

〈国際金融パネル〉

Global Financial Crisis:

Difference in the Market Deterioration Mechanism and its impact in Capital Flow

日本政策金融公庫 渡辺博史

Hiroshi Watanabe, President & CEO, Japan Bank for International
Cooperation (JBIC)

Difference in the mechanism of financial crises – The current financial turmoil originating from US market is “Paper-Market Crisis in Bad securities” while the crisis in Japan one decade ago was “Banking Crisis in Bad loans (NPL)”. This difference made the pace of deterioration faster and assessment of other institutions more difficult. And it leads to higher anxiety and volatility in the market. They are not wiped out by the providing the liquidity nor lower interest rate.

Financial Patriotism/Nationalism – The public support to the financial institutions including capital injection to them induces the strong voice for demanding them to place high priority in domestic lending businesses. That reduces the size of capital flow in international market especially those supposed to be channeled into emerging economies.

Change in Business pattern – The basic income source of banking sector should return to be in the rate differential between funding and lending, not commission and not capital-gain. Monitoring on Large Scale Financial Institution and on Financial Conglomerates is a big challenge for the supervisory agencies,

Key Currency – The dominance by the US financial sector is eroded and the value of dollar is also depreciated. No other currency, however, can not possess enough ability to take the position of key currency by replacing US dollar. Euro has shown its weakness during the market deterioration in the last half year. We have to live with over-the-top key currency for the time being. More aggressive arrangement for Regional Currency should be encouraged in East Asia and Middle-East.

(Over)