

# Central bank chiefs to talk 'exit strategies' in Basel

**Japan's economy must be managed to avoid missing recovery bus**

**YUKO KAWAMOTO**

*Professor, Waseda University*

Leading economies' central bank governors get together at the Bank for International Settlements in Basel on Jan. 11, and considerable attention will be focused on the economic assessments of the chief architects of macroeconomic policies.

The outcome of the meeting should provide important clues as to the economic management directions of leading nations in 2010.

Asia is maintaining its growth momentum, and signs of an economic recovery are becoming more prevalent in

the U.S. Although the central bank chiefs will likely agree to avoid a hasty move toward monetary "exit strategies," they are expected to discuss when and under what conditions emergency measures to address the global financial crisis should be lifted.

Indications of the outlook for such policies will be important to fiscal and other policies as a whole.

## Trying times

Attention to global trends will become more important this year when it comes to discussing the Japanese economy.

Deflation continues in Japan, which is saddled with huge government debt not seen in other countries. The nation's economy must be managed so as not to be left behind in the emerging global economic recovery.

Some overseas observers believe it would be surprising if Japan failed to achieve growth — considering its

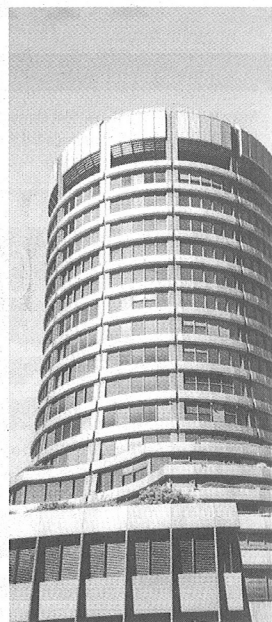
many strengths, including advanced technologies, high educational levels, reputation for diligence and low crime rate.

In reality, however, domestic demand remains weak and deflation persists. To break the impasse, Japan must create an environment that facilitates invest-

ment — including from abroad — and in which both businesses and consumers can feel confident that households will be able to live free of anxiety and spend on necessities.

It is to be welcomed, therefore, that the Bank of Japan has clarified its readiness to fight deflation.

For its part, the government unveiled a growth strategy at the end of last year. But it has yet to send a clear message of its determination. A specific time schedule for implementing measures under the strategy should be produced promptly.



**The BIS headquarters in Basel hosts the meeting of leading economies' central bank governors this week.**