

Regaining Economic Growth in Developed Economies – The Situation and Outlook for Japan

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Naohiro Yashiro

International Christian University

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China's emerging internet giants

Death and defiance in Norway

Putting Mubarak on trial

A quarter-century of burgernomics

The naked world of Lucian Freud

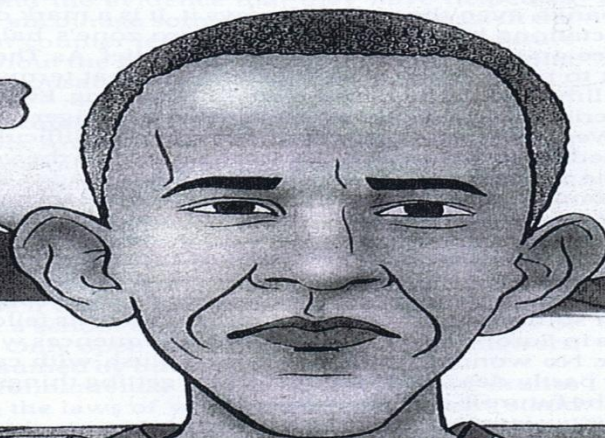
Turning Japanese

Debt, default and the West's new politics of paralysis

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Australia... A\$11 (inc. GST)
Bangladesh... Tk430
Brunei... B\$12.00
Cambodia... US\$6.50
China... RMB 75

Fiji... US\$7.00
Hong Kong... HK\$70
India... Rs200
Indonesia... Rp60,000
Japan... ¥1,200 (¥1,143)

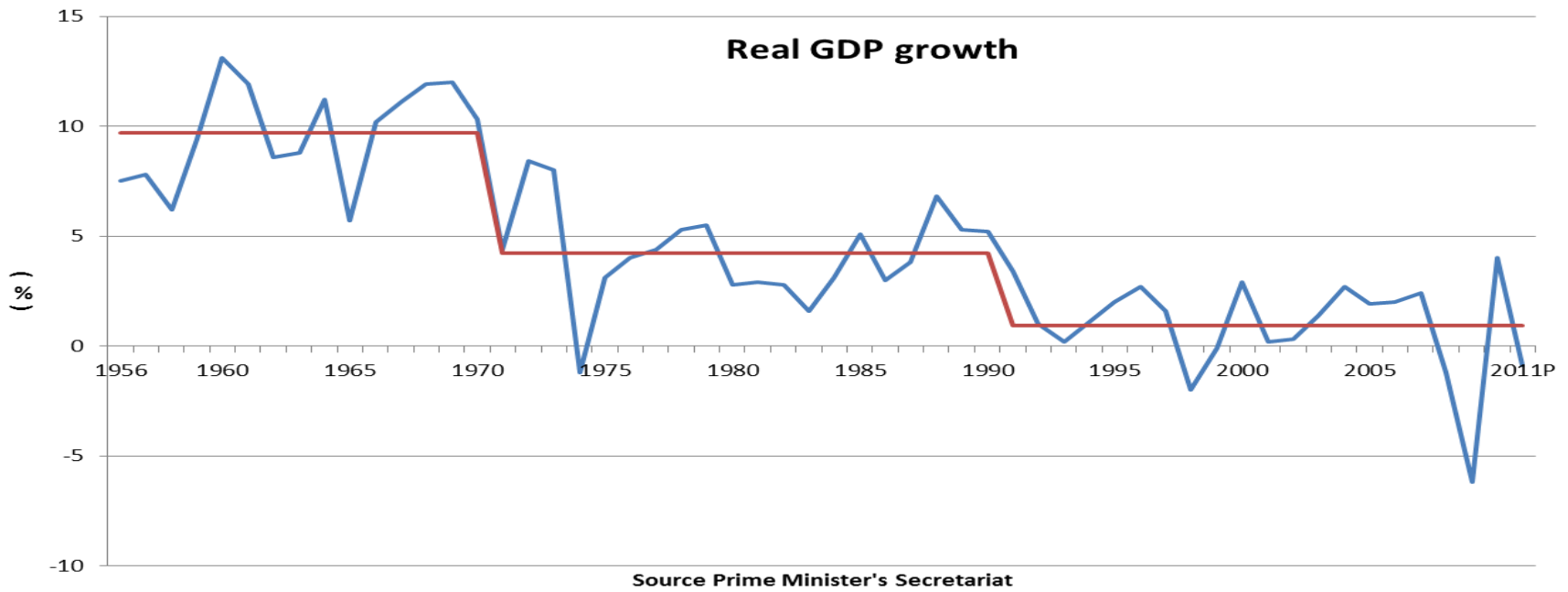
Korea... Won 9,000
Macau... HK\$70
Malaysia... RM20
Myanmar... US\$7.00
Mongolia... US\$7.00

Nepal... NR320
New Zealand... NZ\$12.00
Pakistan... R420
Papua New Guinea... US\$7.00
Philippines... Pesos350

Singapore... S\$12.50 (inc. GST)
Sri Lanka... Rs700
Taiwan... NT\$250
Thailand... Baht 250
Vietnam... US\$7.00

“Japanisation” of the economic stagnation in the U.S. and Europe

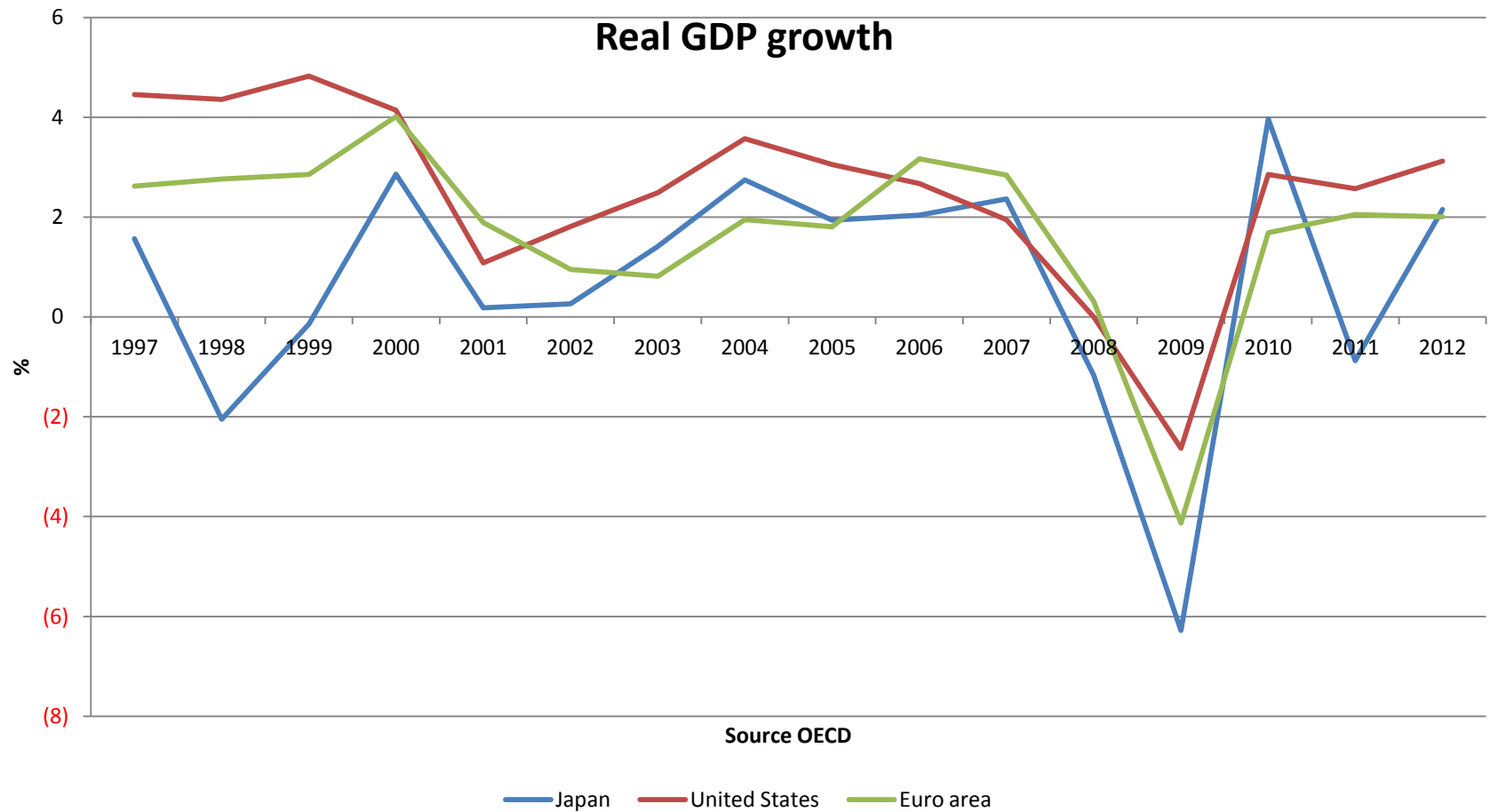
- Japan’s “lost two decades” of economic stagnation since the early 1990.



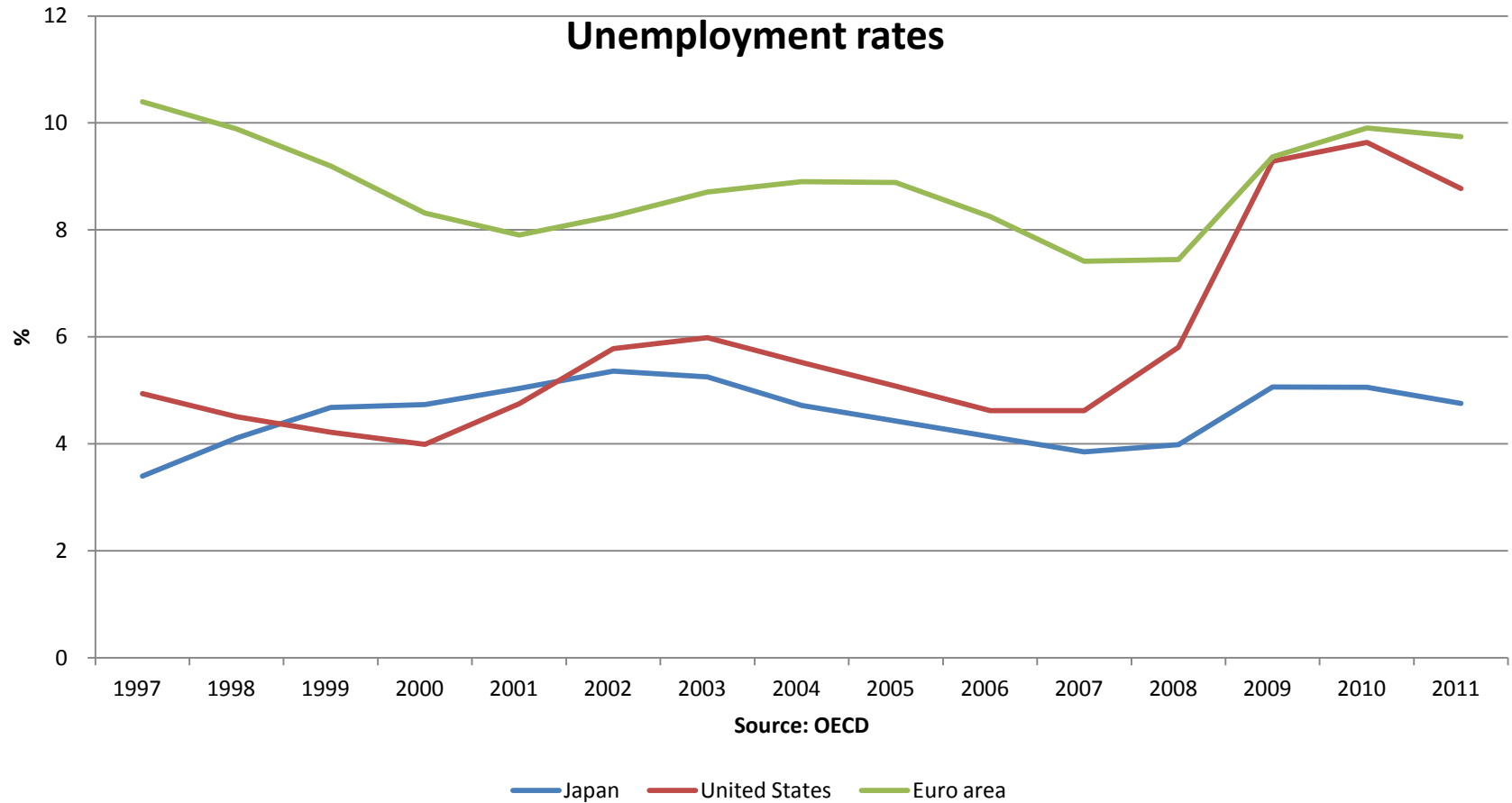
Balance sheet adjustment effects by the bursting of the bubble

- With sharp fall in asset prices, debts become excessive, bringing about shortage of capital
- Accumulation of non-performing loans
- Major sectors of balance sheet adjustments
 - Japan --- corporate sector
 - USA --- housing sector
 - Europe --- government sector

Steadily economic growth was prospected after the Lehman shock



Despite of long-stagnated economy unemployment rates remain stable

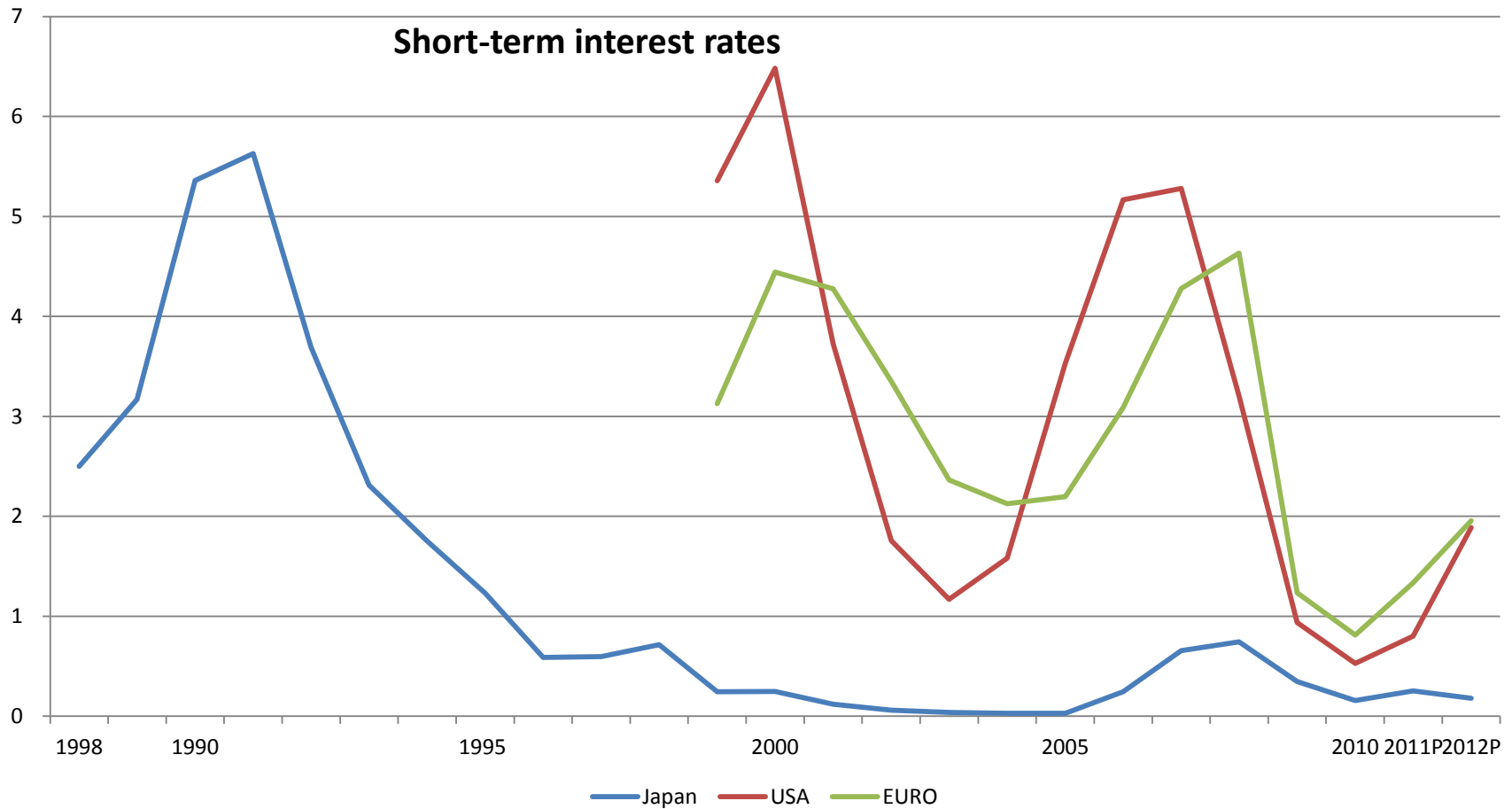


Measures usually taken to restore confidence in financial markets

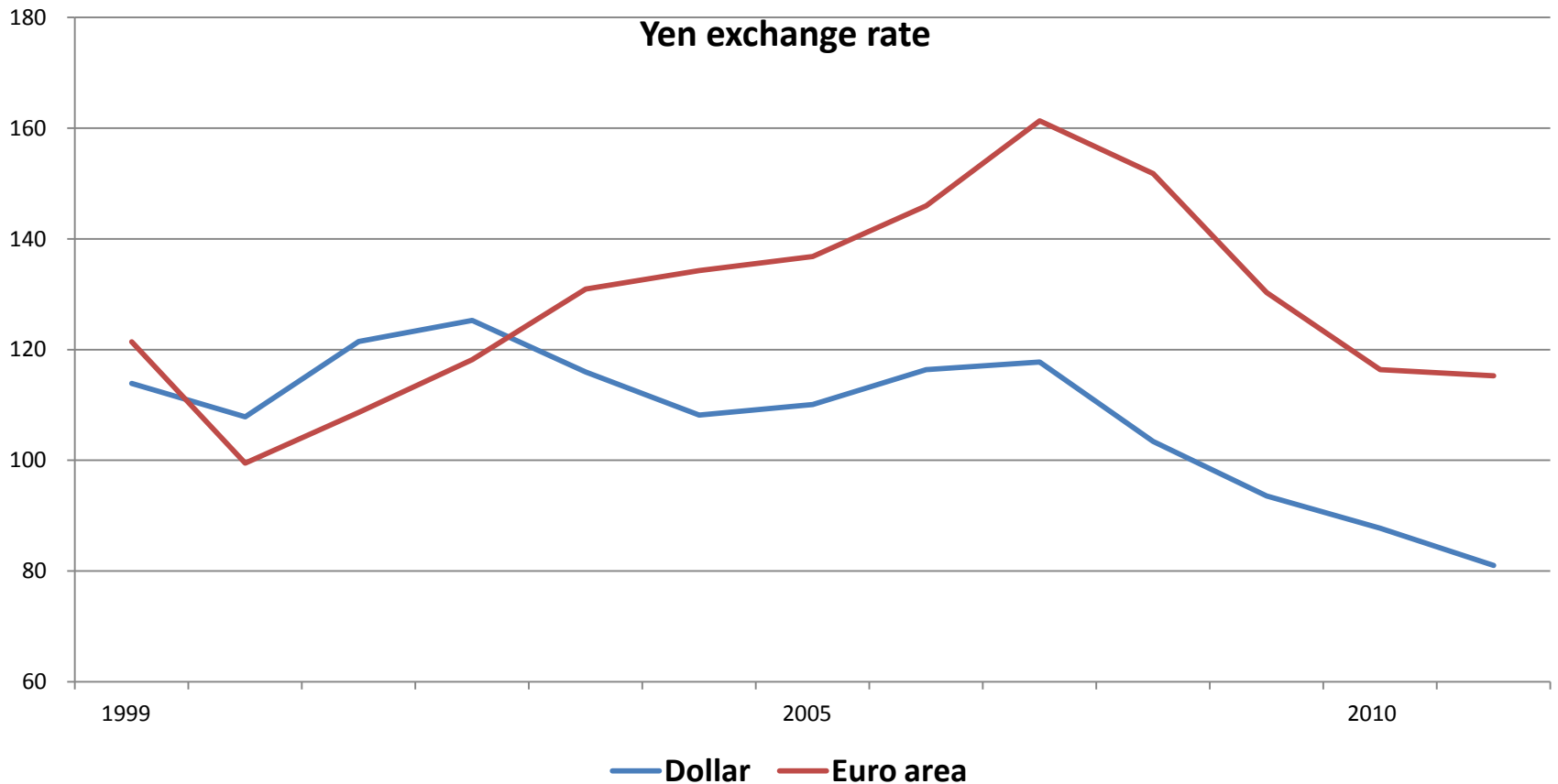
- Easing monetary policy providing enough liquidities in the market, and the currency depreciation to stimulate domestic demand;
- Fiscal expenditures to rescue private financial institutions and shifting the burden to the public sector;
- Government initiative to deal with non-performing loans.

Conversing short-term interest rates:

Source OECD (2011.5)



Easy monetary policies in the US and Europe have depreciated their currencies



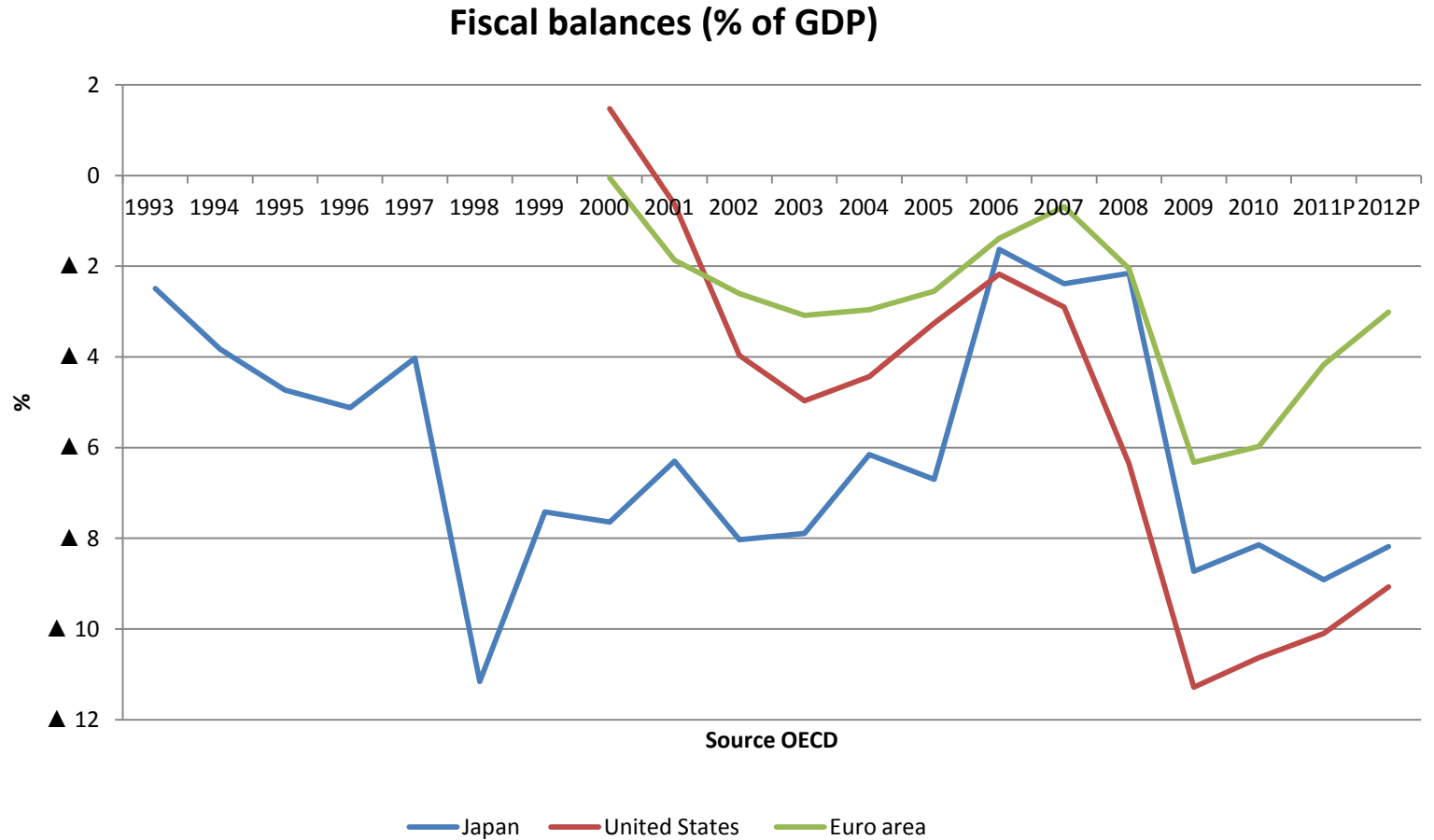
Recent exchange rate development

Yen/dollar



Increasing budget deficits

Source OECD (2011.5)

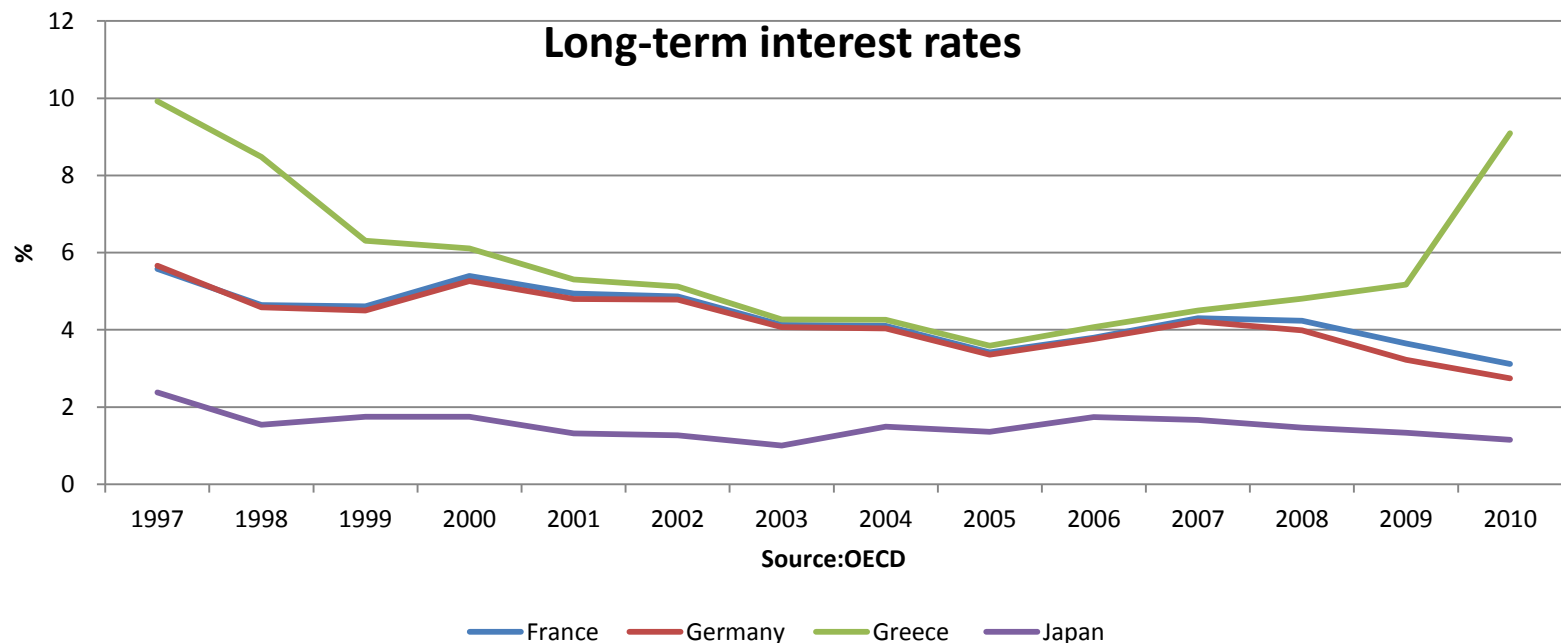


International coordination policies preventing another financial crisis

- Early warning mechanism by collecting data on private and public debts across country;
- Supporting European countries for dealing with non-performing loans;
- Coordination of domestic regulations on financial institutions for preventing “too big to fail” financial institutions;

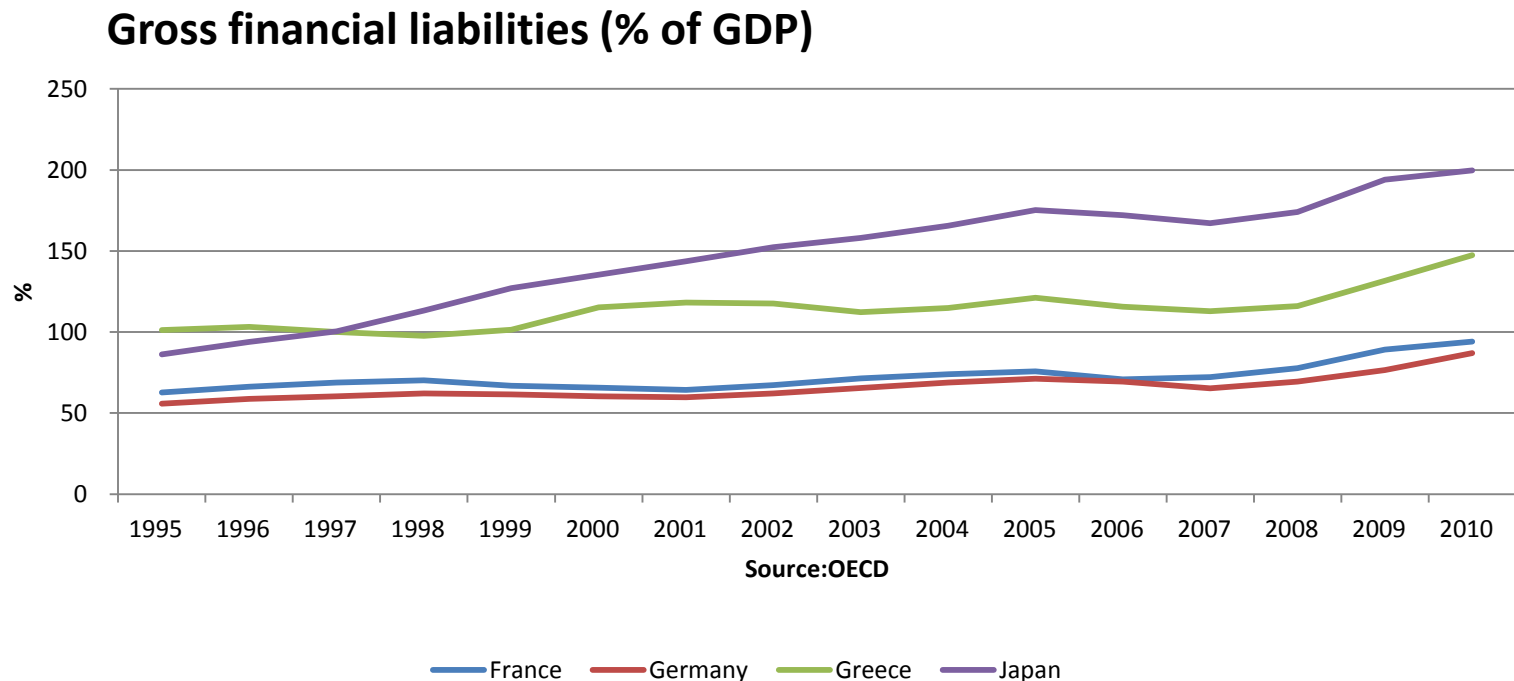
European-oriented bubble and another world economic crisis?

- Moral hazard of over-borrowing with the lower interest rates in the Euro currency.



Greek crisis is a typical case for non-performing loan problem

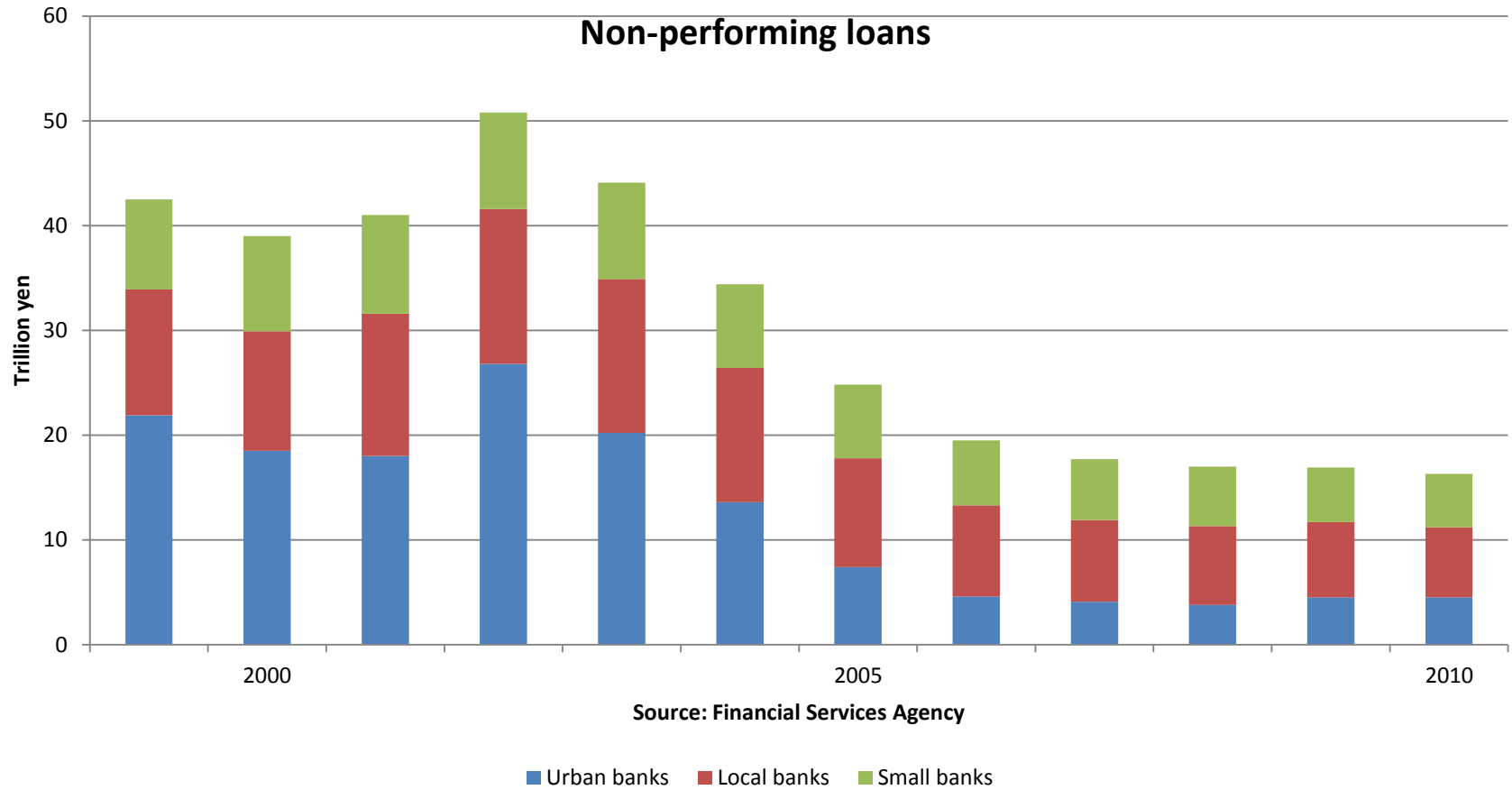
- Postponing the repayment of debts will simply expand the crisis to other countries with similar sovereign risk.



Japan's policy for dealing with non-performing loans in 2002-05

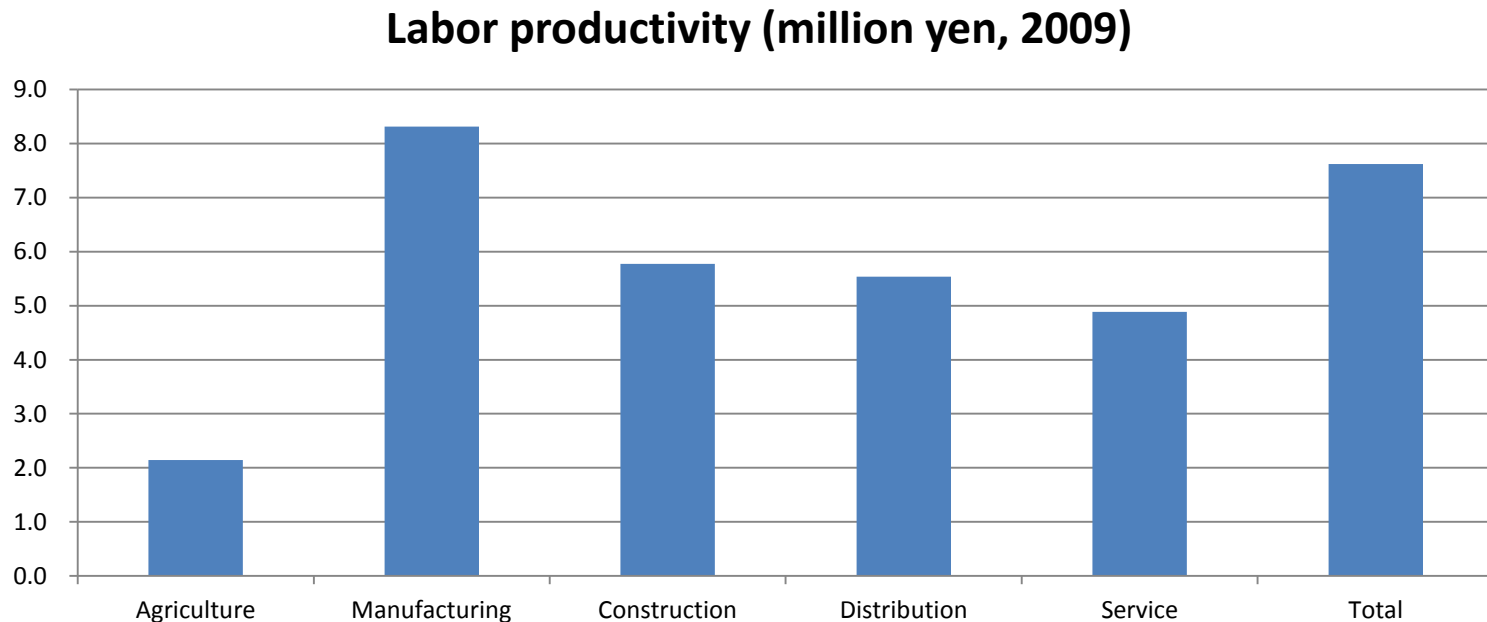
- Industrial Revitalization Corporation of Japan (IRCJ 2003-07)
- Assets purchase program was combined with re-capitalization program;
- Programs were preceded by rigorous inspection;
- Non-performing assets purchased were put back into the private sector or restructured swiftly.

Non-Performing Loans: 1996-2009 (100 million yen)



Domestic demand-oriented growth under world-wide recession

- Large productivity gap by industry; reforming the agriculture and service sectors is needed



Trans-Pacific Partnership Agreement as a key for structural reform initiative

- De-facto US-Japan Free Trade Agreement, and expanding to APEC countries
- Setting a common rule for domestic rules and institutions (intellectual property rights etc)
- Stimulating competition in agriculture and other non-manufacturing sectors,
- Urging structural reform by setting clear time-limits for opening of the non-manufacturing markets.