

Closing Remarks

By Prof. **Shujiro Urata**

Prof. Urata started with the discussion about the Japanese economy that is facing a very difficult situation. He divided the problems into two broad types. One is the long term structural problem and the other is the short term transitional problem. Long term problem includes the most important demographic factor in particular the declining population problem which directly affects the growth of the economy. Through the declining labor input and also due to the aging population, the savings rate is also declining from 20% to 2-3%. And with this declining savings rate Japan cannot expect capital inputs to grow unless it successfully attracts foreign capital. Again, attracting foreign workers is another option to increase labor input. But these two alternatives cannot be taken in action within the short time period. Therefore, it is important to increase or improve productivity which is a challenge that Japan is facing. The short term problem relates to the three disasters which Japan has faced recently after the earthquake: shortage in electricity, sharp appreciation of yen and high corporate income tax. Japan has one of the highest corporate income taxes in the region. There was talk about reducing the tax before the earthquake but now it is going to increase instead, to finance the government expenditure to deal with the disasters. These three are affecting the Japanese companies in every aspect and many companies are thinking of out locating the production unit outside Japan.

Prof. Urata argued at this point that, one possibility is to signing enough FTAs, and also engaging in EPA and TPP, which will open up markets for Japanese exports. It is already known that because of agriculture, it is difficult to sign FTAs. Most of the FTAs are under negotiations but recently China & Japan has become very close which is surprising and they will take initiatives to speed up the ASEAN+3 and ASEAN+6 processes. Prof. Urata thinks that China is interested in speeding up the process of regional integration in East Asia in response to TPP and Japan is interested in taking a lead in regional integration in East Asia. Therefore, until recently Japan and China were competitors, but now they have decided to make this proposition by speeding up the process of East Asian regional integration. He mentioned that lately USA became very interested in TPP, may be because USA saw regional integration being constructed in East Asia. So, TPP was in response to Asian regionalism and East Asian regionalism seems to move forward in response to TPP. At the same time it will be very interesting

to see how ASEAN respond to this movement of China and Japan in speeding up the process of East Asian regionalism.

On the issue of Asia and Europe, as an economist, Prof. Urata is interested to see the impact of EU and EU integration on member economies. What influence does it have on the income distribution, flow of goods, capital and people? Although this is final year for GIARI, he believes that some other initiatives will take over GIARI's activities. This event was only the beginning of the collaboration and he hopes to continue the long last relationship which has just began.

Binti Ferdous