

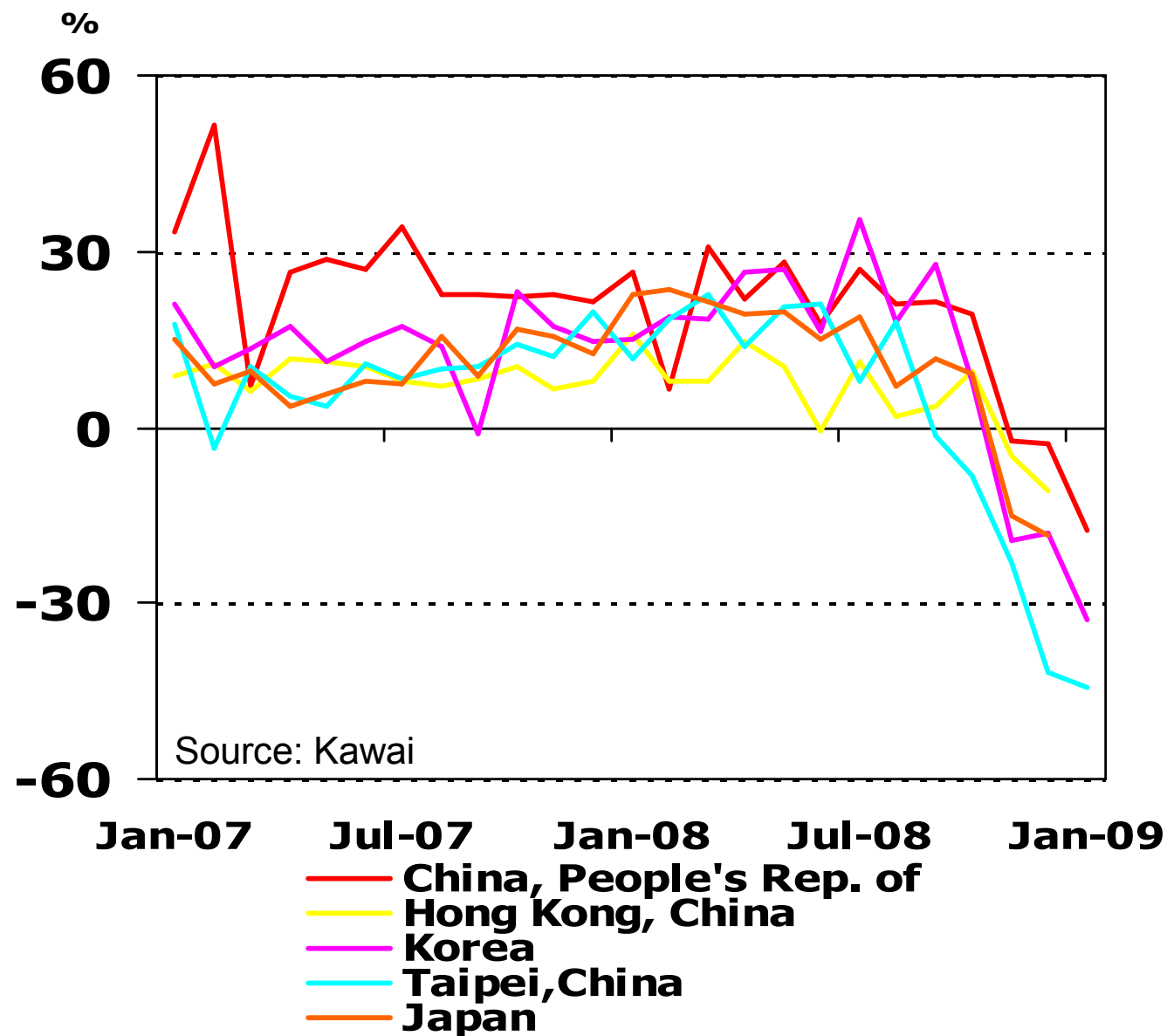
# Growth Engines After the Crisis

Peter A. Petri

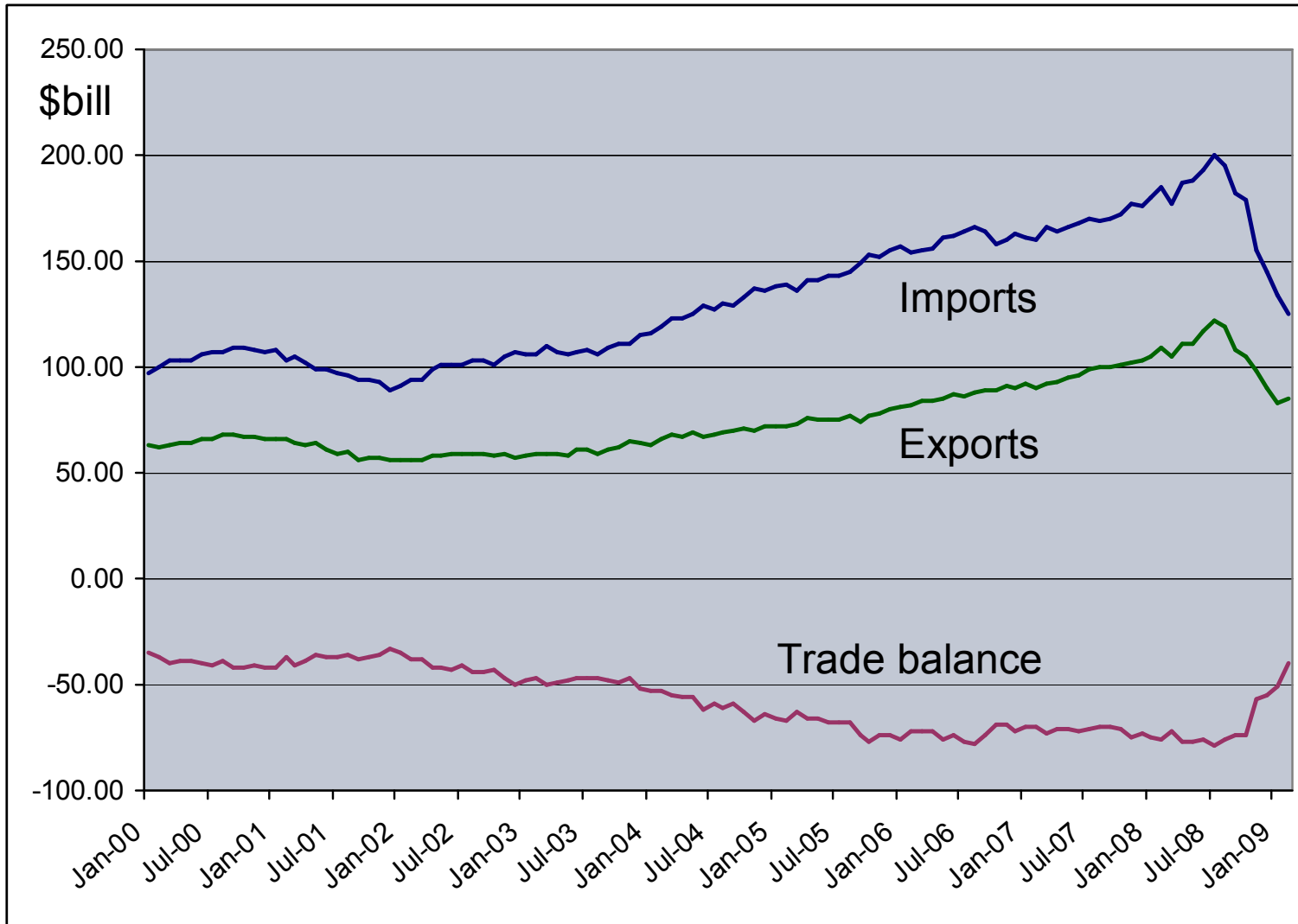
Brandeis University, East-West Center

PECC General Meeting  
Washington, May 2009

# Asian export economy in retreat



# US imbalances are declining (SA)



Source: Global Insight/Census

# Rebalancing is underway

- Adjustment in imbalances is not just due to crisis
- US consumption likely to stay sluggish
- Consumer durables likely to lag
- Japan and NIEs will be hard hit  
(knock-on effects on investment, consumption)
- Stimulus spending may have relatively small trade multipliers (?)

## So what will drive growth?

- Export economy is not dead, but ...
- New regional demand must step up.
- Potential for Asia-Pacific growth is intact
- Savings and technology are intact
- Asian financial systems are intact
- There is headroom for expansionary policy

... new growth engines.

# Growth themes

<i>Regional integration</i>	Gaps among countries and regions within countries present opportunities for catchup.
<i>Infrastructure</i>	Substantial investments in power, transport and communications infrastructure will be required to support growth in many places.
<i>Energy and environment</i>	Rising energy costs and climate change will require major adjustments in energy consumption and production.
<i>Social priorities</i>	Health, aging and human security represent rising priorities everywhere.

# What is a growth engine?

- Induces large investments and output growth (say, \$100b+ investment in 5 years)
- Generates robust demand for some years
- Offers vision and solves “coordination problem” (network effects, positive externalities, demonstration effects)
- Engages the private sector
- Has attractive technology and funding prospects

# Possible growth engines

<i>Regional integration</i>	<ul style="list-style-type: none"><li>• Closing China's development gap</li><li>• Integrating ASEAN (also with India?)</li><li>• China-Taiwan nexus</li><li>• Expanding FTAs: P4+, ASEAN+</li></ul>
<i>Infrastructure</i>	<ul style="list-style-type: none"><li>• Power generation</li><li>• Urban housing, transport, sanitation</li><li>• Pan-Asian rail and highway links</li><li>• High-speed passenger rail</li></ul>
<i>Energy and environment</i>	<ul style="list-style-type: none"><li>• Efficient energy distribution</li><li>• Alternative electricity generation</li><li>• Energy research and development</li><li>• Carbon credits, reforestation</li><li>• Water resource development</li></ul>
<i>Social priorities</i>	<ul style="list-style-type: none"><li>• Universal health services</li><li>• Services targeting aging</li><li>• Life sciences research and development</li><li>• Education</li></ul>



# Top 10 for 2010

1. China Western Development (China)
2. Universal health insurance (China, US)
3. Urban housing and transport (China, ASEAN)
4. ASEAN Economic Community (ASEAN)
5. Alternative energy (China, Japan, Korea, US)
6. Science and technology (US, Korea, Singapore)
7. Intelligent power grid (US, Korea, Japan)
8. Electric car (China, Japan, US)
9. Silver services (Japan)
10. Pan-Asian rail and highway links (ASEAN)

# Questions

- We need to learn more about growth engines
- What investment paths might be involved?
- What does it take to ignite a growth engine?
- What public initiatives are needed?
- How can we jointly promote and reinforce them?  
(roles for APEC, ADB, World Bank, Copenhagen, G20)