

World Economy
-China, United States and Japan-

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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--)

Yen Loan Total

RUB 1.6 trillion

Grants Total

RUB 73 billion

Technical Assistance Total

RUB 73 billion

Airport

RUB 55 B, 5 major cities

Railroad, Subway

RUB 321 B

Highways/Roads

RUB 98 B

Ports

RUB 136 B

Fertilizer Plant

RUB 53 B

Power Plants, Dams

RUB 242 B

Telephone

9 cities, long distance

Water Supply

10 cities

Sewage System

Gas Heating System

US Economy

Disguised economic recovery helped by QE



Real economy not recovered

Unemployment lower?

Decline of Regular Employment

Increase in Low wage Part-timers

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

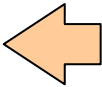
Reinstate Glass Steagal Act

Obama backed by Wall street

Bail-out banks with no punishment

Libya

US Democracy governed by money



Supreme Court Decision on 2014.4.2

Ukraine

Revolt against widening gap between the rich & the poor



Duterte

Brexit

Trump

Total Failure in foreign policy



Help increase refugee



Europe

Afgan

Iraq

Libya

Syria

Ukraine

Support for Syrian rebels



ISIS

Decline of oil price

Saudi Arabia's anger

US policy helped Iran

Afghan

Iraq

Weak demand

China

Japan

USA, EU

Target

Iran

Russia

Shale oil

Ave. Break-even price: USD 75/BL

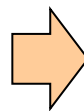


Loss of Employment on Shale oil in 2015: 400 thousand

Adverse effect on financial institutions in US

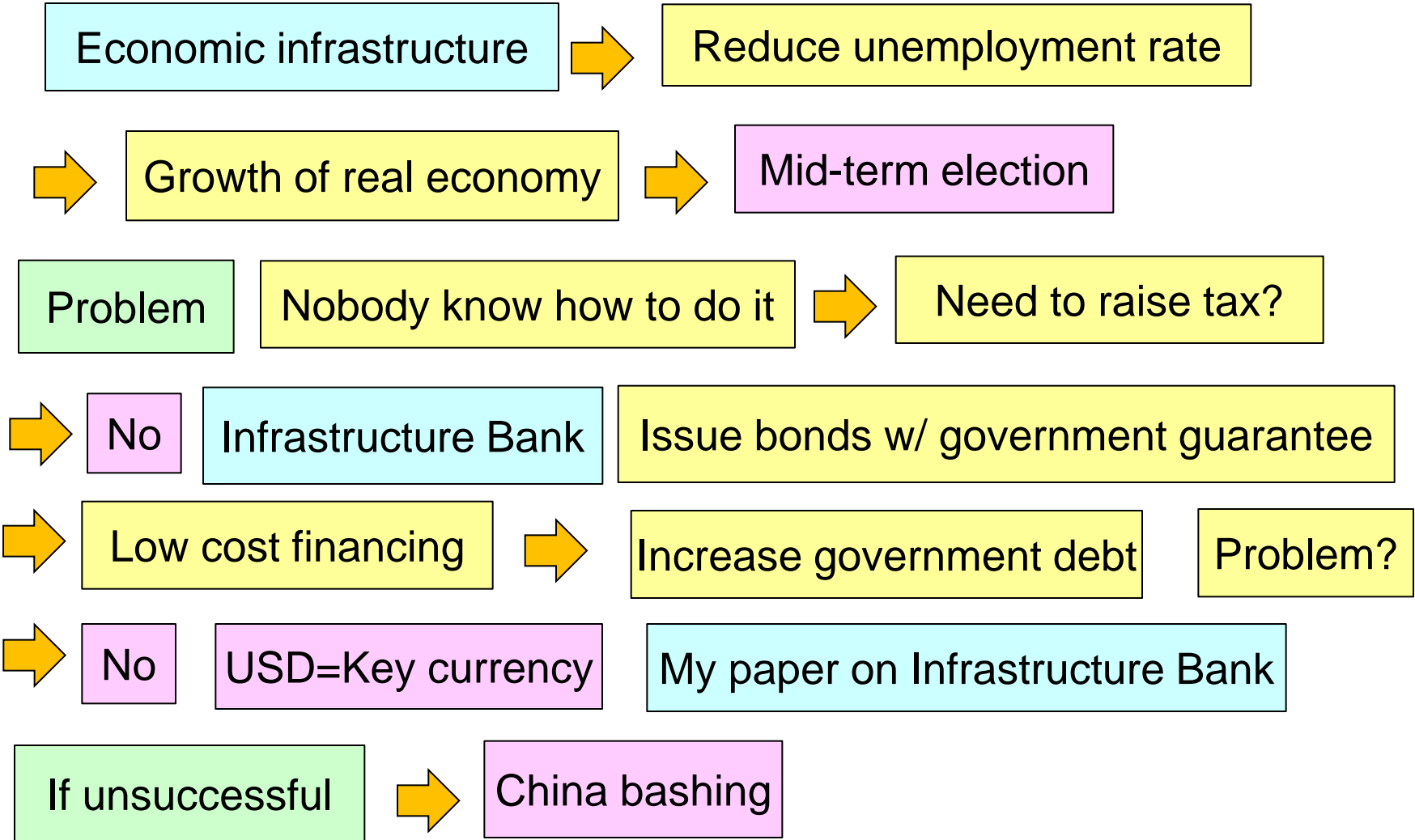
Derivatives on Shale oil

Benchmark price: USD 85/BL



Amendment of Dodd-Frank Act 2016

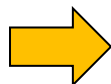
US Economy & Policy Next



Japanese Economy

After Lehman shock

Long JPY

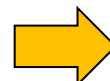


No currency to buy

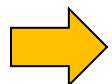
Strong JPY

Boom triggered by "Abenomics"

Short JPY



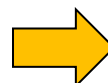
Depreciation JPY



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



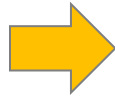
Toward the center of manufacturing and finance

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

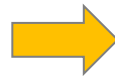
Most demanding Japanese consumers



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