

## **Welcome and Opening Remarks**

(Noboru Hatakeyama Chairman and CEO, Japan Economic Foundation (JEF))

Despite your busy schedule at the end of the fiscal year, it is a great pleasure for us to receive about 200 people coming to our symposium today. Allow me to say a few words on behalf of the co-organizer, JEF.

Global financial and economic crisis, which was triggered by Lehman shock last September is said to have turned the corner, but it is still a far cry from entering a stable economic growth path. Allow me to share my personal view here about the global economy, but at this point in time, I see three challenges. The first challenge is that in order to avoid the recurrence of the global economic crisis like this time, each nation might have to continue stimulus packages that they have taken. In 2008 and 2009, major economies adopted stimulus packages totaling some \$5 trillion accounting for 8% of the global GDP. This translates to 4% per annum because it is 8% in 2 years. Even with that much boost, global economic growth, according to IMF, was 3% in 2008 and -1.1% in 2009, given 1 year for the effect of the packages to be felt, 2010 growth is expected to be only 3.1%. So without the packages, the growth must have been in the negative range. In other words, global economy has not reached the stage of making autonomous growth without the stimulus packages.

Therefore, major economies most likely may relapse into grave crisis without economic packages. But each nation has so far done its utmost in implementing fiscal and monetary measures. In fiscal terms, G8 nations' budget deficit in 2010 are expected to exceed -5% of GDP, and their central banks have overextended its credit. So on one hand, each nation must respond to the request of rebuilding public finance and normalize managerial function, while at the same time, continue to stimulate the economy.

The second challenge is related to the first one. After this economic crisis tore apart the conventional global economic growth model, what kind of growth model shall we build? The conventional growth model depended on the US consumers' leveraged excessive consumption as engine, and Asian countries increased exports to the US for their growth. Japan's export to GDP ratio in 1995 was only 9%, but in 2007, the ratio increased to 18%. Compared to other major economies, it is still a low level, but based on select and focused approach, Japan focused and specialized in automobiles and electronics products. That is the industrial and export structure of Japan. But that model collapsed after the bursting of the bubble of the US economy. And this time last year, drop in Japan's export surpassed the drop in the Great Depression time. The worst drop was right after the outbreak of the World War II in June 1942 at -59.4% but last year's record followed closely to that.

Fortunately, the export growth in December last year turned positive for the first time in 15 months, and after that, it has kept positive figures. But this is the result of the stimulus packages of different countries; it is not coming from the new growth model. So far, the conventional growth model gave

the highest priority to efficiency and it may have expanded disparity. After the excessive consumption of the US is gone, what kind of model can we build in order to narrow this gap?

The third concern is whether some countries start to resort to protectionism in trade; 130 US Congressmen requested President Obama to name China as currency manipulator. Paul Krugman, a Nobel Prize laureate, asserts imposing surcharge of 25% to imports from China unless China reevaluates its currency. Subsequent to this economic crisis, nations through G20 and other fora have been repeatedly calling out against protectionist measures, while the world worked hard to respond to that. We are at the final stage of this economic crisis. It is my hope and expectation that we should not, at this last stage, forget the bitter lessons from the great depressions, and that each nation acts sensibly.

I do look forward to hearing your views on these points today.