

# Institute for International Monetary Affairs — Experts on Research of International Finance & Currency Issues



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## Introduction

The Institute for International Monetary Affairs (IIMA) is a Tokyo-based think tank founded on Dec. 1, 1995, a relatively new think tank in Japan. We began just as a general incorporated foundation, but in April 2011 the transition to a public interest incorporated foundation was approved by the Cabinet Office and we have been working as such since then.

Our institute inherited a wide range of knowledge and experience of international finance and currency issues stored by the Bank of Tokyo, a specialist bank in the foreign exchange transaction business for over 100 years, including its predecessor Yokohama Specie Bank, when it was merged with Mitsubishi Bank and reborn as the Bank of Tokyo-Mitsubishi UFJ in 2006. Since then we have been mainly engaged in high quality economic research in these areas and issuing exchanges of views with other institutes overseas as well as domestic to the public, believing that our research reports and information will stimulate the interest of people who have seen them and subsequently improve the quality of our work of research as well as our analytical methods.

Having been supported by a wide range of domestic and overseas related authorities, financial institutes, and business people as well as economists, for more than two decades, we have been successful in

expanding our research network and knowledge and working hard to be acknowledged as one of the most distinguished think tanks in Japan with expertise on international finance and currency. And also, since being transformed into a public interest incorporated foundation, we have expanded our research activities to promote public interest in topical issues in international finance and currency and to disseminate our research outcomes to maximize our contribution to the social good.

Though our research institute is not so large, consisting only of 12 permanent researchers, we take advantage of this small scale and we are always engaged in free, spontaneous and incessant discussion among ourselves regardless of age or career, and by this means we can refine our own capacity for collecting information and economic analysis.

## Mission & Tasks

Our main assignments are as follows:

- 1) Research and study on a variety of issues concerning international currency and finance
- 2) Promote exchange of views on issues covered by our study among leading thinkers all over the world
- 3) Formulate policy recommendations on these issues and

Photo: IIMA



Current active members of the IIMA (and photos of founding fathers)

Photo: IIMA



JICA trainees visiting our institute

TABLE 1

**IIMA's main research topics**

<p><b>International Economy &amp; Finance</b></p> <ul style="list-style-type: none"> <li>• Refugee acceptance problem in EU (Can EU overcome the crisis?)</li> <li>• IMF/World Bank annual meeting 2016 (paradox with co-existence of “monetary easing policy” and “excessive debt risk”)</li> <li>• World economy on the edge of “demographic cliff” (long-term stagnation/deflation and demography)</li> <li>• Impact of Brexit: Suggestions for Japanese yen and economy</li> <li>• Survey on foreign exchanges by BIS in 2016 (“expansion of Chinese yuan-based transactions” and “continuation of dependency on the dollar”)</li> </ul> <p><b>Economy and Finance of the Asia-Pacific Region</b></p> <ul style="list-style-type: none"> <li>• Commencement of new SDR management by IMF (stability of domestic economy to be asked of China)</li> <li>• Trend of the South Korean economy</li> <li>• Updated trend of Asian Bond Markets Initiative (ABMI)</li> <li>• Current situation of Vietnamese bond market</li> <li>• Philippine economy promoting steady consolidation of base for growth (Will “the pearl in the East” be revived?)</li> </ul> <p><b>Economy and Finance of Emerging Economies</b></p> <ul style="list-style-type: none"> <li>• Current status of South African economy and points to be taken note of for future prospects</li> <li>• Recent trend of the Cuban economy and issues for discussion</li> <li>• Outlook for the Brazilian economy after the Rio Olympics</li> <li>• Outlook for the Saudi Arabian economy</li> <li>• Can Turkey achieve financial and economic stability?</li> </ul> <p><b>Analysis of new frontier technology of finance including FinTech</b></p> <ul style="list-style-type: none"> <li>• Questions of security and ethics arising from the progress of AI</li> <li>• Future prospects and issues of block chain technology in the business of settlements</li> <li>• Could AI overwhelm human beings?</li> <li>• Could FinTech destroy a conventional financial institution? (Feasibility and limitations of automated loan screening functions by deep learning)</li> </ul>
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Source: Compiled by the author

presenting them to the government, public organizations, academic associations, etc. proactively

- 4) Co-sponsoring projects outside our institute related to our research issues.

And our mission overall is to inform the public of current trends and outlooks on a wide range of social and economic issues, aiming to contribute to the stability and progress of Japanese as well as global finance, economy and society, and also to deepen mutual understanding between Japan and the rest of the world.

In accordance with this classification of work, our activities are divided into three categories, which are “Research and Study”, “Exchange of Information and International Networking”, and “Public Relations and Dissemination of the Outcomes of Research”.

**Our Activities**

**1. Research and Study**

This is our core activity. Specifically, we are covering a wide range of issues on the international economy ranging from macroeconomic research on international economy and finance to research on “international monetary flow, foreign exchange markets and capital markets”, “internationalization of the yen and the currency systems of emerging countries” and “transition to market economies of

developing countries and the trend of Japanese yen loans and other types of economic aid”.

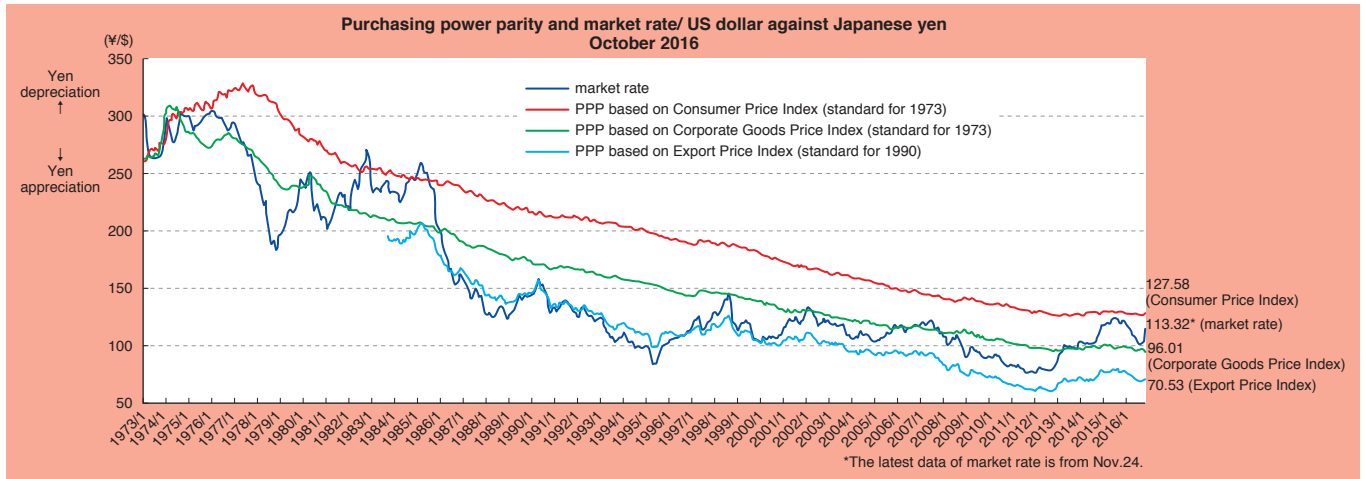
As regards the nature of the work, we have three types of research and study projects as follows:

- 1) Our independent research of which the themes are selected by ourselves and the outcomes presented to the public through our own PR materials such as “Eyes of IIMA” or “Newsletter”
- 2) Research projects requested and financed by Japanese government authorities or financial institutes
- 3) Joint research projects or seminars in collaboration with other research institutes both domestic and overseas.

We have not only permanent researchers with working experience of international finance and financial markets but also visiting fellows such as university academics and experts on financial practices and thus we can respond to a broader range of demands for research. You can see a long list of our research subjects in [Table 1](#).

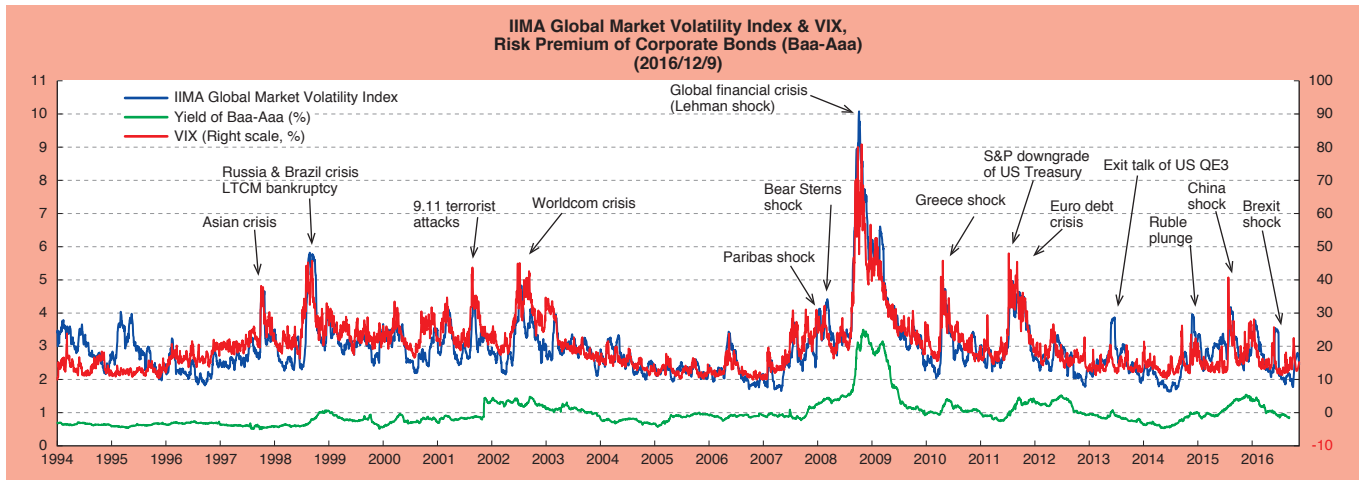
We also publicize our calculated results of Purchasing Power Parity (PPP) among the yen, dollar and euro on a monthly basis on our website. Furthermore, since 2013, we have put our “IIMA-GMVI (IIMA-Global Market Volatility Index)”, an index integrating volatilities in the world markets of foreign exchange, bonds and stocks, as a daily data on our website ([Chart 1 and 2](#)).

CHART 1  
**PPP**



Source: CPI, Japan Ministry of International Affairs and Communication, US Department of Labor Corporate Price and Export Price, BOJ, US Department of Labor, \$/yen rate, BOJ  
PPP based on Export Price Index was estimated with standard for 1990, as the current US Export Price Index cannot be continuously traced back to 1973 because of statistical reform. In 1990, the gap between PPP traced back to 1973 before the US statistical reform and the market rate then was small.

CHART 2  
**IIMA-GMVI**



Source: Chicago Board Options Exchange, FRB, Thomson Reuters



Recent IIMA symposiums



A meeting of international economists

TABLE 2

### Recent IIMA symposiums

#### 2016 February

The 25th International Financial Symposium

“Cooperative Development of East Asia - Hopes and Challenges”

<Moderator>

Toyoo Gyohten (President, Institute for International Monetary Affairs)

<Panelists>

- Cheng Yonghua (Ambassador Extraordinary and Plenipotentiary of the People’s Republic of China to Japan)
- Il Sakong (Chairman, Institute for Global Economics and Former Minister of Finance of the Republic of Korea)

#### 2015 March

The 24th International Financial Symposium

“Is the World Really Ready for Normalization of the US Monetary Policy?”

<Moderator>

Toyoo Gyohten (President, Institute for International Monetary Affairs)

<Panelists>

- Jacob A. Frenkel (Chairman, JPMorgan Chase International)
- Klaus Regling (Managing Director, European Stability Mechanism)
- Clifford C.H. Tan (East Asian Head of Global Markets Research, Bank of Tokyo-Mitsubishi UFJ, Ltd.)
- Adair Turner (Senior Fellow, Institute for New Economic Thinking and Ex-Chairman, UK Financial Services Authority)
- Tatsuo Yamasaki (Vice Minister of Finance for International Affairs, Ministry of Finance, Japan)

#### 2014 March

The 23rd International Financial Symposium

“Toward a True Dawn - Challenges and Policies for the World Economic Growth -”

<Moderator>

Toyoo Gyohten (President, Institute for International Monetary Affairs)

<Panelists>

- Han De Jong (Chief Economist, ABN Amro Bank)
- Gao Haihong (Professor and Director, Chinese Academy of Social Sciences)
- Haruhiko Kuroda (Governor, Bank of Japan)
- Vincent R. Reinhart (Chief US Economist, Morgan Stanley)
- Duvvuri Subbarao (Ex-Governor, Reserve Bank of India)

Source: Compiled by the author

## 2. Exchange of Information and International Networking

Based on our research outcomes, we are engaged in promoting international as well as domestic networking among leading thinkers worldwide and international organizations, government authorities, central banks, and academic associations, etc. We also organize seminars or small-scale economic fora for exchange of views as well as policy recommendations on the timely topics.

One key event held by our institute is an annual symposium on international finance on topics we select that are crucial in terms of the international economy, to which we invite distinguished opinion leaders from overseas as well as in Japan ([Table 2](#)).

In addition, we accept visiting fellows from research institutes both overseas and domestic, as well as foreign students studying at colleges overseas or in Japan, and thereby stimulate international communication and promote correct understanding of our economy in the global community.

## 3. Public Relations and Dissemination of the Outcomes of Research

Our research activities and outcomes are always made public on our website and other media. We are thus pursuing an active contribution to the stable progress of the economy and society. To achieve this, we are doing our best to enrich the contents of our website so that visitors will find it more interesting and compelling.

Anybody can freely access the published research reports, papers and data provided by an individual researcher at our institute on the website. [Table 3](#) gives a list of the major reports and data provided. We also publish our research outcomes in magazines for financial and economic experts ([Table 4](#)).

We are also actively promoting dissemination of knowledge of the international economy, finance and currency systems through our researchers’ lectures and presentations at advanced educational institutions, such as universities and graduate schools, as well as other research institutes.

## Recent Research Topics

For these past several years, we have been working on three main issues: “Trends of the key currencies and analysis of the real economy and financial development as their background”, “Analysis mainly of the country risk of emerging nations” and “Analysis of global issues relating to international finance”. More specifically, in 2016, we selected the following topics as crucial ones and research and networking on these are now in progress:

- 1) Challenges of new monetary policies such as the negative interest policy adopted by the BOJ or EU
- 2) Analysis of reform of the yuan and the real economy of China with its increasingly observed excessive supply capacity
- 3) Risk analysis of the currencies and financial environments of emerging economies
- 4) Analysis of the new frontiers of financial technology, such as FinTech.

Above all, after the global financial crisis provoked by the Lehman shock in 2008, growing skepticism about existing values has spread widely and at the same time we have been witnessing the beginning of a new framework or leading thoughts. We cannot discuss this reality without talking about China, our new principal player in the game.

The yuan has been gradually enhancing its power as a financial asset used as a trade balancing currency in its trade with neighboring nations, or for swap agreements or in offshore markets. A cornerstone of the progressive rise of yuan was the establishment of the Asian Infrastructure Investment Bank (AIIB) in 2015 and the official adoption of the yuan for the special drawing right (SDR) basket in October 2016.

On the other hand, China’s debt has been explosively expanding. According to the Bank of International Settlements (BIS), its debt in non-financial institutions had reached 2.5 times the size of its GDP by the first quarter of 2016, almost equivalent to the economic size of the US. Credit has been created more rapidly than GDP growth and finance has been said to be too much oriented towards regional governments and the real estate business. We are carefully watching how the Chinese government is trying to curb such overheated finances in these circumstances. We also organized a seminar on the current situation of the Chinese economy, the second-largest in the world now, and its future prospects by inviting several experts including a researcher from the Chinese Social Science Academy.

We can also steadily see, even while a repeated credit cycle of “expansion of leverage, creation of a bubble economy and its collapse” is occurring, the birth of a new growth framework with new main players. One of those players is the “IT revolution”.

Since the middle of the 1990s, remarkable progress in information and communication technology called the “New Economy” has been ongoing and the largest evolution of the production process since the Industrial Revolution in the 18th century has occurred. Even in the financial industry, monetary flows have spontaneously dissolved and been repackaged and that has brought us new financial products. This

TABLE 3

## IIMA’s published research reports & papers

- Eyes of IIMA: Weekly columns written by IIMA members
- Newsletter: Covering research reports on general themes
- International Finance Topics: Presenting brief essays analyzing the current issues on a timely basis
- International Economic and Financial Review: Presenting research papers including academic reports on international economic and financial discussions
- Occasional Paper: Presenting a record of symposiums held by the institute

Source: Compiled by the author

TABLE 4

## List of magazines for experts on finance & economy

- Quarterly “Financial Business” (*Toyo Keizai Shinposha*)
- Monthly “International Finance” (The Institute of Foreign Exchange and Trade Research)
- Monthly “Capital Market” (Capital Market Research Institute)
- Weekly “Economist” (The Mainichi Newspapers)
- Weekly “Diamond” (Diamond Co.)
- “The Encyclopedia of Contemporary Words” (*Jiyu Kokuminsha*), etc.

Source: Compiled by the author

revolution has made it very easy for an investor to access new products and financial connectivity has been significantly raised, as shown by the simple click on a personal computer to enable us to invest in a financial product in a country far away.

Extremely detailed financial processes and the non-professionalization of investing have increased the complexity of finance and often created non-transparency concerning the cause and effect of financial methods and their outcomes for investors. This was precisely what caused such panic during the Lehman shock. However, based on that reflection, the IT revolution has now made further advances like block chain technology and the virtual currencies based on it, big data, and deep learning, which is so-called “FinTech”.

Our research institute is now also working on research and analysis of the possible future impact of FinTech on existing financial institutions’ business through seminars and information exchange with government authorities’, information vendors, and various consultants.

IIMA website : <http://www.iima.or.jp/en/index.html>

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