

## Letter from the President



As we enter the second decade of the new century, the global economy finds itself on a firmer footing, despite political unrest in the Middle East and Northern Africa and the disasters in Japan. While growth in the advanced economies has yet to fully eliminate the output gap that emerged during the financial crisis, progress in the emerging market economies has been better, and the concerns of policymakers in those economies have shifted from sustaining growth to reining in incipient inflation pressures.

This year's Globalization and Monetary Policy Institute annual report contains three articles on different aspects of globalization. The first, by Enrique Martínez-García and Janet Koech, is a summary of a conference the institute hosted at the Dallas Fed in March to (somewhat belatedly) mark the 10th anniversary of the creation of the euro. The essay goes beyond a simple summary of what was discussed at the conference to put the creation of the euro in a broader historical and economic perspective. The euro's creation in 1999 was an event of enormous significance, but not one without risks. The European Central Bank has so far successfully fulfilled its mandate for price stability, but the tensions in euro sovereign debt markets that emerged in 2010, precipitated by developments in Greece and Ireland, seem to have vindicated the concerns of some prior to the launch of the project.

The second essay, by Janet Koech, looks at why, of all the major regions in the world, Africa seems to have benefited the least from globaliza-

tion. The continent is rich in natural resources and has become an important destination for foreign direct investment (FDI) by emerging market economies—especially China—seeking to secure access to raw materials vital to their long-term growth. Before the global downturn, the continent's FDI inflows surged to a record high, although the numbers still compare unfavorably to those in other developing regions. Africa's prospects for sustained growth and development depend on continuing efforts to draw more such investment, including achieving political stability.

The final essay, by Payton Odom, looks at how well we measure the cost of shipping goods internationally. Despite dramatic changes in the tradability of many services, the bulk of international trade is still trade in goods. Changes in trade flows—and in the cost of shipping goods—are a potentially useful source of information about the state of the global economy.

These essays give but a flavor of the wide array of research projects that are under way at the institute. For a more comprehensive view of the work going on at the institute, please take a look at the list of working papers that have been produced by staff and associated researchers over the past year.

A handwritten signature in black ink that reads "Richard W. Fisher". The signature is written in a cursive, flowing style.

Richard W. Fisher  
*President and CEO  
Federal Reserve Bank of Dallas*

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