

OPENING REMARKS

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Our honorable panelists, ladies and gentlemen, Good afternoon. Thank you for joining us in our International Financial Symposium, titled “The Global Economy –Is the World Really Ready for Normalization of the US Monetary Policy.” With the normalization of the US monetary policy becoming a foreseeable reality, we would like to explore and confirm together with you what effects it will have on the economies in every part of the world.

First of all, I would like to simply summarize the current situation of the world economy to provide a common consensus for discussions.

1. The US (日・米・英・ユーロの実質 GDP 成長率グラフ)

Attracting the keenest attention in the international financial market in 2015 is the probable raise of the US interest rates. Helped by improved employment situation, the US economy has shown a strong growth since last year, and it is expected to achieve around 3% growth in 2015. With this background, the monetary policy is finally approaching the exit from an excessively easy money phase. It means that the borrowing cost of the US dollar, the key currency in the international finance, will no longer be free but will be charged higher.

Although this has been predicted for several years, it is inevitable that the influence will be felt in every corner of the world economy.

2. Europe (欧州ソブリン・スプレッドのグラフ)

In contrast with the US, an easy monetary policy in Europe is expected to continue or even to be expanded for the moment. This diverging policy direction from the US will help Europe to evade its plunge into deflation on the one hand as a moderate depreciation of the currency will give a stimulus to the economy and a rise of import prices. On the other hand it will be accompanied by a demerit of upward pressure on the interest rates. Currently the European economy has been on a moderate growth route centering around the Eurozone, but if the demerit proves to be greater than expected, the ECB may be forced to step up its quantitative easing further.

Political situation is also a concern. In January, anti-austerity opposition parties won the general election in Greece, amplifying uncertainties around the Greek debt reconstruction negotiations and continued support to Greece from the EU and other international circles. General elections are also slated for in May in the UK, and in autumn

in Portugal and Spain, the two countries that just left the international supports. We cannot take our eyes off from the impact of their political whereabouts on the financial market.

3. Japan (BOJ、FRB、BOE、ECBのベースマネーグラフ)

The Japanese economy is recovering from the slump after the consumption tax increase in 2014. The economy will get additional supports for a while from such policy measures as the continued quantitative qualitative monetary easing and postponement of the second increase of consumption tax, as well as from the lower yen exchange rate and fall of oil prices. On the other hand, the postponement of consumption tax raise has worsened the prospect of Japan's fiscal consolidation. The Abe government has been making efforts through Abenomics to make sure the departure from deflation, but in the environment where the domestic demand will naturally dwindle through ageing and declining population, it is much to be watched whether the highly expected third arrow of Abenomics will work effectively to make a significant contribution to the reforms of the health-care, pension and agricultural sectors and revitalization of regional economies.

4. China (エマージング諸国の実質 GDP 伸び率グラフ)

The emerging countries in general are facing with many uncertainties. Among them, China has been trying to break away from the growth depending on over-lending and over-investment that tended to expand asset bubbles. Hence the Chinese economy is expected to experience a moderate slowdown for a while. The government intends to accept this slower economic growth but it will be faced with a difficult policy steering to avoid a social turmoil once the economy decelerates more rapidly and the benefit of the growth does not trickle down to the ordinary people. The redistribution of income from growth will become more and more difficult to implement under the new concept of so-called 'New Normal' in China, and I am concerned about to what extent China can allow the economy to slow in view of dealing with the growing social dissatisfaction.

5. Other emerging countries

Other emerging countries (than China) also have many adverse factors. Especially the oil producing countries will face a continued deterioration of the economy because of the income transfer to the oil import countries caused by a rapid fall of crude oil prices. On the other hand, the lower oil prices will give a big bonus of reducing energy costs to the non-oil producing countries. Yet, they may be also adversely affected by the recurrence of international money flows back to the US and a slower economic growth in China. The geopolitical risks in Ukraine and the Middle East are also a big concern.

6. Sustainability of the US economy and its structural change (米株長期グラフ)

As is seen, the world economy is likely to maintain a growth at a certain pace as the economies of the advanced countries will be recovering while the growth of the emerging countries will moderately slow down. The leading country is the US, but the question is, "is this expansion of the US economy a simple return to its normal economic activities, or is it backed by a new growth mechanism as was seen in the IT revolution in the 1990s? The answer to it will give us a hint to ascertain whether the US, which has been in an extra-ordinary accommodative liquidity for the past 6 years, has any possibilities to be badly affected by its own monetary normalization.

7. Change of money flows following the US interest rate raise (世界各国の政策金利グラフ)

Owing to the fall of oil prices, inflation has subsided in many countries and an increasing number of countries have started to take easier monetary policy in fear of weaker economic conditions. In this context, the raising of the US interest rates signifies that the key currency country is going to have an opposite directionality of monetary policy against many other countries. The change of environment in the international financial market should be carefully watched as it can be accompanied by a big swing of money flows, which in turn will affect the emerging countries among others. Which countries will have the severest impact? Is there anything the advanced countries can do if and when the economy of the emerging countries and their financial and capital markets were to be destabilized?

8. Geopolitical risks (Grexit, Brexit, Ukraine)

The geopolitical risks around Europe also continue smoldering. With the birth of anti-austerity new government in Greece, a concern about Grexit (the exit of Greece from the euro system) that will affect the foundation of the euro system has re-emerged. I am much worried about its development to come. Even if Greece decided to remain in the euro zone this time, will there be no need for us to take precaution that in the future some other countries may be faced with the pressure for the exit?

Also the independence of Scotland from the United Kingdom was rejected last September, but still some people watch out for the Brexit, the possibility that the UK will someday walk out from the membership in the EU.

Another concern is about Ukraine. Although the ceasefire deal was finally agreed between Ukraine and Russia, the situation is still in chaos (trouble).

9. Financial business and financial regulations

Last but not least, it will be very useful, taking this opportunity that we have today of the presence of distinguished financial experts from the world, to discuss the future direction of the financial businesses

First, it is essential to review the modalities of international financial regulations. Presently the situation is uncertain. Some people see many loopholes in the present system and think the system is not sufficient for a well-functioning supervision, but some others insist that the regulations are so strict that the financial industry is forced to bear a higher cost, which will promote an oligopolization of players where only small number of strong institutions can survive, only to increase the financial cost of corporations.

Based on this acknowledgement, it is necessary to determine the direction that financial industry to take. The global financial industry had shrunk its activities after the financial crisis of 2008-09, but when it gets out of the stagnation, where should it find the demand and to whom and what kind of services should it aim to provide?

There will be no end to the arguments surrounding the world economy and finance, but I will stop here and would like to have the presentation by the panelists. Please enjoy the symposium and thank you for your attention.