World Economy -China, United States and Japan-

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2017.3.20
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China

Big challenge:2020-2025

Marginal return on Investment, Social & political leadership, Young labor, reform of SOE

2016 world prospect

World Bank: Largest wage increase in 2016 is in China & India

No problem in employment & prices

Production center→Consumption Market

2000:0

2010:100 million

2020: 700 million

Chinese living at Japanese living standard

5 year business cycle



Change of leaders in local governments

2013-14 economic stagnation



Mr. Si's uniqueness

First head of state without backing of former heads

Took longer time to solidify power

Zhou Yong Kang, Hong Kong, Military, Japan

Solidified in late summer of 2016

Secret of China's Economic Development

Japan's Economic Assistance to build economic infrastructure of China (1979--)

RUB 1.6 trillion Yen Loan Total **Grants Total RUB 73 billion** Technical Assistance Total **RUB 73 billion** Railroad, Subway Airport **RUB 321 B** RUB 55 B, 5 major cities **RUB 136 B** Fertilizer Plant RUB 53 B **RUB 98 B** Ports Highways/Roads 9 cities, long distance **RUB 242 B** Telephone Power Plants, Dams Sewage System Gas Heating System Water Supply 10 cities

US Economy

Disguised economic recovery helped by QE Real economy not recovered Decline of Regular Employment Increase in Low wage Part-timers **Unemployment lower?** Labor participation ratio decline--61% Unemployment due to shale gas: 400,000 Increase in Stock prices Stock Buy-backs using low interest rate Local Communities Bankrupt: Detroit **Anti-Wall Street** Reinstate Glass Steagal Act Obama backed by Wall street Bail-out banks with no punishment Supreme Court Decision on 2014.4.2 US Democracy governed by money Frustration about wealth disparities Brexit **Duterte** Trump Total Failure in foreign policy Assassination of General Consulate in Benghazi Support for Syrian rebels Defeat in JASTA bill Ukraine

Decline of oil price

Saudi Arabia's anger

US policy helped Iran

Weak demand

China

Japan

USA, EU

Target

Iran

Russia

Shale oil

Ave. Break-even price: USD 75/BL

Loss of Employment on Shale oil in 2015: 400 thousand

Adverse effect on financial institutions in US

Derivatives on Shale oil

Benchmark price: USD 85/BL



Amendment of Dodd-Frank Act 2016

Japanese Economy

Boom triggered by "Abenomics" **Short JPY Depreciation JPY** 60%+ Stock Prices Speculation Money from Abroad incl. NY Fiscal Stimulus Public Works working **Labor Shortage** What is the Third Arrow? **Private Sector** Inflation target of 2% Slow Decision by Japanese Enterprises Too risk-averse Hesitate to invest abroad Freeze Basel III Freeze JSOX Law

Strength of Japanese economy 1

The strongest financial sector



Recovery from Financial crisis

Huge deposits

Strong Manufacturing sector

Solid SMEs with unique skills

Top science and technology equal to US

Abundant seeds of ventures

Many Nobel prize winners

Need more risk take

Reform of GPIF

Freeze Basel III

Governance reform

Banks enter foreign markets



Toward the center of manufacturing and finance

Political stability after 15 years mess

vs stalemate in USA and EU

Strength of Japanese economy 2

Increase of per capita of emerging countries



Competition not on GNP size but comfortableness

Most demanding Japanese consumers



Now-how in agricultural sector & service sector

Service sectors entering into foreign markets

Increase of income of Chinese



Sharp rise of foreign tourists

Visa

Thailand & Malaysia: abolished

Indonesia, Philippines & Viet Nam: relaxed

Fastest growing Asian countries

Long standing good relationships w/ them

Sharp rise in Investment in real estate in Japan

Investors from China & ASEAN