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THE NEXT FIVE YEARS

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**Lunch Keynote:**

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PROCEEDINGS

MR. TALBOTT: I trust all of you enjoyed that luxurious, leisurely gourmet lunch. I do apologize for it being a little bit rushed, but it's all for a good cause.

I'm Strobe Talbott and honored to have a chance to participate in a little bit of this excellent event. Huge thanks to Ken Lieberthal and his colleagues. And, of course, to Shuli who has done so much over the years, working with Brookings. It's great to see you again here, Shuli.

We want to get quickly to business here. We're very honored to have as our keynote speaker Zhu Min. He is no stranger to these premises. Zhu Min was here in December of 2010, if I'm not mistaken, to talk to us about emerging markets. As you all know, for the past year he has been special advisor to the managing director of the IMF. He has a very distinguished career -- (Laughter) -- what could that all be about? (Laughter)

I moved right into his distinguished career, let me get on with that. He comes, of course, from the world of banking, both central and commercial. He was deputy governor of the People's Bank of China, senior executive of the Bank of China. He has also taught economics in both countries -- the United States and China -- at Johns Hopkins and at Fudan University, so he knows both countries very well and their economies.

He is going to speak to us about growth and inflation and, in particular, the structural aspect of the nexus between the two. He's going to talk to us for about 15 or 20 minutes and then we'll open it up to Q&A and he will be very pleased to entertain any questions, very probing questions, on exactly the topic he is talking about here this afternoon and the topic of the conference. (Laughter)

So, thank you Zhu Min for being with us and we look forward to interacting with

you.

DR. ZHU: Thank you. Thank you, Strobe, very much for the kind words and for the introduction, particularly you are framing the Q&A session so well. And I absolutely greatly appreciate it. And thanks to Ken, particularly, for the invitation to come here.

It is a great, great honor to be here to talk to this very, very distinguished audience. It also gives me the pleasure to meet a lot of my old friends. I haven't seen them for years now. The last time we met was in great war some 10 years ago, but it's great.

This seminar is about a structure change in about the next five years. So I'm going to talk about also structure changes, but I will focus on the growth and inflation, the structure changes on those two aspects and the challenges the whole world are facing today.

Let's start with growth. In the financial crisis, under the G-20 framework, and all the countries pumping into the economic stimulus packages. So, the world experiences a sharp drop and a very sharp rebound, as well. Last year the world held 5 percent of GDP growth rate. This year we forecast 4.4 percent. Next year, roughly 4 to 4.2 percent. So growth really carried the momentum, carrying the strengthening, now.

This is a very unique growth because of structural issues. It's the first time the world observed a varied, two-speed growth rate. Last year among the 5 percent of GDP growth rates -- an advanced economy has a 3 percent of GDP growth rate. In an emerging market, 7.2 percent.

This year, again, the world had 4.4 percent of GDP growth rates -- an advanced economy, 2.4 percent. Emerging market, 6.3 percent. Next year, the trend probably will maintain. The two different speed of the growth are really changing the structure of the global economy.

Last year the emerging market contributed to 70 percent of global GDP growth rates. Last year, the emerging market contributed more than 75 percent of global incremental

part of a conservancy. For the first time, emerging markets lead the global conservancy. Last year, the first time by PPP measure, the emerging market accounted for 47.8 percent of the global GDP. In a few months, in a few years, the emerging market will account for 50 percent of global GDP.

The world is different. The world will be different. It's the first time we are observing, in the past 150 years, emerging market and advanced market share the whole world growth, but the whole world economy half and half. And the growth obviously is leading about emerging markets. All that's meaningful for economics.

The big difference is with the shifting of the growth gravitating away from the advanced economy to the emerging market. When the emerging markets are kind of half the percent of global GDP, it really changes the whole economic dynamics. And the fundamental issue -- because this growth change. Shift the growth away from 1 billion people of the advanced economy's population to the 3 billion people population base for the emerging markets. That's changing the whole thing. Because it's 3 billion people, the size is so different. They have a strong growth and they also change the structure of the goals at a very fast speed. It changes the whole demand functioning of the world. I think those are the things that we see and observe today and will observe further in the next few years, particularly in the next five years.

Let me just point out a few things about this structure change on the global economic situation, particularly on the demand side. For example, everybody talks about the commodity, talk about the energy -- the price is really rising in the last years, you know. The energy price rose 27 percent, commodity another 24 to 25 percent.

But what's most interesting that we observe is really the structural change of the demand function. Ten years ago, for example, the whole world consumed roughly 28 billion barrels of oil. Among the 28 billion barrels of oil, 17 billion barrels of oil were consumed by the

advanced economies; emerging markets, 11 billion. Today, the whole world consumes 32 billion. Among the 32 billion, the advanced economy roughly consumes 16 and emerging markets consume 16 billion.

So, in 10 years the horizon, yes, the consumption for oil increased, but the share for the emerging markets rose roughly from one-third to a half. For another example, for copper, 10 years ago the whole world consumption of copper was 15 million tons. Among the 15 million tons, 10.4 million tons of copper were consumed by advanced economies. Emerging markets only consumed 4.5 million tons. 5 years later, we expect to see the copper -- we forecast copper consumption at more than double to 33 or 34 million tons, but among this 33 to 34 million tons the emerging markets will consume 27 to 28 million tons.

So, in 15 years' horizon, the demand for or consumption of copper from emerging markets increases from roughly less than a third to three-quarters. Why copper? Because copper is a classical commodity. It goes almost parallel with per capita income growth.

When we take the oil demand and growth and the copper demand and consumption growth, actually we observe three trends underneath the whole structure change. Ten years ago the whole commodity demand from emerging markets was driven by the manufacturing globalization. So thereupon, the emerging market's demand for commodities increased dramatically, but overall it's a global relocation for the commodity.

But when emerging markets gradually had more manufacturing capacity, they also invested money in infrastructure: roads, highways, and buildings, and all those things. Emerging markets created the extra demand for the resource, so that's a second wave. Now, what we're experiencing today is the starting point of the third wave. That's a per capita income increase driven demand for commodity and energy.

Think about it. For 3 billion people, if every household wanted to have a car --

particularly a big American car. What was that UVS? UV or UVS?

MR. TALBOTT: SUV.

DR. ZHU: SUV. Yes, thank you. I don't have that car. (Laughter) So, SUV, right?

How much oil? How much steel, copper and aluminum were consumed?

Everyone has a TV, refrigerator, all these things. So you move the base and median from 1 billion from 3 billion and the consumption pattern for this 3 billion people changes constantly because of growth.

The second -- given the time limit, I'll just name a few changes. The second change that we'll see -- actually, a change on the financial flow. When the emerging markets today account for 47.8 percent of global GDP. Today the world -- the emerging market count only 19 percent of global financial assets -- the money for this growth.

So we expect to see the capital flow move much, much more dramatically away from advancing economies to the emerging market where it was observed 15 years ago, a lot of money moves here, away to the emerging markets. Most of them are FDIs. Before the crisis period we said FDI, plus a short term liquidity capital flow. Today, we observe the financial portfolio capital flow move away from this market to the emerging market.

Only 1 percent financial assets are moving away from this market to the emerging market, equivalent to total FDI, emerging market received for a year. So it's a huge global financial relocation.

Trade. When the growth more leans on the emerging markets, emerging markets more and more become consumer driven and the demand for emerging markets to pick it up. A lot of what we observe is that aggregate demand growth is much stronger than aggregate supply in the emerging market. Meanwhile, in the advancing economy, aggregate demand is much slower than aggregate production in an advanced economy. So it changes the

whole trade balance because emerging market will be net imports.

We start to see the trends that will happen in five years horizon and beyond. You see, many things will change, but probably, given time, I will stop here. So the growth is gaining this strength and moving forward, but structures are very different. And these structures bring the fundamental change of the world economy today, in the next five years.

Now let's come to inflation. The inflation is way high in the emerging market. And we observed in India, for example -- India has three different indexes, so it's difficult to pick one. But, roughly, we pick the normal one -- now manufacturing price index is roughly 8.6, 8.7. Brazil, another 6.7. China, 5.4 percent last month and inflation is way high.

But even in an advanced economy, U.K., 4.4. percent last month; Europe, 2.4 to 2.5 percent. Even in the United States with always inflation still low, 2.2 percent now. It changes really fast.

There are a few things behind this inflationary issues. Obviously, the one thing is the commodity and the (inaudible), this is most important issue. We see the commodity oil prices way high. They probably will stay pretty high, as I explained, because of global economic structure change. But there's also the liquidity issue. During the crisis -- because the crisis is so big, it's coming so fast, and so strong, everyone immediately reduced interest rates.

And the liquidity example, in the whole history in the past six years, the whole world never ever experienced such a low interest rates for the whole world, as we observed today. In many emerging markets, even with -- they raise interest rates pretty fast, so given the inflation rate, they still have inactive interest rates.

The world almost -- almost -- I cannot give you one lone example, it would take me another 60 minutes, I guess. Almost over -- in an active interest rates environment for so long. For so long. And I think about that and the capacity utilization in the advanced economies is still very, very low and the output cap is still there.

But where there's ample liquidity and whole inflation it's forming the pressures there. An expectation for the inflation is also forming. This is a much more important in the last few months, particularly the last few weeks. You see the change in the market changing in this expectation area. And also, this inflation comes from different areas. I mean, for the commodity and the energy imports -- you have exporter inflation issues -- but if you import the commodity, you will see the term for three that ToT really improve in the past two or three years for the manufacturing countries.

So it's a lot of imported -- the inflation -- from both resource economy and the manufacturing economy. And always ample liquidity in the areas quickly filling up. The inflation process is a particular issue in the emerging markets. In addition, as I mentioned, the low interest rates are still very low and even when they raise interest several times already, but compels inflation to -- real interest rates are still low and also, given the commodity process there. But overall, because the whole emerging market's also moving into another new stage of value change.

We observe it's not only in China, but also starting in India, in (inaudible), Thailand, Indonesia, and in Brazil, the labor cost increase, environmental protection cost increase, the land cost increase. So supply side costs are really picked up.

At these moments, I'm a little bit careful to say whether supply and demand sort of spiral out -- I wouldn't say that's forming already, but we'll see the two thinkers quite as strongly. So there is a really -- both from supply side and also from demand side -- the pressures for the inflation as they're both from the resource from manufacturing emerging markets and the advanced economy, and we see the global inflation -- it's really -- it's trended up.

Yes, the world is on an inflation path -- the interest rates are on the rising side. The world is on a tightening cycle. Emerging markets raise interest several times already, but in



a very slow motion. The tightening cycle also changes. The first time in the past 50 years, it's the first time -- it's the tiniest tightening cycle would be lead by the emerging market. And they're still behind the curve.

And so, these two things, I would think that if we would talk about in the next five years. We can talk about structure changes. Ours is to the inside, really fundamental change in the structure and brings a huge challenge for the global economy.

Let me take three or four minutes to talk about policies. The challenges I think are for those two things, to bring them together is really first time to bring the huge challenge for the emerging market. How do we balance growth and inflation? Which is which?

In the short term, the emerging markets use all the means they have. They raise interest rates, reserve deposit rate are -- particularly in China, is 21 percent already, and exchange rates, there are several ways, and also normalize the fiscal policy and tighten the monetary policy, and all the way try to cool down the economy. I think that's good. It's work under way, but it's not easy.

It's not easy because for emerging markets all the output caps are closed already. They move into sort of a overheating phase now. And there are still ways to ample liquidity with a lot of capital in-flow and bringing further liquidity to the system and remaining a pretty high commodity and energy price. And also, supply side causes increase. It's not easy to manage the inflation in an emerging market. And we more and more see the inflation in emerging markets are not only an issue for today, but rather for the immediate time because they probably would last for a while because emerging markets are facing the structure changes as well.

So how do we do that? I would say the fundamental addition to this short time issue is really for the emerging markets to need to change the growth model. I'm sure this morning we may have heard a lot about growth models, but my concept for a growth model is

slightly different.

It seems to me that the emerging markets need to be moving away from external trade demand growth model -- which everybody agrees -- to the inside, the supply driven model, which is slightly different. What we call, the insider conservancy driven. What we experienced in the past three or four years is the growth model did change in the emerging markets from external trade dependent model to the inside conservancy, but which is not exactly conservancy. Rather, it is insider investments driven growth model. Because when you're putting all the stimulus package in, a lot of money goes to investments and investments and the pool of conservancy filled up.

What we need today is really a structure change from supply side for the emerging markets. Move into the value change and make sure you have a big enough margin to overcome increasing costs and inflation pressures. The emerging markets need to do the further service sector reform -- as Professor Huang mentioned in the previous session -- and opening more sectors makes people able to make more money, but the service sector also creates the jobs, and create income, and also create a margin. And overall, the whole emerging market needs to move away from very much depending on external driven things, to the internal IND-driven, self-sustained growth model, which is the real challenge for the emerging markets.

Because before the growth had spread too easy, in terms of structure change. Because everything is depending on external demand, so the world emerging markets need to do is moving resource from the non-tradable to the tradable. And the tradable sector will change the structure, follow the demand structure through the trade. If the demand for external trade is for a glass, you produce a glass. If it is for the iPad, you produce an iPad. So the whole -- the supply can change in those two sectors. But now the demand is gone.

It's not only the aggregate demand issue, it's a structure issue. Who will push or lead the inside and internal emerging market structure change and growth? You have to fund

the growth resource and growth drives within the system. It's not easy. The Japanese and the Korean example is, yes, you can do industry policy, but immediately you run into industry policy. You run into the policy risk and Japanese and Korean experts say, the industry policy is also not easy to form and to implement. So, in that sense, we observe the growth change, we observe the pattern and trends, but whether this growth is sustainable is a big question.

On inflation side, today, inflation's way higher this side. Fundamentally, emerging markets needed, really, from the growth model the angle to solve this. They should tackle these issues, but in the best economy it's also a challenge because most of the advanced economies have pretty high debts. They don't have the fiscal capacity. They don't have a fiscal policy. Growth is still weak. The only thing you have is monetary space.

Inflation presses on because of over-liquidity and because your imports from the manufacturing in emerging markets. To tie or not to tie would be a very serious policy issue. It also means to grow or not to grow. But this is not only a monetary issue. I mean, I understand that a lot of schools say all inflation is a monetary issue, blah, blah, blah -- whatever. But today's evidence suggests it's not only a monetary issue, they're more structure issues, supply side issues.

So we may need different tools and a means to deal with these issues. And it can go quite fast. What we have observed, for example, in Europe is that the inflation expectation -- it really went up. So I think that I've taken my time already. I shall stop here.

If I can conclude, I would say, well, we're still not out of woods yet, within the crisis. And (inaudible) is very strong in the growth, but unbalanced growth -- the global economic structure is really fundamentally changed. And global inflation has picked up and also inflation structure has fundamentally changed. We're facing a very, very different world.

The world is changing. The world will continue to change, but it's a risk unless the future direction is not all clear, yet. Thank you. (Applause)

MR. TALBOTT: Ken, have we got about 10 minutes for some questions? Is that about right?

MR. LIEBERTHAL: Only 10 minutes?

MR. TALBOTT: Can we go a little longer than that?

MR. LIEBERTHAL: Yeah, I was just wondering.

MR. TALBOTT: Okay. We'll go for -- yes, sir?

MR. WARREN: Thank you very much for an excellent presentation. I'm Rob Warren from Dycor. I'd like to ask about a World Bank report that was published just recently regarding the change -- the dollar dominance, if you will -- in the international financial system to maybe by 2025 or thereabouts, the RMB, the euro, and the dollar more or less on par. Why not the SDR, too?

DR. ZHU: First of all, thank you for supporting IMF. I guess you support the SDR, although you didn't say that.

The dollar is a big issue. The big issue. I think the crisis say, you know, the world have only a sovereign currency being the super currency, not necessarily being a good thing. But the crisis all say, observe the resilience of the dollar system.

In the past 10 years because of the euro increase -- what happened is where the euro increased 10 percent after the global reserve and dollar drops 10 percent. That's what happened in the past year. Now, even with the euro crisis, the thing changes roughly around 1 percentage point. Not very much because everybody understands the pressures on the dollar side.

But the dollar is important not only on the reserve, the real issue is on the liquidity issue because today the dollar provides more than 76 percent of global liquidity. Given the huge financial market, one day -- the forex trading is a \$4.6 trillion. The whole liquidity issue is in everybody's mind, that's the strength of the dollar.

So I think that because you don't have a substitute, the dollar will remain. And in the 1980s, within the Fund, there was a big discussion as to whether we used the SDR substitute for the dollar because the dollar varies on downsize and the European was very concerned because at that time they are a major holder of the dollar. And the U.S. is concerned because the U.S. doesn't want the exchange rate in the hands of the others. And there are a lot of negotiations, but at the end of the day it's, you know, who takes the risks of the exchange rates?

And even if you convert it into the SDR it's a (inaudible) thing, so you still the exchange rates. So the (inaudible) created things called a substitute account at the end of the day and I'm sure that Brookings and Peterson and Nick obviously knows that, so I'll be involved in all the discussions about it all or about whatever. I'll never get out.

I would say the global international market is evolving. The dollar will remain the main currency of the world for a while. But the whole issue, I very much agree with Barry— Barry Eichengreen just wrote a very good book. He argued the dollar will be there, but it's not because of competition from Europe and from RMB -- RMB is not comfortable yet -- but rather from internal macro policy. If any mistake were made in the macro policy it will make the dollar really noncredible. So that would cause a serious problem. I very much agree with him.

Meanwhile, we also promote from the typical Fund point of view expand the role of SDR. I think that's, you know, although in a small size, but gradually help to stabilize the global international monetary system. Thank you.

MR. HUNG: Sing Hung from (inaudible) at University of China. And thank you very much for a very impressive, you know, presentation -- especially for me and a very impressive picture of the drastic development of emerging markets. But I engage in political studies, so for me in some sense -- and this picture is a picture of economic esthetical world. And there's a difference from the real political world and one difference lies in the so-called

alignment kind of coalition. And of course in emerging economies really in the total volume a very drastic and very impressive, you know. The development reflected the change of all this.

But, at the other side, at the (inaudible), at least. And although we have some BRICs or BRIC, but still we cannot talk about the so-called coalition or alignment of these developing economies. And so, if you look at the developing world, and politically and economically, we have -- and this is the so-called the North Atlantic area, plus Japan, plus Australia. So I think my purpose of this question is that, in your opinion, what might be the possible political and future development which, you know, follow this kind of economic rise of the known West. Of course, I know that there would be a great distance, but I would like to hear about your guess or opinion about that?

DR. ZHU: Thank you. You allow me to guess. But this is a tough call and I thought I may face this question, but I never thought I would face this question from a Chinese fellow. (Laughter)

But this is an interesting issue. I'm not -- I'm sort of an economist, I have to say. This is not my dessert. I would say, yes. I say that we've observed, you know, the economic structure change, right? But the first issues I also want to say, we observe the trends, but we are cautious. We still don't know whether this trend's sustainable. That's the first and number one challenge for emerging markets for the whole world because a strong growth in the emerging markets are good emerging markets and good for the world and I think that's the first issue.

The second issue is, when you talk about the political structure change, but I will say that today is very different. Probably we don't want to talk about sort of the advancing economies in the emerging market in the political sense. It's over what really we need -- is a global governance structures because we're so interconnected. We're so linked to each other today. And it's a crisis that particularly demonstrates the interconnectiveness for everyone.

Particularly if it's in the emerging markets and advanced economies.

So what we need to do is to reserve and to build on. To continuously improve the governance structure of the global economic, financial, and the political, as well. That's -- I think we're moving the right direction because we observe the G-20 set-up -- you know, also G-7 is still there, but more and more G-20 playing more important role. I think this is a fairly new issue.

But obviously, G-20 has its own issues and they need to further work on it to further improve and to build on their own legitimacy. Those are a lot of things. But I would say, the whole goal for the whole world is built on healthy and transparency, and a credible governance structure that will benefit everyone.

SPEAKER: (inaudible) and work responsibly in the international community. Given the rapid change in the global economic structure, what in your view is considered to be responsible role for the Chinese economy?

DR. ZHU: That's a great, great question. Ambassador Young was my board member and also my mentor and, I dare say, my friend. You're my uncle side and my aunt. But I learned the one thing, your close friends always ask you tough questions. (Laughter) It turns out to become the truth, I guess.

I think it's important. China's on the learning curve. When China becomes big and bigger and it becomes oversized, then China has to share the global responsibilities with others. There's a lot of things financially, economically, I mean, it's obvious, you know? And the security, it's all those things.

But China is a slight difference. I think, if you look and go back -- I mean, if you're looking for the per capita GDP, then China's still way, way lower. It's still ranked 100. That means the capacity of institutional building and a capacity of the whole economy is still relatively weak because per capita GDP is really the main measure for devoting for the global

constructive framework.

If you're looking for whatever happens in the past, you know, the Dutch suppress Spain, and the U.K. suppress the Dutch, and the U.S. is always per capita GDP 2.5 to 3.2 percent that way. And also, China is in the reform process, moving away a long time from the China economy to the market economy. This is a lot of things to learn, a lot of things to learn.

So I will say, China needs to be aware for its increasing influence and increasing responsibility. And, in a sense, for example the global economic cooperation in the sense in terms of trade of financial, and in all those things -- FDIs, all those things -- not to mention aid and the concession on loan issues. And they need to be aware of that.

But meanwhile, the world needs to provide a very friendly, open environment, so we can work together. As I mentioned in the previous question, I think the whole world needs a healthy and a strong governance structure.

MR. TALBOTT: At the back?

MR. QUEE: Thank you, Dung Quee, with China Path. Actually, I have a follow-up question for the first one. If the renminbi would like to be included in SDR, what need to be done critically, in your view? And how long the process of the RMB's internationalization? How long will be the process do you predict? Thank you.

DR. ZHU: That's also a very good question. And I think that it's very clear that the world has recognized the increasing role of China and also recognized the increasing role of the Chinese currency, which renminbi. So the G-20 made this very clear, under the presidency of the French. President Sarkozy made this very clear at G-20, they welcome RMB to join SDR and IMF also made statements that make it very clear we welcome RMB join SDR. So I think this is very important because historically we've never, ever observed those things happen.

But I would say, this is very much a political commitment because down to the Earth, we have to make RMB meet the requirements of the IMF, and being a part of (inaudible)



of the SDR.

There are a few things -- the one critical issue is the currency has to be -- I'm sorry, this is a little technical issue. It's not only the GDP ratio, but also trade ratios, the volatility on trade for the forex market. You know, it's not only one thing. When the people design the whole thing 70 years ago, they were very smart, you know. They thought of so many different things, but the most important thing is the currency issue should be freely used in the international market. And in that sense, we observe -- for example, RMB can be the trade financing today and used in the various markets and across various countries. And this is one end.

But the RMB, in terms of the financial instrument, is still very limited because it's very important you have the financial products denominated by RMB. Then, you know, people can trade, can make it a reserve, and can invest. So then it becomes -- this currency becomes a meaningful international currency. But then involving the whole market construction, (inaudible) framework, and all those things. So, in that sense, I would say we'll have to see that the recognition from the international community, which is very good, we'll have to carefully check the technical requirements. But, also, we need to see the real issue, which is market issue, as well.

MR. TALBOTT: One last question? The lady right there?

SPEAKER: Thanks. When you talk about the emerging markets, I assume that you have in mind not just the China/India/Brazil, but the rest of the developing world --

DR. ZHU: Yes.

SPEAKER: -- which is also changing rapidly.

DR. ZHU: Yes.

SPEAKER: But when you describe some of the key phenomenon, such as, you know, the significant demand increase, capital inflow, and so on, it sounds to me -- it's a little bit

focused on a number of emerging market countries. So I guess my question is, could you elaborate a little bit more about what's going on within that emerging market and what is the role of China, of Brazil, in that big emerging market? And how China takes the responsibility for that?

DR. ZHU: Great, great question. The emerging market is such a big concept. Within the emerging markets you have so many -- you have a, you know, fair and strong growth economy: China, India, and Russia, and Brazil. And you have a middle income or you have an even lower income, you have what we call it the least developed economies, in Nepal and also Pakistan and a few others. So this is a very varied spectrum from one end to another. This is very true, you know. It's much less homogenous than an advanced economy. You know, it's the whole spectrum. I think that's very true. That's number one.

But in the past few years, overall, the whole emerging market has grown quite strongly and performed much better. Not only over -- almost everyone performed better than an advanced economy. Take for example, the South Sahara Africa regions. You know, last year they have a 5.6 percent of GDP growth rate, this year it's more -- even higher, 5.6 or 5.7 percent GDP growth rate. It's the whole Sub-Saharan Africa countries; low-income countries grow very well.

But they're for different reasons. Emerging market, also -- I mean, Dubai, for example -- in China it was manufacturer driven, but in Brazil and African countries they're resource driven. It's very different. The macro policy and the situation, it can be very different. So what we observe is overall the emerging markets as a group are doing very well. Every country particularly also doing quite well because this is almost the first time in the crisis, you know, they have been able to maintain quite a strong growth. It's absolutely amazing seeing things we've never observed in the past.

And per capita GDP will be able to maintain -- not only stabilize, but also

increase in the past three years. I think this is an amazing phenomenon we've observed, which is very good.

Now, back to the point of what happened within the group. Within the group we observed more and more of the so-called BRIC economy became the growth engine of the rest of the emerging market. And the BRIC becomes the main trade partner and main FDI for the rest of the emerging market.

For example, in various periods, BRIC exports and trade relations with other emerging markets increased from roughly 5 percent 20 years ago to almost nothing today; almost 50 percent of their trade with Europe. And Europeans historically have been the whole trade partner for the whole emerging market, so it's very strong. And, also, FDI and concessional loan flow go to the emerging markets from the BRIC is also very strong.

We expect to see this entire world be stronger and stronger and trade would be further enhanced within the emerging markets, within these two groups because what happened in the past 15 or 20 years, the trade between the North and the South has been improved dramatically under the WTO framework. But this is a South-to-North trade.

In the source-to-source trade the barriers are still there. A lot of room to improve. And I would say the next round of trade growth will become source-to-source trades and the next trade global reform will come from reused barriers between the source-to-source, and China obviously plays a very important role in those areas. Not only on the trade, but also on the infrastructure building, social safety net building, education efforts, as well. Because, at the end of the day, it's a whole human society.

MR. TALBOTT: Dr. Zhu, the quality of the questions is, of course, a credit to the participants in the conference, but it's also a great credit to you for edifying us and stimulating these questions, and contributing so much to this proceedings.

So, please, all join me in thanking Dr. Zhu for being with us. (Applause)

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