

Global Growth Strategy

Can We Find a Way Out of the Post-Financial Crisis?

COVER STORY 1

Changing Dynamics of Globalization

4

By Harald Malmgren

Changing Dynamics – Nations today are mainly pursuing only their domestic interests and forgetting about thinking internationally. In such a situation, can we say that we are emerging from the global financial crisis? The key to restoring global growth should be to restore an awareness that all of us are participants in “globalization”.

COVER STORY 2

The Greek Debt Crisis: a Sisyphean Tragedy

8

By Constantine A. Pagedas

The Greek Debt Crisis – Can the EU contain the Greek crisis? A Greek euro zone departure could lead to the ruin of the single European currency experiment. This would be a heavy blow for the EU economy. Whether or not a provisional solution would mitigate the difficulties faced by Greece and the EU, the Greek debt crisis will remain a major obstacle to European growth.

COVER STORY 3-1

The True Aim of China in Setting up the AIIB

13

Challenging the International Financial System or Securing Multilateral Credibility?

By Jianmin Jin

The True Aim of China – The Chinese-initiative AIIB has attracted growing attention among the policy makers worldwide. The author's view is that China's true aim is to secure multilateral creditworthiness and to neutralize the idea of “China as a threat” by providing other countries with economic benefits.

COVER STORY 3-2

Making Growth Inclusive: a South-East Asian Experience for Accelerating Growth in Least Developed Countries

16

By Anita Prakash

Making Growth Inclusive – ERIA, a leading ASEAN think-tank, is now thinking about helping its poorest members, such as Cambodia, Laos, Myanmar and Vietnam, to reduce the development gaps between them and integrate them fully into the ASEAN economy. This would be a great step towards successful regionalism.

COVER STORY 3-3

Economic Growth in East Asia: Prospects & Policy Issues

20

By Josef T. Yap

Economic Growth in East Asia – Risks to growth must be well considered by East Asia if it is to remain a growth leader of the global economy. The most salient short-term risk is financial instability possibly caused by a capital flow reversal due to continuing US QE tapering and a mid-term risk is the so-called middle-income trap. Macroprudential controls and industrial policies would be key to reducing each risk.

COVER STORY 3-4

Asia's Quest for Inclusive Growth Revisited

24

Policy Options for Economic Growth & Income Equality

By Chie Aoyagi & Giovanni Ganelli

Asia's Quest – Income inequality should not be an issue only for Western nations. In achieving high growth, Asia should not be immune to the policy debate on how to achieve inclusive growth. The authors believe that trade openness and labor market reforms to raise productivity would be solutions to help realize income equality.

COVER STORY 4

The Fiscal Deficit & the Exit Strategy for Financial Policy

28

Opportunities & Risks for the Japanese Economy

By Kazumasa Oguro

The Fiscal Deficit – The Japanese economy is now enjoying the benefits of “Abenomics”. To consolidate stable growth, Japan would need to cope with three notable risks: a fiscal deficit, a possible current account deficit and an exit strategy for monetary policy. The author argues that a fundamental fiscal reconsolidation plan will be needed to avoid these three risks.



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Cover lead

Is the Global Financial Crisis Already Behind Us?

In the process of economic recovery from the financial crisis in 2008, the global economy and the major regional economies have undergone a great deal of turbulence. The year 2015 seems to be a junction from where we will head either for a happy ending or a tragedy. The July/August issue of *Japan SPOTLIGHT* invites opinions from several distinguished commentators upon this crucial question.

Dr. Harald Malmgren, president of Malmgren Global LLC and former deputy US Trade Representative, kindly submitted his views on the current global economic landscape as our top cover story for this issue. He describes the 70-year history since the end of World War II as one of “globalization” of the world economy against the backdrop of well-managed global governance projects such as the IMF, the World Bank and the new international framework of trading rules under the GATT. He concludes that the most challenging task in 2015 is to recognize again that globalization has become deeper and more pervasive in influence on every economy in the world and thus each national government needs to understand that they will not be able to manage their own economy very well without considering the international consequences of their domestic policies.

Following this assessment of the current global economy, we then have some views on the opportunities and risks facing the major players in the world economy.

First, the EU economy could be on an unstable track due to the Greek debt crisis, which is a potentially huge obstacle to its growth. Dr. Constantine A. Pagedas, executive vice president of International Technology and Trade Associates, Inc. (ITTA), argues that unless both Greece and the EU do everything to avoid a Greek default and exit from the euro zone, tragedy could ensue.

Second, although the Asian economy remains the leader of global growth, it too has various opportunities and risks ahead. Is the recent Chinese initiative in global economic governance – setting up the Asian Infrastructure

Investment Bank (AIIB) – an opportunity or a risk? Dr. Jianmin Jin, senior fellow of Fujitsu Research Institute, gives his assessment of the true aim of China in founding the AIIB.

In talking about the Asian economy, the gap in the stages of economic development among regional nations should be a major concern. Dr. Anita Prakash, director general of Policy Relations at the Economic Research Institute for ASEAN and East Asia (ERIA), talks about how ASEAN countries are trying to achieve inclusive growth among themselves by helping their least developed and less developed members, such as Cambodia, Laos, Myanmar and Vietnam, to reduce these gaps.

Dr. Josef T. Yap, former president of the Philippine Institute for Development Studies, provides a comprehensive picture of East Asia's economic performance and policy issues, such as how to maintain financial stability against a possible capital flow reversal in responding to QE tapering and the tightening of interest rates in the United States or how to deal with the middle-income trap in the mid-term.

Thomas Piketty's ingenious book *Capital in the 21st Century* has given some IMF economists pause to reflect on how Asia could achieve economic growth and income equality simultaneously. Ms. Chie Aoyagi, economist, and Dr. Giovanni Ganelli, senior economist of IMF, introduce their most recent IMF analysis paper on Asia's quest for inclusive growth.

Finally, Japan is also undergoing a number of opportunities and risks regarding its economy. Dr. Kazumasa Oguro, one of our distinguished editorial committee members and professor at Hosei University, notes that the risks could be minimized by fundamental fiscal and social security reform and thus the fruits of “Abenomics” could spread throughout the Japanese economy.

I hope you enjoy a good intellectual journey through these various economic perspectives.

Naoyuki Haraoka, executive managing director, editor-in-chief of *Japan SPOTLIGHT*

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