

# Prospects & Solutions for a Volatile Global Economy



Will 2017 be a good year or a bad year? Will volatility in the global economy decrease or increase? This may well depend on nations' policies as well as business strategies. There will be many elections around the world in 2017. New governments, including in the United States, are going to launch new policies in line with political philosophies that could be totally different from those of the previous governments. Whether 2017 is good or bad, it will doubtless be a year of politics.

We are living in a world where politics and economy are interconnected. Businessmen need to be aware of political movements as well as economic events, since business is seriously affected by politics, especially given the current strategy of setting up subsidiaries overseas as a key element of business, as such decisions could be deeply affected by geopolitical developments. They will need to adopt a holistic approach to decision making based upon their analysis and observations of political and economic trends rather than a segmented approach. All business issues will need to be considered in the context of political economy.

So in 2017 we devote the first two issues, in January/February and March/April, to analyses of this global political economy. For our January/February issue, we have mainly focused on economists' views of the economy, and it is noteworthy that even economists today are aware of the need to tackle all economic issues in a political context.

Among our contributions to the cover story of this issue, we have the three interviews with distinguished economists at the beginning. Prof. Barry Eichengreen of UC Berkeley, Richard Koo of Nomura Securities and the IMF's Dr. Ranil Salgado introduce their surveys on the global economy and assessments of macroeconomic policies, both currently and looking ahead. We also focus on trade policy in this cover story, based on the assumption that the mainstream media are correct in saying anti-globalization sentiment is spreading around the world. Trade policy experts Dr. Mireya Solís, of the Brookings Institution, and Prof. Jota Ishikawa of Hitotsubashi University strongly advocate for the value of free trade against this trend and say that protectionism is not an option that should be

pursued either for a country's national interest or global interest.

These articles are followed by an interview with Gabriela Ramos, OECD sherpa to the G20, which introduces the OECD's view on global governance, addressing the issue of protectionism and other anti-globalization policies and how global economic prosperity can be achieved and sustained.

The three remaining articles cover other important topical issues in economic policy discussions in the global context. As the quality of capitalism is being eroded through increasing income inequality, we started a discussion on the long-term future of capitalism. How can we cope with a capitalism that is excessively greedy? If markets cannot create income equality, is there any other system that could replace or correct capitalism?

Zlatko Lagumdžija, a distinguished member of European NGO Club de Madrid which is studying inclusive economic growth, introduces the concept of "shared societies" in his article, while Jiji Press journalist Kensuke Karube, a member of our Editorial Committee, throws a new light on Abenomics by discussing the differences from the past in today's decision-making process of Japanese economic policy.

We have focused very largely on Asia, Europe and America, but Africa is not to be underestimated. The African economy has great potential and could have an impact on the stability and sustainability of the global economy. In our interview with Ethiopian Ambassador to Japan Cham Ugala Uriat, who was very active in the latest TICAD VI conference in Nairobi, we look at the implications of TICAD for Africa and the outlook for the African economy.

Given the rise in anti-elitist sentiment around the world, including Japan, I believe we should improve ways of providing knowledge and correct information to all people so that voters feel they are wise enough to make sensible choices at elections, even if they do not like political elites. If people had a better understanding of the background to any policy decision made by political elites, it might also temper such anti-elitist sentiments.

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

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By Japan SPOTLIGHT

Increased income inequality creates political problems as well as economic problems. A higher income tax on wealthy people could be an important measure, and as there would be little correlation between such a tax and economic growth it would not negatively affect growth.

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By Japan SPOTLIGHT

As mature economies seek to develop, monetary policy will not be effective in bringing about inflation to pull economies out of deflation, but fiscal policy could work in creating demand.

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### The Global Economy & the Asian Economy — Issues & Challenges from the Short-Term & Long-Term Perspectives ---- 12

By Japan SPOTLIGHT

Asia has the potential capacity to be a big player in the global economy in terms of human capital and education level. But to be more successful, it needs more entrepreneurship.

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### Free Trade Remains a Hope for Keeping the Global Economy on the Right Track ----- 16

By Japan SPOTLIGHT

Trade liberalization has advanced to a level where it has become indispensable to cultivate the politics of openness at home, since the line between what is international and domestic is blurring.

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By Jota Ishikawa

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By Japan SPOTLIGHT

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