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The US Economy on the Brink? Japan on the Edge?
Implications for Asian and the World Markets

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2001년 미국, 일본 경제와 아시아*

Kenneth S. Courtis

올해 초 다보스에서 열린 세계경제포럼에서 올해 세계경제 전망에 대한 일반적인 분위기는 차분한 낙관주의였다. 미국경제는 작년 이맘때만 해도 연 8%로 성장하였는데 지금은 그린스펜(Alan Greenspan)이 보고한 대로 0%이다. 이것은 경착륙인 것처럼 보인다. 그러나 올 여름이 가기 전에 다시 성장할 것으로 보이기 때문에 낙관하고 있는 것이다.

사실 올해의 세계경제는 너무나 빨리 변하고 있어서 전망하기가 쉽지 않다. 작년 6~8월에 G-7국가들의 선행지수는 이미 곤두박질을 쳤다. 11월말에 미국의 대기업 경영자들에게 경기하강이 있을 것으로 예상된다고 했을 때만해도 매출이나 판매주문 같은데 아무 이상이 없다고 믿지 않으려 했으나, 12월에 가서 엄청난 변화가 생겼다. 미국 연방준비제도이사회(FRB)에서도 이러한 급격한 변화에 놀랐다고 이야기할 정도이다. 12월 4일의 금리인하조치는 이러한 배경에서 단행된 것인데 이보다 더 중요한 배경으로서는 금융시장의 경색이었다. 10년 만기 미국 재무부 채권금리와 고수익 채권금리 사이의 금리차가 9%나 벌어졌는데, 이것은 1991년 미국의 금융위기가 발생했을 때 10.3% 였던 것에 비해 불과 1%밖에 낮지 않은 수치이다. 첨단기술산업 즉 인터넷기업들은 돈을 구하기 위해 15~17%의 이자를 지불해야 할 정도였는데 이것은 사실상 신용시장의 마비나 마찬가지이다. 이런 결과로 은행권에도 직접적인 영향이 발생하였는데 예를 들어 아메리카은행은 부실채권의 충당금을 3배나 늘리는 조치를 지난 12월에 취하기도 했다.

현재 미국경제의 감속은 우연한 것이 아니라 예정된 것이었다. 연방준비제도이사회는 지난 1년 동안 금리를 인상해왔는데 이것은 미국경제가 지난 17년 동안에 가장 빠른 연 5%의 성장을 하여 인플레이가 촉발되었기 때문이다. 금리가 올라가면 부채부담 때문에 세계경제는 어려워진다. 미국은 지난 8~9년간 공공부채가 감소한 것이 사실이지만 가계부채를 비롯한 민간부채는 공공부채가 감소한 이상으로 증가했다. 10년 전에는 미국이 세계 각국으로부터 매일 4억 5,000만 달러를 금융시장에서 빌렸던 것에 비해 지금은 매일 11억 달러를 빌리고 있다. 10년 전에는 일본의 국채가 GNP의 51%정도 였는데 2002년에는 151%가 될 것이다. 신흥국가들도 몇몇을 제외하고는 모두 부채가 늘었다. 부채가 전체적으로 감소한 나라는 전 세계적으로 EU와 캐나다 밖에 없다. 세계적으로 부채가 이렇게 많을 때 금리가 올라가면 많은 문제가 발생한다.

그래서 연방준비제도이사회가 금리를 내렸고 미국 재정증권과 정크본드의 금리차가 9.3%에서 7.5%로 내려갔다. 따라서 지난 3주 동안 더 많은 정크본드가 발행되었고 더 많은 자금이 新경제 즉 IT산업 쪽으로 흘러들어 갔다. 자본시장은 안정을 되찾기 시작했고 여름에는 경제가 다시 성장할 것이라는 자신감이 생기고 있다.

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유럽경제도 3%이상 성장할 것이라는 낙관론이 있다. 그러나 현재 유럽의 수치들은 작년 9, 10월의 미국의 수치들과 비슷하다. 선행지수들은 빠르게 곤두박질치고 있으며 이미 실물경제가 무너지기 시작했다. 만약 유럽중앙은행이 곧 금리를 인하하지 않으면 미국처럼 실제 예상보다 더 큰 경기하강이 발생할 것이다. 미국이 자체의 인플레이 압력을 완화시키기 위해 감속을 해야 하는 한편 유럽은 그러한 감속을 상쇄하기 위해 충분한 성장을 해야할 것이다. 이것은 1997~1998년의 위기이후 신흥국가들이 금융시장 건전화와 아직도 과잉상태인 경제의 구조조정을 위해서 세계경제의 성장이 필요하기 때문이다. 경제가 감속되면 곤란한 한 예가 자동차산업의 경우이다. 다임러 크라이슬러사는 26,000명을 해고하였고 GM은 여러 공장들을 폐쇄한 바 있다. 자동차산업은 舊경제의 전형적인 산업인데 현재 전 세계적으로 약 7,600만 대의 승용차가 생산되는데 불과 5,200~5,300만 대만 판매되고 있을 따름이다.

물론 新경제로 이행하기 위해 세계경제가 부양되어야 하고 계속 자금도 필요하다. 이것이 G-7국가의 재무장관과 중앙은행 총재들의 전략이고 이를 위해 미국도 우리가 예상하는 것보다 더 많은 금리를 인하해야 할 것이다. 본인은 여름까지 美연방준비제도이사회가 금리를 4.5%수준까지 낮출 것으로 본다.

그러나 그린스펀이 직면하고 있는 어려움은 클린턴 행정부 때와는 달리 재정정책의 불확실성이다. 현재 新정부의 재정정책이 어떻게 될지 아무도 모른다. 따라서 본인의 견해로는 가장 바람직한 해결 방안으로서 규준에 따른 재정정책("rule-based" fiscal policy)이다. 캐나다는 이미 이러한 정책을 채택하고 있는데 재정흑자의 50%는 부채상환에, 50%는 감세나 다른 정책에 쓰도록 하고 있다. 미국도의 회와 행정부가 이러한 타협을 하면 자본시장과 채권시장의 불확실성이 줄어 성장에 도움이 될 것이다.

전반적으로 미국은 올 하반기부터는 경제가 괜찮을 것이다. 전반기에는 0%가 되겠지만 3/4분기에는 약 2%, 4/4분기에 약 3% 성장하여 전체적으로 1.5~2%가 성장할 것으로 보인다. 그러나 이것은 한국이나 아시아의 다른 나라들에게는 충분하지 않을 것이다. 이들 나라에 도움이 되기 위해서는 유럽중앙은행이 적어도 금리를 1% 더 내려야 하고 독일과 프랑스가 감세를 하겠다는 자신들의 약속을 지켜야 한다. 만약 그렇게만 한다면 G3국가의 2/3가 옳은 방향으로 나아가고 있다고 볼 수 있다.

G3의 마지막 국가인 일본은 문제가 많다. 모리 총리가 다보스 포럼에 참가하여 일본이 지난 1990년대에 전부 13% 성장하였다고 말하였다. 이어 그는 일본의 잠재 성장율은 3%라고 말했는데 그에 의하면 일본은 1990년대에 총 39%를 성장할 수가 있었는데 20~23%의 성장률을 잃어버린 셈이다. 이것은 독일 전체 GNP와 맞먹는 규모인데 일본은 1990년대의 위기로 인하여 독일경제 하나만큼 잃어버린 셈이 된다. 오늘의 일본은 엄청난 부채아래 놓여 있는 경제이다. 정부부채는 공식적으로 GNP의 150%이지만 비공식적으로는 적어도 그 두 배가 된다. 민간부문에서도 총 은행대출은 GNP의 141%가 된다. 그 위에 회사채, 전환사채, 보증사채까지 다 합하면 GNP의 5배가 된다. 일본의 금리가 0%이기 때문에 이러한 부채가 부담이 되지 않는다고 보는 사람도 있는데 그렇지 않다. 문제는 명목금리가 아니고 실질금리이기 때문이다. 일본의 실질금리는 얼마인가? 일본 정부당국은 디플레가 1.5%라고 말하고 있다. 그러나 일본은행이나 美연방은행도 인정하듯이 기술진보에 의한 가격하락이 1%이다. 이것을 감안하면 디플레는 2.5%이다. 한편 토요다는 10년 동안 금리 2.4%의 돈을 빌리고 있고 토요전력과 같은 공기업도 3.5%의 금리로 돈을 빌리고 있다. 이런 모든 것을 고려하면 실질금리는 5%이상

이라고 할 수가 있다. 수종의 돈 가치가 매년 5%이상 올라가고 있다고 생각하면 누가 물건을 사거나 투자를 할 것인가? 지난 수년간 정부만 지출을 하고 정부부채가 증가하였지만 이것 또한 압력을 받고 있다. 정부조차 지출을 억제하게 되면 자산가격은 계속 떨어지고 새로이 부실채권 문제가 대두될 것이다. 만약 예를 들어 자산과 부채가 모두 GNP의 5배가 되고 자산가치가 3% 떨어진다면, GNP의 15%가 매년 떨어지는 것이고 이것은 금융기관 총자본의 두 배가 되는 셈이다. 따라서 일본의 문제는 해결과는 거리가 멀다.

일본경제는 여전히 큰 애로사항이 있는데 그중 가장 심각한 것은 지도력 문제이다. 일본의 정치지도자들은 미래에 등을 돌리고 있고 그렇게 함으로써 상황을 더욱 어렵게 만들고 있다. 이번 여름 선거가 끝나면 일본의 지도력은 더욱 약해질지도 모른다. 일본은 향후 2~4년간 커다란 의문부호로 남을 것이다.

일본의 이런 문제에도 불구하고 세계경제는 올 하반기부터 성장할 것이고 내년에는 가속이 붙을 것이다. 이것은 시장을 위해서는 좋은 일이다. 일반 주식시장은 작년 10월에, 첨단기술 주식시장은 12월에 바닥을 쳤는데 지난 1월에 첨단기술 주식시장은 급등하였고 어제 다우존스는 11,000에 마감하였다. 영국의 영란은행이 금리를 인하하면 연방준비제도이사회도 연이어 금리를 또 인하할 것이다. 그러면 호주와 캐나다도 지금부터 2월말까지 금리를 내릴 것이고 그때쯤 가면 재정정책에 대해서도 분명한 그림이 나올 것이다. 이러한 모든 것이 시장에 반영이 되면 주식시장의 다음 국면은 놀랍게도 훨씬 좋아질 것이다.

아시아와 관련하여, 금융위기는 알맹이와 껍데기를 가려놓는 역할을 하였다. 오늘날 세계환경은 개혁을 지연하는 나라들을 곤경에 빠뜨릴 것이다. 싱가포르를 제외하고는 동남아시아의 대부분이 이 범주에 속한다. 싱가포르는 미래와 세계화를 수용하여 특히 항공산업과 통신산업에 있어서 구조조정을 잘 하고 있다.

동북아시아에서는 두 나라가 대체로 잘 하고 있다. 첫째 중국이 계속해서 개혁을 잘하고 있다. 최근 부패와 스캔들에 관한 것들이 언급되고는 있지만 정부가 잘 수습하고 있다. 열흘 전에 중국 국립은행을 민영화하는 조치가 내려졌는데 이것은 금융부문이 다음의 주요 개혁대상이 되리라는 의미를 담고 있다. 이것은 중국의 높은 저축률로 조성된 자금이 효율이 낮은 재래의 국영기업에 쓰여져서 자금을 소진시키고 있는 현 상황을 깨뜨려야 하는데 필요한 조치이다. 더구나 은행 총 대출의 1%만이 민간부문에 가고 있는데, 이 민간부문은 정부의 도움 없이 일자리를 창출하고, 세금을 내고, 점점 더 많은 수출을 하고, 국영기업보다 4배나 더 빨리 성장하며, GNP의 20%를 차지하고 있다. 그러나 이런 민간기업들이 좀 더 조직적이고 안정된 금융을 필요로 하는데 중국 국립은행을 민영화하는 조치가 바로 이러한 과정의 첫 단계이다. 이 조치이후 자본시장의 개방과 개혁이 있고 그 이후 연금제도의 개혁이 뒤따르리라 보여지는데 연금제도의 개혁으로 장기자본을 조달하고 투자할 수 있는 안정된 기반이 조성될 것이다.

동아시아에서 잘 하고 있는 다른 나라는 한국이다. 한국은 현재 몇 가지 분명한 이유들로 인하여 긴장이 있다. 지난 해 에너지 가격이 올랐고 반도체 가격은 떨어져 교역조건이 악화되었다. 수익과 투자가 모두 떨어져 성장은 둔화되고 소비는 떨어지고 주식시장도 곤두박질쳤다. 그래서 1997~1998년

에 해결하지 않았던 많은 문제들을 다시 표면에 올려놓는 결과가 되었다. 그러나 이것이 개혁을 다시 추진할 수 있는 좋은 기회가 된다. 10%의 성장 후에 경제가 감속한다고 국민들에게 설명하기가 쉽지는 않지만 개혁에 진전이 있으면 있을수록, 특히 정부보다 민간부문에 개혁이 있을수록 한국은 더 나아질 것이다.

본인은 미국경제가 호전되고 유럽중앙은행으로부터 정책적 지원이 있기 때문에 주식시장이 호전되고 성장도 회복되리라 낙관한다. 올해 전반기의 하강으로 인하여 상품가격이 상당히 떨어지고 석유가격도 배럴 당 18달러가 되리라 예상한다. 반도체가격도 바닥을 친 것으로 생각되고 결과적으로 많은 긴장요인들이 경감될 것이다.

예측하자면 외환시장은 올해 불안정한 한 해가 될 것으로 믿는다. 이미 유로화는 달러에 대해 지난 몇 주 동안 달러 당 82유로에서 97유로, 그리고 다시 92~93유로로 등락하였다. 앞으로도 이러한 불안정은 계속되리라 보여지는데 유로화가 다시 바닥을 치기 전에 80유로가 되었다가 향후 6~9개월간 달러 당 105~110유로가 될 것으로 전망한다.

일본 엔화에 대해서는 중기적으로는 비관적으로 밖에는 전망할 것이 없다. 일본은 중앙은행으로 하여금 장기자산을 매입하도록 함으로써 통화완화정책을 쓰지 않을 수 없을 것이다. 그렇게 되면 향후 2~3년에 걸쳐서 엔화가 놀라울 정도로 약세가 될 것이다. 만약 엔화가 약세가 되면 먼저 중국이 많은 어려움을 겪게 될 것이다. 그러면 중국은 변동환율의 변동폭을 넓혀 엔화의 약세에 대응할 것이다. 그 다음 한국과 대만은 이러한 사태진전을 매우 조심성 있게 관찰해야 할 것이다. 한국의 원화는 일본 엔화가 약세가 될 때 달러화보다 엔화에 더 연동되어 움직여 왔다. 만약 엔화 대 원화의 비율이 1 : 11 이라고 하면 일본 엔화가 달러 당 150엔까지 떨어질 때 원화는 달러에 대해 1,450원이 될 것이다. 현재 미국은 대규모의 경상적자를 내고 있다. 만약 유로화마저 달러 당 110유로가 될 것이라고 예상하면 앞으로 어떤 상황이 벌어질지 짐작이 간다. 본인의 생각으로는 미국 행정부와 미리 이 문제에 대해 협의를 하는 것이 좋을 듯하다. 일본은 작은 나라가 아니다. 만약 일본에게 문제가 생기면 세계의 여타국가들이 곤란을 겪게 된다.

그러나 한국은 지난 3년간의 개혁의 성과로 현재 맞고 있는 어려움을 잘 헤쳐나갈 것으로 본다. 지난 위기발생이후 엄청난 변화가 있었고 앞으로 더 많은 변화가 있을 것으로 보인다. 이러한 변화가 한국으로 하여금 앞에 다가올 어려움을 헤쳐나가게 하는 방향타가 될 것이며 이 점에서 본인은 항상 그랬던 것처럼 한국에 승부를 걸겠다.

질 의 · 응 답

(질 문) 조만간에 정크본드의 공급이 늘 것으로 전망하였는데 그러면 1997년처럼 단기성 신용시장이 불안정해질 것으로 보는가? 한국정부는 이 점을 우려하여 대책을 강구하는 것으로 보이는데 귀하의 견해는?

(답 변) 고수익증권은 1980년대 미국에서 많은 기업들이 문제가 있었을 때 전성기를 맞기 시작했다. 어느 투자가가 말한 것처럼 기업을 직접 맡아 경영하는 것보다, 만약 어떤 기업을 인수할 수가 있으면 인수하여 구조조정을 통해 기업가치를 올리는 방식으로 자산관리를 하는 것이 낫다는 것이다. 기술이 있는 기업에 투자함으로써 고수익의 자산운용을 할 수 있는 것이다. 실제 新경제의 많은 부분이 이런 방식으로 자금이 조달되었다. 그러나 이러한 자산운용은 어떤 분야 혹은 어떤 기업 내지 경제전체가 안정적이면서도 급속히 성장할 때만 가능한 것이다. 그러나 경제가 조정기에 들어갔을 때는 폭락이 있을 수 있고 그 때문에 新경제 기업들은 돈을 구하기 위해 많은 이자를 지불해야 되는 이유이기도 하다. 투자가로서는 이러한 위험을 분산시키는 것이 좋고 따라서 정크본드와 함께 안정적인 투자관리가 필요하다. 결국 얼마의 주식은 부실화될 것이기 때문이다.

(질 문) 당신은 미국경제의 급격한 경기하락이 연방준비제도이사회에 금리인상에 얼마나 기인한다고 보는가? 그리고 기업과 금융부문과 관련하여 미국의 펀더멘털(fundamental)에 관한 당신의 의견은 어떠한가?

(답 변) 미국경제는 두 가지 이유로 감속을 하고 있는데 하나는 금리인상이고 다른 하나는 에너지 가격상승이다. 2000년 1월과 12월의 에너지가격 차이의 세계적 비용의 차이는 5,000억 달러에 이른다. 그중 2,000억 달러는 미국 소비자들로부터 직접 나왔다. 다른 2,000억 달러는 유럽지역에서, 그리고 1,000억 달러는 아시아지역에서 나왔다. 그러나 이 두 요인은 지금 거꾸로 진행되고 있다. 석유가격도 내려가고 금리도 내려가고 있다.

미국경제의 펀더멘털에 관하여서는 2000년에 미국 자본투자의 49.6%가 IT관련 투자였다. 1990년에는 17.2%가 IT관련 투자였는데 그 사이 약 3배가 증가하였다. 1990년대에 미국의 생산성이 증가한 이유는 이런 배경이 있기 때문이다. 1975년부터 1995년까지 미국의 평균 성장률은 3%였다. 1995년에서 2000년까지는 4% 이상이었는데 거시경제모형에 의하면 실제 이러한 성장률의 상승은 모두 IT관련 투자에 의한 생산성의 증가이다. 세계경제의 장기성장 추세에 관하여서 말씀드리자면 우리는 성장률이 가속화되는 대단히 빠른 기술진보의 시대에 접어들었다고 말할 수 있다.

본인의 생각으로 미국경제의 문제는 10년 전보다 더 많은 부채규모이다. 미국은 현재 新경제가 계속 진행되면 다른 나라들로부터 로열티(royalty) 수입만으로도 경상수지 적자를 채울 수 있다고 낙관하고 도박을 하는 것 같다.

(질 문) 본인의 질문은 한국경제에 관한 한국인과 非한국인간의 인식의 차이에 관한 것이다. 대개 외국인의 한국경제에 관한 인식은 당신이 언급한대로 조심스런 낙관주의이다. 그러나 대부분의 한국사람들은 한국경제의 미래에 대해 심각하게 비관적으로 보고 우려하고 있다. 한국인이 우려를 표하는 것 중 하나는 무력한 정부 연정과 계속되는 정쟁과 같은 정치상황에

관한 것이다. 이것 이외에 국제금융시장이 추적하고 있는 우려할 만한 다른 요인이 있는가? 둘째, 국제금융시장은 현재 진행되는 두 개의 한국간의 화해과정을 얼마나 진지하게 관심을 가지고 있는가?

(답 변) 본인의 생각으로는 한국이 위기를 대처해온 과정에서 한국 국민이 이해하는 것보다 국제적으로 더 많은 신뢰를 획득했다. 또한 한반도에 현재 일어나고 있는 일련의 관계변화는 보다 폭넓고 복잡하며 역사적인 과제이다. 투자자들은 오늘날의 한반도에서의 긴장은 3년 전보다 훨씬 경감되었다고 믿는다. 만약 향후 10년간의 청사진을 제시하고 경제적으로 향후 10년간 시금석이 될 수 있는 협정을 양자간에 맺을 수 있는 계기만 있다면 투자자들은 현 상황에 더 많이 신뢰할 것이다.

(질 문) 향후 수년간 동북아시아지역의 직접투자 혹은 간접투자 전망을 어떻게 보는가? 그리고 현재 이것에 영향을 주는 요인은 어떤 것이 있는가?

(답 변) 중국은 WTO가입이 예상됨에 따라 지난 해 약 20%이상의 직접투자가 증가했다. 많은 기업들이 WTO체제에서 중국과의 비용차이로 인하여 멕시코로부터 중국으로 이전하고 있다. 舊 경제에서는 비용절감의 압력이 지속적으로 발생한다. 따라서 생산은 비용 면에서 가장 이점이 있는 지역으로 옮겨가는 경향이 있고 이 점에서 동북아시아가 가장 유망하다. 만약 세계경제가 안정되면 미국과 유럽이 향후 9개월 동안 옳은 방향으로 나아갈 것이다. 그래서 미국과 유럽이 다시 올해 역사상 가장 좋은 경기를 맞이한다고 하더라도 동아시아 시장 전체가 일본을 제외하고는 미국이나 유럽의 성과를 상회할 것이다. 그것은 동북아시아 자본시장이 기본적으로 미국이나 유럽의 경기와 신용 사이클에 밀접하게 연결되어 있기 때문이다. 그래서 자본시장의 전망은 매우 밝다고 할 수 있다.

(질 문) 한국을 포함한 신흥국가들은 정치만 문제가 있는 것이 아니라 관료, 미디어, 회계제도, 법 집행 등과 같은 것에 있어서 단기간에 고치기 힘든 문제들이 있다. 신흥국가들이 직면하고 있는 개혁의 어려움은 이러한 기본적인 문제와 관련이 있다는 것이 본인의 생각이다. 20세기에는 이러한 문제를 해결한 나라가 별로 없고 유럽국가들도 이러한 문제들을 극복하는데 많은 세월이 걸렸다. 대부분의 신흥국가들은 선진산업국가들과 같은 제도를 구축하는데 거의 진전이 없다. 오는 세기에도 이러한 문제들로 인하여 세계경제가 빠르게 통합이 되면 개혁은 쉽지 않을 것으로 보인다. 결국 아시아에 있는 많은 신흥국가들은 혼란과 불안이 있을 것으로 생각되는데 귀하의 의견은 어떠한가?

(답 변) 본인도 세계화 과정은 주춤거리지 않고 오히려 가속될 것이라는 데 동의한다. 예를 들면 자본시장과 첨단기술시장은 이미 세계화가 되었고 지식과 재능 있는 사람들의 시장도 거의 세

계화가 되고 있다. 그래서 귀하께서 첫 번째로 언급한 말은 맞다. 그러나 세계화가 저지될 수 있다고 생각하는 것은 잘못이다. 그러므로 우리는 세계화를 준비하고 포용해야 하며 또한 적극적인 방향으로 그것의 과실을 거둘 수 있도록 더불어 살아야 한다. 이 말은 아무리 어렵더라도 귀하께서 언급한 모든 분야에서 앞서 가야 한다는 것을 의미한다. 본인의 경험으로 볼 때 사람들은 현실적이다. 그들은 비상한 변화가 진행되고 있다는 것을 알고 있다. 그리고 때로는 그것이 무엇을 의미하고 있는지 모르기 때문에 두려워하고 있다. 이러한 엄청난 변화의 시기에는 국민들과 직접 대화를 나누고, 과실을 거두기 위해 무엇을 해야 할 지를 보여준다면 이 방향으로 정치적 지지를 받을 수 있을 것이다. 사실 이것이 클린턴이 성공한 이유이다. 그래서 개혁에 대해서 더 많이 설명하고 정치적으로 이해가 되면 성과는 더 좋을 것이다. 한국에 관해서는 지난 40~50년 동안 어려운 도전이 있었다. 그렇지만 한국이 더 복잡한 상황에서 이러한 도전을 극복하지 못하리라는 아무런 이유를 발견하지 못한다. 이것이 본인이 갖고 있는 낙관주의의 근원적인 뿌리이다.

The US Economy on the Brink? Japan on the Edge? Implications for Asian and the World Markets*

Kenneth S. Courtis

After having attended the World Economic Forum in Davos last week, I can report that the atmosphere there was one of subdued optimism. Subdued because this time last year the US was growing at 8.5% annually, which was faster than China, and is now at the 0% growth which Alan Greenspan has reported. This feels like a hard-landing. However, there is optimism that by the end of the summer this will not be a hard-landing and we will be moving ahead. Also, because we are now into an electoral cycle in many of the G7 countries, most of the G7 leaders were not at Davos this year. The only leader who did attend, Prime Minister Mori of Japan, was only there briefly. Therefore, the Davos meeting this year focused much more on business issues and moved away from the political circus that Davos has sometimes been in the past. As a result, Davos was much more workmanlike this year.

Having said that, it is clear that the world economy is changing so quickly that it is extremely difficult to keep up with. For example, at the BIS meetings held in mid-December the Federal Reserve explained that they had been surprised by the speed with which US economy slowed in December. Even an economy as closely managed, followed, analyzed, predicted, forecasted and as big as the US economy can bring huge surprises.

In terms of the G7 countries, in June, July and August 2000 the leading indicators, which lead the real economy by 6-8 months, were already rolling over. Last August and September when we were working with companies on these numbers, I suggested that they should prepare for a slowdown, but few companies accepted that. In fact, as late as November 30 I told a large global US company that we expected a slowdown. They said there was nothing in their sales numbers, forecasts or order book that indicated this. I talked to them today, having just announced their results for the fourth quarter, and they told me that the month of December had simply disappeared. That is an example of how quick it is turning.

The emergency interest rate cut that was made on December 4 was made against that

background, but it was also made against the more important and critical realization of the difficulties that were starting to emerge in the credit markets. In particular, the spread between 10-year US treasuries and the high-yield (junk bond) index had climbed to over 9%. This meant that second-, third- or fourth-tier telecom companies, Internet companies or new economy companies starting up who had recently made a management buyout or a levered buyout, were paying 15-17% for money in December. Therefore, those markets were effectively closed. As a result of this and companies subsequently getting squeezed, problems immediately began to emerge in the banking sector. For example, in December the Bank of America increased its provisions for non-performing loans by 300%, effectively for this type of development.

That spread between the junk bond index and the 10-year US treasuries peaked in 1991 at 10.3% at the time of the US financial banking crisis - only 1 percent higher than it was a few weeks ago. Also during this period the spreads between 10-year treasuries and emerging market paper also started to soar. That is what blew up Argentina and Turkey in November. If that spread is not brought down quickly and substantially further, we will see other countries in Latin America and Eastern Europe getting into big problems. In a sense then, when these pressures get very intense, some of the underlying problems of the crisis of 1997 and 1998 come right back to the surface.

The current slowdown in the US economy is not an accident; it was engineered. The Federal Reserve had been taking up interest rates for about a year. This is because last year we were growing so fast in the world economy at almost 5%, the fastest growth in 17 years, that inflation began picking up. If inflation were to pick up, the G7 central banks would have to take up interest rates a lot more than they have in the last year. If this were to happen, given the huge debt loads being carried around the world, we could find ourselves in real difficulty again.

It is true that the US has reduced its debt in the public sector in the last 8-9 years, but it has increased its debt in the private and household sectors more than the public debt has gone down. So the US financial position is more precarious than it was a decade ago. A decade ago, the US was worried about borrowing \$450 million per day from the rest of the world. Today it is borrowing about \$1.1 billion dollars net from the rest of the world every day the markets are open. 10 years ago Japan's government debt was running at around 51% of GNP. By the end of 2002, it will be around 151% of GNP. Virtually all of the emerging markets, with some exceptions, have also seen debt loads increase substantially. If one looks at what is happening in countries like Thailand today, it is clear that much of this debt is going to be taken on to the public books. In fact, in many countries, that

will be the only way ahead. The only regions of the world that have brought down debt on aggregate are Europe and Canada. So with this huge build up of global debt, if interest rates are too high there will be very big problems. That is how it started to emerge and the shocks, pressures and warnings of that began to show in the banking system as we moved through December.

Therefore, the Federal Reserve has cut rates and thus reassured markets. The spreads have lessened slightly; the junk bond spread is now only 750 basis points, instead of 930. More junk bonds than ever before were issued in the last three weeks. More money has been raised for those new economy, Internet and telecom companies in the last three weeks than was raised in the last quarter, so that has relieved some of the pressure. The stock-markets, while still slightly unsteady, seem to have stabilized. There is a confidence that the Federal Reserve is going to do the right thing and as we move ahead the US economy will stabilize so that, by summer, we will be moving again.

There is much optimism that the European economy is going to grow at 3% or more. However, I believe that Europe is also going to get blindsided like America. The numbers on Europe today look very much like the numbers for the US in September and October 2000. The leading indicators are rolling over very quickly and the first cracks in the real economy are starting to appear. At the weekend some downward revisions came out of Germany again. So, I expect Europe to also slow down quickly.

If this happens and the European Central Bank does not cut rates, then that will start to feed into the markets. The markets will then begin to think that the US alone cannot carry this. Therefore, we have to watch the Bank of England and the ECB very closely over the next month or two. If they do not see what is coming, they are going to find themselves behind the curve and the slowdown in Europe will then be sharper than would otherwise have been the case.

As the US has to slow to relieve some of the pressure on its own economy, Europe has to keep enough growth to offset that slowdown while Japan has to stay stable. This should leave enough growth in the world economy to continue the financial consolidation of the emerging markets after the 1997-98 crisis and to continue the rationalization of the old economy, which still has so much excess capacity.

One example of the difficulties caused by the slowing economy is the current state of the car industry. Daimler-Chrysler has just announced 26,000 lay-offs, as have Ford and Delphi, the parts supplier owned by GM, and GM themselves have just closed several factories. This sector is typical of the old economy, where about 76 million cars are made globally and only 52-53 million of them are sold. If growth is weak, the weakest players

in that sector will immediately run into problems, therefore, there has to be growth to continue the rationalization.

Of course, there also needs to be some lift in the world economy to keep financing and keep the buoyancy there for the shift to the new economy. That is the strategic objective that the G7 finance ministers and central bank governors are working on. As a result, the US will have to cut rates more than most of us believe in order to get there. It would not surprise me if there is a zero first quarter, which is what Greenspan has already said he expects. Furthermore, I would not be surprised to see the US be close to zero in the second quarter also. As a result, I expect to see the Federal Reserve's fund rate around 4.5% by summer.

The difficulty that Greenspan has at the moment is that under the Clinton-Rubin-Summers regime there was a very clear fiscal policy, at least from 1994, so he knew exactly what was at his disposal. It was within this framework of a stable and clear fiscal policy that he could fine-tune the monetary policy. However, at the moment, we do not know what the fiscal policy of the new administration will be. Therefore, Greenspan has to make adjustments that will have an effect in 6-9 months, while not knowing really what fiscal policies will come in on top of these adjustments. So, the risk is, if the Federal Reserve discounts to some extent the fiscal policy of the new administration and anticipates a stronger or weaker fiscal policy, that could lead to turbulence in the economy and further adjustments later this year or next year.

In my view, the best solution would be a "rules-based" fiscal policy, similar to the European rule-based system with targets for your fiscal policy. Canada has also adopted a type of rules-based approach, where 50% of the surplus goes towards debt reduction and 50% goes to other policies and tax reduction. The Canadian finance minister probably thinks that if the surplus goes below 1% of GNP it should all be used for debt reduction. Consequently, if the US Congress and White House come to some a similar compromise, where fiscal policy becomes quite clear, a lot of the confusion would be taken out of the markets and therefore reassure investors. As a result, I think risk premiums would come down in both the bond and equity markets and this would be good for growth. Another positive move for the markets would be for this administration to make commitments to help the economy by lowering taxes and by reducing US private and government debt, which is higher today than it has ever been relative to GNP. In fact, one of the reasons for the fantastic last 8 years in the US is the commitment of the government to reduce debt.

Overall, I share the broad view that the US will do better in the second half of this year;

maybe 2% in the third quarter, 3% in the fourth quarter with growth between 1.5% and 2%. However, that will not be enough to reduce the tensions in the Korean economy and elsewhere in Asia. In order for that to happen, the ECB will have to cut interest rates by at least one percent and Germany and France will have to keep their promises of tax cuts. I hope to see other countries in Europe follow the example of Germany. I think they will, because once a country the size of Germany makes substantial tax cuts, there is likely to be a period of tax cut competition across Europe as the positive effects of these tax cuts are felt in the biggest economy. If that happens, two-thirds of the G3 will be moving in the right direction.

The third element of the G3, Japan, is much more problematic. It was interesting to listen to Prime Minister Mori at Davos. Responding to remarks that had been less than optimistic about Japan, he said in his speech that the Japanese economy in the 1990s grew by 13%. In the next paragraph he said that the potential long-term growth rate of Japan is 3%. If one compounds 3% over a decade and then subtracts 13%, in effect he said that Japan lost 20-23% of the growth it should have had in the 1990s. Therefore, an economy of \$5 trillion today would be 22-24% larger if Japan had not missed the 1990s. That is almost the size of the GNP of Germany and is bigger than the GNP of the rest of Asia combined. So Japan is almost one Germany smaller today as a result of the crisis they faced in the 1990s. That is a measure of what Japan lost in the 1990s as it dug itself deeper into this hole.

The Japanese economy today is crushed beneath a mountain of debt. As I said, the government debt that appears on the balance sheets will be around 150% of GNP by the end of next year. We believe that the claims on the Japanese state that are off the balance sheets are at least as large. For example, the Long-Term Credit Bank was taken over by the Japanese government and sold to new owners. When it was sold, the new owners were skeptical of the valuations that the authorities were putting on the balance sheet. Those negotiations got to a point where the authorities did not want to reduce those valuations any further, so the new owners agreed to accept the valuations. However, they asked for a put-option so they could put the balance sheet back onto the authorities at any time over the next 5 years if any of the loan values fell by more than 20%. Therefore, that is a \$146 billion balance sheet guaranteed by the government which is not on the official government balance sheet.

As you saw last summer with the loan of Sogo, \$18 billion dollars was pushed back to the government, who politically could not accept it. The government thus encouraged the city banks, which they had just capitalized, to take over that bankrupt loan, in effect putting the loan back onto the government books. The same dynamics exist in terms of the Nippon

Credit Bank: \$361 billion in guarantees over the last 30 months to small- and medium-sized companies, virtually none of which will be paid back, at least not on the balance sheet.

So government debt is around 300% of GNP. The government always says they have lots of assets. But of course, if you were to sell any of those assets, it is not certain that you would get the price that is on the government books for them. For example, the \$26 billion dollar bridge between Honshu and Shikoku, which carries approximately 200 cars per hour, probably generates enough revenue every year for a paint job. It is unlikely anyone would pay \$26 billion for it.

In the private sector, total bank loans are 141% of GNP as of the end of December. Companies then have commercial paper, convertible bonds, warrant bonds and corporate bonds on top of that, which all together very quickly amounts to five times GNP. There has never been a major economy in peacetime carrying a debt load of this magnitude. Even after World War II, when UK and US debt were at record levels, they were never close to five times GNP.

People say that Japanese interest rates are at zero, so the debt costs nothing. But of course, it is not the nominal interest rate that counts, but the real interest rate, because asset values are driven by where real interest rates are.

So what are real Japanese interest rates? The government officially says the economy is deflating by 1.5%. The Bank of Japan and the Federal Reserve both accept that they underestimate price declines due to technological innovation by about 1%; for example, the \$2000 computer two years ago that now cost \$800 and is three times faster. The indexes cannot pick up these changes. Therefore, it is deflating at 2.5%. Japan is also an economy where there is a lot of discounting and price-cutting occurring because it is under so much pressure and the discounting occurring at point-of-sale is not included in the indexes. In the third quarter we found discounting in the car sector to be at 13.2%, none of which is in the indexes. So, overall, it is deflating at over 2.5%.

On the other side of that, Toyota can borrow money at 2.4% for 10 years, but Corporate Japan broadly, outside of those bullet-proof, quasi-government companies like Tokyo Electric Power, is borrowing money at between 3% and 5%. As a result, real interest rates are above 5%. Therefore, the money in my pocket is increasing in value by 5% per year. So why would I buy or invest in anything? That is why investment in assets is weak and why asset prices continue to be under pressure. The only thing holding asset prices up in the last couple of years has been this tidal wave of government spending. But when the government debt is this high, there will come a point when the government is forced to start retrenching on investment and spending. They will not do it before the next elections,

but the issue is moving towards the top of the agenda.

If the government cuts back on fiscal policy and continues to have very high real interest rates, with this much debt it is obvious that asset prices will be pushed down again, which will generate a new period of bad debt. For instance, if the debt and the assets are both five times GNP, and the asset prices fall 3%, 3% of five times GNP is 15% of GNP, which is twice the capital of the banking system. So it is obvious that when the figures are this large, only a small change can cause a very big problem. As a result, our view is that the Japanese situation is far from being resolved.

There are still huge difficulties to be worked out in Japan's economy. The biggest of which is leadership. There have been many countries in Asia that have faced crises in the 1990s. Some have tackled crises head on by providing leadership when it was not easy to address issues. That leadership fulfilled the role that politicians should fulfill, which is one of representing the future and explaining to people that in order to achieve the country's goal there must be changes and therefore difficulties, but the government will make policies that will help people deal with the risks that come from these changes. This was how Korea dealt with crisis and it is one of the reasons why Korea is going to be so well positioned in the future.

Japan is the opposite. The political leadership in Japan has turned its back on the future. Some politicians are increasingly looking nostalgically to the past to find solutions. By refusing the future, Japan has only worsened its situation. In my view, it will take a shock to force the leadership, or to bring in a new leadership, to address the future. Indeed after the elections this summer, there could be even weaker leadership in Japan. In the G3 context Japan remains the big question mark, not over the next three-six months, but over the next 2 to 4 years.

Despite these problems in Japan, the world economy will grow in the second half of this year and accelerate into next year. This is good for markets because they tend to look ahead 6-9 months. For instance, the broad stock-market bottomed in October and the technology stock-market bottomed in December, but there was a fantastic run-up of the technology markets in January and last night the Dow Jones closed at almost 11,000 again. As signs begin to come out of Europe, the first one probably being from the Bank of England cutting interest rates when the Monetary Policy Committee reports this week, and as we move towards the March FOMC meeting, we will prepare for another cut by the Federal Reserve. I believe Australia will also cut interest rates this week and Canada will follow between now and the end of February. Once all of this begins feeding into the markets, a clearer picture on fiscal policy will emerge. After this correction, the next phase

of the stock-market is going to be surprisingly strong.

In terms of Asia, it is clear that the Asian crisis has separated the wheat from the chaff. Today the world economic environment is heavily penalizing those countries in Asia whose reforms stalled and did not move ahead. With the brilliant exception of Singapore, that is the case for much of Southeast Asia. Singapore has embraced the future, embraced globalization and moved ahead on the trade front. It is now repositioning, restructuring and creating global platforms in the airline and telecommunications industry. Singapore is possibly the lighthouse that countries in the region will follow three or four years from now.

In Northeast Asia, there are two countries that have done broadly the right things. Firstly, China has continued to progress on reform. Recently there have been many comments about the corruption and scandal there, but the government is now bearing down on it. I think these are very positive developments. 10 days ago the decision was made to privatize the Bank of China, which has vast implications for the financial sector to be the next major area of reform. This has to be the case in order to break the current situation where the high Chinese savings rates are channeled to the old state companies, which essentially destroy their value. Moreover, less than 1% of total bank loans goes to the private sector of the economy, which represents 20% of GNP, is developed, creating jobs, paying taxes, increasingly driving exports and is growing four times faster than the state companies without government help. But these companies today require systematic, stable and steady financing and the decision now to move ahead on the Bank of China is the key first step as we move in that process.

I think this will be followed by very positive developments in terms of the supervision and opening of Chinese capital markets. For instance, the permission for private companies to systematically list in Chinese markets. I think this will be followed by reforms that will put in place a pension system that mobilizes funds for the long-term and creates stable long-term pools of capital for investment through the stock-market. I think this is China's most important phase of reform since the early 1980s and it is fully committed to these policies.

The other East Asian country that has done the right things is Korea. At the moment there is a lot of tension in Korea and for obvious reasons; in the last year energy prices have soared and DRAM prices have plummeted. So in a sense, the terms of trade have moved dramatically against Korea. As this happens, earnings and investment fall, growth slows, wages come under pressure, consumption falls, stock-markets get hit and currencies slide. As a result, this has brought many of the unresolved problems of 1997 and 1998 back

to the surface. This provides a good opportunity to use this new period of tension to move ahead on the reform agenda because every step that Korea takes on the reform agenda gives it an advantage over the competition that is coming.

I do think Korea is committed to progressing with reform. However, after a period of 10% growth, it is difficult to explain to people that the economy will slow very quickly in the first and second quarter this year. So, the more progress there is on reform, not just in the government but in each company, the better off Korea will be.

I am very optimistic that, due to the turnaround in the US economy and the support there will be from the European central banks, stock-markets are going to do very well and growth will return. I also think that the slowdown in the first half of this year is going to bring commodity prices down substantially. Last night the natural gas prices finally cracked and oil prices peaked 6 weeks ago, so I expect that the price of oil will be \$18 per barrel and gas prices will be down by the summer. As a result, there will be a lot of pressure taken off one side and on the other side, as we have this adjustment in the hi-tech markets, I would not be surprised if DRAM prices are bottoming at the moment.

So, I will attempt to make some predictions. In terms of the currency markets, I believe that this will be a year of volatility. Indeed, there has already been a lot of volatility in the last few weeks as the Euro has moved from 82 against the Dollar to 97 and is now back to 92-93. I think we will continue to see that volatility in the Euro-Dollar rate. In fact, I expect to see the Euro slide back into the high 80s before it bottoms again, then over the next 6-9 months I think it could be trading up to 105-110 against the Dollar.

In terms of the Yen, it is difficult to be anything but pessimistic in the mid-term. Certainly the policy set in place at the moment, i.e. easy fiscal policy and tight monetary policy, is exactly right to allow for a strong currency. That is how Germany achieved the record high Deutschmark after unification. It also the policy mix Ronald Reagan and Paul Volcker used from 1980-85 when there was a record strong Dollar. However, I expect the Japanese will be forced to ease monetary policy by effectively having the central bank buy long-term assets. Once that starts, effectively printing Yen to accommodate the build up of debt, the Yen is likely to weaken substantially. So I could see the Yen over the next couple of years dropping to surprising levels.

So what are the implications of this for Northeast Asia? One of the big consequences of the Asian crisis was the breaking of the link with the Dollar, with the exception of China and Hong Kong (paradoxically, China linked with the Dollar during the crisis). For example, in the last 6 months, there has been an extremely close correlation between the movement of the Korean Won and the movement of the Yen.

Therefore, my opinion is that if the Yen were to weaken substantially, first of all it would create huge difficulties for China. For instance, in 1998 when the Yen reached 147, China raised a lot of noise about it. I think China would raise a lot of noise about it sooner this time. If the Chinese are expecting the Yen to weaken, I think over the next year they will begin putting more flexibility into their exchange rate. A month ago Governor Dai announced that they would widen the band about which the currency fluctuates, only by 0.5%, but that shows the beginnings of an exchange rate that will give China more margin to maneuver.

Secondly, Korea and Taiwan will have to watch these developments very carefully. If one shadowed the Yen and the Yen went to 150 when the Korean Won was trading at around 11 Won to the Yen, it is obvious where the Won might be.

What might this mean for trade issues? The US already has a big current account deficit now, but it is interesting to think what it would be if the Yen was 150, the Won was 1450 and the US was growing. Furthermore, it is interesting to think what would happen in Europe if the Euro were 110 to the Dollar. Rather than waiting for these things to happen, I think it would be wise to consider them now and engage the US administration in a discussion about these issues. It must be remembered that Japan is not a small country and if it gets into trouble, there will be difficulties for the rest of the world.

However, I am confident that, thanks to the reforms that have been put in place in the last 3 years, Korea will navigate those difficulties if they occur. There have been enormous changes since 1997-1998, but I think those changes and more changes in the future, will position the Korean economy to sail through the difficulties that may be ahead. With this in mind, I would always bet on Korea.

Question & Answer

Q You mentioned an increase in the volume of junk bonds in the near future. Do you think that this will increase the volatility of the short-term credit market and, as in 1997, become an element of instability? As you know, the Korean government seems to be worried about this phenomenon and is devising a means to monitor it. Could you comment on this possibility?

A The high-yield securities, or junk bonds, started to come into their heyday in the 1980s

in America when many companies had become entrenched and assets were not being managed very aggressively. So some smart investors said, "if we could take over those companies, get rid of the management, manage those assets more aggressively and restructure, we could get much higher returns on those assets." And because there were huge pools of savings available, people began putting these things together. In fact, that is how companies like Microsoft got started; because people realized that the technologies were going to grow so fast that they could carry very high interest rates during the initial period. Hybrids of these were then also conceived for some of the emerging markets (particularly Latin America which got into so much trouble earlier in the 1980s), which then, linked to debt-equity swaps or US government bonds, encouraged people to put their money at risk with good returns.

So far, much of the new economy has been financed in this way. Much of the telecom sector will also be financed in this way, mainly due to investors seeing these as new technologies and therefore being uncertain how things will work out, thus increasing risk premiums. Secondly, there seem to be sectors that are growing very fast and therefore it will be possible, once you get to a certain growth rate, to pay those bonds down quickly. However, those equations can only work if there is high and stable growth, either in your sector for your company or, more broadly, for the economy. But, of course, in the last year the central banks and the G7 have worked to slow growth down, effectively causing the huge expansion of this type of financing, particularly for the new economy, to diminish rapidly. So just at the moment when much of the new economy needed a new round of funding, it was not available and consequently this led to the massive NASDAQ crash.

Therefore, the added volatility related to this type of financing is the reason why there are such high interest rates and, therefore, an investor would not buy just one junk bond, but rather a portfolio of junk bonds. This is because $X\%$ of the bonds will probably be from companies that will eventually go bankrupt. But if the portfolio is diversified, the higher yield covers that risk.

If one is carrying very high interest rates and is highly levered, one must monitor and manage things very carefully. When things come down hard like in 1997/1998, it is the companies in the countries that have the highest leverage who get killed. So close monitoring is very important. This should not be a large part of financing, but there are areas that can be and have been very successfully financed in this way and I expect that to continue in the future. However, if a whole country or large parts of an economy begin to be levered in this way, there is likely to be a lot of trouble

ahead.

Q Firstly, to what extent do you think the current sharp decline of the US economy is due to the interest rate increase by the Federal Reserve? Secondly, what is your opinion of the fundamentals of the US economy in terms of the corporate and financial sector?

A The US economy slowed for essentially two reasons. Firstly, the big increase in interest rates and secondly, the big increase in energy prices. The difference in energy prices from January 1, 2000 to December 1, 2000, i.e. the difference in cost for the world, was about \$500 billion. Of that \$500 billion, \$200 billion came directly from the pocket of the US consumer. Another \$200 billion from Europe and about \$100 billion from Asia made up the rest. Those two forces together drove the slowdown in the US economy. But I now see both of those forces reversing; interest rates are decreasing and I predict oil prices will also decrease substantially to below \$20. Regarding the fundamentals of the US economy, in 2000 about 49.6% of US capital investment was in IT-related goods. In 1990, the proportion of US capital investment in IT-related goods was 17.2%. So it has increased almost 3 times as a proportion of total investment and total investment has risen. It is this commitment to IT that has led to the increase in US productivity in the 1990s. From 1975 to 1995 the average growth rate of the US was 3%. From 1995 to 2000 the average growth rate has been just over 4% and the macroeconomic models show that virtually all of that increase has come from the increase in productivity driven by the investment in IT. There will be ups and downs in that investment and our view is that it is not completed yet. In a sense, in terms of the long-term growth trend of the world economy, we have entered into a period of rapid technological change where the growth rate has accelerated as we go through this adjustment. At some point in the future it will flatten out again, possibly reflecting the long-term underlying trend. But at the moment we are in a trajectory that is taking us higher due to this technological innovation. In my view, the problem with the US economy is the broad debt level, which is higher on aggregate today than it was 10 years ago. The US seems to be gambling that it will move so far ahead in the new economy that the royalties from future sales to the rest of the world in this sector will, over time, be able to bring down the current account deficit and restore the balance.

Q My question is regarding what I see as a discrepancy in the perceptions of Koreans

and non-Koreans of the prospect of the Korean economy. On the whole, as you seem to have expressed, the foreign perception of the Korean economy is one of cautious optimism. However, most Koreans seem to be deeply pessimistic and concerned about the future of the Korean economy. One possible reason for this is the fact that Koreans are overly concerned about the state of the political system; the government's weak coalition and the political fighting that goes on. Apart from that, do you think there are any other problems we should be concerned about that the international capital markets are monitoring?

Secondly, how serious is the international capital market's interest in following up on this current process of rapprochement between the two Koreas?

A If the recapitalization of the financial sector was carried through completely, I think that story would be stronger. Also, if the international investors could understand and see policies executed that would strengthen the medium-sized companies and bring them up technologically, it would be even stronger. There is a sense that there is a two-tier economy.

However, I think the way Korea has handled the crisis has actually won it more credibility internationally than the Korean people understand. This is also the case with the broader, more complex, historic issue that you raised, of relations on the peninsula. Investors believe that the levels of tension today are less than they were three years ago. If some of that momentum can be made to continue so as to put in place a blueprint for the next 10 years, and also some agreement on economic milestones for the next 10 years, then that would give investors even more confidence in the situation.

Q How do you see the outlook for foreign investment in Northeast Asia, both direct investment and portfolio investment, over the next few years? What factors are currently governing this?

A China has seen an increase in direct foreign investment in the last year of about 20% as people have anticipated the entry into the WTO. Remarkably, people are now moving factories out of Mexico into China because of the cost differences with China in the WTO. So I do not see a big slowdown in that area. In the old economy there is continuing pressure to cut costs, so production will move, to the extent that it can, to countries that are the most attractive, some of which may be in Northeast Asia.

If I am right that the world economy is starting to stabilize, the US and Europe are going to be moving in the right direction over the next 9 months. Therefore, although the US and European markets will go to new historic highs over this year, I believe the East Asian markets on the whole, with the exception of Japan, will outperform the US and Europe because the Northeast Asian equity markets are basically highly levered to growth in the US and Europe and to the US credit cycle. So I see a very good period for equities ahead of us.

Q In emerging countries, including Korea, there are problems not only with politics, but also with bureaucracy, media, accounting systems and the rule of law, i.e., things that are not easy to correct or improve in a short period of time. I think the difficulties of reform are related to these basic problems emerging countries face. In the 20th century, there are very few countries that have been able to overcome these problems, which took many centuries for the European countries to overcome. In most of the emerging countries there has been little progress in building institutions similar to those of the industrialized countries. In the coming decade too, because of many of these basic problems, reforms may not be that easy when the world economy is integrating so quickly. As a result, I think there will be a lot of confusion and instability in many emerging countries, perhaps mostly in Asia. What are your comments on this?

A I agree that the process of globalization is not going to slow down. If anything, it is going to accelerate. For example, the capital market and the market for technology and ideas are already global and the market for talent is almost there. So I think your first point is right and it would be wrong to think that the process of globalization is something we can hold off. Therefore, we should prepare for it, embrace it and live with it in a way that is positive, which we can capitalize on. That means moving ahead in all the areas you have just mentioned, as difficult as they are.

In my experience, people are realistic. They know there are extraordinary changes going on and sometimes they are afraid of them, because they do not know what they might mean for them. But I believe that in these periods of enormous change, if one talks straight to people and shows them what we have to do in order to get the rewards that are out there, one can build a lot of political support for moves in this direction. In fact, I would argue that that is the success of Clinton. Clinton understood the pace and scope of this change and that it created vast anxiety. But

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- 후원회원의 종류 : 법인회원, 개인회원
-
- 법인회원에 대한 서비스
연구원 주최 행사에 우선 초청
연구원 주최 행사에 5인까지 무료 참가 가능
연구원이 발간하는 모든 간행물 무료 제공
법인 회원을 위한 특별 세미나 및 간담회 개최
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- 개인회원에 대한 서비스
연구원 주최 행사에 초청
행사 참가비 할인
연구원이 발간하는 일부 간행물 무료 제공
-
- 후원회비는 관련세법에 따라 세금공제 가능
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