

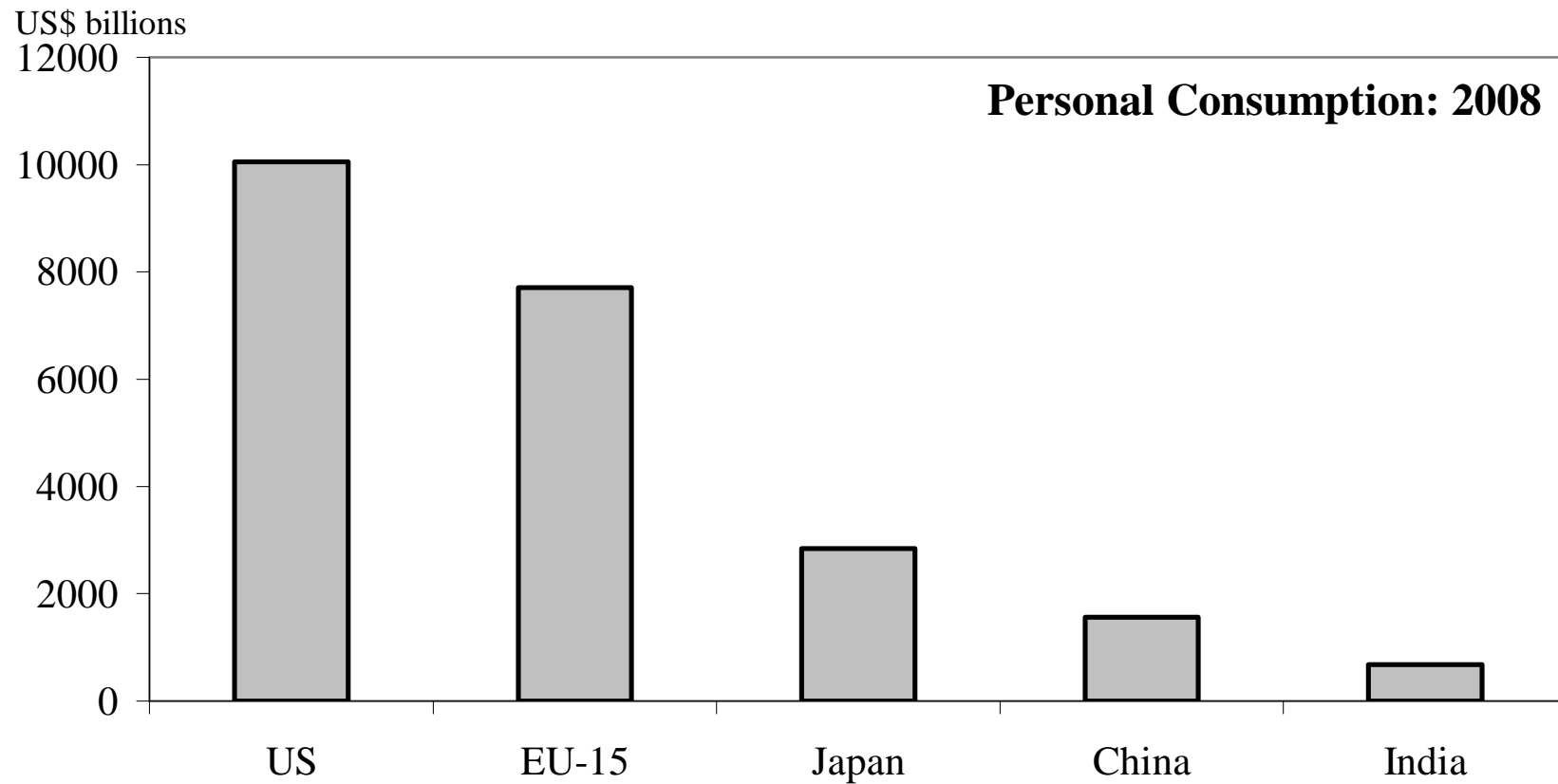
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## Pitfalls in a Post-Crisis World

Stephen S. Roach  
Chairman  
Morgan Stanley Asia

**LSE Asia Forum**  
**Beijing, China**  
**March 26, 2010**

# The Global Consumer



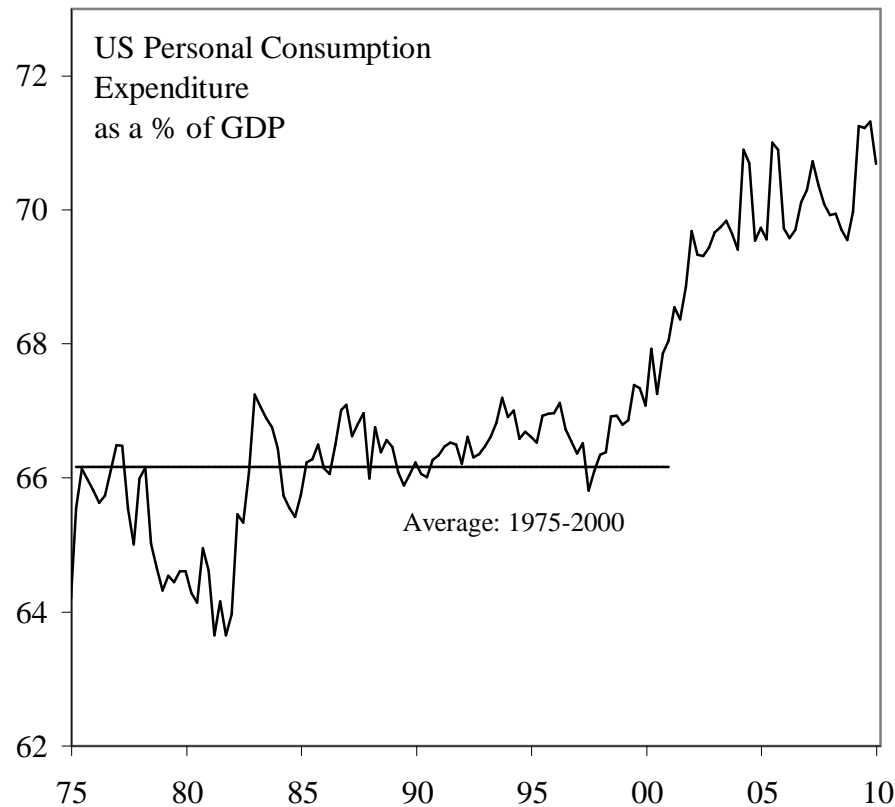
Source: National sources, Morgan Stanley Research

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# American Consumer at Risk

## US Consumption Binge

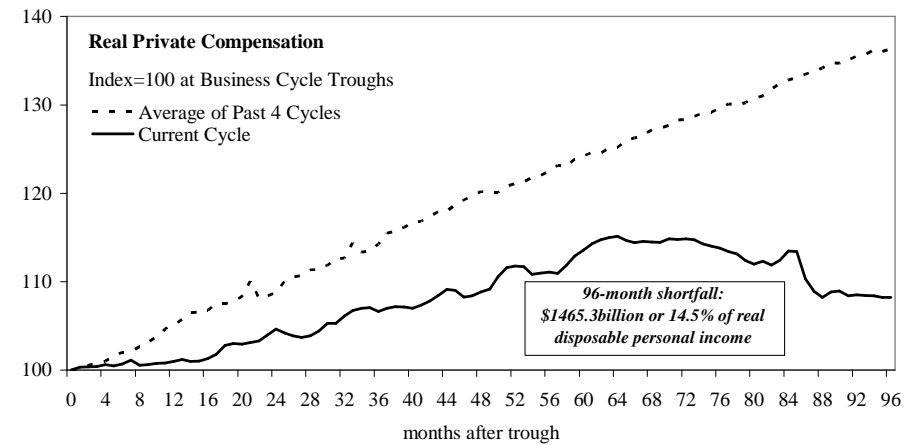


Source: National sources, Morgan Stanley Research

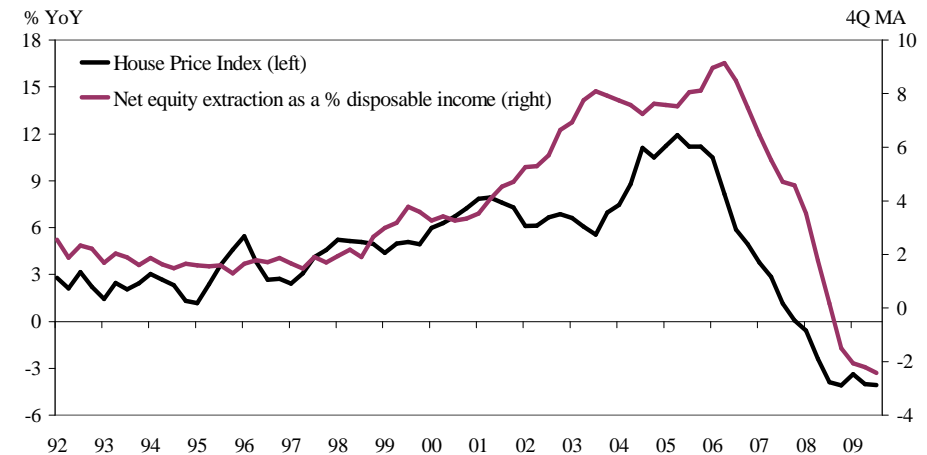
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## Income Effects

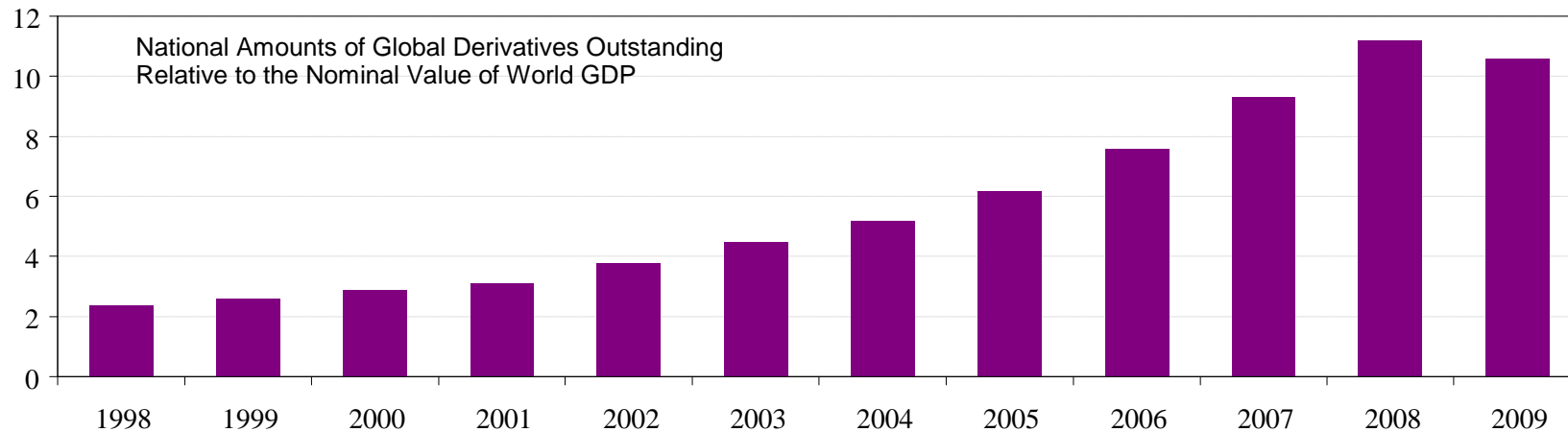


## Wealth Effects

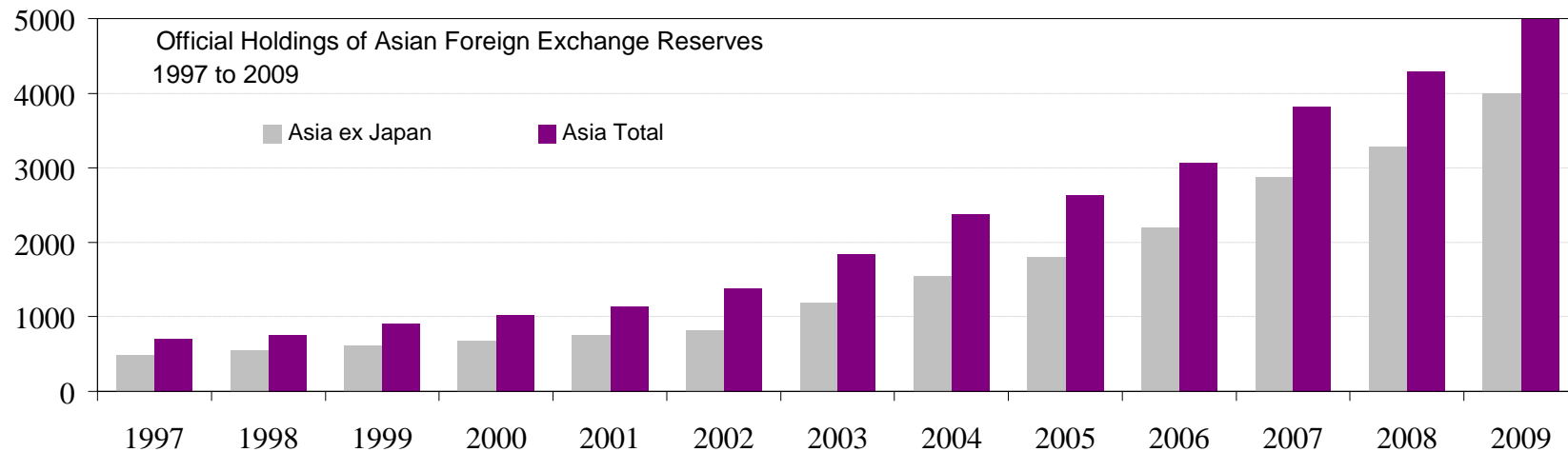


# ORIGINATE: Derivatives and FX Reserves

## The Global Derivatives Explosion



## Asian FX Reserves



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Source: BIS Quarterly Review, National Sources, IMF and Morgan Stanley Research

# 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

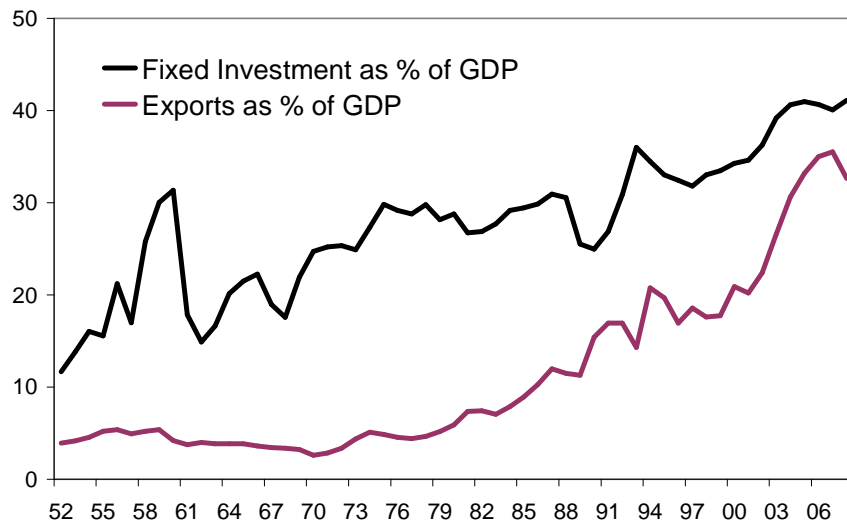
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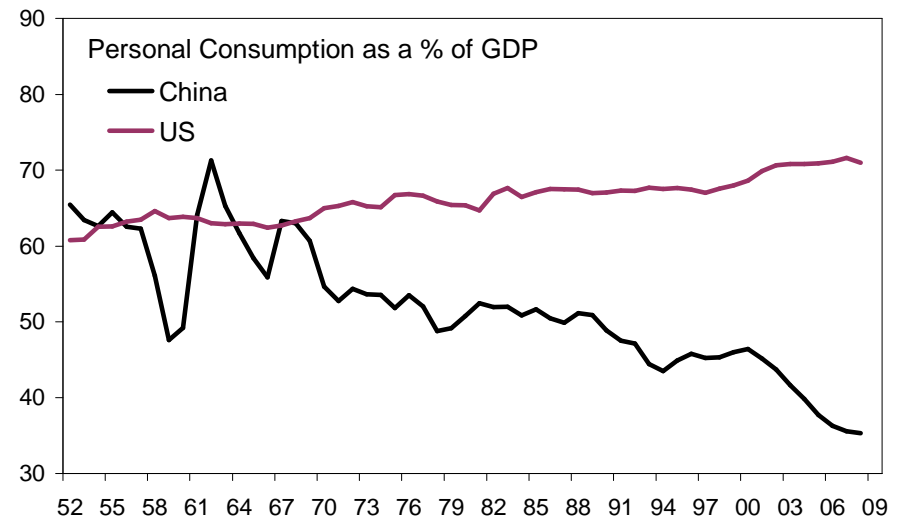
# China: Beneath the Surface

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

## China's Growth Leaders



## China's Growth Laggard

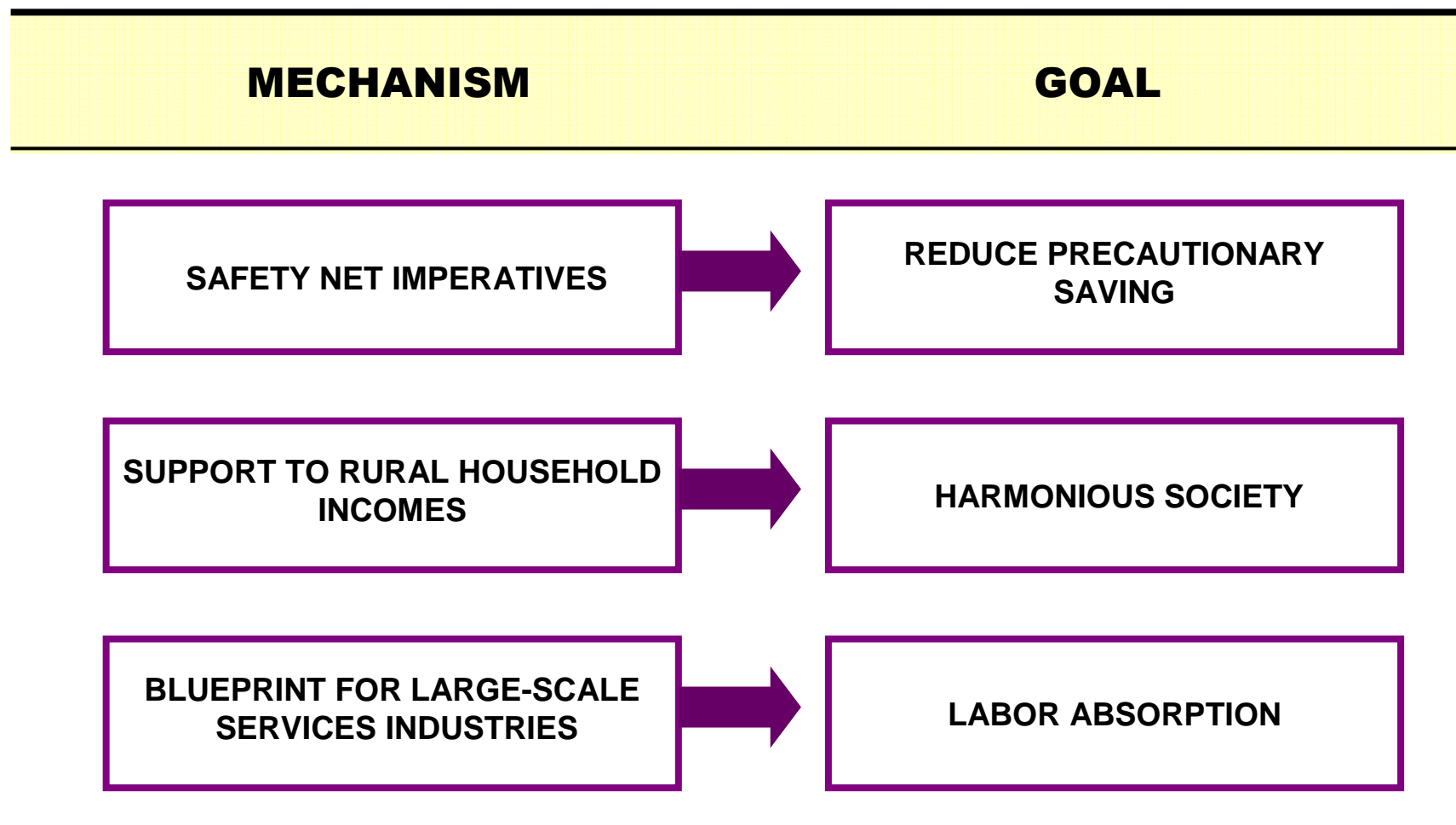


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# Pro-Consumption Agenda for China's 12<sup>th</sup> Five-Year Plan



# 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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