

Global Economic Prospects

Crisis, Finance and Growth **2010**

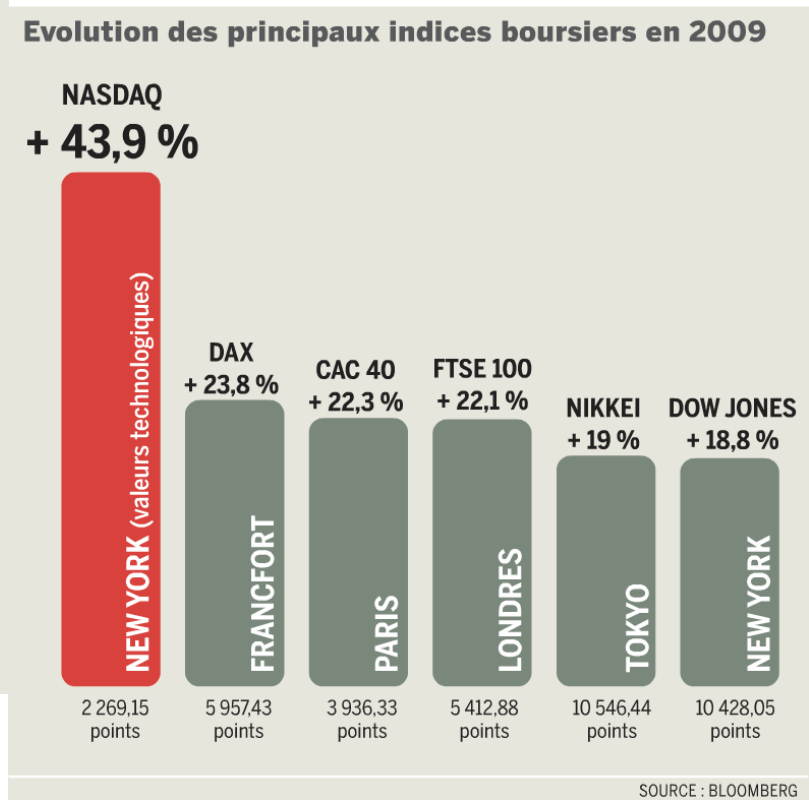
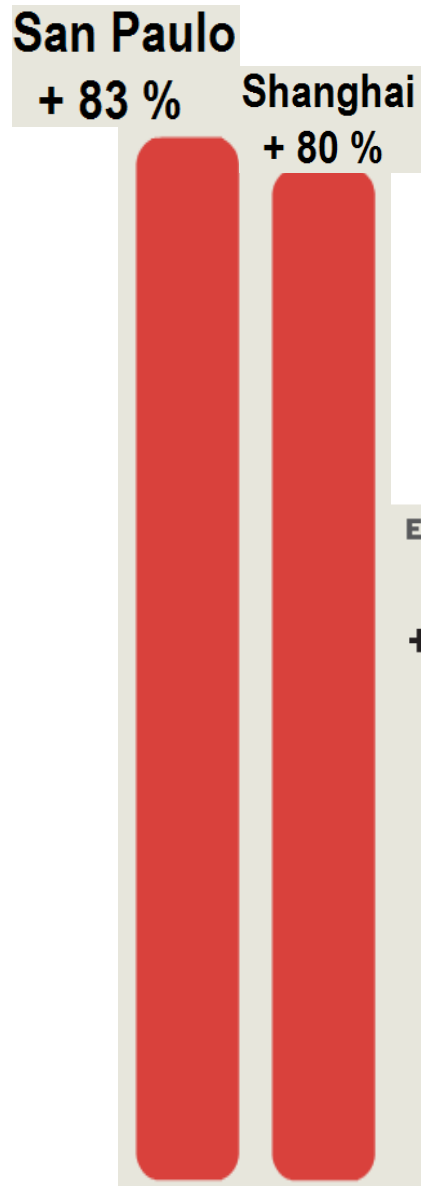
Paris, January 21, 2010

Comments by Moncef Cheikh-Rouhou

Recovery is fragile

- Crisis is still serious: unemployment and investment still lag.
- Recovery is fragile: did the Financial System learn the lesson?
- Huge resources are still sucked in by speculation and « virtual finance ».
- Hedge Funds are still largely unregulated and ill-monitored.

La «CRISE» est-elle terminée ?



Bourses 2009

- rebond en 2009
- doutes pour 2010

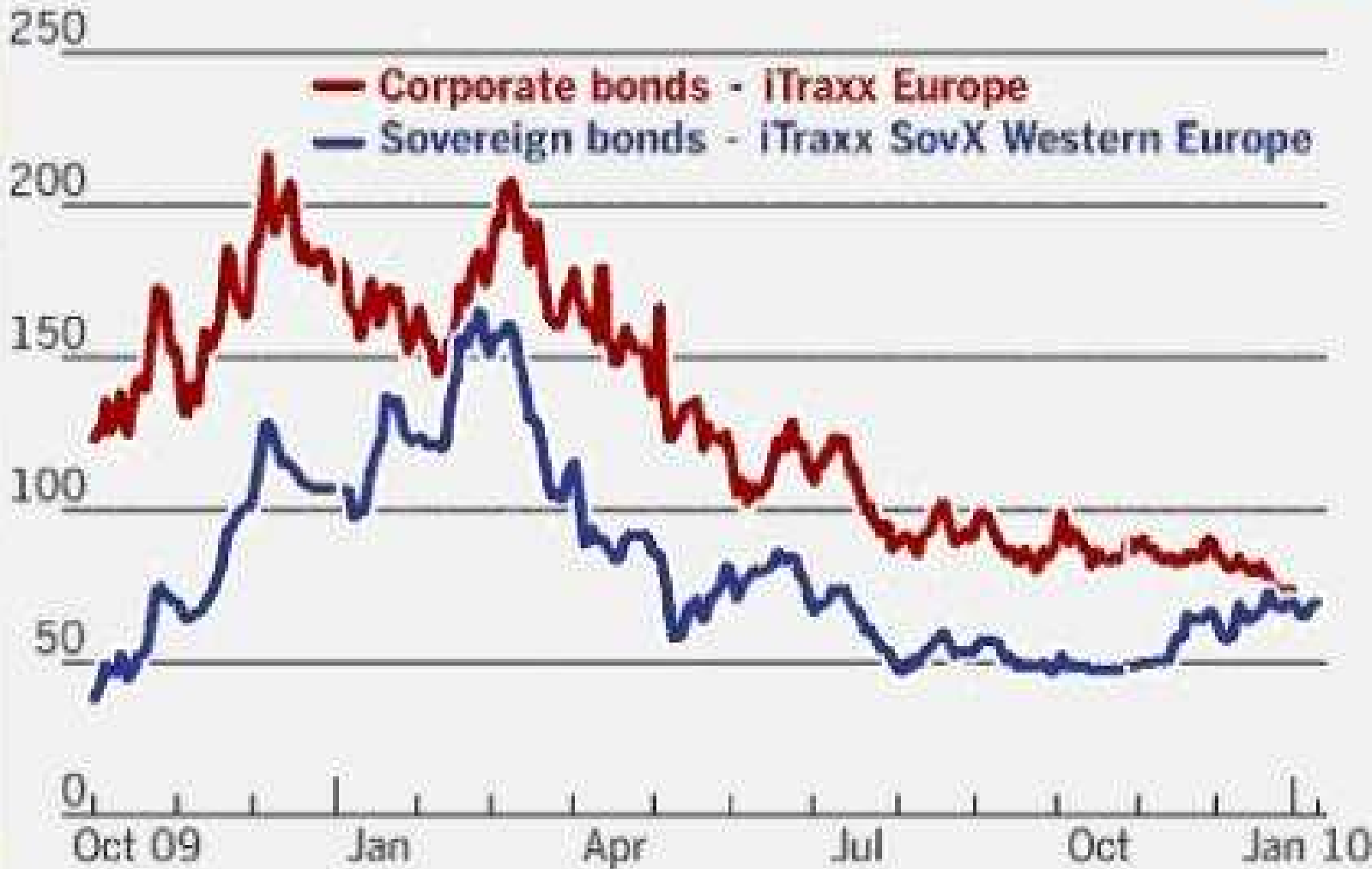
A moyen terme,
les inquiétudes sont
vives. Les experts
redoutent le moment
où l'économie devra
marcher sans béquille

Stimulus is necessary, but is it sufficient ?

- Coordinated and Massive
 - Government spending and
 - Monetary easing,have spurred some Growth, but for how long?
- A high cost is being paid as Sovereign Rating is decreasing, to a point where Governments will no longer be in a position to provide Safety Nets ----->

CDS spreads

Basis points



Source: Markit

Lessons for Developing Economies 1

- Developing Economies are of two types:
 - Emerging
 - Non Emerging
- Emerging Economies enjoy a high rate of growth, high enough to:
 - Provide enough jobs to all new job-seekers
 - At least, balance the Current Account
 - Invest in Infrastructure, Education and Techno
 - Develop sustainable Access to Resources

Lessons for Developing Economies 2

- Non-Emerging Developing Economies suffer from insufficient rate of growth.
- Main Blockages need to be detected and lifted, principally:
 - Suffocating Barriers to Intra-Regional Trade
 - Dangerously Poor Governance
 - Few FDI's with desirable Technologies
 - Inappropriate investment in Human Capital

Lessons for Developing Economies 3

- Otherwise, Non-Emerging Developing Economies might be missing the present World Development opportunities, for at least one more generation.
- Regions such as MENA, Sub-Saharan Africa and Central America would suffer from continued Domination (Economic and Political) with more violent Convulsions.

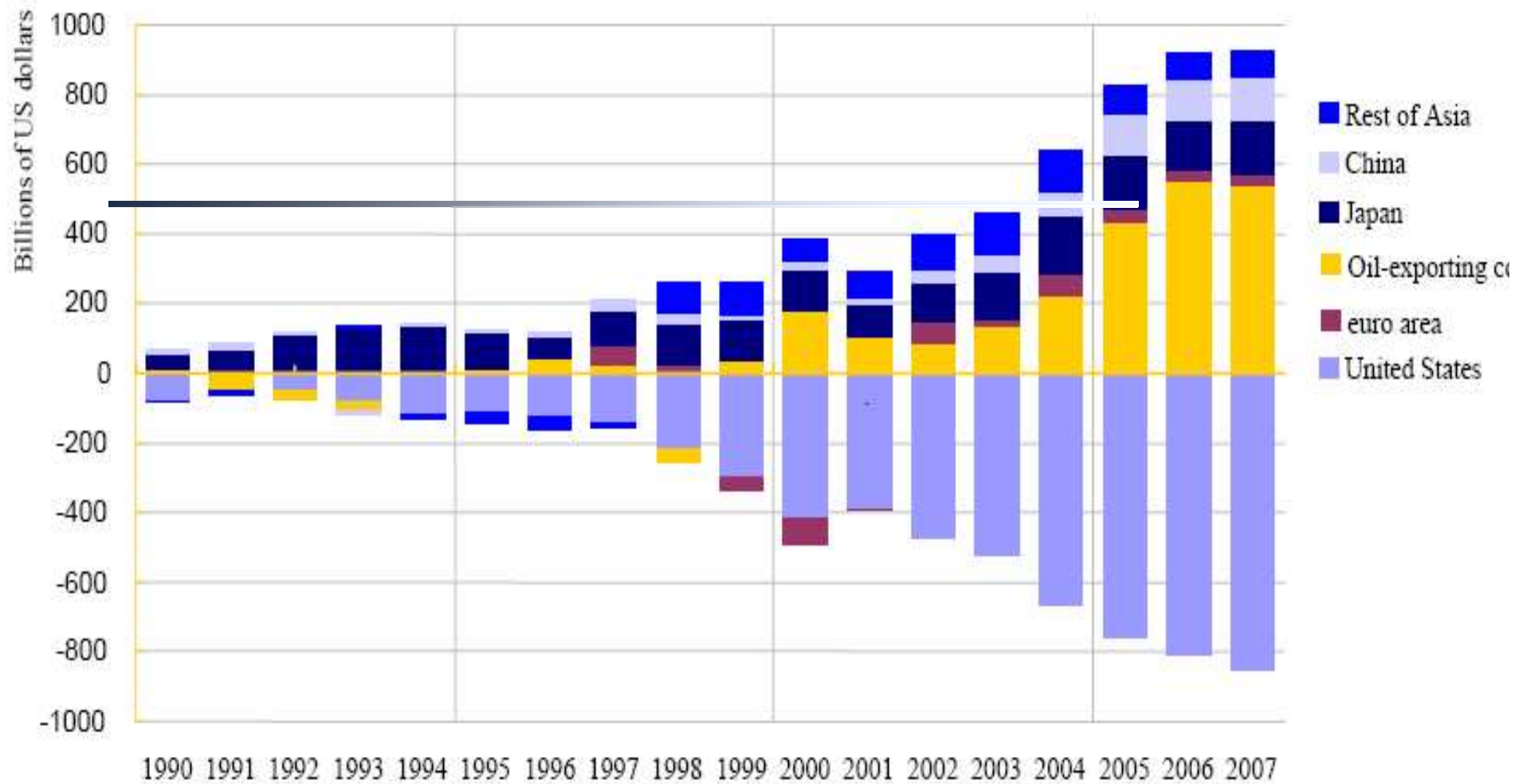
Africa could emerge if ...

- **Massive Investments take place:**
Africa has offered EU to replace the «Commercial» partnership agreements (APC) by «Development» agreements (APD), with no success.
- **Mutually beneficial schemes are adopted:**
China's approach to Africa emphasizes Infrastructure development in return for access to commodities (inputs)
- **International Investors, once bitten by the Crisis, seek « Real Economic Growth »:**
Gulf Wealth Funds are seeking ways to contribute to productive investments in Africa

Lessons for Advanced Economies

- **A need for «Structural Adjustment Programs»:**
Deficits (Twin or Single) cannot go on for ever, with the ROW (Rest of the World) financing them indefinitely.
- **Structural Policies (Lisbon Agenda for EU)** need to be outlined. What will EU industry look like in 2030?
- **« Bretton Woods III » is much needed:** A new set of rules should emerge from G20+ meetings in the form of clear Rules and a new « Basket Global Reserve Currency » that includes (\$, €, ¥*, Oil, Gold).
- **Developing Economies viewed as an Opportunity:**
Betting on their growth is mutually beneficial (co-development)
Unblock « Doha Round » and go beyond, towards new « Global Keynesian Policies ».

Balances of Payments



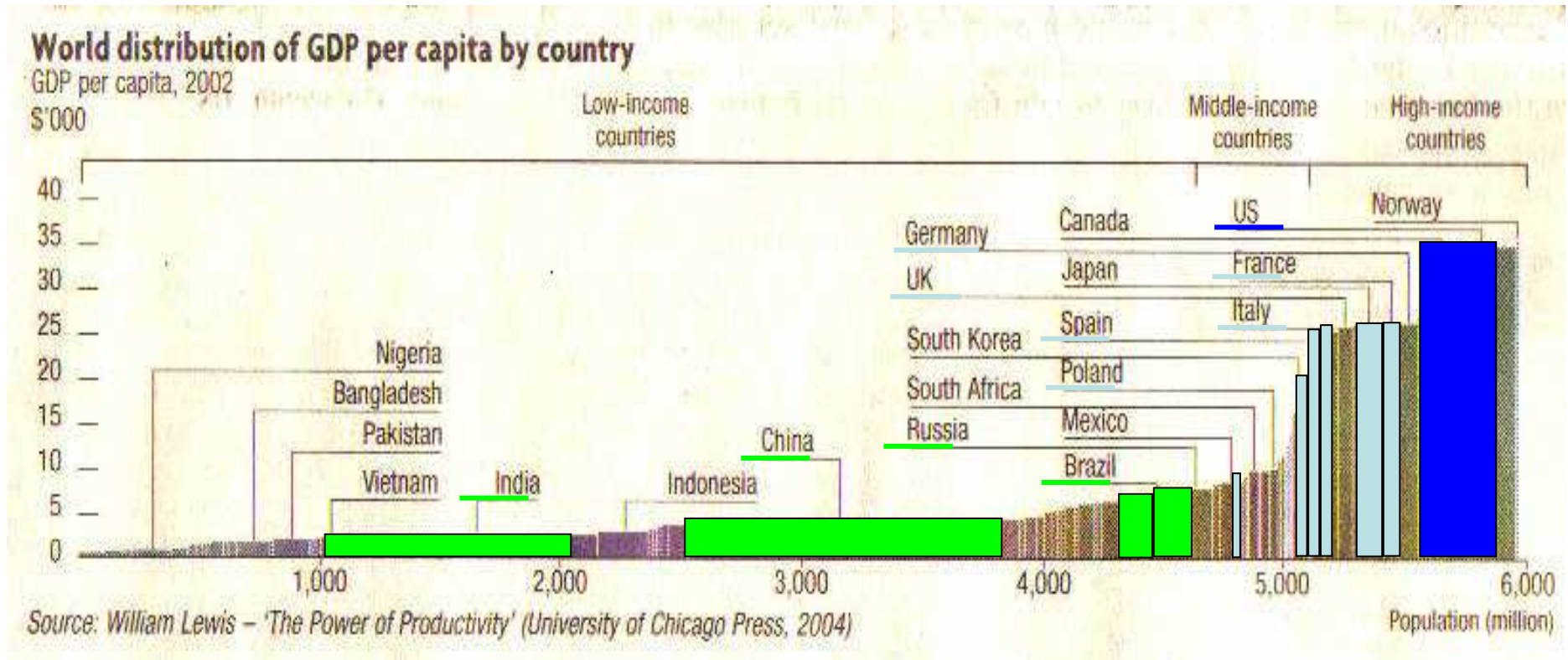
Sources: ECB and IMF.

G20 & NEW World Governance

- Super IMF & Bretton Woods III
- Global Reserve Currency:

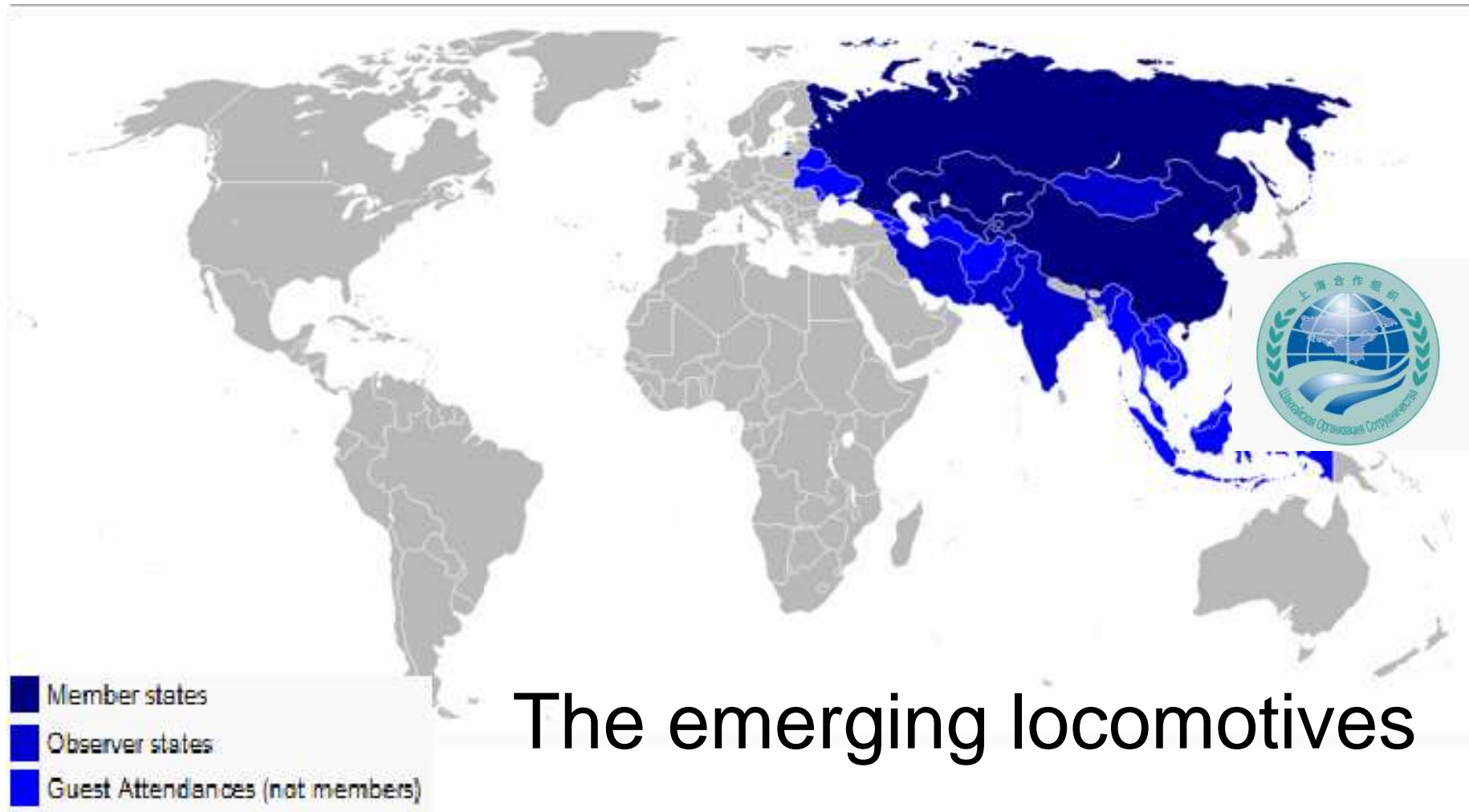
(¥ € \$) + (Gold + Oil)

The World today: Population and per capita Income



SCO: Shanghai Cooperation Organization

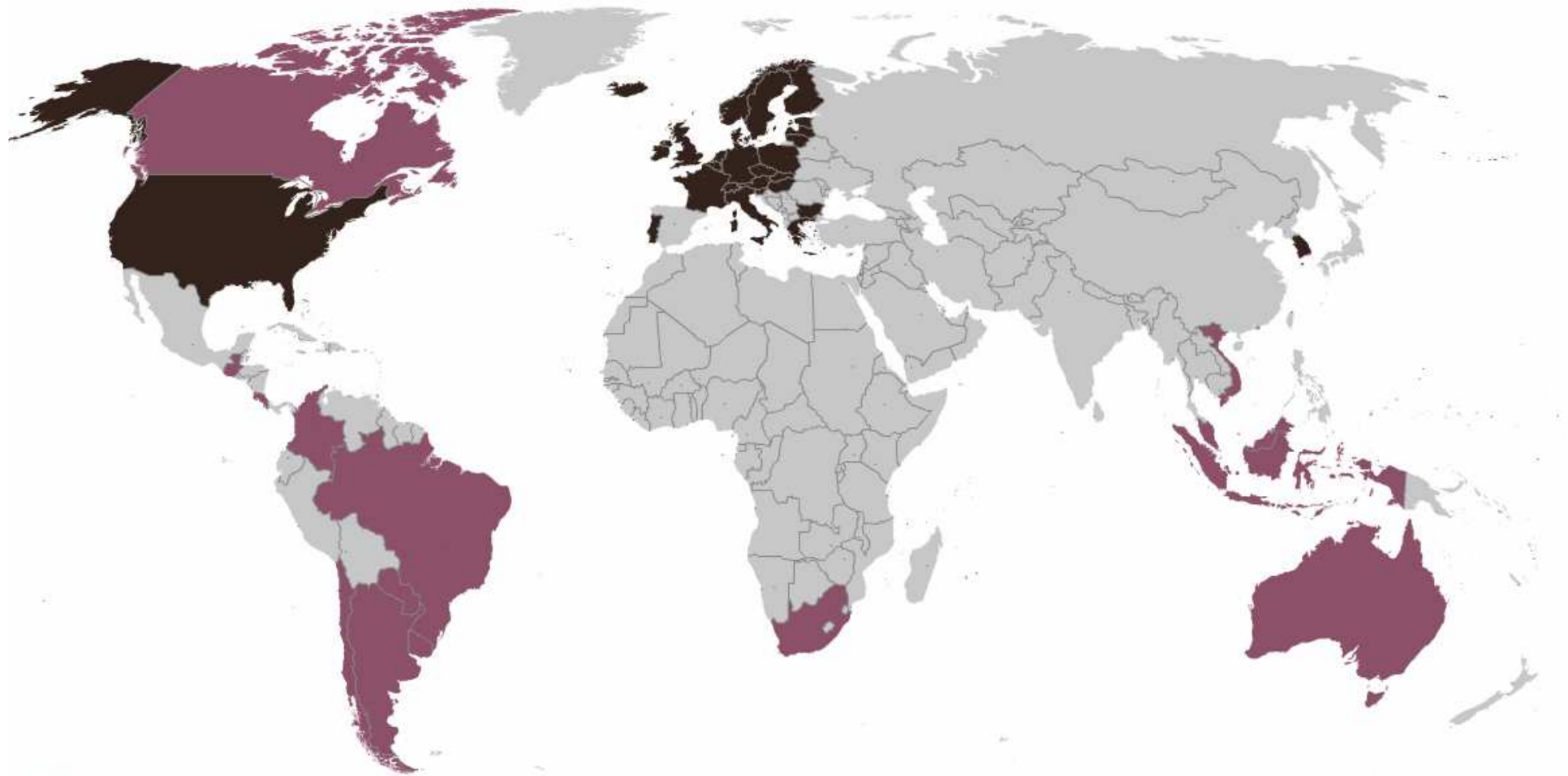
“1.5 billion people (1/4 of the planet’s population)”



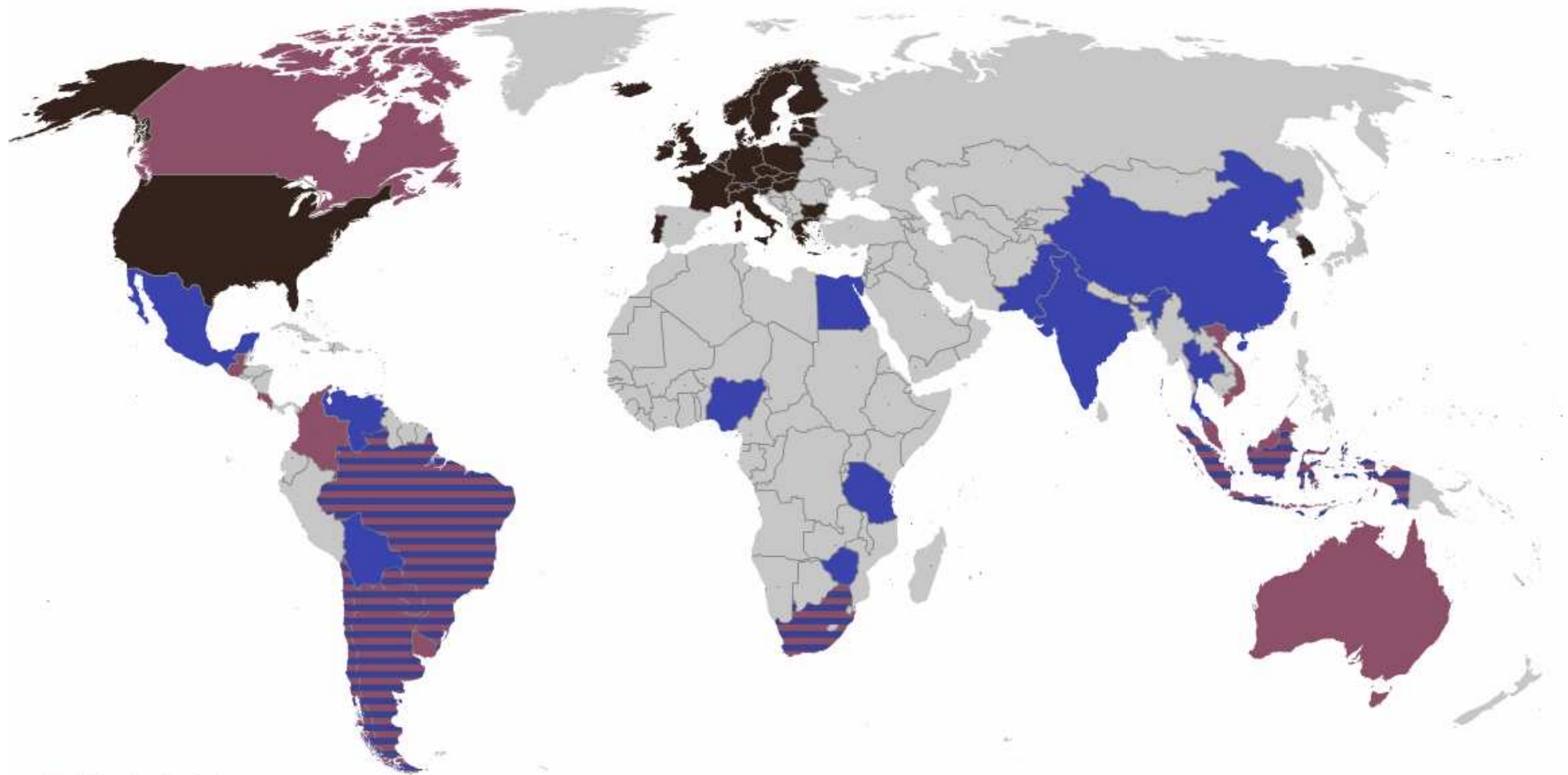
The emerging locomotives



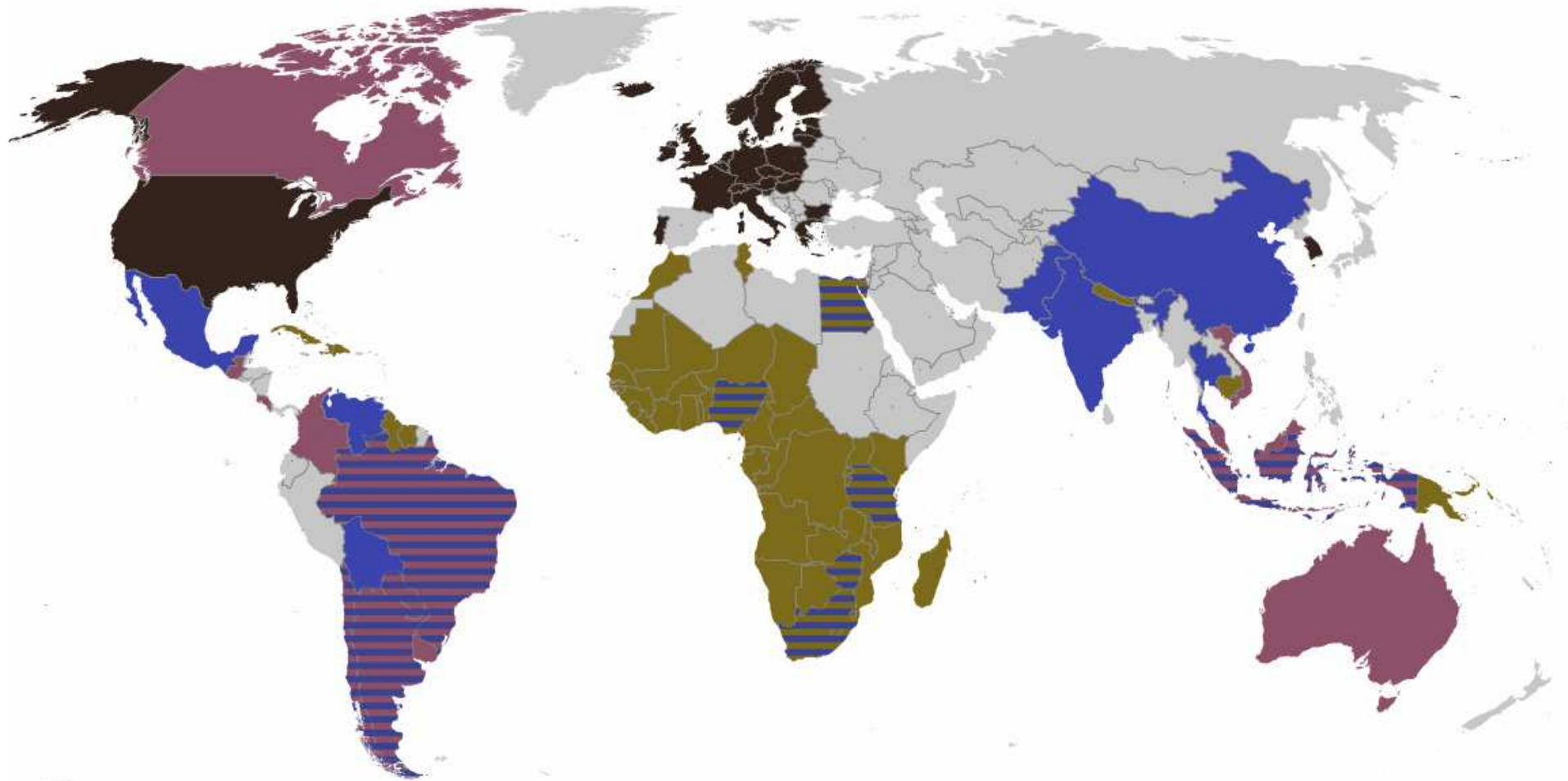
- Protectionists
- Cairns Group
- Liberalization
- AU ACP LDC



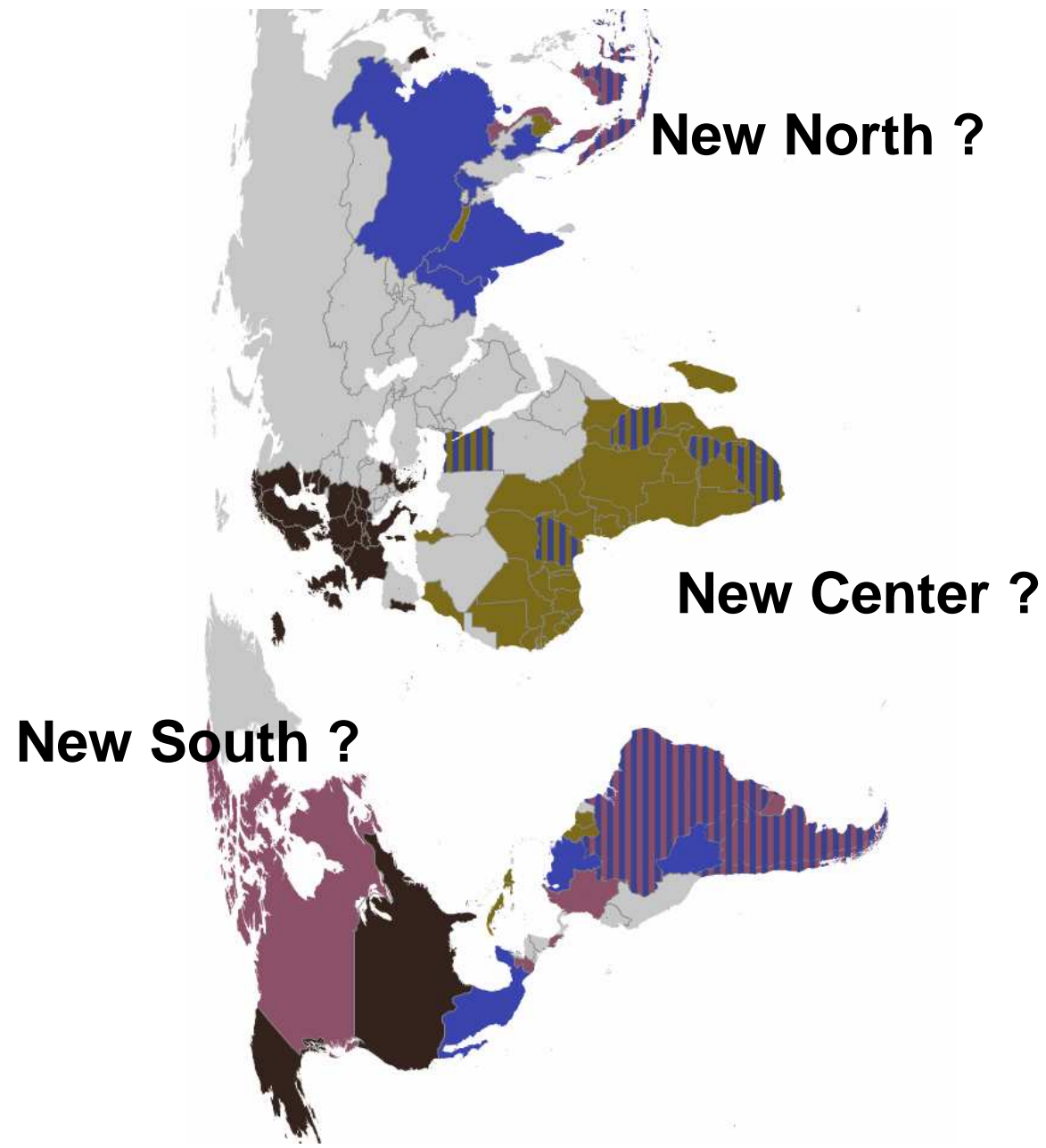
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Thank You !