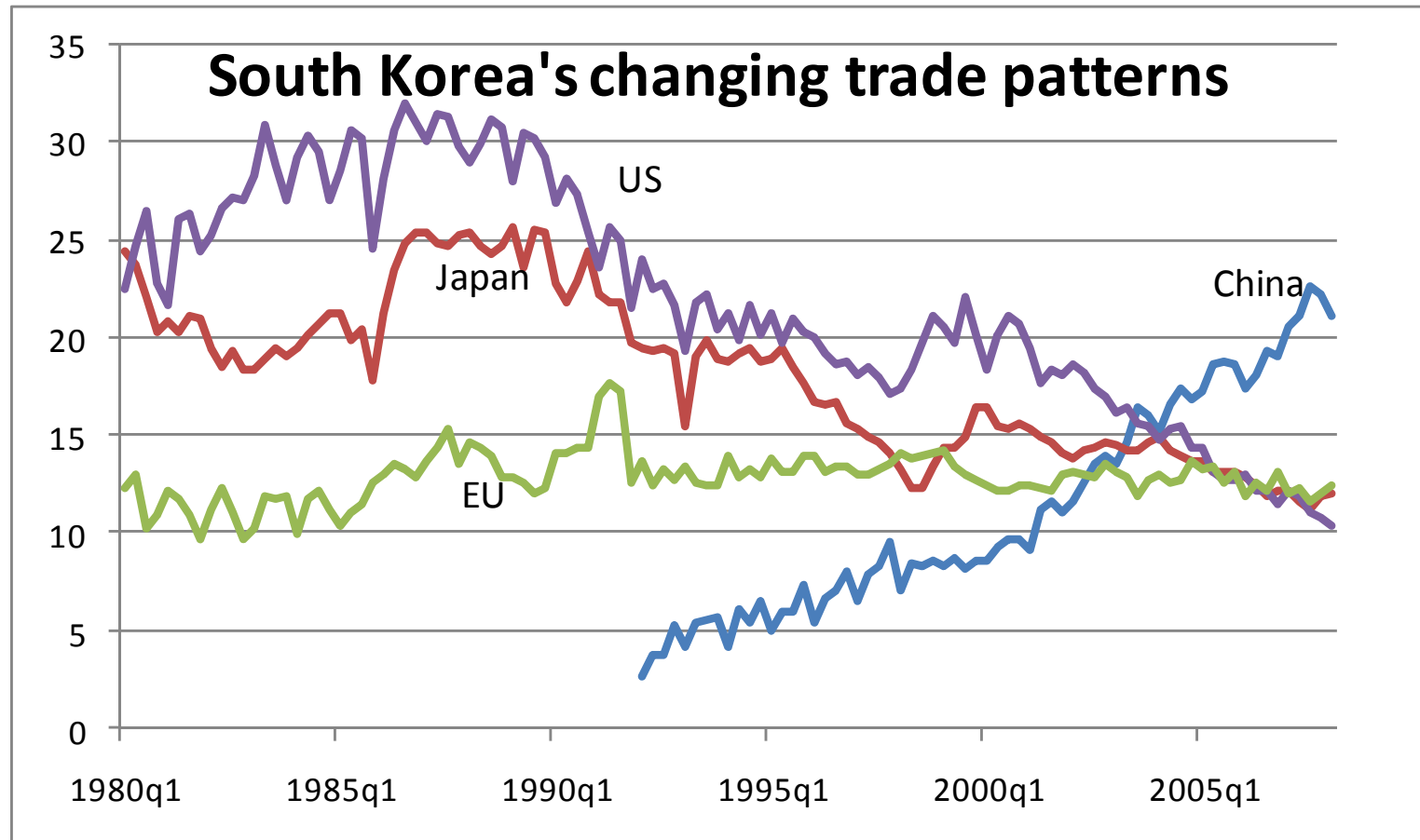
Bretton Woods: Keynes and the ICU

- “Asymmetric obligations”
- World’s reserve currency
- Short-term versus long-term forces in USD adjustment

Changing trade patterns: Japan



Changing trade patterns: SKorea



Propelling ideas

1. Get principles from facts, not dogma or ideology
2. Poverty reduction is the new black
3. Develop partners with commonality of interests; downplay the adversarial
4. Good governance matters, and does so more than abstract ideas



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