

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: Yuko Kinoshita, Assistant to the Director, IMF-OAP

Discussant: Yuqing Xing, Director of the Capacity Building & Training Department, ADBI

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: Tomohiro Kinoshita, 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 Macprudential Measures with Monetary Policies to Promote Financial Stability

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

Discussant: Tomohiro Kinoshita, Professor, GRIPS

Chairman: Julen Esteban Pretel, Associate 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, as a way to enhance the efficacy of monetary policy. This session will discuss the role of such policies in controlling inflation and promoting financial stability.

4. Exchange Rates and 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: Alistair Munro, 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. Aging of the Population and Social Policies in Japan and East Asia

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

Discussant: Tomoaki Yamada, Associate Professor, Meiji University

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.

6. *Policies for Managing and Preventing Sovereign Debt Crisis*

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

Discussant: Tomohiro Kinoshita, Professor, 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.

Theme III. Structural Reforms and Rebalancing in Asia

7. *Asian Bond Market Development: Background and Progress*

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

Discussant: Atsushi Takeuchi, Head 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. *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

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.

9. *Social Policies and Domestic Consumption*

Speaker: Akiko Terada-Hagiwara, Economist, ADB

Discussant: Alistair Munro, Professor, GRIPS

Chairman: Ryuichi Tanaka, Associate Professor, GRIPS

Raising consumption within Asia is crucial for gradually changing the growth pattern and achieving balanced growth in Asia. It has been argued by both theoretical and empirical research that precautionary savings due to lack of social safety nets is one of the major factors causing persistent high saving rates in the region. This session will discuss the relationship between saving behaviors and social policies and how to boost demand with effective social policies.

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

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

This wrap-up session will provide a forum for all participants to share their experiences in policy making and relate them to the topics that were covered in previous sessions.