Federal Reserve Bank of San Francisco
Conference on Asian Banking and Finance

Challenges in Global Finance: The Role of Asia
Asian Bank Leadership Panel

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Today’s Agenda

I. Overview of the Asian Market
   (1) Asian market from the viewpoint of Japanese financial history
   (2) Future growth based on expected demographic shifts

II. Growth of Asian Countries
   (1) Evolution of economies after the Asian currency crisis
   (2) Impact of the European economic crisis on the Asian market

III. BTMU’s Strategic Initiatives in Asia
   (1) Promotion of foreign capital investment in Asia
   (2) Financing for Asian growth
       - Infrastructure
       - Facility investment
       - Trade finance
   (3) Further development of Asian financial markets
       - Markets/Regulations
       - Human resources
Asian Market from the Viewpoint of Japanese Financial History

- Asia consists of various countries which vary in economic fundamentals, regulations, and financial development.
- It is essential to consider the stage each country is at for developing strategies and business plans.

### History of Japanese banks, GDP growth rate, and GDP per capital (2010)

#### Development stage: banking business with a focus on loan / deposit
- Deregulation of domestic investments from foreign investors
- Report released by Japan-US Yen-Dollar Committee

#### Growth stage: globalization
- Full revision of Foreign Exchange and Foreign Trade Control Law
- Liberalization of overseas capital transactions
- Full liberalization of foreign exchange
- Full liberalization of deposit interest rate
- Lifting of ban on financial holding companies
- Liberalization of overseas capital transactions
- Big Bang
- Financial System Reform Act

#### Expansion stage: expansion of product lineup
- Report released by Japan-US Yen-Dollar Committee
- Plaza Accord

#### Maturity stage: enhancement of global business
- Lifting ban on mutual entry into bank, trust bank, and securities
- Full liberalization of deposit interest rate
- Full liberalization of overseas exchange

#### Demographic Bonus

- High growth
- "Oil Shock"
- Stable growth
- Bubble
- Low growth

#### Demographic Onus

- High growth
- Low growth
- Stable growth
- "Oil Shock"
- Bubble

### Asian Market from the Viewpoint of Japanese Financial History

- Asia consists of various countries which vary in economic fundamentals, regulations, and financial development.
- It is essential to consider the stage each country is at for developing strategies and business plans.

#### Key Events
- **1960s**: Tokyo Olympics, Opening of Tomei and Meabbin Expressway, Osaka Expo
- **1970s**: Deregulation of domestic investments from foreign investors, Full revision of Foreign Exchange and Foreign Trade Control Law, Plaza Accord
- **1980s**: Liberalization of overseas capital transactions, Financial System Reform Act, Lifting ban on financial holding companies
- **1990s**: Full liberalization of deposit interest rate, Full liberalization of foreign exchange

### Graphical Representation

- GDP per capita (USD)
- GDP growth rate
- GDP per capita (USD)

### Historical Context

- Japan's financial history includes key events such as the Tokyo Olympics, deregulation of investments, and major financial reforms.
- The graph illustrates the progression of economic growth and financial liberalization across various countries.

### Data Sources

- National Bureau of Statistics of China
- IMF and Cabinet Office

*Shanghai in 2009

(National Bureau of Statistics of China)
(Source: IMF and Cabinet Office)
The fragile position at the time of Asian financial crisis has improved.

The higher resistance to an economic crisis allows major Asian countries to cope with the economic crisis, if any.

### Economic Growth of Asian Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Nominal GDP (US$Bn)</th>
<th>% of Nominal GDP</th>
<th>Current Account</th>
<th>% of Nominal GDP</th>
<th>Import (months)</th>
<th>Foreign Debt</th>
<th>% of Nominal GDP</th>
<th>Foreign Exchange Reserve</th>
<th>% of Nominal GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>953</td>
<td>5,878</td>
<td>3.9%</td>
<td>5.2%</td>
<td>13.9%</td>
<td>6.3%</td>
<td>11.8</td>
<td>24.5</td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td>532</td>
<td>1,014</td>
<td>-1.8%</td>
<td>2.8%</td>
<td>33.7%</td>
<td>28.8%</td>
<td>1.7</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td>299</td>
<td>430</td>
<td>2.3%</td>
<td>9.4%</td>
<td>11.2%</td>
<td>20.5%</td>
<td>8.7</td>
<td>18.2</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>238</td>
<td>707</td>
<td>-2.3%</td>
<td>0.9%</td>
<td>63.2%</td>
<td>17.2%</td>
<td>5.0</td>
<td>8.5</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>102</td>
<td>238</td>
<td>-5.7%</td>
<td>11.8%</td>
<td>47.1%</td>
<td>28.6%</td>
<td>3.3</td>
<td>8.6</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>151</td>
<td>319</td>
<td>-2.0%</td>
<td>4.6%</td>
<td>72.7%</td>
<td>15.8%</td>
<td>5.3</td>
<td>12.8</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>93</td>
<td>200</td>
<td>-4.8%</td>
<td>4.5%</td>
<td>17.4%</td>
<td>38.5%</td>
<td>2.7</td>
<td>13.6</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>421</td>
<td>1,632</td>
<td>-1.4%</td>
<td>-3.2%</td>
<td>24.2%</td>
<td>19.0%</td>
<td>8.0</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>27</td>
<td>104</td>
<td>-5.7%</td>
<td>-3.8%</td>
<td>80.8%</td>
<td>34.0%</td>
<td>2.7</td>
<td>1.8</td>
<td></td>
</tr>
</tbody>
</table>
BTMU’s Strategic Initiatives in Asia

- Finance from private banks is essential for infrastructure development considering the $700Bn gap between infrastructure needs and public finance/private investment in Asia. BTMU focuses on financing for infrastructure projects in Asia.
- BTMU focuses on financing of Japanese corporations for facility investment and trade finance to meet increasing expansion and investment in Asia.

### Infrastructure needs forecast in Asia

(2010~20) (US$Bn)

<table>
<thead>
<tr>
<th>Infrastructure Needs</th>
<th>New</th>
<th>Renewal</th>
<th>Demand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>3,176</td>
<td>912</td>
<td>4,089</td>
</tr>
<tr>
<td>Communication</td>
<td>325</td>
<td>730</td>
<td>1,056</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,762</td>
<td>705</td>
<td>2,466</td>
</tr>
<tr>
<td>Road</td>
<td>1,702</td>
<td>638</td>
<td>2,341</td>
</tr>
<tr>
<td>Port</td>
<td>50</td>
<td>25</td>
<td>76</td>
</tr>
<tr>
<td>Railroad</td>
<td>3</td>
<td>36</td>
<td>39</td>
</tr>
<tr>
<td>Airport</td>
<td>7</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Water</td>
<td>155</td>
<td>226</td>
<td>381</td>
</tr>
<tr>
<td>Total</td>
<td>5,419</td>
<td>2,573</td>
<td>7,997</td>
</tr>
</tbody>
</table>

11 years total: $8 Tn
Annual: $730 Bn

$700Bn gap annually

### Public Finance/Private Investment in Infrastructure

Total: $27 Bn annually
Public Finance: $7 Bn annually
Private Investment: $20 Bn annually

<table>
<thead>
<tr>
<th>No. of Japanese companies’ subsidiaries</th>
<th>Direct investment from Japan to Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>Asia Total</td>
<td>3,156</td>
</tr>
<tr>
<td>China</td>
<td>184</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>476</td>
</tr>
<tr>
<td>Taiwan</td>
<td>463</td>
</tr>
<tr>
<td>Korea</td>
<td>245</td>
</tr>
<tr>
<td>Singapore</td>
<td>509</td>
</tr>
<tr>
<td>Thailand</td>
<td>488</td>
</tr>
<tr>
<td>Philippines</td>
<td>125</td>
</tr>
<tr>
<td>Malaysia</td>
<td>366</td>
</tr>
<tr>
<td>Indonesia</td>
<td>215</td>
</tr>
</tbody>
</table>

(Source): METI “survey of overseas business activity”
MOF/BOJ “Outward/Inward Direct Investment”