

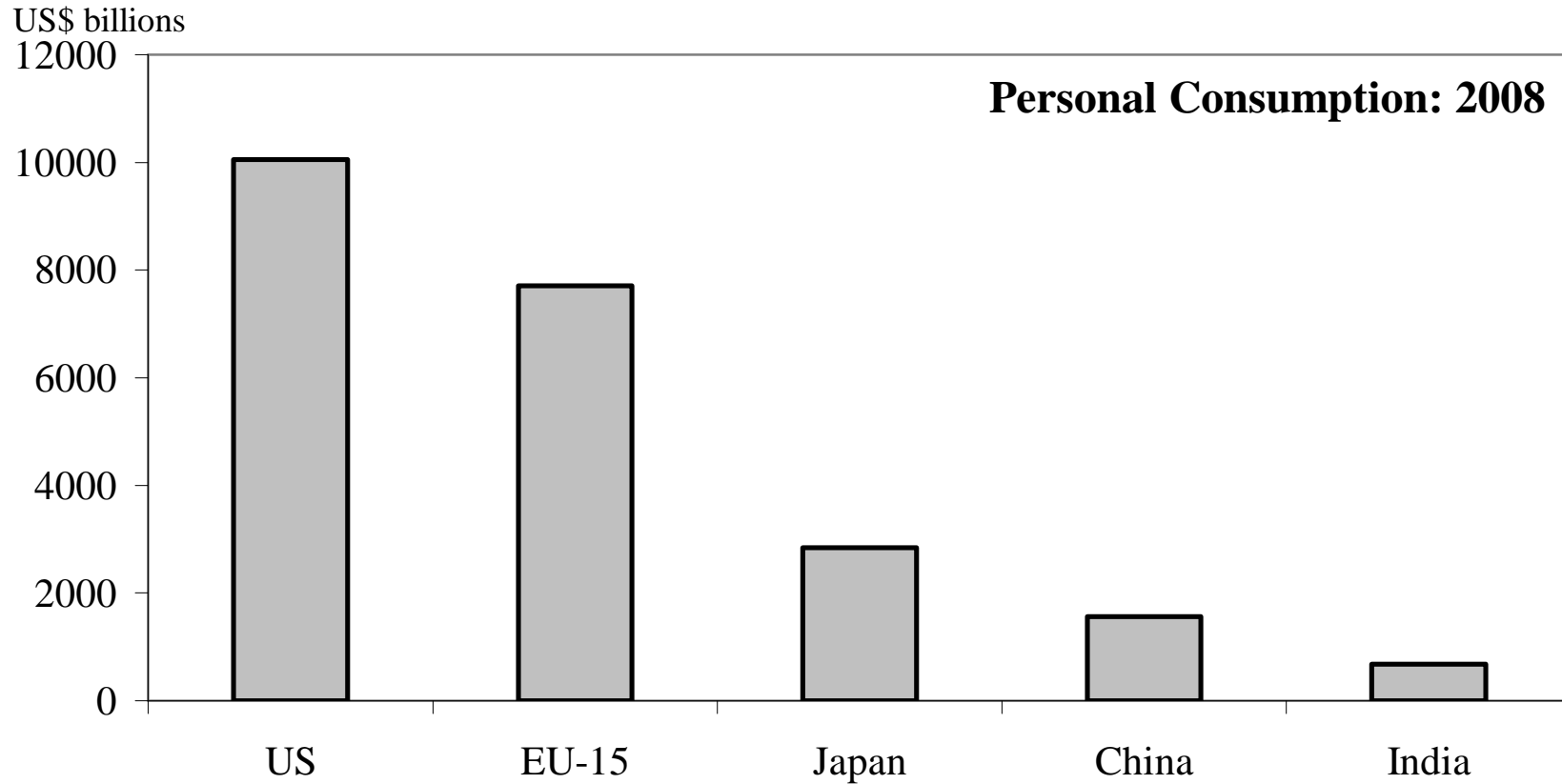
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Pitfalls in a Post-Crisis World

Stephen S. Roach
Chairman
Morgan Stanley Asia

LSE Asia Forum
Beijing, China
March 26, 2010

The Global Consumer



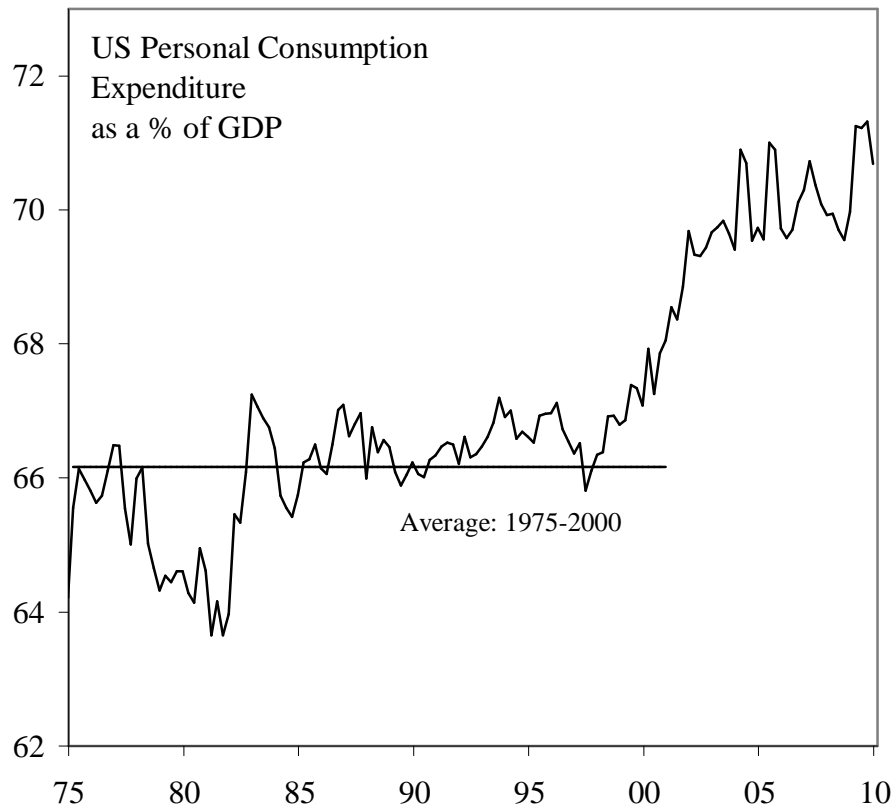
Source: National sources, Morgan Stanley Research

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American Consumer at Risk

US Consumption Binge

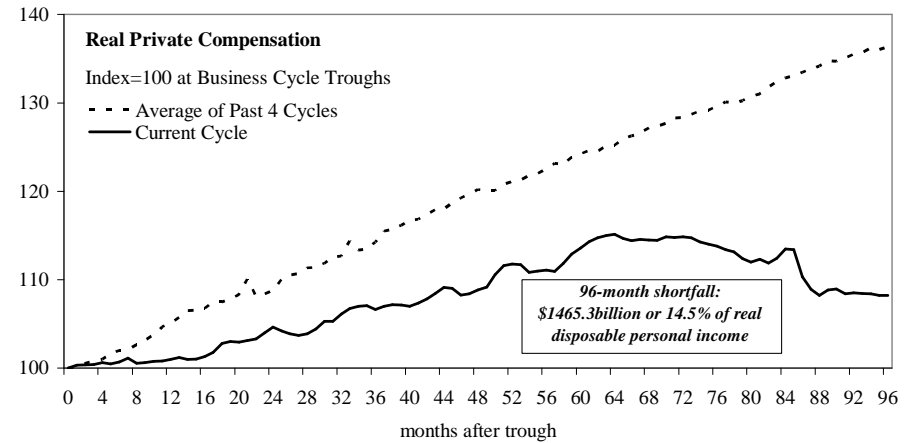


Source: National sources, Morgan Stanley Research

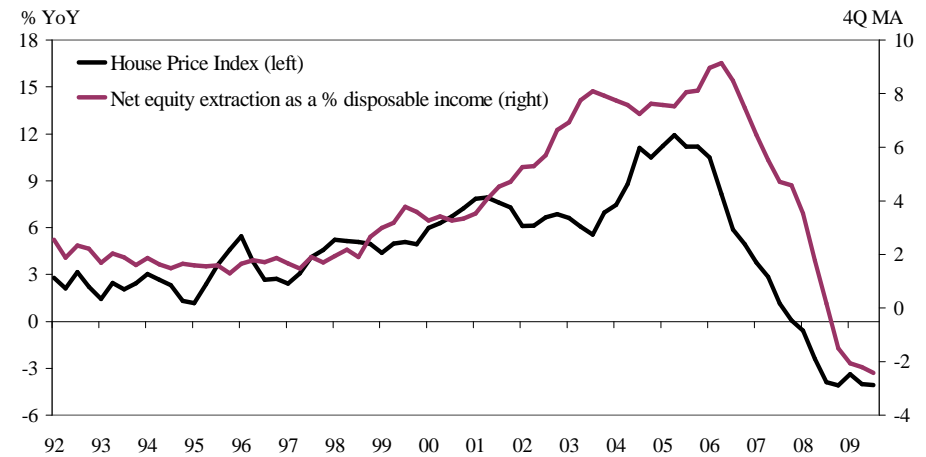
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Income Effects

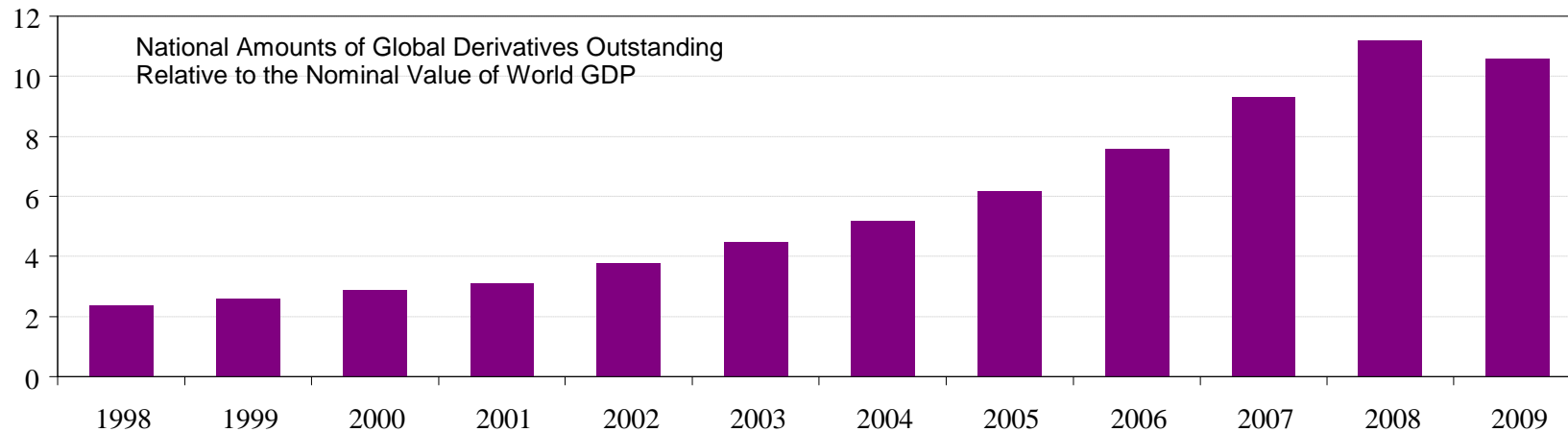


Wealth Effects

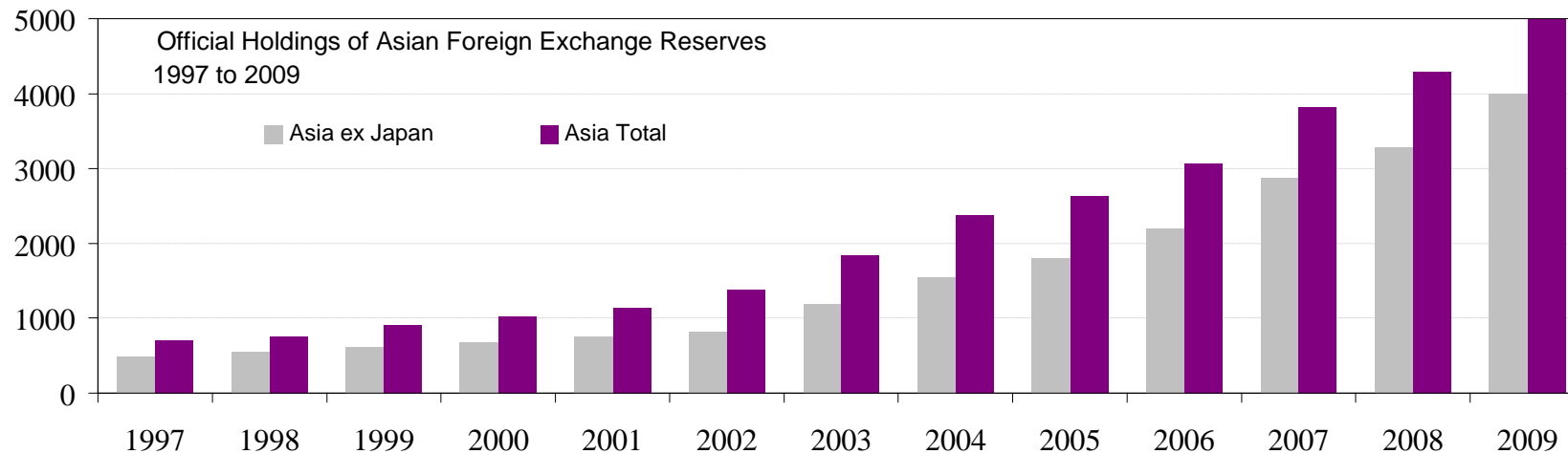


ORIGINATE: Derivatives and FX Reserves

The Global Derivatives Explosion



Asian FX Reserves



DISTRIBUTE: Toxic Assets

Global Bank Write-downs (IMF Estimates as of October 2009)

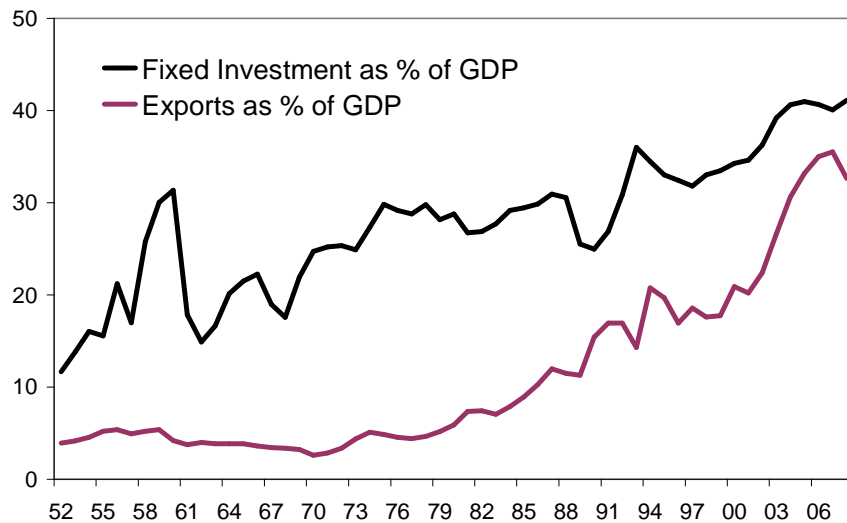
| | Realized Losses | Expected Losses | Total Losses |
|----------------|-----------------|-----------------|--------------|
| United States | \$608 Mil | \$418 Mil | \$1026 Mil |
| United Kingdom | 260 | 344 | 604 |
| Euro Area | 347 | 467 | 814 |
| Other Europe | 78 | 123 | 201 |
| Asia | 80 | 126 | 206 |
| Total | \$1373 Mil | \$1478 Mil | \$2851 Mil |

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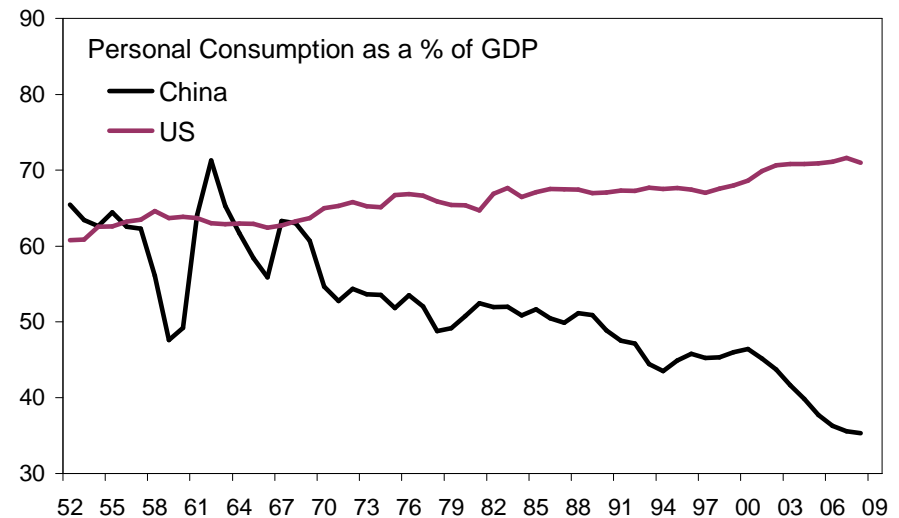
China: Beneath the Surface

“Unstable, unbalanced, uncoordinated, and unsustainable.”
— Premier Wen Jiabao, March 16, 2007

China's Growth Leaders



China's Growth Laggard

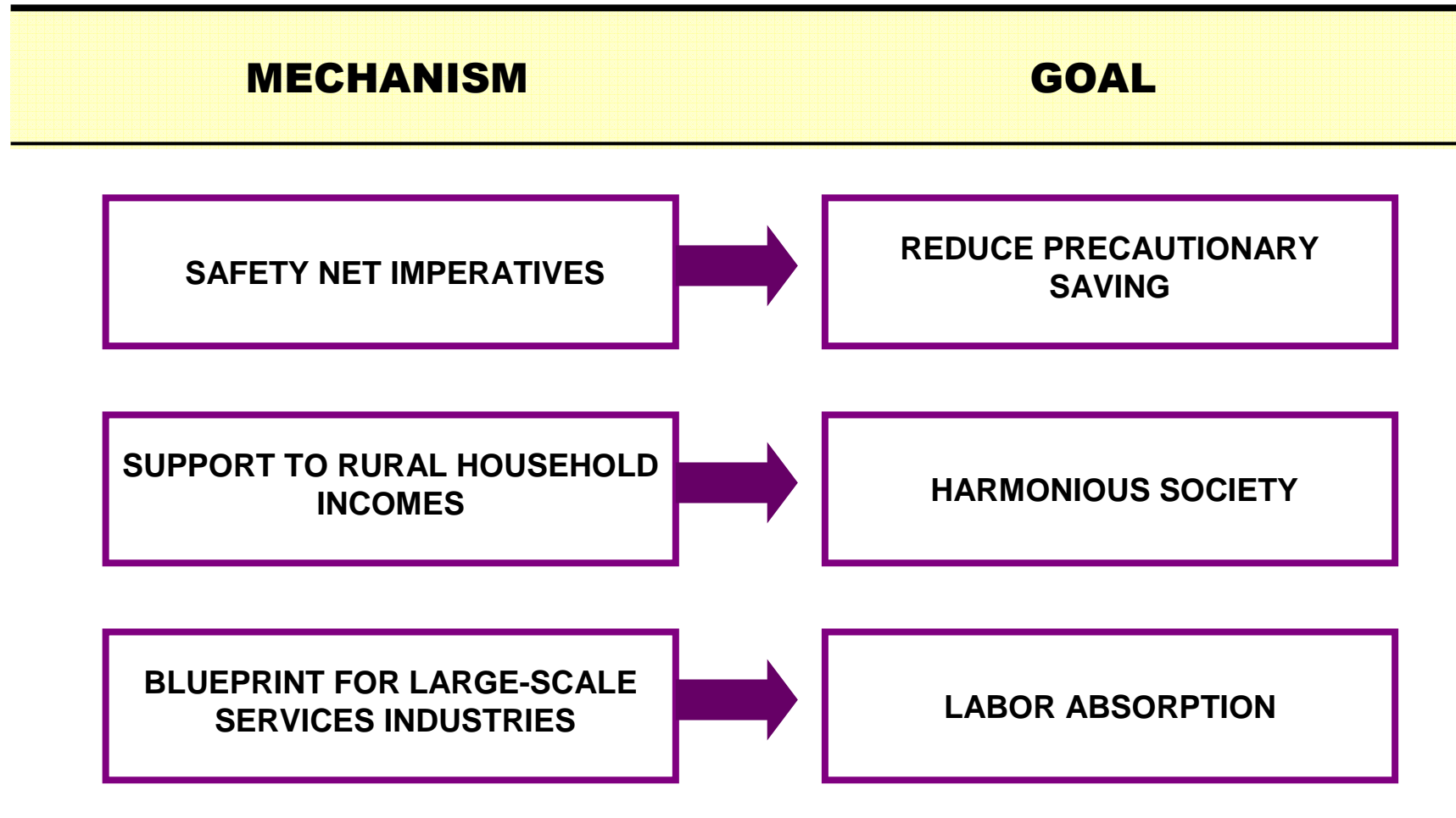


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Pro-Consumption Agenda for China's 12th Five-Year Plan



Leadership Imperatives

- Quick Fix or Rebalancing?
- Re-regulation: Coping with Systemic Risk
- Globalization or Localization?
- Shared Responsibility or the Blame Game?

Disclosures

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