

Report on Recent JEF Activity

Europe-Japan Economy Forum Paris, Dec. 10, 2010

Cosponsored by the Japan Economic Foundation (JEF) and the France Aspen Institute, a think-tank specializing in foreign policy and economic policy issues

The discussion was focused on short-term financial and fiscal policies to alleviate the deflationary state of the economy in Europe and Japan, and also on long-term strategies of governments and businesses, including regional economic integration efforts to deal with long-term challenges such as the aging of society.

On the first question of short-term anti-deflationary macroeconomic policies, both sides considered it crucial to reduce fiscal deficits that have reached unbearable amounts due to the fiscal stimulus policy implemented in response to the economic crisis. Unless they reduce the public debt, they cannot eliminate uncertainties in the economy and restore people's confidence in growth. The global financial system that has been unstable since the Lehman shock in 2008 is beginning to be restored but yet to be fully consolidated.

Against this macroeconomic picture, Europe and Japan are still in a seriously deflationary state and the participants agreed to pursue further exchanges of information and views. The common features of their economies make having discussions with each other worthwhile.

Similarities between the two economies are to be observed not only in their short-term perspectives but also in their long-term ones. Aging, for example, is a common policy agenda item for both France and Japan. This aging will bring about a decrease in the labor force and an increase in social security expenditure, and thus could be a serious impediment to economic growth. A possible solution is to make it possible for older people to continue to work longer in life such as until 70 or 75 years old. Assuming that the remarkable development of medical science is successful in prolonging the human life span, what must be achieved is to create a working environment in business enabling older people to work even after the existing retirement age. An "age-free society" could be a remedy for the above-mentioned demerits that could possibly be caused by aging.

Another big long-term common policy agenda item shared by both nations is to create a regional community as a building block for good global governance. Today, our global governance system is in a critical stage where existing institutions – such as the G-8 and IMF (for international macroeconomic policy coordination), the WTO (the multilateral trade rule-making system), and the UN

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Scenes of the forum

process for realizing a post-Kyoto Protocol regime for the global environment – do not work well due to the emergence of important new players such as the BRICs since the current global governance system does not assume the existence of such players.

The participants exchanged views on an ideal global governance system in comparison to the existing one and the discussion covered each side's efforts in regional economic integration. Many shared the view that regional economic integration could be a good means of facilitating trade liberalization, reduction of CO₂ emissions, and economic stability in the region. Thus, both sides agreed upon the increasingly important role of a regional community such as the EU and APEC as a building block toward good global governance.

The participants concluded in the end that it would be useful to further exchange views and information on economic and trade policies since Europe and Japan are in a similar economic situation today and share many common policy challenges to be pursued in the long term.