

パラダイムシフト

コロナ後の世界経済が目指すべき姿を問う

Paradigm Shift

— Post-Covid-19 Global Economy and Challenges for Policy Response —



公益財団法人 国際通貨研究所
Institute for International Monetary Affairs

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はじめに

コロナショック後の世界経済は、各国の危機対応策を背景に持ち直しつつあるものの、様々な構造変化が予想されるなかでの景気の回復力や、超低金利の常態化と公的債務膨張、格差拡大やグローバリゼーションの退潮など、先行き不透明感はかつてなく強い状況にあります。

こうしたなか、国際通貨研究所では2021年3月3日、「パラダイムシフト～コロナ後の世界経済が目指すべき姿を問う～」と題する第29回国際金融シンポジウムを開催、世界各国から著名な専門家をお招きし、世界経済の構造変化や政策面で求められる根本的な転換（パラダイムシフト）について議論しました。

今回のシンポジウムは、新型コロナウイルスの感染拡大により、各パネリストがそれぞれの国からダイアル・インして参加する初めてのオンライン形式での開催となりました。

本稿は、同シンポジウムにおける各パネリストのプレゼンテーション及びディスカッションを取り纏めたもので、二部構成となっています。前半は当研究所で翻訳した日本語要旨、後半は英語での全文となっており、内容については英語版が日本語版に優先します。

パンデミック収束と景気回復に向けてグローバルな取り組みが続くなか、グローバル経済・金融の行方に関心をお持ちの方々の今後のご考察への一助になれば幸いです。

2021年10月

公益財団法人 国際通貨研究所

Preface

Although the global economy has been recovering gradually from the impact of Covid-19 pandemic due to the various crisis response measures, there still is a strong sense of uncertainty about the future with regard to the resilience of the economy in the face of various expected structural changes, the normalization of ultra-low interest rates, expansion of public debt, widening inequality and retreat from the globalization.

With these points in mind, on 3 March 2021 the Institute for International Monetary Affairs (IIMA) held a symposium titled “Paradigm Shift - Post-Covid-19 Global Economy and Challenges for Policy Response”. We invited distinguished experts from around the globe to discuss the structural changes in the global economy and the fundamental paradigm shift to be required from policy making point of view.

Due to the on-going Covid-19 pandemic, for the first time in its history we hosted this event on a remote basis by inviting the panelists to call in from respective home country.

This booklet is a record of the presentations and discussions by the panelists at the symposium which consists of two parts:- the summary in Japanese translated by IIMA and the full text in English. Regarding the content, the English full text takes precedence over the Japanese summary.

It would be our pleasure if this could be of some help for those who are interested in how the global economy and finance go, when the effort to contain the pandemic and promote economic recovery continue globally.

October 2021

Institute for International Monetary Affairs

パネリストの略歴 (2021年3月時点) Profile of Panelist (as at March 2021)



ティム・アダムズ
国際金融協会 (IIF) 最高経営責任者

Tim Adams
President and Chief Executive Officer,
Institute of International Finance (IIF)

2013年より国際金融協会 (IIF) 最高経営責任者。米国財務省の国際担当財務次官や、ワシントン DC を拠点とする経済アドバイザーファーム、リンゼーグループのマネジングディレクターを歴任。1993年に G-7 Group を共同設立し、その後マネジングディレクターに就任。ケンタッキー州立大学にて金融学学士、行政学と国際関係学の修士号を取得。

Mr. Adams currently serves as President and CEO of the IIF since January 2013. Prior to joining the IIF, Mr. Adams was Managing Director of The Lindsey Group, an economic advisory firm based in Washington, DC. Previously, he served as Under Secretary for International Affairs at the U.S. Department of Treasury. In 1993, Mr. Adams co-founded the G-7 Group, a Washington-based advisory firm, and later headed their Washington operation as Managing Director. Mr. Adams holds a B.S. in Finance, a Master in Public Administration, and an M.A. in International Relations from the University of Kentucky.



アンドリュー・フォン
香港理工大学 会計・金融学部教授
元ハンセン銀行 グローバルバンキング・資本市場部門長

Andrew Fung BBS, JPI
Professor of Practice (Finance), School of Accounting and Finance,
The Hong Kong Polytechnic University
Former Executive Director and Head of Global Banking and Markets,
Hang Seng Bank Ltd.

香港理工大学 会計・金融学部教授。元ハンセン銀行 グローバルバンキング・資本市場部門長。銀行業界で30年以上の経歴を有し、ハンセン銀行には2006年に入行。同行の証券、アセットマネジメント、保険等の各子会社を統括。2017年より Henderson Land Development 最高財務責任者 (現職)。香港大学にて文学士取得 (1981年)、嶺南大学名誉フェロー。

Mr. Fung has over 30 years banking experience. He joined Hang Seng Bank in 2006, where he was appointed Executive Director in charge of Global Banking & Markets, and subsidiaries including Hang Seng Securities, Hang Seng Investment Management and Hang Seng Index Services, as well as the director of Hang Seng Insurance and non-executive director of China Industrial Bank. Currently he is also Chief Financial Officer, Henderson Land Development since August 2017. He attained his B.A. degree at the University of Hong Kong in 1981 and is an Honorary Fellow of the Lingnan University.



フィリップ・ヒルデブランド

ブラックロック副会長、元スイス国立銀行（中央銀行）総裁

Philipp Hildebrand

Vice Chairman, BlackRock

Former Chairman of the Governing Board, Swiss National Bank

ブラックロック副会長及びグローバル経営会議メンバー。元スイス国立銀行（中央銀行）総裁。BlackRock Investment Institute (BII) 及びサステイナブル投資チーム BlackRock Sustainable Institute (BSI) を統括。スイス中銀総裁在任中は、国際決済銀行 (BIS) 理事、国際通貨基金 (IMF) 総務会メンバー、金融安定理事会 (FSB) メンバーにも就任。

Mr. Hildebrand is Vice Chairman of BlackRock and a member of the firm's Global Executive Committee. He also oversees the BlackRock Investment Institute (BII) and BlackRock Sustainable Investing (BSI). Prior to joining BlackRock in 2012, he served as Chairman of the Governing Board of the Swiss National Bank. In that capacity, he was also a Director of the Bank for International Settlements, Swiss Governor of the IMF and a member of the Financial Stability Board.



岡村 健司

財務省 財務官

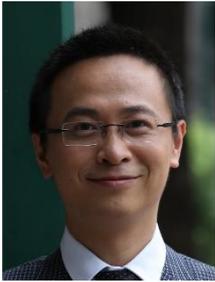
Kenji Okamura

Vice Minister of Finance for International Affairs,

Ministry of Finance, Japan

1985年大蔵省（現財務省）入省。財務大臣秘書官、東京国税局査察部長、金融庁国際担当参事官などを経て、財務省国際局で審議官・次長・局長を歴任。2020年7月より財務官。IMF アジア局や山形県へ出向経験あり。東京大学法学部卒、ハーバード大学ジョン・F・ケネディ・スクールにて公共政策学修士号取得。

Mr. Okamura is the Vice Minister of Finance for International Affairs, Japan's highest civil servant in the international finance field. He joined the Ministry of Finance in 1985. In recent years, he held many senior positions in the International Bureau of the Ministry of Finance as well as in the Financial Services Agency. He also has experiences of external assignment, including in the IMF and a local government. He obtained a Bachelor of Law from the University of Tokyo and a Master of Public Policy from the John F. Kennedy School of Government at Harvard University.



徐 奇淵

中国社会科学院 世界経済・政治研究所 経済発展研究室ヘッド

Xu Qiyuan

Head of Economic Development Division, Institute of World Economics and Politics,
Chinese Academy of Social Sciences

中国社会科学院 (CASS)、世界経済・政治研究所 (IWEP) のシニア・フェロー。2014 年より IWEP の経済発展研究室ヘッド。中国財政部国際財金合作司アドバイザー。中国のマクロ経済・政策、人民元国際化、米中貿易摩擦とサプライチェーンへの影響を研究。2019 年に中国金融四十人論壇に参加、調査部門のディレクターに就任。

Dr. Xu is a senior fellow of IWEP (Institute of World Economics and Politics), CASS (Chinese Academy of Social Sciences). He has been the head of economic development division in IWEP since 2014. He is an advisor to the international collaboration department in Ministry of Finance of PRC. His interests focus on China's macro-economy and policies, RMB internationalization, China and US trade tension and its impact on supply chains. In 2019, he joined CF40 (China Finance 40 Forum) and took the position as the director of research department.



ゼティ・アジズ

ペルモダラン・ナショナル (PNB) グループ会長
元マレーシア中央銀行総裁

Zeti Aziz

Group Chairman, Permodalan Nasional Berhad (PNB)
Former Governor, Bank Negara Malaysia

2000 年から 16 年までマレーシア中央銀行総裁。1997-98 年のアジア通貨危機への適切な対応とその後のマレーシア経済回復に貢献。地域間協力の強化やアセアンと東アジア地域での金融統合にも尽力。ペンシルベニア大学より経済博士号を取得。現在、MIT スローン経営大学院とマレーシア中央銀行で共同設立したアジア・スクール・オブ・ビジネスの共同校長、PNB のグループ会長を務めている。

Dr. Zeti served as the Governor of Bank Negara Malaysia from 2000 to 2016. Known for her role in successfully managing the 1997-1998 Asian Financial Crisis and its strong economic recovery in Malaysia, she was also active in strengthening regional cooperation. She was also unrelenting in working for ASEAN and East Asian regional financial integration. Dr. Zeti holds a doctorate in economics from University of Pennsylvania, and is currently the Co-Chair of the Asia School of Business in collaboration with MIT Sloan and is the Group Chairman of PNB.

(アルファベット順 / In alphabetical order)

モデレーター略歴 Profile of Moderator



渡辺 博史
国際通貨研究所 理事長

Hiroshi Watanabe
President, Institute for International Monetary Affairs

1972年東京大学法学部卒業、同年大蔵省（現財務省）に入省。主税局税制第三課長、同第二課長、大臣官房秘書課長、大蔵大臣秘書官などを経て、国際局長、財務官などを歴任。2007年退官後、一橋大学大学院教授、日本政策金融公庫代表取締役副総裁、2013-2016年国際協力銀行総裁。2016年10月より現職。

Mr. Watanabe after graduating from the University of Tokyo joined the Ministry of Finance (MOF) in 1972. Before retiring as Vice Minister of Finance for International Affairs in 2007, he occupied various senior positions in the Taxation Bureau and others at the MOF. He later took high positions in the Japan Policy Bank and the Japan Bank for International Cooperation (JBIC) before his appointment as the President of JBIC in 2013. Since October 2016 he has been the President of the IIMA.

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The Japanese Summary version is based on the transcript of the speeches and discussions which were conducted in English. Regarding the contents, the English version takes precedence over the Japanese version.

Occasional Paper No.38

第 29 回 国際金融シンポジウム

パラダイムシフト

コロナ後の世界経済が目指すべき姿を問う

要旨（日本語）

2021 年 3 月 3 日



公益財団法人 国際通貨研究所

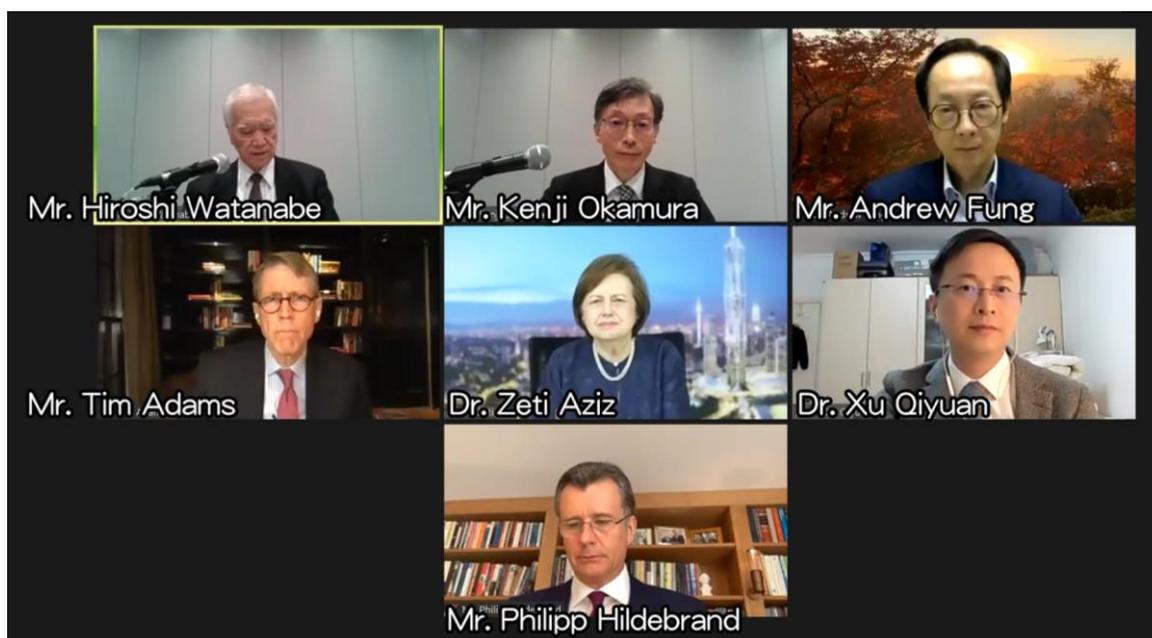
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3月3日に第29回国際金融シンポジウムを開催し、コロナ禍における世界経済情勢や長期化する低インフレ・低金利環境の展望、如何に国際協調を回復させるか等について討論を行った。招聘した内外の有識者と、パネリストによるプレゼンテーション及びパネル・ディスカッションの概要は以下の通りである。

1. 開会挨拶とパネリストプレゼンテーション

開会にあたり、まず渡辺理事長から、グローバル金融危機から約12年、世界は様々な課題への対応を図ってきたがその余波は残存しており、そうしたなかで、新型コロナウイルスの世界的感染拡大を余儀なくされると共に、米国大統領選や Brexit など政治的にも大きな変動が起こっている、との認識が示された。パンデミック対応に伴う各国財政状況の更なる悪化に加え、デジタルイゼーションの加速や、気候変動問題の深刻化等、大きな構造変化が進行している世界経済・金融の課題について有識者と有意義な討論を行いたいとのコメントがあった。招聘した6名の有識者の紹介に続き、各パネリストよりショートプレゼンテーションが行われた。



2. ポストコロナにおける米国の課題と政策対応 ティム・アダムズ（国際金融協会（IIF）CEO）

コロナ危機により依然 1 千万人が失職している。レジャー・ホスピタリティ・小売などサービス業を中心に引き続き厳しい状況にあり、その後遺症（scarring）は今後、長期間残存するとみられる。所得格差拡大や社会の分断などパンデミック前からの構造問題も不変であり、1月の米議事堂襲撃という事態へ至った。ワクチン接種は進展している一方、3割の人々がワクチンを接種しないと回答しているほか、変異ウイルスの拡大、人々のウイルスに対する警戒感が急速に薄れてきている、といった課題がある。



米国の財政悪化は厳しく、債務の対 GDP 比率は第 2 次世界大戦以来の高さにある。債務は過去 4 年で 7 兆ドル増加し、足元も急速な増加が続いている。中銀は政府債務の重要な購入主体となっており、主要 4 中銀のバランスシートは 20 兆ドルを超えているが、政府債務はいずれ返済が必要である。

経済の見通しについては楽観的である。今年の GDP は 1980 年代半ば以来の 7% 成長、第 4 四半期の GDP はパンデミック前の水準を 5% 上回る見込み。経済指標は全般的に強く、金利感応度の高い住宅・自動車など耐久財関連では一部供給不足も発生。所得回復に加え、貯蓄されたキャッシュが潤沢である。金融政策については、パウエル議長の下、財政政策との協調が図られ、引き続き景気を支える見込み。政策金利の引き上げは当面無く、2022 年のテーパリングも無いとみている。中期的にみればコアインフレは抑制されると考えている。財政政策についてはインフラや気候変動関連を中心に今年だけで 3 兆ドル規模。現政権が優先する政策はパンデミック対応と気候変動であり、適切な政策転換がなされてきている。一方で、GAFA 等のテクノロジー企業は独占禁止や税の観点から相当程度議論されるだろう。

気候変動については、政府機関の隅々まで気候変動担当が任命されるなどバイデン政権は本格的に取り組んでいる。金融業界への影響については、バランスシートのあり方や金融リスクの測定方法、開示が焦点となる。外交政策については、多国間主義、インド太平洋地域重視への回帰等が見込まれるが、国内問題があるため変化は緩やか。対中政策では一般的に期待される以上に前政権のスタンスが継続され、最重要課題の気候変動に関し米中対話が模索される点がこれまでと大きく変わる点である。

3. コロナ禍後の欧州と欧州統合への示唆

フィリップ・ヒルデブランド（ブラックロック副会長、元スイス国立銀行（中央銀行）総裁）

昨年来、新型コロナウイルスは経済及び生活面の双方で大混乱を招き、政策対応が求められる最重要課題であったが、2021年の経済の再稼働が阻害されることはないと考えている。ワクチンが変異ウイルスに対して有効であるほか、短期的な経済活動の混乱はその後の急速な回復に繋がり、グローバル金融危機時のような落ち込みにはならないためである。ワクチン接種の拡がりにより世界の経済見通しは上方修正されてきており、米国と欧州については今年末にコロナ前の水準に戻るとみている。



今回のパンデミックは、各国の政策調整が不可欠であり、欧州の統合を進めていくことが重要であることを示した。7,500億ユーロの欧州復興基金の一部はこうした政策努力に使われるほか、その25%は気候変動対応に充当されることとなり、経済政策においてサステナビリティへの配慮が組み込まれるというパラダイムシフトを示唆している。一方、より強くインクルーシブな経済成長の実現や、将来の外生ショックへのレジリエンスを高めるために、リスクの吸収・分散を可能とする欧州資本市場の統合を深めることが重要である。米国に比べると欧州の資本市場は発展途上で、現金や預金・債券への偏重が均衡利子率低下の問題を悪化させており、単一市場を引き続き目指すことが重要である。家計が資本市場へ効率的にアクセス出来ないと、低い投資リターンに繋がり、EUの経済発展の恩恵を受けられない。投資家がより利用しやすい資本市場整備や特にアーリーステージでの資本調達手段を提供することが重要。資本市場同盟の創設は供給される資本の増加だけでなく、EUのサステナビリティ目標の達成にも繋がるものである。

2050年のネット・ゼロを実現するには膨大な資本が必要。公的資金だけでは全く不十分であり、年間3.5兆ドル～6.9兆ドルと推計される民間資本を動員していく必要がある。欧州におけるクロスボーダー投資の不足は民間のリスクシェアリングを弱め、投資アペタイトの低下に繋がっている。欧州の資本市場の深化は、コロナ後の経済回復に必要であるだけでなく、持続可能でカーボンニュートラルな社会・経済構造への転換に必要なイノベーションや長期投資を支える鍵である。

4. 米中対立とパンデミック下における中国経済のパラダイムシフト

徐 奇淵（中国社会科学院 世界経済・政治研究所 経済発展研究室ヘッド）

私からは米中対立やパンデミック下における中国経済のパラダイムシフトについて述べたい。昨年の中国経済は、コロナ禍で主要国がマイナス成長となるなかでもプラス成長を達成したが、今年については、ややパラダイムが変わり、年後半にかけて不透明感が出てくるとみている。欧米や日本では年前半までにワクチン接種が進み、年後半の成長率は高まる一方で、中国経済は逆に後半の方が前半より弱くなる見込みである。こうした状況下で、世界の国際資本フローや、為替、資産価格がどう動くか注目している。



米中貿易摩擦の影響については、トランプ政権は米国を中国からデリンクすることに大変強硬だった。トランプ政権による4つの制裁措置の適用除外率を試算すると最初の2つは25%以上であり、その時点では楽観していた。しかし、その後、3度目の措置で同比率は7.5%、4度目は4%以下となり悪影響が大幅に拡大した。

一方、この間の輸出を見ると、2019年までの2年間で中国の米国向け輸出は減少したものの、米国以外向けは東南アジアを中心に全般的に増加するという変化が起きている。特に東南アジアとの輸出入は1,000億ドル増加、EU向けも大幅に伸びた。すなわち、中国の米国とのデカップリングが進む一方、米国以外とはリンクエージがより強まっている。世界貿易における中国輸出のシェアも米中貿易摩擦が強まったあと足元にかけて大きく高まっている。

過剰債務に伴う金融システムのリスクについては、家計や政府の債務は低く、主に非金融企業セクターの債務が中心である。この企業債務の対GDP比率は2017年半ば以降、パラダイム変化をみせ、明確な低下傾向に転じている。この間のデレバレッジ政策はかなり効果的だったと言えるだろう。その後、同比率は昨年以降のコロナ禍の一時的ショックで急上昇している。しかしながら、パンデミックによるショックは一時的なものと捉えており、ずっと続くものではない。パンデミックが終息に向かえば、この債務比率も再び低下トレンドに戻るとみられる。債務問題は、特に日本と比較した場合でも、中国にとって大きな問題になるとはみていない。

5. 2021年～2025年の中国経済

アンドリュー・フォン（香港理工大学 会計・金融学部教授、元ハンセン銀行グローバルバンキング・資本市場部門長）

中国経済はコロナ禍から回復してきており、2021年の成長率は7.5%から10%と予想されている。中国は感染症を抑え込んでおり、国内のサプライチェーンを輸出に活かすことが出来る。製造業はかなり好調である。投資については、政策効果で国有企業の投資の伸びが民間企業を上回っている。個人消費は所得や生産の回復より遅れてきたが、徐々に回復しつつある。感染抑制とワクチン接種進展により家計の信頼感も戻ってきている。貯蓄率低下と労働時間の増加により、2021年は個人消費が景気の牽引役になる。衣料・宝飾品はほぼ完全に回復しているほか、生産もコロナ禍前を上回る伸び、自動車市場はブームとなっている。製造業の収益は回復し、在庫は減少している。高い設備稼働率は製造業の設備投資に繋がり、インフラ投資の鈍化をオフセットするだろう。



政府は国内循環により消費の増加を図ろうとしており、都市化による中間層の所得増や、地方再生、独占禁止政策、年金改革、R&Dによる技術革新、教育、市場開放等を進めている。中国経済は、より国内消費やサービス中心の成長モデルへ移行しつつある。また、脱炭素宣言により、非化石燃料の利用や太陽光・風力発電の大幅増、原油輸入の減少が進むとみられ、これらも中国経済にとってプラスとなる。

人口ボーナスは縮小していくが、地方の発展がこれを補う形となる。北西部の経済発展は沿海部に比べ遅れており政策挺入れによるキャッチアップが図れる。南西部の貴州省がビッグデータ活用のハブとして急成長しているのもそうした事例である。

当面のリスク要因としては米中関係であり、焦点はテクノロジーを巡る問題である。中国は半導体開発においては依然キャッチアップ過程にあり、技術的なブレークスルーが出来るか注目される。貧困削減については、コロナ禍や超低金利、資産バブルにより所得格差が残存、これは国内循環の実効性を阻害する可能性がある。2018年に始まった債務のデレバレッジは途上であり、地方政府や不動産業界の債務問題は課題として残っている。一方、中国ではゼロ金利にはなっておらず、伝統的な金融緩和手段が使える点はプラスである。都市部と地方の分断は潜在的リスクになり得るものの、政府は医療や教育面で格差縮小に取り組んでいることから、中期的にも慎重ながら楽観的に捉えている。

6. 新型コロナウイルスによる ASEAN 経済への影響

ゼティ・アジズ（ペルモダラン・ナショナル（PNB）グループ会長、元マレーシア中央銀行総裁）

ASEAN 経済への、感染抑制のためのロックダウンによる悪影響は、アジア危機時より小さく世界の他地域よりも小さい。これは、パンデミックへの包括的な政策対応に加え、アジア危機以降の金融システム強化策を含む構造改革によるところが大きい。ASEAN は、過去は外需主導だったが、投資や消費主導の経済にシフトしてきており、



経済構造の多様化により外需やサプライショックへの脆弱性が低下、域内貿易が 25%を占めなど経済の一体化も進んでいる。フレキシブルさが ASEAN 経済の強み。

金融システムについては、アジア危機前の銀行中心から長期投資のファイナンスを可能にする債券市場へと、ボラティルな資本フローへの対応が出来るようになった。また、銀行セクターの強化と規制緩和、為替相場の柔軟化も進めたことも耐久度上昇に繋がっている。最近では ASEAN グリーンボンド基準も定めている。こうした背景から、ASEAN はパンデミックの影響からうまく脱却できるとみているが、所得格差の拡大や、債務の拡大、雇用回復の緩慢さ等の脆弱性への対応が必要であり、デジタルイゼーション加速・技術革新進展に応じた教育改革や、将来のショックに備えた医療インフラへの投資等が新たな課題である。

2000 年代初頭、ASEAN 諸国は通貨統合ではなく地域金融統合を目指して、高い貯蓄を域内の生産的な経済活動への再投資を促してきたが、ASEAN 経済がグローバルゼーションの一部であること自体は不変である。貿易摩擦には ASEAN は中立的で、ある大国を選ぶことを避け、殆どの主要国と強力な経済関係を維持。中国は ASEAN にとって重要な貿易相手国であり総貿易額の約 17%を占めるが、米国との貿易も重要であり約 10%を占めている。

この 20 年間、アジア三大経済圏の日本・中国・韓国は、ASEAN の貿易・投資・金融や人・知識・技術の流れにますます大きな役割を果たしており、1997 年末の ASEAN プラス 3（APT）という協力プロセスに端を発し、東アジアの協力関係を経済・金融から社会・政治・安全保障にまで深化させている。アジア太平洋地域の貿易関係強化と経済成長促進のため、昨年 11 月に豪州・ニュージーランドを含む東アジア地域包括的経済連携（RCEP）が署名された。引続き ASEAN は世界の他地域との関係を未来に向かって維持する。足元の環境変化は非常にダイナミックであり、レジリエンスの構築に終わりはない。地域社会や環境の保護、ガバナンス体制強化への取り組みも、今後の発展の持続性を確保するための鍵となる。

7. コロナ禍の日本とポスト COVID 時代の課題

岡村健司（財務省財務官）

今回の危機は、ワクチンと変異するウイルスとの競争という不確実性と、回復が国や地域により異なるという不均一性が特徴。日本では、所謂ソフトロックダウンが奏功、感染は低いレベルに抑えられた。



昨年第2四半期の落ち込みは、主要先進国に比べて穏やかであったほか、強力な政策措置にも支えられ、2021年度実質成長率は4%に回復、年度内にはパンデミック前の生産水準に戻る見込み。財消費の回復は堅調だが、サービス消費はホテルなど接触型産業を中心に低迷。鉱工業生産と輸出はパンデミック前の水準まで回復。今回危機ではGFCとは対照的に倒産件数の増加は見られない。迅速な政策対応により、失業率も低水準に抑制。

政策面では、日本は3度の大型補正予算を編成、財政赤字は前年度GDP比4%から、2020年度はGDP比14%に急増する見込み。当初の補正予算は家計・企業への現金給付など緊急支援策が中心だったが、足元の景気対策では、経済変容を長期的に進めるため、デジタル化では政策金融機関による金融支援、グリーン関連では2050年脱炭素宣言を踏まえ、200億ドル相当の基金設置とイノベーション・投資促進への10%税額控除が盛り込まれている。

金融面では、日銀の企業資金調達支援、市場への潤沢な流動性供給、ETFや国庫短期証券の積極的購入等により、迅速・革新的に対応。これにより金融市場は安定しており、株価も上昇している。しかし、株価と予想一株当たり利益にあるギャップは米国よりも日本の方が大きいようで、資産価格の急激な下落リスクを警戒する必要がある。

ポストCOVIDの日本の課題は、高齢化による潜在成長率の低下と考えるが、パンデミックが負荷を加えている。労働力と資本の投入を増やし、労働力の生産性と資本の効率性を高め、イノベーションを推進するなど、これまでの取り組みを強化することで対応していく。

財政面では、日本はGDP比で約260%と先進国の中で突出しており、例えば欧州の目標値である60%を大きく上回る。現在の低金利が続けば、この比率は安定していくだろうが、膨大な債務を抱える日本は、債務の持続可能性において、金利ショックよりもはるかに大きな脆弱性を抱える。早過ぎる緊急支援撤回は避け、雇用・産業の必要な再配置を促進するため、よりのめを絞った措置に徐々に移行すべき。財政支援の期間が長すぎるとゾンビ企業の発生を助長する。景気回復基調が確立されれば、生産性向上と労働投入量増加のための成長戦略とともに、歳出・歳入改革を推進し、本格的財政健全化の取り組みを再開すべきである。

8. パネル・ディスカッション

(1) 大規模な金融政策・財政政策にも関わらず、需要増によるインフレ率上昇は起きず、資産価格の上昇が目立っている原因と展望について

アダムズ氏： 長期に亘る低インフレという難題については、現在の投資家や消費者が、フォード大統領が「Whip Inflation Now」を掲げた 1970 年代のインフレを覚えていないという事実がある。中央銀行はインフレ期待の安定化に非常に成功しており、我々はその恩恵を受けていると言える。

また、過去 40 年から 50 年間の巨大な供給ショックと労働力供給ショックもある。グローバルサプライチェーン構築の動きが進展し、米国など先進国では労働組合減少により賃金上昇圧力が低下した。さらに、オンライン消費の急増等により、オンラインでの経済活動の単位当たり労働コストは劇的に低下した。こうした様々な理由により、最も落ち着いたインフレが続いており、この状況は当面続くと思われる。大きな構造変化が続いているため、近いうちに伝統的手段で克服することは出来ないだろう。

ヒルデブランド氏： 個人的には現段階ではインフレ・リスクを過小評価しているのではないかと考えている。市場はかなり動いており、インフレ期待は反応し始めている。

流動性やコスト構造変化等に加え、3 つの論点がある。1 つは、COVID-19 の結果、サプライチェーンのあり方に非常に大きな構造的変化が起きている。デグローバルゼーションという言葉は好まないが、リグローバルゼーションという形で、今後数年にわたってその見直しに取り組んでいくことになる。その基本的テーマは、グローバルサプライチェーンにより強いレジリエンスを持たせること。これは金融危機後、銀行システムに耐性を持たせる必要性に迫られたこととよく似ている。そして、貿易やグローバルサプライチェーンの運用についても同じことが起きようとしているのではないか。これらは究極的にはコスト押し上げ要因であり、生産コストを上げる税金のようなものだ。ラリー・サマーズは「Just-in-Time」から「Just-in-Case」へ移行するという表現をしているが、それには生産プロセス面で追加のコストがかかり、これを過小評価してはいけない。

第 2 に、ネット・ゼロ・エコノミーへの転換は非常に根本的で深遠なものである。世界中の全てのビジネス、セクター、経済に大きな影響を与える。これもある意味意図的に生産コストを上げることになる。これは、127 カ国が約束している、現時点では比較的抽象的な「ネット・ゼロ」目標を達成するためのメカニズムの一部だが、実際の現場では、生産コストの上昇を意味すると思う。

第 3 に、パンデミックの結果生じた米国の需要不足は、経済的観点から見ると、金融危機後の数年間の約 4 分の 1 にとどまる。一方、投入された財政刺激策は、金融危機後の約 4 倍に相当する。予測される需要不足とそれに対し投入された財政支出、さらにまだ実施されていない財政刺激と比較すると、その数字は驚異的である。パンデミックに伴う莫大な負債の

影響、財政出動の多さが相まって、ある時点で必然的にインフレ期待が変化すると考えられる。既に市場ではインフレ期待の変化が見られる。

徐氏： 中国では過去 10 年間、生産能力過剰とデフレを常に心配してきたが、現在はインフレが論点になっている。昨年は、マスクのような供給ショックがあり、今年は半導体チップや自動車などの供給ショックも焦点になっている。また、高齢化に伴う労働力もマイナスの供給ショック。ここ 10 年、中国は高齢化社会に突入していたが、今後 5 年で高齢社会に突入する。つまり、今後 5 年間で、本格的な高齢化が進むことになり、これは本当に大変なこと。こうしたなか、中国ではロボットの使用が非常に盛んで、中国はロボットの使用率が 1 位、日本はロボットの生産・供給率が 1 位である。

中長期的にインフレに繋がる負の供給ショックについては、グローバル・バリューチェーンの見直しがある。多国籍企業幹部 40 人へのヒアリング結果では、ほぼ 100%がグローバルサプライチェーンリスクの増大を指摘し、もっと注視すべきという意見だった。パンデミック前はどの企業も効率性を重視していたが、パンデミック後は、効率性とサプライチェーンの安全性との間にトレードオフが生じ、生産コストが上がる。マクロ的にみれば潜在成長率が下がる負の供給ショックのようなもので、持続的なインフレ要因になる。

また、すべての国が気候変動に対処し、地球をよりグリーンにするために大きな努力をするというコンセンサスがある。中国では、多くの古い工場は、炭素排出量に関する高い基準を満たせず、気候変動に関する政策が厳しいものとなるため、倒産せざるを得ない。このため、金融政策は、経済が多くの伝統的企業の倒産を許容できるよう流動性を高めていくべきで、パンデミック後も、比較的緩和的な金融政策を維持する必要がある。これはヨーロッパの国々でもかなり議論のある問題であろう。

フォン氏： インフレについては、ヒルデブランド氏・徐氏の意見と同じである。医療や食品、生活必需品の生産能力を高めることでコストが上昇するほか、よりクリーンな世界のための取り組みもインフレにつながる。金融危機後の 2008 年から 2016 年にかけては、インフレは起きず現代貨幣理論が機能していたように思うが、今回は、これまで議論してきた理由から、インフレ率が上昇していく可能性があり、米国債も物価上昇を織り込んでいくとみている。

一方、当面の問題は、低インフレと政策金利ゼロ%の状況がまだ数年続くなか、恵まれな低所得層は所得の伸び悩みに苦しみ、一方で富裕層は資産バブルを享受する。今後数年間は格差が拡大することにも注視が必要だろう。

アジズ氏： インフレの可能性については、これまでの議論に同意する。一方、極端な低金利とそれを長期間維持すると、過剰なリスクテイクの誘因となり、レバレッジや負債増大を招く結果、非効率な資源配分により経済全体に恒常的ダメージを与える可能性があるほか、資産バブル発生にも繋がりがかねない。金融の不均衡は一般的に低金利が長期間続いたとき

に起こる。

また、金融政策はインフレ抑制には非常に有効だが、経済のポテンシャル引き上げにはあまり対応できていないという事実にも目を向ける必要がある。特に、金利が非常に低く設定された多くの先進国では、このような状況が見られ、低金利環境にもかかわらず、景気回復に要した時間ははるかに長かった。したがって正常化はできるだけ早い機会に行うべき。インフレ期待を安定させつつ、成長を支えるための政策手段は他にもある。

岡村氏： 2つの視点を加えたい。1つは貯蓄投資バランス、もう1つはインフレ期待である。日本において長年続いてきた貯蓄過剰と投資不足のアンバランスな状況には構造的要因があり、より効率的なグローバル・バリューチェーンによる価格低下、長寿化に伴う予防的貯蓄、シェアリング・エコノミーによる消費性向低下、日本で顕著な企業の保守的投資行動、国内市場縮小による投資の期待収益率低下などがある。また、パンデミックは、消費機会喪失や家計・企業への現金給付を通じ貯蓄を増やし、不確実性の高まりは企業の保守的な投資意欲をさらに低下させた。中期的には、パンデミックに起因する一時的要因は去るだろうし、行動変容をもたらして定着する要因もあるだろうが、大部分は人口動態に根源を有する構造的要因であるため、全体で見れば過剰貯蓄と投資不足という不均衡は、ポスト COVID の時代にも続くだろう。

低インフレのもう一つの重要な原因は、特に日本ではデフレマインドが強いことがある。日本のインフレ期待形成においては、適合的期待形成メカニズム、すなわち過去のデータに影響を強く受けるため、非常に根強いデフレマインドが存在する。足元、米国の長期金利がインフレ期待の高まりを反映して少し上昇しており、このようにインフレ期待の形成にフォワードルッキングな性質があると市場は政策に迅速に反応することができるが、日本にこうした動きはない。金融政策に関しては、貯蓄・投資の不均衡な構造が続き、一貫してデフレマインドが続いていることを考えると、現在の超緩和的スタンスが長期に渡って続くと考えるのが自然ではないか。

最後に、インフレ・リスクは非常に小さいと考えているものの、巨額の政府債務残高が非効率な資源配分を引き起こし、潜在成長率の低下を招くというリスクを防ぐため、債務の持続可能性を回復させる努力が不可欠である。

(2) 国際協調回復と気候変動への対応について

アダムズ氏： 国際協調と気候変動の問題は繋がっている。パンデミック対応と経済回復以外の現政権の最重要政策課題はまさに気候変動に関するもの。この問題は地球規模の問題であり国内で解決することは出来ず、米国、特に製造業の競争力を不利にするような気候変動対策は政治的に困難である。バイデン大統領は集団行動が必要であることを理解してお

り、パリ協定への復帰を掲げ、ケリー上院議員を外交政策における気候問題担当として、世界中の関係者への働きかけを開始している。

米中関係は気候変動問題に大きく左右される。排出量の 45%を占める米国と中国が歩み寄らなければ地球規模の問題を解決することは出来ない。両国の経済・産業構造を大きく変える必要があり、如何に資金を還流させるかが重要。金融業界はそれを行う準備があるし、投資家・顧客・従業員、政策立案者もそれを望んでいる。問題はそれをどのように、いかに早く行うかであり、質の高い投資が重要である。グリーンウォッシュへの懸念は多いが、需要は膨大である。金融機能が発揮されるには、多国間主義など国際政治における協調環境が必要である。

ヒルデブランド氏： とりわけ気候問題は米国が多国間主義に再び取り組むためのチャンスである。課題は、包括的な戦略的優先事項に関する多くの問題で中国に対して毅然と対応しつつ、気候変動に関して協力する道を見つけることだが、戦略的に一筋縄ではいかない。しかし、気候変動の緊急性を考えれば、いずれにしても実現しなければならず、この2つの優先事項に対応することは政治的には大きな挑戦である。

ヨーロッパの視点からは、米国が戻ってきたという事実だけでなく、物事への対応やプロフェッショナリズム、信頼感についても、非常に大きな安心感がある。しかし、米国がいつでも楽なパートナーになるとは思わないし、若干影を落としているのは、誰も話したがらないがこの4年間は実際に起こったということ。多くのヨーロッパの指導者たちの頭には、同じことが繰り返されるのではという疑問はあり、その可能性にどう答えを出すかということがある。

結論としては、欧州統合を粘り強く進め、欧州に主権意識を持たせ、デジタル分野や気候変動、究極的には防衛など、主権の必要性を強く感じている問題に取り組むこと。これらは非常に困難な課題であり、解決には何十年もかかるだろう。この4年間に起こった事実は理論的には再び起こりうる。また、米国の政治的分断は、ヨーロッパやその他の国々が米国との長期的関係についてどう考えるかに永続的な影響を与える。悲しいことだがこれが現実であろう。

徐氏： 中国と米国は非常に激しい競争関係にあり、さまざまな面で競争しているが、協力や調整が出来る分野があるとすれば、それはグリーンファイナンスや気候変動対応である。

外国人投資家による気候変動・グリーンファイナンス分野での中国への投資は歓迎されている。また、パンデミック後、多くの発展途上国、特に低所得国が対外債務に苦しんでおり、国際社会、特に主要経済国が協力し途上国の負担軽減策を立てることが出来る。例えば、既存債務を交換するデット・スワップや、デット・スワップを伴う新しい気候保護プロジェクトやグリーン・ファイナンス・プロジェクトなどだ。中国はこの分野のステークホルダーでもあり、こうした計画への参加を待ち望んでいる。最近 G7 は、SDR の 6,000 億ドル規模

の発行増に合意した。これを債務スワップ計画と組み合わせることで、パンデミック後の課題に対処する、より積極的計画を立てることが出来る。

フォン氏： これまでの意見は共有しつつも、若干楽観的に見ている。米国と中国はもちろん競争相手であり、ライバル関係にあるが、現在の米国政権は少なくともより予測可能である。また、米中はデカップリングを起こしているが、世界全体を見れば、デカップリングを止めることができる橋はいくつかあり、ASEAN がコネクターの役割を果たし、RCEP や TTP 等もある。また、EU は CAI (EU-中国包括的投資協定) に戻り、米国とは貿易協定を交渉中である。米中関係は重要だが、その間にはスーパーコネクターがあり、最近の国際情勢の中で日本・EU・ASEAN は、活発な競争と協力のバランスを取るための役割を担える。

アジズ氏： 気候変動のような地球規模の問題を解決するために、多国間協力や集団行動を大幅に強化する必要がある。この分野で進展が見られないため、ヨーロッパや東アジア、ASEAN のような地域的な努力が行われている。多国間協力のための既存の手段を強化することに取り組まなければいけないほか、グローバルな問題を解決するための取り組みにおいては、産業界や民間企業も重要な役割を担う必要がある。

岡村氏： 米国のマルチラテラリズムへの回帰について、これまでの議論に加え2つのポイントがある。まず、GAFAM のようなグローバルな巨大プラットフォームに対する国際的な課税問題については日本が主導してきたが、米国のセーフハーバー提案や欧州のデジタル・サービス税等の一方的措置により対立が続き、昨年末であった合意期限目標を達成出来なかった。しかし、米国がセーフハーバー提案を放棄したことで、グローバルなコンセンサスに基づく解決策を得るためのモメンタムは非常に高まっている。

次に、米中関係がポスト COVID 時代の世界経済・金融安定のための決定的要因であり続けることは間違いない。大局的に見れば、中国は新興の経済超大国として、既存の世界経済秩序に挑戦する可能性が高く、これは安定への脅威となる。一方、完全なデカップリングは実現不能のため、問題毎にデカップリングと融和の間を追求する必要があり、グリーンファイナンスは協調出来る分野。2月19日のG7首脳声明は我々の精神をよく表現しており、中国を、G7が関与(engage)すべき大国の例として取り上げ、G7が対処(address)すべき対象は「中国」ではなく、「非市場志向の政策と慣行」と定義した。これは、G7議長国の英国が用意した言葉であり、英国流の「折り合い」をつけた表現と解釈している。我々が長年にわたって確立してきた、健康・気候・債務・貿易・投資・税制等の分野での多国間システムに米国が戻ってきた今、中国を様々な多国間システムに統合するための努力を強化すべきである。

(3) パネリストによる最後のコメント等

アダムズ氏： この歴史的危機に対し、財政・金融当局と規制当局が歴史的に協力して経済を再拡大させたことを称賛すべきである。Scarring effect など大きな課題はまだあるが、今年末には、2019年の水準を上回る数字になっているのではないか。構造的で長期的なインフレ圧力については懐疑的だが、弾力性と資本形成など供給サイドの動きで決まってくるだろう。

最後に経済の脱炭素化は最優先事項であり、金融業界はその取り組みの一部である。グローバルな協力が必要で、米国が長期的に戻ってくることを願っているが、政治的な力が働いているのは事実であり、短期的に解決するというものでもない。

ヒルデブランド氏： 財政・金融政策間の異例の協調は、金利がゼロに達し、伝統的金融政策ではこれ以上対応出来なかったために必要だった。一方、この先、インフレに関する議論にも関係してくるが、この協調関係にある程度のガードレールを敷き、時が来たら中銀が完全に独立モードに戻れるようにする方法や条件について早期に検討し始めることも大事である。すぐに直面する問題ではないが、この革命的变化にガードレールを敷くことを考え始め、財政政策と独立した金融政策に戻るための方策を真剣に考えることが非常に重要である。

徐氏： この3年間、米中は強い緊張関係にあり、中国と米国が協力するには地球がE.T.に襲われるしかないと言っていた人もいたが、今はパンデミックがE.T.であり、中国と米国、そして世界のすべてのコミュニティが協力することを可能にしている。また、米国が多国間プラットフォームに戻ってきたことも喜ばしい。これから4年間、バイデン新政権によって中国と米国がお互いに協調出来ることを期待している。

フォン氏： 今後2~3年、超緩和政策や積極的財政政策を続けていくなかで、格差や貧困層への影響などデフレ的課題に対処していくことが非常に重要。政府が超緩和政策と積極財政を追求する際には、十分な注意が必要である。

アジズ氏： 世界各地で回復の道筋は異なっているが、我々は短期的な危機の封じ込め策や救済措置から、より持続可能な回復を実現するための政策にシフトする必要がある。将来により焦点が当てられなければいけないし、政策は長期志向であるべき。環境を変革し、将来の成長を持続させる基盤となる、技術やインフラ整備などの投資に焦点を当てる必要がある。

岡村氏： パンデミックは我々に深刻な苦難をもたらしたと同時に、マルチラテラリズムのテーマである、共通課題に共同で取り組むことの必要性を再認識させた。この意味で今回のパンデミックは、より大きな国際協力の扉を開いたと言える。我々は、苦難を乗り越え、パンデミックをチャンスに変え、より良い社会を築いていくため最大限の努力をする必要

がある。この共通の目標に向け、今回のシンポジウムが大きな一歩を踏み出したことに感謝したい。

渡辺氏： 本日は各パネリストより非常に重要な課題等を指摘して頂き、これから直面するであろう議論のキーポイントも提示された。また、多くの課題について共通の理解が得られ、大変励みになる議論だった。不平等や所得・資産の不公平な分配といった問題にはさほど触れなかったが、低金利や資本市場の機能不全がこのような不平等問題を助長するという議論があり、より良い、より平等な社会実現のために、将来、こうした問題を議論する必要がある。また、地球環境を維持しなければならず、グリーンファイナンス、グリーンキャピタル、グリーンプロジェクトは非常に重要。締約国会議（COP）で良い進展が得られることを期待している。最後に皆さんの深く継承された知識と知恵に感謝する。

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The 29th International Financial Symposium

Paradigm Shift

— Post-Covid-19 Global Economy and Challenges for Policy Response —

Full Text in English

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1. Opening of Symposium

Hiroshi Watanabe, President, IIMA

Good evening, good afternoon, and good morning, everyone, and welcome to the 29th International Financial symposium hosted by the Institute for International Monetary Affairs (IIMA). I am Hiroshi Watanabe, president of the IIMA and today's host of this event.



Today's symposium's title is "Paradigm Shift - Post Covid-19 Global Economy and Challenges for Policy Response". Since the global financial crisis (GFC) about 12 years ago, we have been fighting against many troubles but still we have some kind of aftermath of the GFC. In addition, in the year 2020, we had some political changes in some countries. In the United States, we had the presidential election, in Europe the Brexit was realized, and even in Japan, we had the new prime minister. In order to overcome the aftermath of the GFC many central banks have provided affluent liquidity to the market.

The COVID-19 or novel coronavirus brought us further burdens and in order to respond to such kind of situation, each government has increased its fiscal expenses, leading to another deepening of debt on the burden of the government fiscal position. 12 years after the GFC, we now face very difficult situations. The digital transformation brings us some big challenges, especially for the banking sector. And the environmental consideration demands us much keen sense on its impact on the financial operation.

To discuss these issues today, we have very excellent panelists from all corners of the world. Very luckily, they all are my good old friends, and also friends of my Institute, IIMA.

Today's symposium consists of two parts. The first part will be speeches from each panelist. It will take about an hour and it will be followed by the second part, the panel discussion among the panelists. We will try to include questions from the audience during the panel discussion.

Now let me introduce our distinguished panelists from around the globe. The first, Mr. Tim Adams, President and CEO of the IIF. Prior to joining the IIF in 2013, Mr. Adams was Managing Director of the Lindsey Group, an economic advisory firm based in Washington DC. Previously, he also served as Under Secretary for International Affairs at the US Department of the Treasury.

Next, Mr. Andrew Fung, Professor of Practice at the School of Accounting and Finance in Hong Kong Polytechnic University. Mr. Fung joined the Hang Seng Bank in 2006, where he was appointed Executive Director in charge of Global Banking & Markets, and its subsidiaries, including Hang Seng Securities. Currently, he is CFO of Henderson Land Development, and he is also an Honorary Fellow of the Lingnan University.

Next, Mr. Philipp Hildebrand, Vice Chairman of BlackRock. He also oversees the BlackRock Investment Institute and the BlackRock Sustainable Investing. Prior to joining BlackRock in 2012, he served as Chairman of the Governing Board of the Swiss National Bank and in that capacity, he was also a Director of the BIS, Swiss governor of the IMF, and a member of the Financial Stability Board.

Next, Mr. Kenji Okamura, Vice Minister of Finance for International Affairs at the Ministry of Finance, Japan. Mr. Okamura joined the Ministry of Finance in 1985. In recent years, he held many senior positions in the International Bureau of the Ministry of Finance, as well as in the Financial Services Agency. He also has experiences of external assignment, including the IMF and the Japanese local government.

Next is Dr. Xu Qiyuan, Head of Economic Development Division, Institute of World Economics and Politics (IWEP) at the Chinese Academy of Social Science. He has been the head of Economic Development Division in IWEP since 2014. He is also an advisor to the international collaboration department in the Ministry of Finance of People's Republic of China. In 2019, he joined CF40 (China Finance 40 Forum) and took the position as the director of research department.

And last but not least, Dr. Zeti Aziz, Group Chairman of PNB and the former Governor of Bank Negara Malaysia. Dr. Zeti served as Governor of the Malaysian central bank from 2000 to 2016, known for her role in successfully managing the Asian financial crisis and its strong economic recovery in Malaysia. She is currently the Co-chair of the Asian School of Business and the Group Chairman of PNB.

Now we would like to invite each panelist to have a speech. The first is Mr. Tim Adams, President and CEO of the IIF, and he is my teammate of the G7 Deputies when I was in the Ministry of Finance. I'm very much looking forward to listening to what Mr. Adams is going to say. So, Tim, please.

2. Paradigm shift:

U.S. perspective on post-COVID-19 challenges and policy responses

Tim Adams, President and CEO, IIF

Thank you, Watanabe-san. It's such a pleasure to be here today with you and the IIMA and see so many old friends whom I have not seen in person for a long time and I look forward to actually doing this in person again, and I'd like to be in Tokyo. It's very early morning here in Washington but it's a pleasure being here with you today.



Let's start with the challenges. The challenges are numerous but I'm going to accentuate positive ones in my short presentation. Let's just review real challenges the economy faces. Still 10 million people are unemployed from the crisis. Key sectors such as the service sector, leisure, hospitality, retail trade, medical, educational services have deep scarring which will probably exist for many years to come.

Small businesses have done well but leveled off. The schools in the Washington DC area just started opening this week after a year of closure, so it was a huge challenge for the parents who had to stay and can't go to work because their children were out of school. Structural issues that existed in pre-pandemic are still there; rising income inequalities, social disruptions. You've seen the event here in Washington on January 6th, a culmination of the last several years of social division. And there are deep political partisan divisions in this country. I've been in Washington for 35 years, and I've never seen anything quite like it.

The passage of much to be done is really hampered by the lack of political comity and cooperation. There is a good news about the vaccine obviously with Johnson & Johnson (J&J)'s announcement this week marking that they'll open production facilities, all working 24 hours today. The President yesterday expected every adult to have access to vaccine by the end of May, but there is a challenge that a third of the population said they won't get one because they're distrustful of the vaccine. There are mutations of the virus which we have to ensure that the vaccines cover.

And there is a rush to get masks off. Texas yesterday reduced their mask mandates. So people are ambitious, and they're ready to get back to normal life and that could see a resurgence of the virus after all the numbers have actually been quite positive in the past month or so.

Regarding the debt, the US fiscal position is pretty horrible. US government's debt to GDP is at the highest standing since the World War II. We added \$7 trillion to our debt over the past four years, and debt levels continue to increase at a very rapid clip. Now, the central bank has been an important buyer of debt and four big central banks globally had balance sheets in excess of \$20 trillion, and still a huge

Challenges

Jobs

- 10 million still unemployed - women hit especially hard
- Service sector (leisure, hospitality, transport, etc.) struggling
- Small business recovery has leveled off
- Schools slow to return/keeps working parents at home

Vaccine

- Vaccine roll out slow, disorganized
- One-third reluctant to take the vaccine and/or don't trust it
- New COVID-19 variants are proliferating - will the vaccine work on new strains?

Structural

- Rising income inequality
- Structural change hits low skill jobs due to automation and "work from home"
- More discussion about social justice
- Deep political partisan divisions

Debt

- Ultra low rates, fiscal policy support zombie firms
- Rising debt and deficits pose medium-term risk

debt load will eventually have to be paid off.

I am very optimistic this morning since the economy is recovering at a very rapid clip. We'll see really extraordinary numbers in the first quarter and the second quarter. We think the US GDP will increase 6.5 percent, maybe 7% this year, the highest that we've seen since the mid-1980s. We will end the year with the economy of a 5% higher than pre pandemic levels, and we see pretty strong numbers across the board, retail sales, industrial production, construction spending, manufacturing, anything in the interest-sensitive sectors, housing and autos. These have been really robust, and anyone who's tried to order an appliance or if you want to do any kind of remodeling in addition to home, you're having to wait for months to get access to them, because the demand for durable goods is incredibly high. We have strong income, but high savings and a mountain of cash are ready to be deployed. The Bloomberg reported today that globally there's almost \$3 trillion in cash that could be put to work very quickly.

Monetary and fiscal policies have been well coordinated especially with Janet Yellen as Treasury Secretary and Jerome Powell at the Federal Reserve. I will continue to see supportive policy. At the Federal Reserve Jerome Powell has been pretty forward leaning and saying that what you see is what you get and you will get the same thing for the foreseeable future. So we expect accommodative policy for the rest of the year. I don't think we're going to see an increase in interest rates for several years to come. I don't think we're going to see any kind of tapering in 2022 at the earliest. Core inflation remains subdued, there's a huge debate and I know we'll talk about this in the Q and A section on the outlook for inflation. I'm skeptical on the short term, but we'll see what it looks like in the medium term. Fiscal support continues to come to surpass 1.9 trillion package, sometime in the next three weeks and I'll quickly follow up, with much more focus on infrastructure and climate related package, and in the mid-year that could top one trillion. So additional fiscal stimulus is supposed to be \$3 trillion this year alone.

Opportunities

Economy

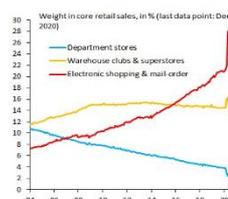
- Global growth was -3.6% in 2020. We expect a +6.1% rebound in 2021. The U.S. (+6.5%) is driving recovery
- Highly accommodative fiscal and monetary policy (declining output gap)
- Personal income above pre-pandemic levels

Financial Sector

- Buoyant capital markets
- Banks are healthy and profitable
- ROE on U.S. banks has been steadily improving since 2020Q2

Other Sectors

- Interest rate sensitive sector (e.g., housing) booming
- Industrial production vibrant
- E-commerce has grabbed market share though at the expense of more traditional retail



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3

Monetary & Fiscal Policy Outlook

- Biden Administration is working to pass a \$1.9 trillion pandemic response package
 - Attack is coming from both the Right (it's too much and not all COVID-19 related) and the Left (it's too much in terms of consumption and not focused on investment. We're shooting bullets now instead of saving them.)
 - The Fed's unprecedented QE is largely financing the deficit adding worries about fiscal dominance
- Fed to remain accommodative for the foreseeable future
 - Core inflation remains subdued
 - Weak dollar has upside potential if it becomes a safe haven
 - Challenge appears to be how the Fed can scale back on QE without interest rates shooting up
- More fiscal support in the pipeline via green infrastructure
 - This is very easy to discuss and very hard to legislate in the U.S. due to fights over how to pay for it, what to prioritize, etc.
 - Second reconciliation could be large

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4

Key priorities for this administration are about the pandemic and economic recovery, and I think we are on the right transit turning quickly. Climate change is the number one domestic priority for the President beyond the pandemic and economic recovery. It permeates every part of the US government. This town Washington is well behind European in terms of understanding, appreciating, embracing climate change, but that is changing rapidly here in Washington just in the last 90 days.

Biden Administration's Domestic Policy Priorities

- Pandemic/COVID-19 response: vaccine, treatment, testing, stimulus
- Restoring growth
- Climate change and transitioning to a net-zero growth model
- Economic inequality, focus on the middle class and social justice/racial equity
- Improving infrastructure
- Scrutinizing technology platforms
- Immigration policy reform



Economic inequality and social justice are important part of this administration, important part of their political narrative in terms of the election. Infrastructure; anyone driving or taking trains or flying to Washington knows that US infrastructure desperately needs an upgrade. I think we will see the beginning of that with this fiscal package this year. Technology is now the villain of Washington. So, Facebook, Google, and others will come under enormous scrutiny for antitrust purposes and tax reasons. While technology companies and technology platforms were the focus in the darlings of Washington for many years, they now have become the focus of attention and great ire. And immigration policy continues to divide the country, especially for those on a pathway to citizenship. The most important thing is to make sure we've got good qualified workers, and H-1B visas for high tech workers will go up after being constrained under the previous administration.

Climate change is quickly permeating in Washington. The President has made a whole government approaches and climate experts in every department, the White House is chockfull of climate. Maybe the biggest problem they'll have is coordinating the various responsibilities under John Kerry who will focus on the international ones and there's a whole host of domestic climate related issues. As far as our industry is concerned, I think it will be under pressure in terms of the way that we restore balance sheets, the way that we measure, identify monetary risks. Disclosure will be a huge issue with the new head of the Securities Exchange Commission. So this is really beginning to start, but it will be really the most important domestic issue and the banking industry and the financial services industry will be part of that. And in the investment community, BlackRock is obviously one of the most important players in Washington in terms of determining the pace of the financial services role in fighting climate.

The Green Agenda

- Carbon pollution-free power sector by 2035
- Net-zero emissions by 2050
- Whole of government approach: creation of White House Office of Domestic Climate Policy and National Climate Task Force
- Major investments in Green technology, research and innovation
- Increasing attention on corporate disclosure and reporting
- Banks as possible channels to "green" priorities
- Advance conservation, agriculture, and reforestation
- Greening transportation (electrification of autos/truck fleets)

"Meeting the challenge would be a once-in-a-lifetime opportunity to jolt new life into our economy, strengthen our global leadership, protect our planet for future generations."

The foreign policy priorities include an approach to multilateralism which we really haven't seen in many years. Less emphasis on the Middle East, and emphasis will shift back to the Indo Pacific region, really embracing the Pacific Rim. The shift will be slow as the President will mostly focus on domestic policy, but I think this is a reversion to more traditional US approach to foreign policy.

And the last slide is on the U.S.-China relations. Probably we will see more continuity with the previous administration than many want to believe. There're so many plays for the foreseeable future. There will be an effort to engage China on really important issues, mostly on climate change since we can't solve climate politically in Washington without China being a partner. There will be an endeavor to have conversation. And I think that will dominate the U.S.-China relations, as well as just traditional issues of technology transfer, support for State-owned enterprises (SOEs) and others. So, more of the same, but what's new is really a focus on climate. And with that I conclude.

Mr. Watanabe: Tim, thank you very much. Now we have some good sense of the US that has started the new, very brave recovery, novel economy. So, the next speaker would be Mr. Philipp Hildebrand, Vice Chairman of BlackRock Group. He's also my teammate of the G10 Deputies. We had a very good experience of deepening discussions. Now the floor is yours, Philipp.

Biden Administration's Foreign Policy Priorities

- Rebuilding ties with traditional allies and strengthening alliances (G7+)
- Restoring the international and regional institutional frameworks (WTO, WHO, NATO etc.)
- Rebalancing and de-emphasizing the Middle East while pivoting "back" to the Indo-Pacific (new coordinating role at the NSC)
- Managing a currently tense, competitive relationship with China
- Tackling trans-national threats: climate change, human rights, countering authoritarianism and fair trade
- Global Posture Review to align military footprint

Priorities can be overtaken by events

- Myanmar military coup
- Russia (Navalny arrest; SolarWinds)
- DPRK (likes to test new Administrations)
- Iran (nuclear program)

U.S.-China Relations: Extreme Competition



- More continuity with Trump Administration policies than expected
- Return to multilateralism
- Trade: less reliance on tariffs (though Trump -era tariffs will remain for now), emphasis on subsidies, support for SOEs, cybertheft, IPR issues
- Technology: re-focus on U.S. competitiveness; continue push to develop secure 5G networks and address cybersecurity threats
- Push China on climate and environmental issues
- Renewed focus on democracy and human rights
- Debt diplomacy and debt transparency: important issues related to Emerging Markets and low-income countries

3. Developments in Europe after the COVID-19 and Implications for European Integration

Philipp Hildebrand, Vice Chairman, BlackRock and Former Chairman of the Governing Board of Swiss National Bank

In my comments today, I will focus on the developments we have seen here in Europe over the last 12 months as the Covid-19 pandemic unravelled and what this means for the European integration effort. All this, of course, comes on top of the effects of Brexit, which will force further long-term structural changes. As you know, the narrow goods trade agreement that came into force at the beginning of the year does not cover financial services. At this stage, it is unlikely that either party will put forward concrete proposals in the forthcoming Memorandum of Understanding which means the lack of clarity around UK financial services access to EU markets is set to continue.



Covid-19 has been at the center of our considerations for over a year now with significant upheaval both in our economies as well as in our personal lives. Let me just say at the beginning that despite the recent developments around new variants of the virus, we believe this is unlikely to challenge the 2021 economic restart, for two reasons.

First, it would seem that the vaccines are relatively effective, especially in easing up the capacity pressure points on hospitals and the health services more broadly. This, of course, is key to countries opening up again and therefore key to the economic restart.

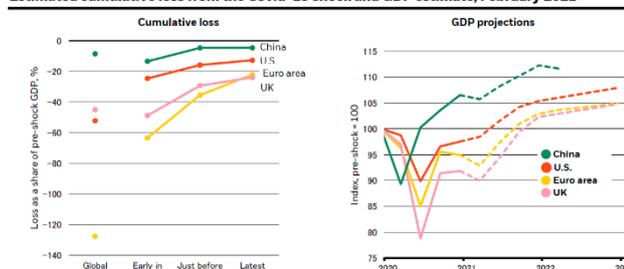
Second, any near-term disruptions will be followed by a faster activity restart later, keeping the cumulative shortfall in economic activity to just a fraction of that seen after the GFC as you can see in the chart on the left, where especially the Euro area suffered a much more dramatic economic shortfall than what we can expect this time around. Across geographies the outlook has further improved on the back of increasingly positive vaccination news, so much so that we now expect both the US as well as European economies to return to pre-Covid GDP levels by the end of this year.

As everywhere else, the Covid-19 pandemic has reshaped the economic outlook across countries in Europe. But it has also shown the importance of continuing to deepen European cohesion. Restarting the economy will only work if countries work together and align on policies. The European Union's €750 billion investment plan to help recover from the pandemic will go some way towards supporting these efforts. At the same time, it will also have 25% of that funding set aside for climate action which makes me hopeful that this may also signal a paradigm shift in how sustainability considerations and goals are included in economic

Reduced estimates of Covid-19 activity impact

Consensus expectations of the size of the shock have been revised down materially, particularly for the euro area. We believe vaccine rollouts are likely to stoke a sharper-than-anticipated rebound.

Estimated cumulative loss from the Covid-19 shock and GDP estimate, February 2021



Forward looking estimates may not come to pass. Sources: BlackRock Investment Institute, with data from Refinitiv, Datastream and Reuters News, February 2021. The left chart tracks the evolution of consensus estimates for the cumulative loss in GDP due to the Covid shock. The standalone dots on the left show the total cumulative loss as a result of the global financial crisis. Lines show the evolution of the most pessimistic estimates of the cumulative loss in GDP arising from the Covid shock, based on data and consensus forecasts available at each point in time. The numbers change over time due to the publication of GDP data and updated consensus forecasts of future GDP growth. Early aftermath forecasts were dated from April for China, and June for the U.S. and Euro area, reflecting the fact that the Covid shock hit China GDP first in 2020Q1, but in other countries in 2020Q2. The middle estimates 'Just before vaccine news' are dated from early November 2020, prior to the first announcement of an effective globally available vaccine in mid-November. The 'Latest' forecasts are based on GDP data up to 2020Q4 in all economies, and consensus forecasts of GDP growth as of late January 2021.

policies.

But a recovery fund alone does not provide cohesion. The pandemic has also shown the importance of continuing to deepen European capital markets integration. Building deeper, better-connected capital markets in Europe is an important objective to promote stronger and more inclusive growth in the EU and to increase the resilience of the euro area against potential adverse shocks as deeper and more integrated financial markets would increase Europe's ability to absorb and diversify risk.

Although the ECB successfully stepped in and provided the necessary liquidity, it is paramount that we keep working towards the goal of a true Single Market for capital in Europe. Compared to the US, Europe still has underdeveloped capital markets. As a result, an excessive focus on cash, saving accounts and bonds are exacerbating the problems posed by the decline in the equilibrium interest rate level. The difficulty of savers to access the capital market in an efficient way results in insufficient long-term returns on investment and prevents the broader public from participating in the economic upside of the European Union.

There is an urgent need to create a more investor-friendly capital markets architecture that allows European investors (i.e. asset owners and asset managers that act as their fiduciary) to benefit from the full scale of European and global capital markets. More importantly, however, we need better capital-raising options across Europe, so that companies have access to funding especially at an early stage for their life cycle. Completing the Capital Markets Union would not only provide a growing supply of capital for European companies but also further strengthen the EU's pathway to achieving its sustainability goals.

Achieving the transition to a net-zero world by 2050 – a world in which we succeed in capping global temperature rise to below 2 degrees by 2100 – will require large sums of capital. Although significant public spending commitments have been made in the last 12 months, there is no way public funding will be sufficient to fund the transition to a net-zero world in 2050.

In order to deliver on this, we will need to mobilize huge quantities of private capital, estimates range from \$3.5 to \$6.9 trillion annually. However, compared to the US, risk diversification is still limited in Europe with the lack of meaningful cross-border investments significantly reducing the degree of private sector risk sharing between countries which results in reduced investor appetite.

Deepening capital markets in Europe is important in order to provide a more fertile ground for investing in a post-Covid environment to boost the economic restart. But deepening capital markets in Europe is vital to provide the capital needed to finance sustainable innovation. Achieving a net-zero world by 2050 requires major investments that help to transition European corporates towards a carbon neutral economic structure. Here, creating deep pools of stable private capital to support long-term investments is key to financing the transition to a low carbon economy. In view of the European Union's sustainability goals, this re-orientation of capital raising is urgently needed.

Mr. Watanabe: Thank you, Philipp. In Europe I think the signs of integration and disintegration are mixed but I think the current position is rather getting better. And I fully agree the mobilization of the private capital is quite important in coping with COVID 19 and also the environmental issues.

So the next speaker is Mr. Xu Qiyuan, Head of Economic Development Division of the Institute of World Economics and Politics at the Chinese Academy of Social Sciences. He once stayed with the IIMA in the old days and we have kept a very good relation with him. Now, the floor is yours.

4. Paradigm Shift of China's Economy: amidst the China-US Tension and Pandemic Shock

Xu Qiyuan, Head of Economic Development Division, IWEP, CASS

Thank you for having me here. And my topic is about the paradigm shift of China's economy, especially against the background of the China-US tension and pandemic shock. Before I elaborate on the next page, I would like to say China's economic growth rate recorded a positive growth last year for 2020, with the background of many other major economies recording negative growth. But I think for this year for 2021, maybe there's a kind of paradigm



shift for China's growth rates. For the first half of this year China's economy will certainly be continuously quite strong, but for the second half of this year, there will be some uncertainty. The uncertainty comes actually from overseas. That is the certainty from the US and Europe, and Japan, because the vaccine exactly will cover all the people by the end of the first half of this year. And I expect that since the second half of this year, the certainty and uncertainty situations will be reversed. That means, in the second half of this year China's economy will be weaker than the first one, but for the US, Europe and Japan, the second half will be much stronger, not only in terms of a year-on-year but also in terms of month-to-month basis. So, with such kind of background, it is meaningful for the cross-border capital flow, also meaningful for exchange rates and asset price, not only for China but also for other countries. This is the first point.

And secondly, I was given the topic of “evaluation of effects of trade friction and changes in global value chain” by the guideline for the panelists, and I will try to get them answered.

The Trump government was very tough to delink itself from China. We can find the four deals to impose tariffs on China. And since the beginning of 2018, my colleagues and I worked out a team to make some estimation of the exclusion ratio, which is shown at the bottom of the figure. The ratio of exclusions was more than one quarter for the first two deals. So at that time we were quite optimistic because it's quite remarkable if you consider the total US-China trade of more than \$500 billion, China exports to US. So the exclusion amount would be more than \$100 billion. So it's quite large.

中国社会科学院世界经济与政治研究所 **Trump gov. is very tough to delink itself from China**
Institute of World Economics and Politics, CASS

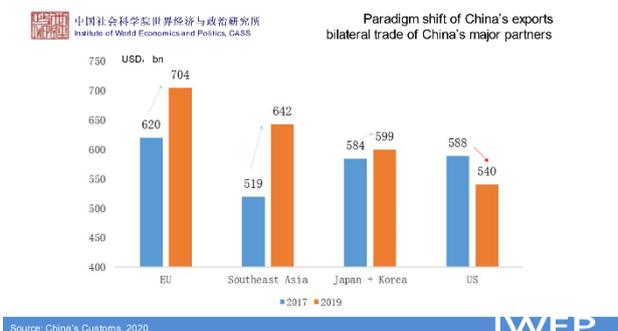
Exclusions of the United States imposed tariffs on China (by the end of May, 2020)

	Deal 1	Deal 2	Deal 3	Deal 4A
Amount: USD bn	34	16	200	120
Imposed tariffs	25%	25%	25%	7.5%
Start time and tariffs changes	2018.07.06	2018.08.23	2018.09.24(10%) 2019.05.10(25%)	2019.09.01(15%) 2020.02.14(7.5%)
window period	2018.07.11-	2018.09.18-	2019.06.30-	2019.10.31-
accept the application	2018.10.09	2018.12.18	2019.09.30	2020.01.31
Amounts of items applied	10814	2869	30283	8781
actual progress	Completed	Completed	Completed	In progress, 1.9%
Amounts of exclusions: bn	8.8	4.2	14.9	4.3
Ratio of exclusions	25.8%	26.3%	7.5%	3.6%
Additional period	Yes	38		
	No	87		

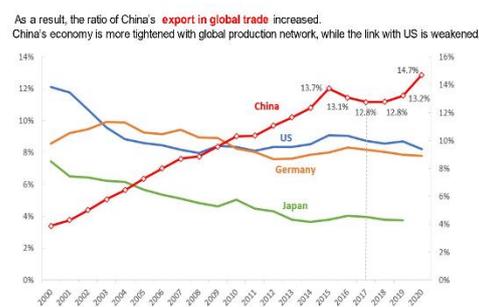
Xu Qiyuan, Director, US Tariff Exclusion Process in China, Institute of World Economics and Politics, CASS

IWEP

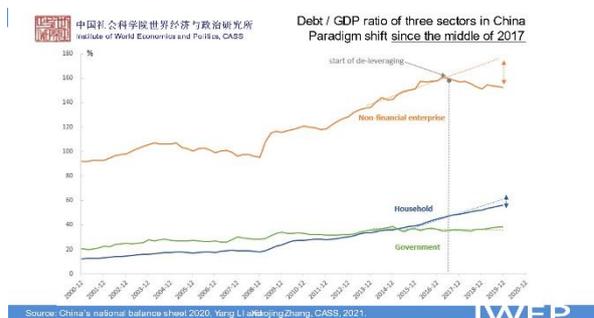
But our friends from the US side told us “Don’t be so optimistic because the officials from the United States Trade Representative (USTR) are lawyers, not economists”. But we were quite astonished that for the 3rd deal and for the 4th deal, you can find the ratio of exclusion declined substantially to only 7.5% and less than 4% for the last deal. So you can find that the stance of the Trump government was quite tough, but let's find the data in terms of objectivity. You can find the paradigm shift of China's exports in terms of the bilateral trade with China's major partners. Comparing with 2017 and 2019, only the bilateral trade with the US declined to some extent. At the same time, China's bilateral trade with other major partners increased, especially for Southeast Asia increased significantly by more than \$100 billion. And increase is also quite substantial for the EU, and a moderate growth for Japan and Korea. This means that on the one hand China delinks with the US in terms of trade to some extent or moderately and on the other hand China is more integrated with other major partners.



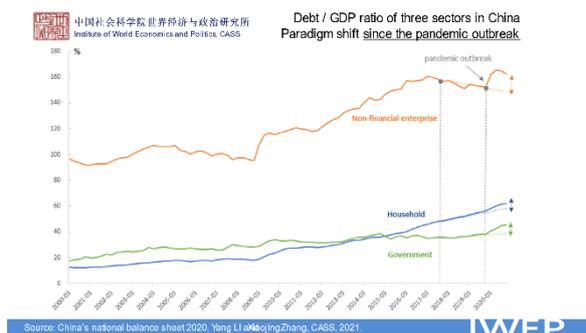
The chart shows the market share of exports in global trading. You can find that China's ratio of exports in global trade (red line) increased after the China-US trade war. I mean, after 2017, it stabilized, and it went up especially in the last year.



This is the last point, risks of the financial system associated with excessive debts. Let's look at the debt to GDP ratio of three sectors in China. Let's look at the first paradigm shift since the middle of 2017 to 2019 before the pandemic. Here you can find the orange line. That is the debt to GDP ratio of non-financial enterprises. You can find the major problem or major challenge for China's excessive debt lies in the non-financial enterprises, while for the household and the government the leverage is quite moderate. And if you find the data after 2017, you will find the leverage of debt to GDP ratio of non-financial enterprises declined to much lower than the dotted line. This dotted line is extended by the historical trend. That means the deleveraging policy has been quite effective.



Since the very beginning of last year, you will find the orange line jumped up to much higher than the dotted line. At the same time, in the household sector and governments, the leverage of debt to GDP ratio is also higher than the historical trend, but relatively moderate. So the major challenge is from non-financial enterprises, but we believe it is a temporary shock, not continuous shock. And when the pandemic passes, the orange line will converge to the dotted line, or at least parallel to the trend of the dotted line. Actually, I have more arguments to say that the debt issue actually is not so big issue for China, especially compared with Japan. We can discuss it more later. Thank you.



Mr. Watanabe: Thank you, Qiyuan. You pointed out the big change of the global trade and some impact on the supply chain in the global market. Also, you pointed out the cause and the result of massive transfer of funds is very much important to discuss in the coming days. Thank you very much.

5. China's Economy: 2021 – 2025

Andrew Fung, Professor of Practice (Finance), School of Accounting and Finance, The Hong Kong Polytechnic University

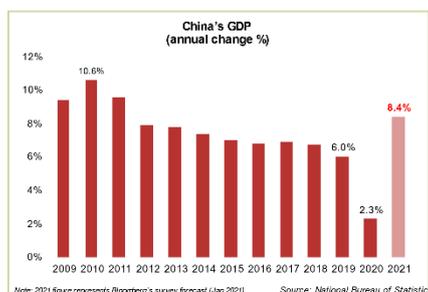
Thank you, Mr. Watanabe. I must deliver forecast for the next five years of China's economy. China's economy continues to recover from COVID-19. Forecasts of 2021 growth rates are in the range of 7.5 percent to 10%. China should be able to manage the pandemic better than most developed markets in the first half of 2021, and most Non-East Asia emerging markets in 2022. This will give China room to optimize on-shore supply chain in the global market. The economy is supported by improved consumption and booming manufacturing.



Driven by policy stimulation, State-Owned Enterprise's (SOEs) investment growth outpaces private sector investment growth. Household spending recovery still lags behind income recovery and industrial output, but the gap between spending and income is narrowing and a sense of stability and confidence returns as the COVID-19 is contained and vaccination rolls out. I believe consumption will be the main driver in 2021, household should reduce excessive savings as unemployment rate is back to normal and working hours are longer than before.

China's economic recovery from Covid -19 continues...

- ◆ Growth likely to accelerate in 2021 from a low base



...driven by policy stimulus

- ◆ SOE investment growth outpaces private sector investment growth

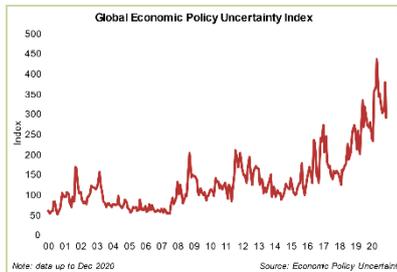


In fact, labor market tightened and migrant workers are back to work and paid more than the level before the COVID-19. However, January 2021 shows employment softened again in some sectors. Social activity can be normalized from the second quarter. In fact, apparel and jewelry sales have almost fully recovered, industrial output is expanding faster than its 3-year average growth rate before the COVID-19. Auto sector is booming. Sales growth forecast is 5% yearly for the next 10 years. Industrial profits have also improved while inventory growth has declined. High capacity utilization will likely lead to more manufacturing investment which helps to offset lower infrastructure investment.

Government is promoting consumption through an “internal circulation”. Continuing urbanization offers a growing consumer market. Government looks to boost the middle class with urbanization,

Government is promoting consumption through an “internal circulation”

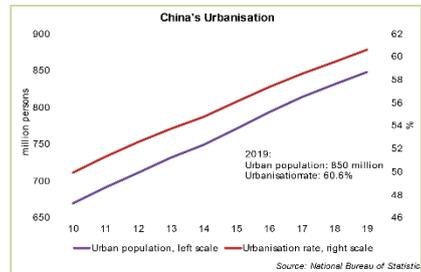
- Amid elevated global trade and policy uncertainty



5

Continuing urbanisation offers a growing consumer market

- Size of urban population comparable to the US & Europe combined

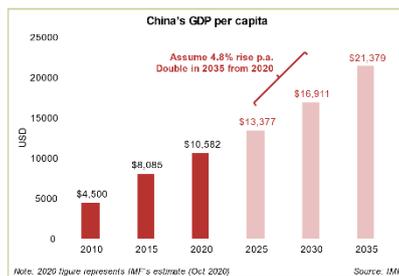


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rural revival, measured anti-trust, pension reforms, and advancing on technology via more R&D, education and opening-up. China is shifting to a growth model relying more on consumption and services.

Government looks to boost the middle class

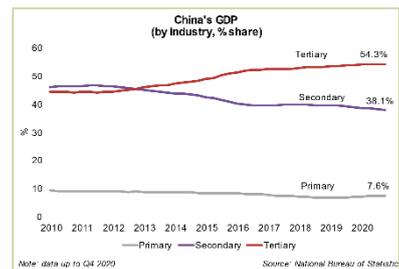
- China may double the size of its economy and income per capita by 2035



7

Services replaces production as major growth driver...

- China is shifting to a growth model relying more on consumption & services



8

Some economists are very bullish on vaccine-based US and advanced economies' recovery, that's shared by the last few speakers. This positive sentiment is good for global economy. China remains a dominant component supplier. President Xi's commitment in carbon emission leads to an acceleration of non-fossil energy utilization, investment in solar and wind power sectors will be multiples and China will rely less on oil imports. These factors are positive for growth and structure of the economy.

...while industrial upgrade & high-end manufacturing gather pace

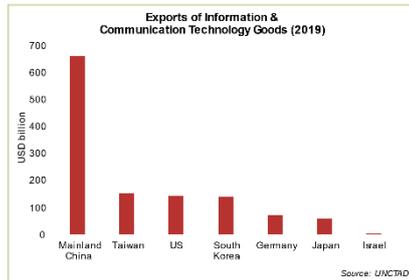
- Rising costs drive manufacturers to pursue higher value-added products



9

China is a dominant component supplier

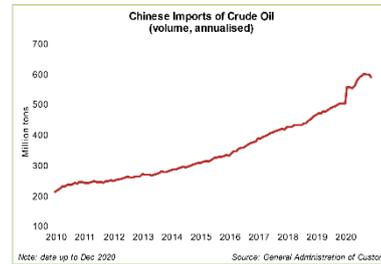
- It has increased its share of global exports in electronics, vehicles & parts



10

It steps up push into renewable energy to drive sustainable growth

- China aims to be carbon-neutral by 2060, reducing reliance on imports of oil



11

Although China is on the downtrend for demographic dividend, this can be substituted by geographical dividend. The developments of the North-West Region are well behind the coastal region, policy driven catch up can result in a significant payout, for example, Guizhou, a Southwest, and one of the poorest provinces, average GDP between 2016 and 2020 was 8.5 percent versus nationwide's 2.8 percent as it is transforming into a big data hub. Geographical dividend may dilute the negative impacts of aging population.

Several risk factors are likely to stay for the next few years. The top risk factor must be relationship with the US, as Professor Xu just mentioned. Current consensus seems to be the US will continue to see China as a rival and competitor. The most important sticking point is technology, it is unlikely to see significant relaxation under the Biden administration. China will have a lot of catch up to do in terms of the development of semiconductors, and it remains to be seen if China can achieve a breakthrough.

Uncertainty over China-US relations remains...

- ...but the Asean region has now become China's biggest trading partner

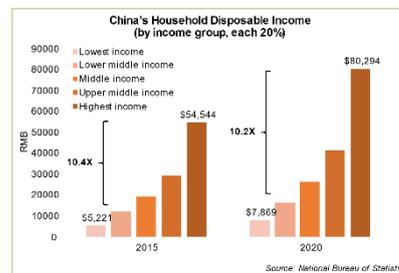


12

Despite government efforts in poverty reduction and common prosperity, super low interest rate, COVID-19 and asset bubbles led the income inequality to persist. This may dampen the effectiveness of internal circulation and consumption on a widespread basis.

Income inequality persists

- Income gap widens in dollar terms, though slightly declines in terms of ratio

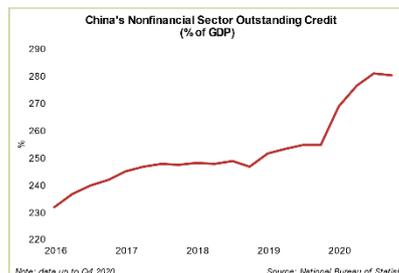


13

The deleverage campaign of the government which started in 2018 is still incomplete. Local government debt and real estate debt risk still remain a challenge as again Dr. Xu has mentioned.

Rising debt poses risks to financial markets

❖ PBOC may hold off adding liquidity to markets if recovery gathers steam

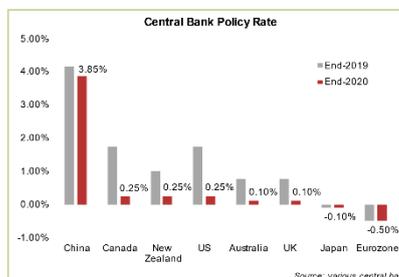


14

On the other hand, January credit statistics are pretty encouraging and People's Bank of China (PBOC) seems to move to normalization bias. As China is able to manage the economy with traditional tools and need not apply zero percent interest rate yet, the Government can still use nominal interest rates to stimulate the economy when needed.

There remains room for further stimulus

❖ China is the only major economy that has yet to apply quantitative easing



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The COVID-19 based export boom may also face downside risk as production in other countries recovers gradually. China is lagging behind in vaccination rate, about 4% of the population versus 5.9% in the EU and 18.9% in the US. Of course, China is near zero percent infection and China has 1.3 billion population. Although government has just declared victory in poverty reduction, the “Urban-Rural Divide” can still be a potential economic risk. Though, I believe government is on the right path to alleviate that gap, especially in medical care and education and such issues. So I remain cautiously optimistic for China's economy for the next five years. Thank you.

Mr. Watanabe: Thank you, Andrew. You have illustrated very clearly the big change in China’s policy to more emphasis on the consumption by the domestic side, and also the carbon generated emission is very much important on the agenda for the Chinese government. You also pointed out the importance of the ASEAN, not only to China, but to Europe and the United States, even to Japan. Thank you very much.

As Andrew pointed out the importance of the ASESAN, now, we have the next speaker, Madam Zeti Aziz, Group Chairman of PNB. She was also my good teammate of the ASEAN+3, and we have discussed the financial integration issues so many times during the time. So the floor is yours, Madam Zeti.

6. Effects of the COVID-19 on the ASEAN Economy

**Zeti Aziz, Group Chairman of Permodalan Nasional Berhad (PNB),
Former Governor of Bank Negara Malaysia**

Greetings from Kuala Lumpur. Thank you for the invitation to participate in this International Financial Symposium. The world is now currently at an inflection point and emerging from the economic and social consequences of the health pandemic that has inflicted the world since about a year ago.



My remarks will focus on three points:

- The effects of the pandemic and other recent global developments on the ASEAN economies that comprise of ten economies in South East Asia that accounts for a population of 650 million people and that collectively is equivalent to being the 5th largest economy in the world;
- Secondly, the elements that explains the resilience of the ASEAN region to be able to withstand and survive destabilizing global developments;
- Thirdly, that despite the trend towards greater regional economic and financial integration, the ASEAN region continues to remain outward looking and is still very much part of the globalization process.

Following the consequences of the economic shutdowns to contain the pandemic in 2020, the economies in ASEAN experienced an economic contraction during the year. However, in terms of the overall economic setback for the year as a whole, it is estimated to be to a lesser extent to that experienced during the Asian financial crisis twenty-two years ago, and to be to a lesser extent than other parts of the world.

According to the Asian Development Bank, the economic contraction in most of the ASEAN economies is expected to range from 1% to 8%, and for the bloc as a whole it is expected to contract by 3.8% for 2020.

This relatively better economic performance arises in a large part from the payoffs from the structural adjustment efforts undertaken following the Asian financial crisis, the financial reforms and the efforts to strengthen the financial system which were also reinforced by a comprehensive set of policy responses.

For the economy:

- There was a shift from being export-led economies to now having a growth that is being driven by domestic demand, by both consumption and investment demand;
- The economic structure of the ASEAN economies is now more diversified, thereby reducing its vulnerability to external demand and supply shocks;
- A third structural change is the greater intra-regional trade among the ASEAN economies. Our international trade with each other now accounts for 25% of our total trade.

The economic flexibility to adjust to the changing conditions in the world economy facilitated these fundamental structural trends in our economies.

Significant payoffs were also derived from the wide ranging efforts to strengthen the financial system. Most important among this was the development of the domestic bond market, the strengthening of the domestic financial institutions and the supervisory oversight arrangements as well as the transition to a more flexible exchange rate regime;

The stronger financial systems and the more developed domestic financial markets, in particular the domestic bond market, and a more deregulated and more liberalized financial system with a strengthened regulatory and supervisory regime has allowed most ASEAN economies to be better positioned to effectively absorb volatile capital flows.

With these elements in place, the ASEAN region has built significant potential to emerge from the economic consequences of the pandemic. Despite the relatively stronger recovery for the ASEAN economies that is being projected, there remains vulnerabilities that needs to be addressed. This includes rising inequalities, rising debt levels and employment levels that are not commensurate with the economic recovery that is occurring.

There are also new challenges arising from the increased digitalization and the advances in technology, the need for reform in the education system to meet new requirements of the changed economic environment and the urgent need for the necessary investment for the health infrastructure to build resilience to deal with future health shocks.

The final point I wish to mention is on the relations of the ASEAN grouping with the other parts of the world, despite the trend towards greater regional economic and financial integration. In the early 2000s, the ASEAN economies made a decision to pursue regional financial integration rather than monetary unification. The objectives for such regional integration is to encourage some part of our high national savings to be recycled and reinvested into productive economic activities in our economies in the region.

Despite this trend, ASEAN economies remain very much part of the globalization process.

On the issues relating to the trade tensions among the major economies, the ASEAN economies have always charted the neutral middle ground, and has always avoided choosing one superpower over the other. ASEAN has in effect maintained strong economic relations with most major economies.

While China is the most important trading partner for most of the ASEAN economies, accounting for about 17% of the total ASEAN trade, the trade with the US is also important, accounting for about 10% of the total trade in ASEAN.

During these recent two decades, the three major economies in Asia, that is, Japan, China and Korea have had an increasing role with ASEAN. This role is manifested in terms of, trade, investment and financial flows. It is also reinforced by people flows and knowledge and technology flows. This trend has prompted the launch of ASEAN Plus Three (APT), a cooperation process that began in December 1997, which has led to the deepening of East Asian cooperation to extend beyond economics and finance, but to also social, political and security.

The most recent development in ASEAN is the launch of RCEP in November 2020, the Regional Comprehensive Economic Partnership (RCEP) that not only includes China, Japan and Korea but also

Australia and New Zealand. It aims to bolster trade ties in the Asia Pacific and thereby promote economic growth in the region.

Despite these developments, ASEAN will continue to stay engaged with the rest of the world. Our history, several hundred years ago shows that the region was a meeting point for trade between the East and the West. This will continue as we venture forward into the future.

In conclusion, the ASEAN economies are very aware that the environment around us is highly dynamic and thus the building of resilience is always an unfinished business. Moreover, there is also the issues that relate to the protection of the community, the environment and the strengthening of governance arrangements which are also key to ensure the sustainability of our progress and development. Thank you.

Mr. Watanabe: Thank you very much, Madam Zeti, and you have given the very good updating of the ASEAN economies. As far as the negative impact of the COVID-19 would be limited, I believe that the ASEAN can be maintaining the position of the core of the world growth in the coming two decades or three decades, but I think as you said the high saving of the ASEAN and how to use and how to mobilize it is quite important. So in that sense, I think the integration of the global capital market, as all the previous speakers have already pointed out, is quite important even for the ASEAN region.

So, last but not least, next speaker would be Mr. Kenji Okamura, Vice Minister of Finance for International Affairs at the Ministry of Finance, Japan. He and myself have been working for more than 25 years in the international monetary fields, so I very much appreciate your joining today. So now the floor is yours, Kenji.

7. Japan's Experience with COVID-19 and Challenges in Post COVID Era Kenji Okamura, Vice Minister of Finance for International Affairs, Ministry of Finance, Japan

Thank you, Watanabe-san, for this great opportunity. I am very happy to be here with such distinguished panelists. Let me begin with Japan's recent economic developments and outlook, and I'll go quickly through many slides.

This crisis is characterized by big uncertainties and unevenness. Uncertain, a race between vaccines and mutating virus. Uneven, recovery diverging both across and within countries. In Japan, less stringent containment, so-called soft lockdown, has worked and the infections were controlled at a relatively low level.



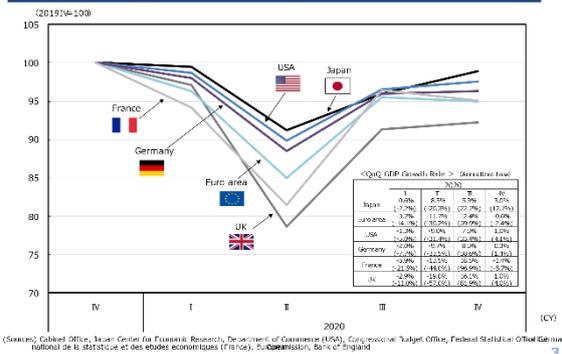
Global Economy : IMF World Economic Outlook, January update 2021

Overview of the World Economic Outlook Projections

(Year over year, Percent change)

	2020				2021				2022				
	As of Jun. 2020	As of Oct. 2020	As of Jan. 2021	Difference from Jun. 2020	As of Jun. 2020	As of Oct. 2020	As of Jan. 2021	Difference from Jun. 2020	As of Jun. 2020	As of Oct. 2020	As of Jan. 2021	Difference from Jun. 2020	
World Output	-4.9	-4.4	-3.5	1.4	0.9	5.4	5.2	5.5	0.1	0.3	4.2	4.2	0.0
Advanced Economies	-8.1	-5.8	-4.9	3.2	0.9	4.8	3.9	4.3	-0.5	0.4	2.9	3.1	0.2
Japan	-5.8	-5.3	-5.1	0.7	0.2	2.4	2.3	3.1	0.7	0.8	1.7	2.4	0.7
United States	-8.0	-4.3	-3.4	4.6	0.9	4.5	3.1	5.1	0.6	2.0	2.9	2.5	-0.4
Euro Area	-10.2	-8.3	-7.2	3.0	1.1	6.0	5.2	4.2	-1.8	-1.0	3.1	3.6	0.5
Germany	-7.8	-6.0	-5.4	2.4	0.6	5.4	4.2	3.5	-1.9	-0.7	3.1	3.1	0.0
United Kingdom	-10.2	-9.8	-10.0	0.2	-0.2	6.3	5.9	4.5	-1.8	-1.4	3.2	5.0	1.8
Emerging Market and Developing Economies	-3.0	-3.3	-2.4	0.6	0.9	5.9	6.0	6.3	0.4	0.3	5.1	5.0	-0.1
Emerging and Developing Asia	-0.8	-1.7	-1.1	-0.3	0.6	7.4	8.0	8.3	0.9	0.3	6.3	5.9	-0.4
China	1.0	1.9	2.3	1.3	0.4	8.2	8.2	8.1	-0.1	-0.1	5.8	5.6	-0.2

Real GDP (quarterly) - International Comparison



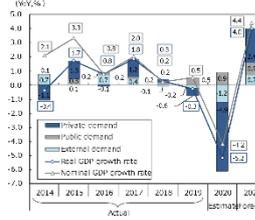
Japan's economy is recovering after severe contraction in the first half of last year, as the trough in the second quarter for Japan was mild relative to other major advanced economies. Government forecasts the real growth will rebound to 4% for FY 2021, supported by strong policy measures.

The output level is expected to come back to the pre-pandemic level within the fiscal year. Recovery is strong in goods consumption, but services consumption remains weak, particularly in contact-intensive sectors like hotels and restaurants.

Economic outlook for FY2020 - 2021

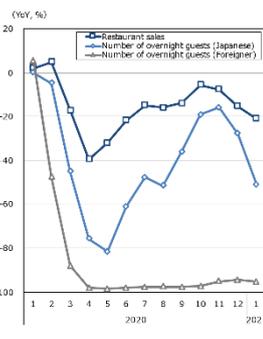
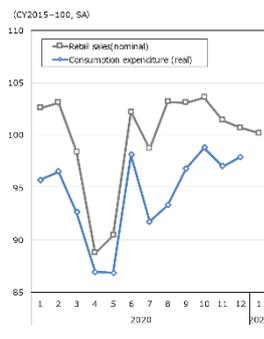
- In FY2020, despite the subsequent economic recovery from a large drop in the second quarter, GDP projected to contract by approximately 5.2% in real terms and 4.2% in nominal terms.
- In FY2021, GDP is projected to increase by approximately 4.0% in real terms and 4.4% in nominal terms, driven by economic support and stimulation of private demand, public expenditure, and an autonomous recovery of private demand, supported by the smooth and steady implementation of "Comprehensive Economic Measures".

Real and Nominal GDP Growth Rate

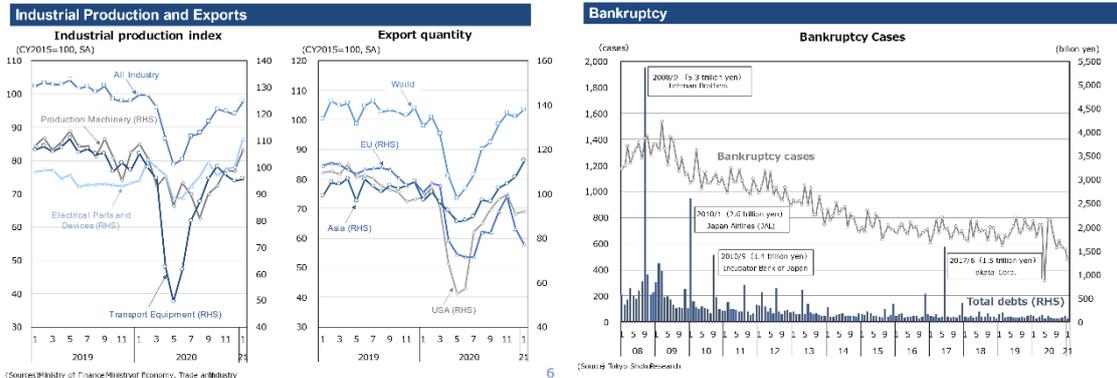


	FY 2019 Actual (%)	FY 2020 Estimated (Economic Base)	FY 2021 Forecast (Economic Base)
Real GDP	-0.3	-5.2	4.0
Private consumption	-0.9	-6.0	3.9
Private non-residential investment	-0.6	-8.1	2.9
Domestic demand	(-0.1)	(-4.0)	(3.3)
Private demand	(-0.6)	(-4.9)	(2.4)
Public demand	(0.5)	(0.9)	(0.9)
External demand	(-0.2)	(-1.2)	(0.7)
Nominal GDP	0.5	-4.2	4.4
GDP Deflator	0.9	1.0	0.3
CPI	0.5	0.6	0.4

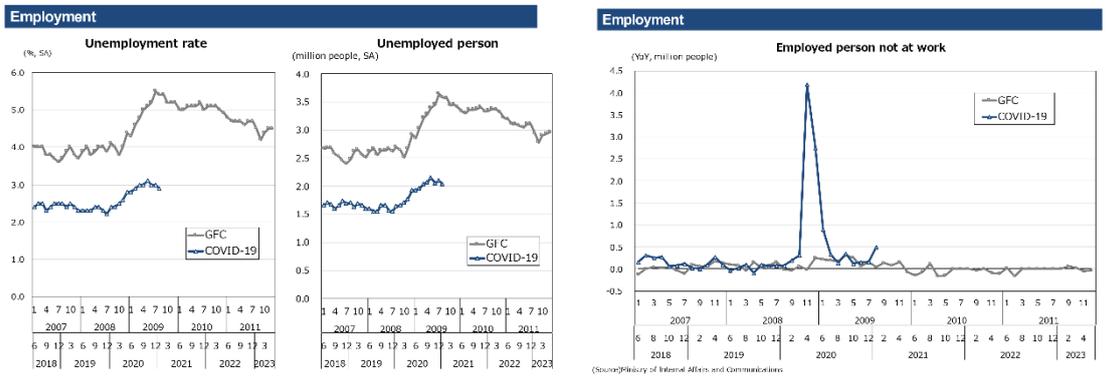
Household consumption



Industrial production and exports dropped sharply in the spring, but thereafter rebounded to the pre-pandemic level. This crisis has not brought about a rise in bankruptcies, in a sharp contrast to the GFC. Swift and aggressive actions were taken and worked well. Unemployment, in both rate and the number of persons, has been contained at a low level.

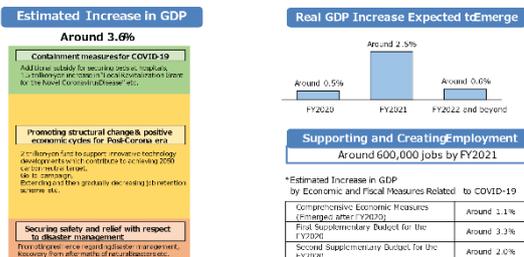


Employed persons not at work marked a sharp rise in the spring but fell back quickly in the summer. This demonstrates that employees became temporarily out of work but promptly returned to their workplace. Japan's job retention scheme worked effectively in enabling production to resume swiftly.



Effect of Comprehensive Economic Measures to Secure People's Lives and Livelihoods toward Relief and Hope

- The smooth and steady implementation of these economic measures will create a virtuous cycle of the economy, through increasing public spending and stimulating private-sector demand including capital investment, combined with a self-sustaining recovery in private-sector demand.
- The direct effect of these economic measures is estimated to be **approximately 3.6% of real GDP**. (Around 0.5% in FY2020, 2.5% in FY2021, and 0.6% in FY2022 and beyond).
- These economic measures are estimated to support and create **around 600,000 jobs** by FY2021.



* Estimates are based on the current situation, which have not been decided to be used at this time.

The Bank's Measures in Response to COVID-19

Supporting Corporate Financing

Special Program to Support Financing in Response to COVID-19

Purchases of CP and corporate bonds: amount outstanding of about 20tr. yen at maximum (previous amount outstanding of about 5tr. yen)

Special Funds-Supplying Operations to Facilitate Financing in Response to COVID-19

Stabilizing Financial Markets

Ample and Flexible Provision of Yen and Foreign Currency Funds

Further active purchases of JGBs and T-Bills

Enhancement of the U.S. Dollar Funds Supplying Operations

Active Purchases of ETFs and d-REITs

ETFs: annual pace of about 8tr. yen

→ annual pace with the upper limit of about 12tr. yen (for the time being)

d-REITs: annual pace of about 90bil. yen

→ annual pace with the upper limit of about 180 bil. yen (for the time being)

(Source) Bank of Japan (Feb. 3, 2021)

Now, let me turn to policy responses. Japan adopted three large supplementary budgets in April, June and December. The fiscal deficit is estimated to jump to 14% of GDP in FY2020 from 4% of GDP in the previous year. The first supplementary budget centered on emergency support measures,

including cash handout to households and affected businesses. The latest stimulus package, the first one under Prime Minister Suga, marked a gradual shift in policy focus. In addition to short-term measures, the latest package includes longer-term measures to promote economic transformation, particularly in relation to digital and green. Digitalization has already been in progress before the pandemic, we pushed further. The package includes various policy measures to promote the digital economy, such as financial support by policy banks. On green, Prime Minister Suga declared that Japan would aim to achieve net zero emissions by 2050. Efforts to flesh out this vision statement are vigorously under way. The package includes a \$20 billion worth multi-year fund and 10% tax credit to facilitate innovation and promote investment toward net zero.

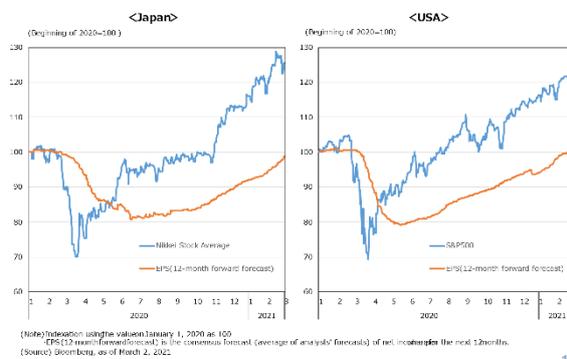
The Bank of Japan responded to the pandemic swiftly and innovatively by supporting corporate financing, providing ample liquidity to markets, and actively purchasing of ETFs and J-REITs. The Bank decided in December to extend this special program by six months, and conduct an assessment for further effective and sustainable monetary easing.

With these policy actions, financial markets are well stabilized and stock prices have been rising. However, vulnerabilities are observed in a significant gap between the two indices of stock price and expected earnings per share. The gap appears to be larger in Japan than in the US. We need to be vigilant to the risks of a sudden fall in asset prices.

The next question I'm asked is, what is the biggest challenge for Japan in the post COVID era? I would point the slow potential growth that is mostly attributable to population aging. Onto this long-standing issue, the pandemic has added a significant burden. We continue to address these difficult challenges by reinforcing our conventional efforts, such as increasing inputs of labor and capital, enhancing productivity of labor and efficiency of capital, and promoting innovation.

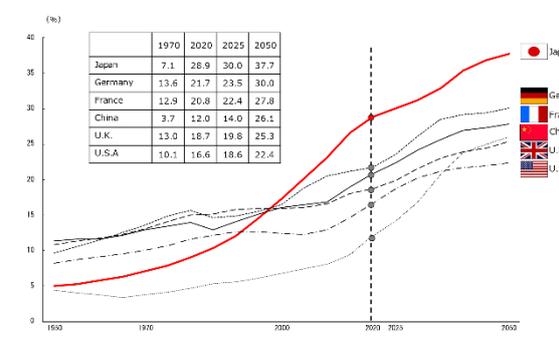
Now, let me move on to the final point, that is, long-term strategy towards fiscal consolidation. Public debt stocks have much risen in all the advanced economies, but Japan stands out at about 260% of GDP, far above the European target of 60%. Assuming that the current low interest rates will continue, the ratio is projected to stabilize going forward. However, Japan, as an outlier with huge debt stock, faces much bigger vulnerabilities in debt sustainability to an interest rates shock. Premature withdrawal of

Stock Price and EPS



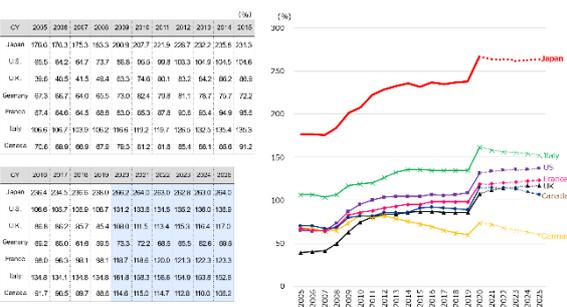
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Population Aged 65 and Over (as a share of total population)



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General Government Gross Debt (Percent of GDP)



(Source) IMF "World Economic Outlook" "Fiscal Monitor" (Oct. 2020)
 (Note1) "Some increase the general government debt (the central bank, governments and social security funds combined)."
 (Note2) Projections start after 2019. It should be noted that the Japan's figure does not reflect the expected increase in the national debt due to the 2020 supplementary budget for FY2020 and the debt ceiling for FY2021.

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emergency support should be avoided. At the same time, fiscal policy should gradually shift to more targeted measures to facilitate necessary reallocation across jobs and industries. Fiscal support for too long would foster the creation of zombie firms. Once the recovery is established, full-fledged efforts of fiscal consolidation should resume, pushing forward both spending and revenue reforms, together with the growth strategy to enhance productivity and increase labor input. I'll stop here. Thank you very much.

Mr. Watanabe: Well, thank you, Kenji. You gave us a very good updating of the Japanese policy and Japanese economic situation, together with some commitment of Japan to promote, to contribute to the world economy. Thank you very much.

8. Panel Discussion

Mr. Watanabe: Now we have listened to the six excellent panelists' presentations. From now on, I'd like to go into the second part of today's symposium, the panel discussion.

Most of the panelists have pointed out the current situation, that the governments have made every effort to have the accommodative fiscal policy to cope with the COVID-19, and even before that many central banks have taken so called super easy monetary policies. These actions have provided ample liquidity or the funds into the markets.

If the capital market is working well, it is rather a good chance and opportunity for many investors and project promoters to gain from that, but unfortunately recently it is only raising the stock prices in many markets. But I think it is still low interest rate and low inflation that prevail in many countries. So how do you see these events in many markets? Is there any good reason, or, would there be some kinds of good prospects for the future? I'd like to ask all the panelists on these issues, in the same order if you don't mind. Tim, any comments on that?

Mr. Adams: Sure. I was thinking about this conundrum of why inflation has been so low for so long. In fact, there's a whole generation that's now grown up and don't remember inflation that existed in the 1970s when Gerald Ford was the President and his motto was "whip inflation now". But a whole generation of investors and consumers don't remember that. So, in many ways, the central banks have been extraordinarily successful in anchoring inflationary expectations and I think we've benefited from that.

Two is the huge supply shock and labor supply shock occurring over the last 40 or 50 years, and the movement, which is a part of the supply chains abroad, which is the de-unionization of the US and other industrialized countries, has changed the nature of wage inflation, capacity for workers to demand higher wages, and businesses have so many other opportunities, and then just the nature of the way in which we consume, that I pointed out in one of these graphs I used was the surge in online purchasing and shopping away from bricks and mortar, and labor costs per unit of economic activity on online dropped dramatically. So, the whole host of reasons that we've seen a quietest inflation and it will remain so for the foreseeable future despite the fact we have this extraordinary fiscal and monetary support which will eventually push up prices. That's the objective to bring inflation but, as Philipp noted in Europe, the ECB has been trying to do this for a very long time and still is unable to reflate the European economy. So extraordinary structural changes have been with us for some time, which we won't overcome with the traditional tools in the near term despite our best efforts.

Mr. Watanabe: Thank you, Tim. Philipp, do you have any comment on that?

Mr. Hildebrand: Yes, maybe I would just add to what Tim has said. My sense is that we are probably underestimating inflation risk at this stage. I have been saying this for a few months and the market has moved quite a bit, so inflation expectations have begun to respond.

Other than the liquidity piece and the expenses, or the very expansionary monetary policy and fiscal policy Tim has mentioned, I will just add three points. One is we are undergoing, as a result of COVID, a number of very significant structural changes in terms of the way supply chains will be set up in the future. I don't like the term deglobalization, I think it's more a form of re-globalization that we all will be engaged in the years to come.

And it seems to me that the basic theme of that will be to build more resilience into global supply

chains, this is in many ways quite similar to what many of us went through in the post financial crisis period where we realized we needed to build resilience into the banking system. And I think we're about to do the same thing in terms of how trade works, how the global supply chains operate. That, to me, ultimately is a cost push factor, and it will make production more expensive, you can think of it as a tax. In order to move to a system that is more resilient, Larry Summers, I think, coined the very cute term of going forth from "Just-in-Time" to "Just-in-Case". That of course will entail additional cost in terms of production processes. So, I think we shouldn't underestimate that.

Secondly, as numbers of you have also addressed, the transformation to a net zero economy is very, very fundamental and profound. It will affect every single business, every sector, every economy in the world in a significant way. And that too, in a sense, raises the cost of production in a deliberate way we want that to happen. That's part of the mechanism by which we will reach these, at the moment relatively abstract, net zero targets that 127 countries of course Japan committed to. But I think if we think about that in terms of what it really means on the ground, it has to mean higher production costs.

And then finally I would suggest the third point and Tim alluded to it in his initial presentation. You know, by our estimates, the cumulative shortfall in the United States, that will be able to measure a couple of years from now, as a result of pandemic, this is obviously just in economic terms, will be roughly a quarter of what we had in the years after the financial crisis. The stimulus that we've thrown at the system, I'm not even referring to monetary policy piece, referring to the fiscal piece here, this is about four times as much as we had after the financial crisis.

So, in terms of the proportional difference, when you compare the expected cumulative economic shortfall and match that up against the largely already implemented, some of it yet to come, fiscal stimulus, the numbers are quite extraordinary. So, to me, that also would lead me to believe that at some point the combination of enormous debt implications of the pandemic, as well as simply the amount of stimulus going into the system, inevitably will change inflation expectations and to some extent I think what we've been seeing is the beginning of that. If you look at five-year five -year forewords, we certainly seeing some repricing of inflation expectations.

Mr. Watanabe: Thank you, Philipp for good warning for us. How about Qiyuan?

Dr. Xu: For the inflation issues from the point of China, we have always worried about its overcapacity and deflation in the last decade. And now, we also have some disputes on the prospects of inflation. And last year for inflation, we suffered from supply shocks like masks and this year, chips and automobiles are also hot topics in these days. It also reflects supply shock.

The labor with the aging population is also a negative supply shock. And in the last 10 years China was undergoing aging population, but in the next five years China will be entering aged population. That means, in the last decade, although the older people were becoming more and more, the old people were quite young, but in the next five years we will find the older people are really old in China. So, it's really a challenge. At the same time, we also find the robots. Their use is quite popular in China. China ranks number one to use robots, and Japan ranks number one to produce and supply robots. This is the second.

And I want to add other two points for the supply shock, especially negative supply shock to support the inflation in the middle and the long term. One is from the perspective of global value chains, which Philipp has mentioned before, re-globalization. I have met many high senior executives from multinational companies in an event and I made statistics from 40 senior executives from multinational

companies, and almost 100% of them agreed that the global supply chain risks increased and we should pay much more attention to the risks.

Before the pandemic, all of the companies paid much more attention to efficiency, especially for Japanese company, you have the idea of zero inventory, which was very efficient, but after the pandemic, there will be a trade-off between efficiency and the safety of supply chains. That means, the cost of the production will increase. If we add companies together to be a global economy, that means the potential growth rates will decline, or it's like a kind of a negative supply shock that will also support a continuous inflation. That is one point.

Second point is, for all of the countries, we have the consensus to deal with climate change, to make great efforts to make the earth greener. But traditional industries will suffer from the challenge, because like in many developing countries, many old factories cannot meet the high standard on the carbon emission. They have to go bankrupt because of the new policies on climate change with much higher, stricter policy and standard. So, the monetary policy should be not only neutral, but it should be relatively ease to give more liquidity so that the macro economy can afford many traditional companies go bankrupt. With such kind of background, even when the pandemic is past, we have to maintain a relatively ease monetary policy. I know it's quite a controversial issue even in European countries, but this could be at least a kind of uncertainty for the inflation. Okay, I'll stop here.

Mr. Watanabe: Thank you very much on that. So, the next will be Andrew.

Mr. Fung: Well, in terms of inflation I think I completely agree with Philipp and Dr. Xu. Actually, every country will build up some capacity in medical, foods and essentials, which actually add the cost, and of course their commitment on creating a better and clean world is also inflationary, I think that's for sure. What's the difference between this cycle and the former financial crisis cycle? Between 2008 and 2016 it seems that the modern monetary theory really worked. If we go up with those economies, we find them without inflation. But this time, because of the reasons we mentioned, I think that inflation will come and edge up the curve. The US Treasury could show that the most of the traders are the economists that are convinced that it will come.

But I think the immediate problem is that we still have two to three years' zero percent interest rate in the short-term rates, and, for the next three or four years before real inflation comes in, the poor underprivileged will suffer from lower income growth and deflation, whereas the better-off class still enjoying asset bubble and inflation. So, in the next few years inequality will worsen. That's the point I would like to make. Thank you.

Mr. Watanabe: Well, thank you, Andrew. So next Dr. Zeti.

Dr. Aziz: Yes, I am in full agreement with what has been said about the potential for inflation. But on the point relating to extremely low interest rates and keeping them low for a prolonged period of time, it will create incentives for excessive risk taking that will result in higher degrees of leverage and indebtedness. This in turn may result in a misallocation of resources that brings permanent damage to the overall economy. It could also result in the formation of asset bubbles. Such financial imbalances are generally prevalent during periods when interest rates are too low for too long.

We also need to look at the fact that while monetary policy and interest rates have been very successful in reining in inflation, it is less able to deal with the upside potential of the economy. We have seen this to be the case, especially for a number of the developed economies where interest rates

were brought to such lows. The time taken to achieve the recovery took a far longer period of time, despite the low interest rate environment. Thus, normalisation should happen at the earliest opportunity. There are other policy measures that can be implemented to support growth while anchoring inflationary expectations. Thank you.

Mr. Watanabe: Thank you. Dr. Zeti. In old days, we have learned low interest rate is very good for the motivation of the industry but recently the opinion is somewhat different on that, we have to see the real situation and we have to think again what would be good and what would not be good, that would be very much important. So the last again, sorry, Kenji.

Mr. Okamura: Okay, thank you. Agreeing with many points already made by previous speakers, I'd like to add two angles of perspectives when we look at this low inflation and low interest rate issue. Two angles I mean, one is the savings-investment balance, and the other is the formation of inflation expectations. The savings- investment balance is in a long-standing imbalance situation of excess savings and insufficient investment, particularly in Japan, and as Watanabe-san said when he opened this discussion, some structural factors are there. Structural factors related to the pandemic include: price decline by more efficient global value chains; precautionary saving for longevity; declining propensity to consume from sharing economy; firms' conservative investment behavior, particularly pronounced in Japan; and declining expected return on investment from shrinking domestic market. The pandemic has increased savings much through loss of consumption opportunities and cash transfers to households and firms, and heightened uncertainties further impaired firms' conservative investment appetite.

In the medium-term, some pandemic-induced temporary factors will abate, and other factors will become permanent through transformations of activities. But most structural factors have their roots in the demographics. So those structural factors will remain valid. And all in all, imbalance of excess savings and insufficient investment will continue into the post COVID era. That's the structure of the savings-investment balance.

Another important cause of low inflation, particularly in Japan, is the strong deflationary mindset. In the formation of inflation expectations, the backward-looking nature works strongly in Japan. This is called adaptive formation mechanism in which expectation reflects track record in the past. So, this accounts for the very persistent deflationary mindset here in Japan. As Tim discussed, the US long term interest rates have recently gone up a bit, reflecting a rising inflation expectation. This forward-looking nature in expectation formation enables markets to promptly respond to policy measures. And this is something we don't have in Japan.

Then let me offer a few words on my expectations for monetary policy. Given the continuation of savings-investment imbalance structure, and consistent deflationary mindset, it would be natural to expect that the current ultra-accommodative stance on both short- and long-term interest rates will continue for a prolonged period of time. Of course, I fully respect the central bank independence. This would be "Sein" statement, rather than "Sollen" statement.

And finally let me just add one point. Madam Zeti pointed out inflation risks and people discussed them here. In Japan, honestly, I think inflation risk or the inflation is very remote. But even in the meantime before the inflation comes, we should guard against the risks that huge government debt stocks could lead to misallocation of resources, as Madam Zeti pointed out, and lower growth and this misallocation of resources would lower the growth potential. So, efforts to restore this debt sustainability is essential. Thank you.

Mr. Watanabe: Well, thank you. I have a very long list of the points for discussion today. Unfortunately, the time is limited, but still, I'd like to stick to two points on that. The first one is how to recover the multi-national collaboration. Now, I believe US is back. And another point is, as some of the speakers have mentioned about, the green finance issues. So, in the next round I think you can touch upon, either of them, or both of them, the multinational collaboration, and/or the green finance issues.

Again, Tim?

Mr. Adams: Thank you. I actually think that they're geo-connected. If you look at the administration's top policy agenda again beyond responding to the COVID crisis and economic recovery, it really is about climate. And we know that we can't solve it domestically because there's a perception and an understanding that it's a global problem, and any actions taken here that appear to shift the competitive stance of the US economy, especially manufacturing, in a negative way vis-a-vis other jurisdictions, would put any kind of climate efforts in a political peril. So, the president rightly understands that this has to have a collective action. That's why one of his first initiatives, just the first couple of days in office was the return to Paris Accord, starting outreach with Senator Kerry as his foreign policy climate czar spending a tremendous amount of time working with his counterparts globally. There's a huge climate summit the President will host on Earth Day April 22.

And obviously, as I said, US-China relations will be dominated by the climate day. Unless the US and China come to some accommodation, we cannot solve global issues. Collectively we combine the two countries for 45% of global emission, so they have to be a part of the solution and that means, as Philipp said, significant changes in the economic and industrial structural profile of our two economies which will take decades to achieve and, in many ways, shifting prices, which are really the question of how do we fund it and as Philipp noted there's trillions that need to be intermediated. The financial service industry is ready to do that, our investors want it, our clients want it, our employees want it, our policymakers want it. The question is how do we do it and how quickly. And we have to ensure good quality investments, there's a lot of concern about greenwashing, there's enormous demand.

The supply would come but public support for green technologies has to be ramped up, and I think it will over time, but the industry is ready to intermediate capital even through the banking system or through capital markets. I think we are part of the solution, but we have to do it in a politically collective environment in which multilateralism, or international political institutions set the stage for the financial sector to function.

Mr. Watanabe: Thank you, Tim. Next, Philipp?

Mr. Hildebrand: Yes, I couldn't agree more. I think climate is an opportunity here, amongst others, for the re-engagement of the United States around multilateralism. The challenge will be the overarching strategic priority to be very firm on China on many issues and yet find a path to collaborate on climate. That will not be a straightforward exercise strategically, how you do that.

On the other hand, in view of the urgency of climate change as such, it has to happen one way or another. I suspect we'll see a better sequencing around this, but I think it's a real challenge for statesmanship here to respond to these two priorities.

From a European perspective I would simply add there's obviously enormous relief around not just the fact that the US is back, but also around professionalism and confidence in terms of how things

are dealt with, meetings that occur on time. So, I think there's a great relief about US being back but also being very professional about how you conduct multilateral affairs. I don't think that means the US will be an easy partner at all times. But there's great relief. The question that kind of remains as a bit of a shadow over all of this of course is the topic that nobody really wants to speak about openly. But the last four years did happen. And the question will be in many European leaders' mind that it could happen again. And what's the answer to that possibility even if at the moment things look much more constructive.

And I think the answer ultimately is to continue to persevere on European integration, try to create a sense of sovereignty for Europe, try to tackle some of these issues where there is a real sense of the need for sovereignty, whether it's digital area, climate change, ultimately defense. These are very, very hard challenges that will take decades to solve, but I think the fact the last four years have happened, in theory they could happen again.

And Tim referred to the great deep divisions in the United States politically. They will have lasting repercussions on how Europe and perhaps the rest of the world think about its long-term relationship with the United States. It's a sad thing to say in many ways, but I think that is the reality.

Mr. Watanabe: Thank you, Philipp. So next Qiyuan?

Dr. Xu: Yes. I think the green financing and dealing with climate change could be one of the points to push forward the collaboration between China and the US. As Tim has mentioned, China and the US have extreme competition, competition in many ways. But if we can find the only one field to collaborate or coordinate, that is the green financing or to deal with climate change.

I think for the foreign investors, you are very welcome to invest to China in the area of climate change or green financing. And if we look at the multilateral way after the pandemic, many developing countries, especially, low-income countries suffered the debt, especially the external debt. And for the global community, especially for the major economies, I think we can collaborate each other to make some plans to alleviate that burden for the developing countries, like the idea of debt swap that swaps the existing debts, and the new climate protection projects or green financing projects involving the debt swap. I think it is quite a good advice. And China is also a stakeholder in this area, China is really waiting to join in such kind of plan. And I noticed that recently the G7 has agreed to push forward Special Drawing Rights (SDRs), to increase issue of SDRs with a basket of around 600 billion. We can combine this together with the debt swap plan to make more aggressive plan to deal with the challenge after the pandemic. I'll stop here. Thank you.

Mr. Watanabe: Thank you, Qiyuan. How about you, Andrew?

Mr. Fung: I share the views of the previous colleagues, but I'm slightly optimistic because I think the US and China are of course competitors and have some form of rivalry but the current US administration is supposed to be at least more predictable. Also, although the US and China may have some decoupling, look at the whole world out there, there's a few bridges that they can cap that decoupling, we've seen ASEAN playing a connector's role, and RCEP, Japan and Korea, actually Japan with the TTP. And EU returned to the CAI (EU-China Comprehensive Agreement on Investment), with the US it has the Transatlantic trade agreement in negotiation. So, in some way the China-US relation is important, but I'm slightly optimistic because there are some super connectors in between, and, I think, Japan, EU and ASEAN have a very good role to play in putting lively competition and cooperation balance within these recent multinational establishments. Thank you.

Mr. Watanabe: Thank you, Andrew. Dr. Zeti?

Dr. Aziz: Yes, there is a need for greater multinational collaboration and collective action to solve global issues such as climate change. The conduct of such multilateral affairs needs to be strengthened immensely. The lack of progress on this front has resulted in greater regional efforts, such as that mentioned for Europe, and then for us in East Asia and in ASEAN. So, strengthening the existing avenues for such multilateral collaboration is something that needs to be addressed. And also, I would like to add that industry and the private sector also have an important role in these efforts to solve such global issues as well. Thank you.

Mr. Watanabe: Thank you, Dr. Zeti. So, Kenji?

Mr. Okamura: Let me just concentrate my remarks on the US return to multilateralism. One of the 2 points to add to what we have already discussed is the international taxation on the global huge platformers like GAFAM (Google, Amazon, Facebook, Apple and Microsoft). And this taxation issue is what Japan has been taking the lead, but due to US safe harbor proposal and European unilateral measures of levying digital services tax, conflict continues and we couldn't make the target originally set at end of last year. So, it is really a good news that the United States has come back to the multilateral discussions on both pillars of this taxation issue. Now that the US has abandoned its safe harbor proposal, momentum has got much stronger toward reaching global consensus-based solution by the deadline of mid this year.

Then, the next point I'd like to touch upon is the US-China relationship. We all agree that this US-China relationship will continue to be a decisive factor for the global economic and financial stability in a post COVID era. In a bigger picture, I would say China, as an emerging economic super power, is likely to challenge the existing global economic order and this poses a threat to the stability. Complete economic decoupling is infeasible. I think we need to pursue a middle ground between decoupling and accommodation on an issue-by-issue basis and here on an issue-by-issue basis cooperation, green financing is one promising area. And in this regard, I would report to you that the latest G7 leaders' statement issued on February 19 is a good manifestation of our spirit. It identifies China as an example of large countries to be engaged with, and defines what G7 is to address is not China, but "non-market-oriented policies and practices". This is the language prepared by the UK, as a G7 presidency, so I interpret this as English way to express that middle ground.

So, my point here is we should reinforce our efforts to integrate China into various multilateral systems, now that the US is back to the multilateral systems we have established over long time in such areas as health, climate, debt, trade, investment and taxation.

Mr. Watanabe: Thank you, Kenji. Time is running so fast, now I'd like to have the session for the final remarks from each panelist. I'm sorry to say that you have only one minute. So please stress on points you could not refer to. Again, starting from Tim.

Mr. Adams: I think we should applaud the historic cooperation between fiscal monetary authorities and regulatory authorities in re-inflating our economies in response to this historic crisis. We are re-inflating the numbers pretty extraordinarily; I think we'll find ourselves at the end of this year on a level that exceeds where we were in 2019. That should be applauded. There are still scaring and huge challenges to be overcome.

I don't know whether or not we have structural long term inflationary pressures, but I'd love to

continue the conversation. I tend to be a skeptic, but I could be convinced based on elasticity and capital formation whatever happens on the supply side.

And last thing I'll say that de-carbonization of the economy is our number one priority, we the financial service industry is going to be a part of that. But it requires global cooperation and I agree with Philipp, I hope the US is back for the long term. But, you know, the political forces at work are still here. And I don't think we're going anywhere, anytime soon. Thank you and thank you for inviting me.

Mr. Watanabe: Thank you. Philipp?

Mr. Hildebrand: So just to follow on this extraordinary cooperation seen between fiscal monetary policy which was required given that we had reached the zero boundary essentially on interest rates and couldn't really use conventional monetary policy to do any more.

I think it is equally important now as you go forward and this picks up on the inflation discussion, we had that we put some guard rails around this cooperation and begin to think early about ways and conditions under which you let the central bank come back into a fully independent mode to do their job when the time comes. That is probably not an issue we'll have to face immediately, but I think it's very important to start to think about putting guard rails around this revolutionary change we've seen, and then think hard about how we can reverse and going back to a separation between fiscal policy and independent monetary policy.

Mr. Watanabe: Thank you, and Qiyuan?

Dr. Xu: Yes, in last three years the US and China were in great tension and some people said about the only possible way for China and the US to collaborate is the earth attacked by the E.T. And now I think the pandemic is the E.T., the pandemic is making it possible for China and the US and the all of the community in a global world to collaborate together. And I'm also glad to see that the US come back to the multilateral platforms. I hope in the next four years Biden's new governments will make it possible for China and US to get well to each other. Thank you.

Mr. Watanabe: Thank you. Andrew?

Mr. Fung: I think it is very important for the next two or three years when the government is still continuing to pursue super ease policy and aggressive fiscal policy, that they have to take care of their effects on inequality and poor class, deflationary issues. So, I am looking for the government to have to be very careful when they are pursuing super ease policy and then an aggressive fiscal policy. Thank you.

Mr. Watanabe: Thank you so much. Dr. Zeti?

Dr. Aziz: Yes, there seems to be different recovery paths in different parts of the world. And we need to now shift from short-term crisis containment and relief measures to policies that would achieve a more sustainable recovery. There has to be greater focus on the future. This means that policies need to have a long-term orientation. There needs to be focus on those investments such as in technology and infrastructure development that would transform the environment and provide the foundations for future growth to be sustained.

Mr. Watanabe: Thank you, and Kenji?

Mr. Okamura: Thank you. I'd like to make one generic short statement. The pandemic has brought about serious hardship to all of us. And at the same time just reminded us of the need to address the common challenges with collective efforts, that's the theme of multilateralism. In this sense, the pandemic has actually opened the door for greater international cooperation. So, we need to make our best efforts to overcome hardship and turn the pandemic into an opportunity to build back better our societies. Toward this common goal, I appreciate this symposium has made a great step forward. So, let's continue to work together. Thank you very much.

Mr. Watanabe: Thank you very much. Now the time is almost up. Today every panelist has pointed out very important issues, maybe I do not have to conclude the discussion. I think everybody has key points of the discussion which we are going to face in the coming days, so I think that is important, and also on most of them, we have some common understanding with the issues. So, I think the today's discussion was very encouraging.

And today I did not touch upon the issues of inequality, or the unfair distribution of income and asset, much of the basic issues we have to overcome. Sometimes people discussed that low interest rate and some malfunction of the capital market enhance such kind of inequality issues. So, we have some responsibility to discuss this in the future, to have a much better, much equal society to be realized. So, I think that is going to be important, but also, we have to keep the good earth or the environment. As everybody said the importance of the green financing, green capital, and green project, that is quite important. The Conference of Parties (COP) discussion is going to continue and we can make some good progress on the issues.

So, thank you, Tim, Philipp, Qiyuan, Andrew, Dr. Zeti, and Kenji for the very excellent presentation and remarks. I really appreciate your deep and inherited knowledge and wisdom. Anyway, keep away from the COVID-19, that is a quite important message, and hopefully next year or in the coming years we'd like to invite you to Tokyo to join our symposium.

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