

## **Makoto Utsumi-October 23, 2007**

Former Vice Minister of Finance for International Affairs Makoto Utsumi launched the 2007-2008 Global Business Forum with a comparison of the China's economy to the high growth rates that Japan experienced in the mid to late 1960's.

After the War, land reform in Japan transferred power from land owners to land operators. Electricity and consumer goods became plentiful creating more opportunities in the agricultural and industrial sectors for competition and investment to increase efficiencies. In Japan's high economic growth period of the mid to late 1960's, GDP growth averaged close to 10% while the rate for European countries was just 5 per cent during this period of time. Not surprisingly, Japan's tremendous growth rates caused social and environmental problems. Today, Japan enjoys social stability, a clean environment and a population that is aging faster than any other country. A future with two workers for every retiree could force radical change in the country.

China's high growth period has many similarities, but also some major differences. Unlike Japan's organic growth, China's high growth rates have been fueled by foreign investment and exports. The government's principal challenge is to maintain social stability by reducing the income disparity between the rich and poor. Other challenges include reducing external friction in regards to exchange rates, improving consumption, increasing economic efficiency, reversing environmental degradation, and dealing with corruption. How China deals with these problems will directly determine the country's internal stability and the security of the region.

-Marty Jones

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