

The Concept Note

1. Theme of the Seminar: Achieving Sustainable and Balanced Growth in Asia

2. The Basic Structure of the Seminar

- Total number of sessions: 10
- The number of sessions per day: 2
- The Duration of each session: two and half hours per session, including a 15 minutes coffee break. Morning session: 9:30AM—12:00PM.
Afternoon session: 13:30-16:00
- Each session will have a chairman, a speaker and a discussant. The chairman will introduce the speaker and discussant, join the discussion, and monitor the progress of the session; the speaker will give one hour presentation, lead the discussion and entertain questions from participants; the discussant will make 30 minutes comments on the presentation and lead the discussion whenever it is necessary.
- A lunch welcome reception on the first day of the seminar;
- A closing dinner reception and certificate giving ceremony;

3. Main Topics:

1. The Global Economic Outlook and its Implications for Asia

Speaker: Steven Barnett, Assistant Director, Regional Office for Asia and Pacific, International Monetary Fund (IMF)

Discussant: Yuksel Gormez, Acting Representative of Tokyo Representative Office, the Central Bank of the Republic Turkey

Chairman: James Rhodes, Vice President and Professor of Economics, GRIPS

This session will provide the updated information on trends and challenges of the global economy. The presentation will be based on the report of “The World Economic Outlook” published by the IMF.

Theme I: Managing Inflation and Capital Flows

2. Surging Resource Prices and Inflation in Emerging Asia

Speaker: Jun Saito, Special Advisor, Cabinet Office

Discussant: Yoichi Okita, Academic Fellow, GRIPS

Chairman: Makoto Tanaka, Associate Professor, GRIPS

Inflation represents a major threat to the sustainability of emerging Asia. For major resource importing countries, such as China, soaring resource prices have been transmitted into domestic prices through imports and become one of the main drivers of aggregate price levels. On the other hand, resource exporting countries, such as Mongolia, experience inflation due to windfall revenues from drastic surging mineral exports. This session will focus on the impact of rising resource prices on the inflation of emerging Asia and effective macroeconomic policies to cope with the rising resource prices.

3. Combining Macroprudential Measures with Monetary Policies to Prevent Asset Bubbles

Speaker: Tadashi Nunami, former Director General of International Department, the Bank of Japan, Executive Director, The Center for Financial Industry Information System

Discussant: Yoichi Okita, Academic Fellow, GRIPS

Chairman: Julen Esteban Pretel, Assistant Professor, GRIPS

Inflation targeting has been adopted by central banks as the rule to direct monetary policy. Due to technology progress and the integration of the Chinese economy with the world economy, globally inflation has been mild. However, real estate and stock prices have been volatile. The two most significant financial crises in the last two decades, Japan in 1989 and the US in 2008, were actually triggered by the burst of assets bubbles. This has led many commentators to advocate macroprudential policies, such

as regulation of capital requirements and capital flows, as a way to enhance the efficacy of monetary policy. This session will discuss the role of such policies in controlling inflation and preventing asset bubbles.

4. Exchange Rate Regime and Monetary Policies: Theory and Practices in Emerging Asian Economies

Speaker: Willem Thorbecke, Senior Fellow, Research Institute of Economy, Trade and Industry (RIETI)

Discussant: Akinari Horii, Former Assistant Governor of the Bank of Japan, Special Advisor of the Canon Institute for Global Studies

Chairman: Julen Esteban Pretel, Assistant Professor, GRIPS

Exchange rate policies are an integral part of monetary policies. Many developing Asian economies peg their currencies to the dollar explicitly or implicitly. The rigid exchange regimes often become the source of economic instability and external imbalances. This session will review the theoretical relationship between exchange rate regimes and monetary policies, discuss necessary adjustments on exchange rate policies as economies grow, and the consequences of rigid exchange rate regimes.

Theme II: Fiscal Management and Debt Sustainability

5. Policies for Managing and Preventing Sovereign Debt Crisis

Speaker: Atsushi Nakajima, Chairman of Research Institute of Economy, Trade and Industry (RIETI)

Discussant: Hiroko, Ota, Professor of Economics, GRIPS

Chairman: Roberto Leon-Gonzalez, Associate Professor of Economics, GRIPS

The session will discuss methods to monitor fiscal sustainability risks and the theory of debt sustainability. It will use the sovereign debt crisis in the Euro area and the mounting public debts of Japan as cases to analyze the process of debt accumulation, the consequences of fiscal crises and possible policy options for crisis prevention and management.

6. *Achieving Economic Growth and Debt Sustainability by Developing the Infrastructure & SME Finance and the Role of Long Term Institutional Investors.*

Speaker: Naoyuki Yoshino, Professor, Keio University

Discussant: Wade Pfau, Associate Professor of Economics, GRIPS

Chairman: Kidokoro Yukihiro, Professor of Economics, GRIPS

Even though the debt to GDP ratio in Japan is higher than in Greece, Japan is not suffering from the sovereign debt problems that are affecting the Eurozone. This session will look into the conditions for sustainable growth and the causes of budget deficits.

Given the prominent role played by the SMEs in the Asian region and the necessity of infrastructure for sustainable development, it is crucial to attract long term institutional investors that enhance the infrastructure & SME finance. On the one hand much of Asian savings is not utilized in the region but instead invested in US/Europe government bonds. On the other, short term stock investment comes from Europe into the Asia/Pacific region. And so the question arises as to how to mobilize Asian savings into Asian investment and thereby achieve sustainable economic growth.

This session will also discuss the scope for a basket currency system to avoid harmful fluctuations of the exchange rate and so facilitate stable economic growth.

Theme III. Structural Reforms and Rebalancing in Asia

7. Raising Private Investment in Asia: the Role of Financial Market Reforms

Speaker: Jae-Ha Park, Deputy Dean of Asian Development Bank Institute (ADBI)

Discussant: Hiroto Uehara, Director of Center for Monetary Cooperation in Asia (CeMCoA), International Department, Bank of Japan

Chairman: Wade Pfau, Associate Professor of Economics, GRIPS

The smaller size and development of financial markets in Asia is one of the reasons that the savings of emerging Asian economies constantly flow into the US, thus fueling global imbalances. Developing efficient financial markets in Asia is critical for emerging Asian economies to invest their savings in the region and benefit from the robust economic growth. The Asian bond market formed by ASEAN+3 is a significant initiative to develop a regional financial market and promote portfolio investments within the region. This session will review the current status of the Asian bond market and its future perspectives.

8. How Can Asia Benefit from Regional Integration?

Speaker: Daisuke Hiratsuka, Director General, Research Planning Department of the Institute of Developing Economies

Discussant: Fukunari Kimura, Professor of Economics, Keio University

Chairman: Chey Hyoung-kyu, Assistant Professor, GRIPS

Regionalism has maintained a strong momentum along with the progress of globalization. Bilateral and multilateral free trade agreements (FTA) and economic partnership agreements (EPA) have grown into a spaghetti bowl. A key issue is how Asian countries would be able to benefit from these institutional

agreements so as to reduce the dependence on EU and US markets. This session will review the current level of economic integration in Asia and discuss necessary policy measures for realizing the benefits of these FTA/EPA.

9. *Aging of the Population and Social Policies in Japan and East Asia*

Speaker: Naohiro Yashiro, Professor of Economics, International Christian University (ICU)

Discussant: Minchung Hsu, Assistant Professor of Economics, GRIPS

Chairman: Yosuke Yasuda, Assistant Professor, GRIPS

The rapid aging of the population is a common trend in East Asia. The speed of the aging process is particularly high in Japan and it puts a stronger pressure on the social security system, in particular on the public pension and health care systems. However, increasing tax and social security contributions would have negative impacts on the economy. Increasing labor supply of the elderly and women as well as utilizing the private initiatives for providing health and nursing care services through the markets are key measures for reducing the fiscal burden and keeping the economy on a steady growth path.

10. *Wrap Up Panel Session: Macroeconomic Policies-- Practices and Challenges in Developing Asian Countries*

Chairman: Roberto Leon-Gonzalez, Associate Professor of Economics, GRIPS

This wrap-up session will be led by a panel of four/five members from the participants. It will provide a forum for all participants to frankly express their opinions on practices and challenges of macroeconomic management in their own countries.

For convenience, **all sessions will be chaired by GRIPS's faculty.**