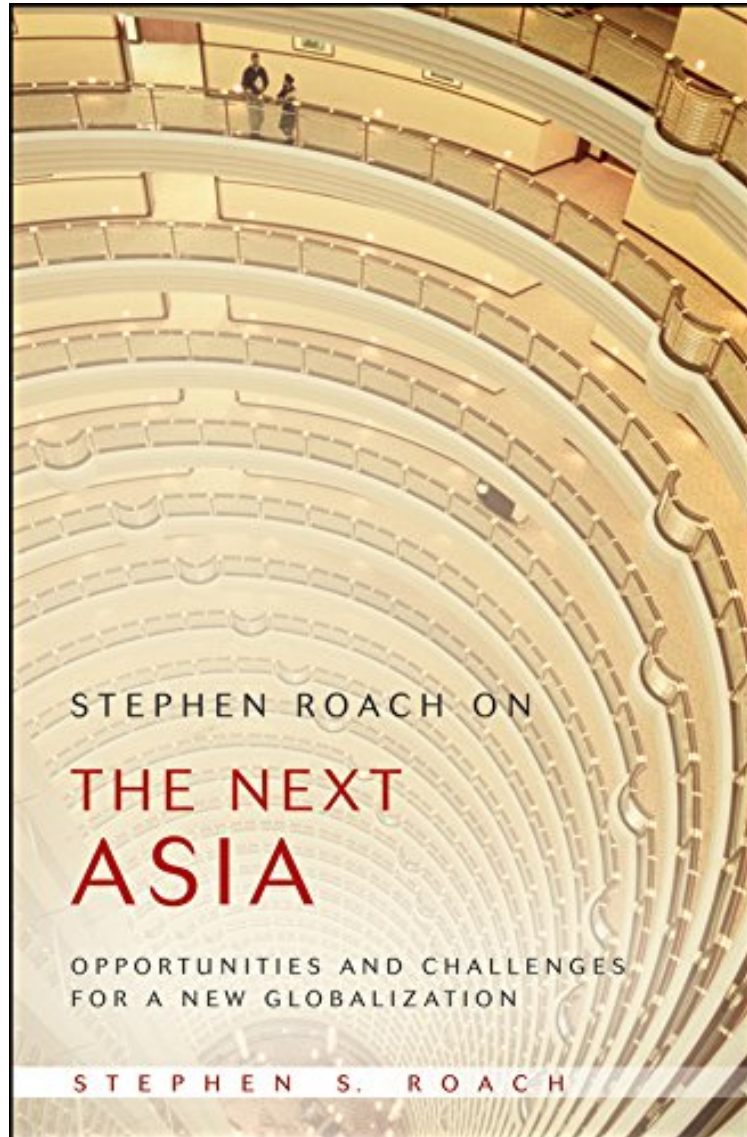


(Free) Stephen Roach on the Next Asia: Opportunities and Challenges for a New Globalization

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Stephen S. Roach

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Stephen S. Roach : Stephen Roach on the Next Asia: Opportunities and Challenges for a New Globalization before purchasing it in order to gauge whether or not it would be worth my time, and all praised Stephen Roach on the Next Asia: Opportunities and Challenges for a New Globalization:

4 of 7 people found the following review helpful. good commentary By Douglas Metcalf Roach is correct in his analysis and recommendations but since the book is a collection of his written commentary, it is somewhat repetitive. Good summary at the beginning of each chapter - speed read the rest. 36 of 37 people found the following review

helpful. Good Insights and Data -By Loyd Eskildson

The book is a collection of essays written by Roach over the past three years reporting how the Asia story has played out to date, and how it looks for the future. Most of the book focuses on China, providing a wealth of background for understanding Roach's recommendations for the U.S. and China, and the direction of China's leadership. Nearly 80% of China's GDP goes to exports (30%) and fixed investment (50%). Since the early 1990s its per-capita income has increased 5X+. America accounts for about 4.5% of the world's population and about \$10 trillion of spending in 2008; China and India together account for 40% of population and only \$2.5 trillion on spending. America's economy has grown nearly 4%/year in real consumer demand over the past 15 years - 3X the growth in Japan and Europe. Seventy-two percent of the U.S. GDP in 2007 was consumer spending (a record), falling only to 71% currently. China's leadership recognizes the need to reduce reliance on exports - partly because of the sagging U.S. and world economies, and partly to reduce the likelihood and severity of any anti-China trade actions by the U.S. Congress (45 such bills were introduced in the U.S. Congress between 2005-07). Other challenges include improving resource consumption efficiencies (eg. cutting oil consumption per unit of GDP by 4%/year - now 2X that of the world average), as well as reducing pollution and environmental degradation. (China's carbon emissions per person are less than 10% that of the U.S.) China's high savings rate (50% in 2005, with 65% believing that their savings are too low) is traceable two factors - the first is massive layoffs via 15 years of reforming state-owned enterprises (SOEs - now 30-40% of the economy) that involved 60 million layoffs from 1997, and continuing reductions of 2 million/year. The second is the lack of an institutionalized safety net. (India's savings rate is in the high 30 percent range.) American writers sometimes allege that Chinese labor costs will soon begin a rapid climb, damping increased exports. Roach, however, points out that even after six years of double-digit increases, average hourly compensation for Chinese manufacturing workers was only 3% that of the U.S. average in 2004. Meanwhile, productivity in its industrial sector surged nearly 20%/year from 2000-2004. Finally, its 745 million rural population is by far the largest pool of surplus labor in the world; there also have been 20 million layoffs in Guaydong Province resulting from the export slowdown. Obviously the Chinese leadership is not concerned about a possible shortage of labor, else its latest Five-Year Plan would not have emphasized expansion of labor-intensive services. Private consumption in China accounts for only about 35% of its GDP, trending downwards from 65% in 1952. China's National Social Security Fund totals \$80 billion - less than \$100/worker. Roach suggests it be increased, thereby reducing self-imposed pressures for consumer savings and allowing increased consumer spending. Roach strongly opposes anti-China trade measures for several reasons. 1) U.S. purchases of foreign-made products vs. consumption of domestic goods has risen from 22% in the early 1990s to about 38% in 2007. Roach contends this provides a strong anti-inflation influence. 2) Only about 20% of the value of Chinese exports to the U.S. reflect domestic Chinese content - the rest comes from China's partners, mostly other Asian nations. Ergo, China is more of an assembler than manufacturer. Banning Chinese exports will simply shift this assembly etc. work to other nearby nations. 3) The U.S. trade problem is not China, but almost all nations. We have trade deficits with one hundred other nations. 4) The 'answer' is not revaluing the Chinese currency - that has increased 20% since 2005, and is only about 10% undervalued now. 5) The 'real' problem is that U.S. profits are at a fifty-year high - 12.4%, vs. labor at 56.3% - the same as in the late 1960s. 6) Antagonizing China could lead to that government shedding its U.S. investments, driving the dollar down and interest rates up, causing a major U.S. recession.

Bottom Line: Roach believes Chinese consumers should spend more and save less, while U.S. consumers save more and spend less. The 'bad news' is that he believes there's a 25-33% chance of anti-China protectionist legislation passing in the U.S. during the next 15 months.

11 of 13 people found the following review helpful. insightful collection of Stephen Roach's consistent views

By A. Menon

This collection of essays has been collected over the years and aggregated into 5 chapters, each containing a subset of the essays associated with the themes. The heart of the book focuses on the global imbalances, the causes, effects and the risks, both political as well as economic that have evolved and need to be dealt with in a coordinated systematic manner. Much of the literature focuses on several major themes, 1- people cant globalize and decouple, they must be either or. 2 - the trading relationships that have emerged are inherently unstable. 3 - the instability can be fixed but requires us to look from above at the problem in much greater degree than politicians tend to when they voice local constituencies. The major focus on the imbalance is on the American consumption side and their gross overconsumption to an unheard of degree. To be precise Stephen Roach talks in depth about the change in economic landscape such that the previous arena of non-tradeable goods have morphed into tradeable, in particular services, due to the internet etc (similar in spirit to freedman's world is flat ideas). The result of this is that there has been wage pressure on developed nations that have created a downward drift barely less than productivity growth such that real wage growth has lagged substantially the growth it would have recieved in a theoretical closed economy. The repercussions are both backlash at owners of capital who have increased their share of business revenues due to increased bargaining power within the firm due to the more open global labor market. This is both backlash to the distribution of wealth as well as global trade perspectives and the search for a scapegoat (ie providers of the replacement labor in places like china and india). The most of the book focuses on the themes of global imbalances and speaks about China's savings glut (it has had the lowest consumption proportion of GDP and GDP growth in history) and its export dominated model to fuel growth. This is articulated as unsustainable and more importantly unstable due

to unstable demand (as its abroad). The currency issue of RMB is discussed as a problem that should not be focused on, as the trade deficit is multi-lateral and is quite "obvious" scapegoating from Stephen's perspective. The US economy is on the receiving end of an even more critical analysis. It has become an asset dependent country who is growing by importing savings, and pretty much only growing by consumption. Its savings went to negative and it needs to start investing in its future as equitizing capital gains for consumption is not a source of growth. Clearly looking at the time stamps of the essay, Stephen called the bubbles forming correctly, among most of the skeptics, no one saw the magnitude coming, but those were also a product of financial feedbacks and bank run dynamics which are not the subject of his analysis. Given that, one should pay attention to him as he saw through the rationalizing of a new paradigm that wasn't necessarily there. I am a four vs five star because, it's quite repetitive (which is inevitable because the essays were written separately and not meant to be packaged together so the book was never gonna follow one thought to the next) and the other side of his arguments should have been presented and argued against better. It's easy to say multilateral trade problems in the US means that it's not a China problem it's a US problem, but when people act locally and governments can't control yield curves because of sovereign wealth pinning the curve, policy doesn't work like people assume they do and so implicitly oil states and China subsidized the housing market. The retort would have been, the Fed etc needs to do better using other policy then, but the point is, he dismisses real arguments by falling back on the US not saving enough period, ignoring the feedback effects that distort cause and effect in the first place and make policy difficult in the specific variables to target. Many policy makers have problems with things like the RMB because they also had a large impact on the yield curve due to elasticities of supply and demand, thus reducing the maneuverability and effectiveness of some of the central bank policy. Stephen I'm sure does have responses to these sorts of criticism but they aren't explored and I think his points should have gone deeper into the other side vs just trivializing them. But all in all, good book, I believe his analysis to be on target, clearly he was quite predictive and it's worth reading this.

As Morgan Stanley's chief Asia specialist, getting Asia right is Stephen Roach's personal obsession, and this in-depth compilation represents more than 70 of Roach's key research efforts not just on Asia, but also on how the region fits into the broad context of increasingly globalized financial markets. The book argues that the "Asia factor" is not a static concept, but rather one that is constantly changing and evolving. Broken down into five parts—Asia's critical role in globalization; the coming rebalancing of the Chinese economy; a new pan-regional framework for integration and competition; and a frank discussion of the biggest risk to this remarkable transformation—this book will help readers understand and profit from the world's most dynamic region.

"As Chairman of Morgan Stanley Asia and a renowned economist, Stephen Roach has a solid macroeconomics background, in-depth understanding of the region, rich knowledge of various industries, and an open mind. In this book, Steve vividly describes the changes of Asia -- and the driving forces behind those changes. Furthermore, he brilliantly points out the challenges Asia is facing, as well as its impacts on the global economy. Asia is reshaping the global economy in this post-crisis world, and I believe this book provides us with unique insights as to how this reshaping is playing out." — Dr. Zhu Min, Group Executive Vice President, Bank of China

Stephen Roach has for many years been a uniquely independent voice among international economic commentators. He was one of the few who warned that the debt-fueled 'casino' economy was unsustainable. His prophetic warnings came to pass in 2008. In his latest book he issues another warning. Asia's explosive growth has been based on a 'bet' upon deep integration with the global economy. Stephen Roach argues that this growth is unsustainable in the face of the global recession. The region needs comprehensively to re-balance its economic model if it is to maintain its remarkable growth. He warns that this will not be easy. Stephen Roach's book is essential reading for those who hold the comfortable belief that Asia has 'de-coupled' from the world economy." — Prof Peter Nolan, CBE, Sinyi Professor, Judge Business School, and Chair, Development Studies, University of Cambridge, UK

"Stephen Roach's prescient collection of insights and analyses, from his many years in Asia as one of the most experienced decoders of China's political and economic trends, are cogent, valuable, and immensely helpful." — Henry A. Kissinger

From the Inside Flap

As the most dynamic and rapidly growing region in the world over the past decade, Asia has attained a new level of prosperity. Yet Developing Asia's newfound economic ascendancy remains precarious. As 2008 came to an end, every economy in the region had either slowed sharply or tumbled into outright recession. Far from having the autonomous capacity to "decouple" from weakness elsewhere in the world, export-led Developing Asia had become even more tightly tied to foreign markets than was the case a decade earlier. The once-bright future is now uncertain. Investors, business managers, policymakers, and political leaders all need to dig more deeply to uncover the challenges, opportunities, and risks that lurk in this critical region. In *Stephen Roach on the Next Asia*, Morgan Stanley's Asia Chairman offers his views on where the Asian economy has been and where it is going. This collection of essays, written by Roach over the past three years—three of the most tumultuous years in modern economic history—tells how the Asia story has played out to this point and what that saga portends for the future. Roach looks at the global economic crisis and the debate over globalization. He details China's challenges in rebalancing its economy and examines U.S.-China

tensions over trade policy. And he analyzes the additional challenges facing Japan, India, and Korea. Drawing insight from what went right and wrong, the author attempts, in a concluding chapter, to paint a picture of what it may take to realize the hopes and dreams of the Asia Century. Macro risk assessment, he reveals, is critical to understanding the forces that will shape the Next Asia. And the Next Asia is already coming into focus. Consistent with the region's penchant for change, it looks to be very different from the Asia of the past thirty years. The transition from old to new will need to be driven by a major rebalancing of its economy—with export- and investment-led growth giving way to a more balanced macro structure, increasingly supported by internal private consumption. For all those who want to deepen their understanding and capitalize on these changes, Stephen Roach on the Next Asia provides an invaluable guide.