

Review of great rebalancing: trade, conflict, and the perilous road ahead for boo...

[Parts of the World](#), [Europe](#)



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Executive Summary

Pettis observes the trade imbalance in the countries' balance of payments. Some developed countries have a large amount of debt because they import much more than they export while some other developed countries have large surpluses in their balance of payments. This trade imbalance in the balance of payments is not sustainable according to him. While China continues to make massive investments by using the advantage of cheap labor in the country and Japan continues fighting against stagnation, U. S. and Europe has important problems of producing and growing. In a world like that all the countries are facing structural problems and we need a change in the world.

A rebalancing for the world trade relations is needed according to Pettis. The countries spending more than they produce will face a time when the demand for goods will decrease, because their economies will not produce enough income to sustain their consumption. Parallel to this fact, the countries with large international trade surplus will not be able to continue their high level of export, because the importer countries will not be able to continue their high level of consumption. Finally, each country will determine

new economic policies to create a way out of this situation. The countries with the high deficits will try to produce more in their countries and the countries with the large surplus will try to develop the consumption of their citizens.

If the countries will not develop strategies to fix this international trade imbalance problem, the natural economic forces will push the countries, and we may have a scenario pushed by these forces. Consequently, not developing new economic strategies might give us unexpected and hard to control results in the future.

Critique to the Book

Pettis's suggestion of a new policy for the countries does not seem to be possible in the close future. Even though the European countries and the U. S. could not manage to sustain their success in their economic development for the last decade, they have a long history of being power in the world and Euro and Dollar are still preferred currencies in the international trade. Also these countries have well-structured economies and although it seems a bit difficult to recover from the economic problems, the economic policies implemented in the last a few years has provided some good results such as higher creating of new jobs and lower level of unemployment.

The cooperation among the European countries and the U. S. is also another important fact. The industries in Europe and in the U. S. have been trying to transform themselves. For instance, in the last a few months, we have observed news on the development in the renewable energy investments in the U. S. and in Germany. The most essential thing, these

countries are developing new technologies. Also considering that Japan is also a good ally with the U. S., the new developing industries might make Europe and the U. S. the information creating places. This fact is giving a clue us that these countries can transform their economies and sustain their power in the world for another 100 years more. It might be expected that these countries create a cooperation among them and manage to sustain their development.

Another important fact is that the countries with large deficits have a highly educated human resources. The U. S. has more potential in terms of human resources. People are more inclined to be entrepreneurs and if they trust the economic policies implemented, they might create a new age of entrepreneurship. Considering that the U. S. has an educated human resources with a relatively higher level of mobility, the Americans has the potential to produce in the U. S. which might help the American economy recover.

Comparative to Europe and the U. S., China does not have a well-structured economy and Japan has many structural problems in the economy. Although China produces more than its public consumes now, there are many social problems in China. A number of people are getting most of the national income and no one can claim that there is equal opportunities for every citizen in the Chinese economy. These social problems might cause worse troubles for the economic growth in China. Japan has a stagnation problem because Japanese people do not like consuming culturally. For Japan, transforming people is much harder task than to fix the U. S. economic problems. Both Japan and China, to develop higher consumption levels in

their countries, they need to change many cultural factors and their governing styles and these changes need very long time.

Also another important facet of the world trade is some new countries which might have a strong effect on the international trade such as African and Latin American countries. They have potentials which have not been utilized so far and some developed countries are making large investments in these countries. Also these countries are needed to be taken into account while writing future scenarios for the world trade. China is trying to get a larger share in the African countries while the U. S. and the European countries have investments in the Latin American countries. Pettis should consider all the facts I have mention in the essay to write a scenario for the world in the future.

Reference

Pettis, M. (2013). *The Great Rebalancing: Trade, Conflict, and the Perilous Road Ahead for the World Economy* Michael Pettis. Princeton University Press, New Jersey.