
Daisuke Kotegawa

The West Is Destroying Its Banking System

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His message to the conference was read by Michael Billington.

In the U.S.A. and in Europe, they seem to have learned nothing from the crisis in the late 1990s, that is, how we should try to maintain confidence in the financial markets, and the difference between the regular kind of economic slowdown, and the crisis that was caused by the financial crash.

As I have mentioned again and again, countries must create three kinds of safety nets: Number one, establish a mechanism to bail out financial institutions; number two, establish a system by which you can log the non-performing loans; and number three, establish a system whereby you can guarantee interbank lending, by the government.

But they have not actually put an action in place for the part about the resolution of non-performing loans, for, in order to dispose of all the non-performing loans, you have to conduct a very rigid examination of the balance sheets of each major bank by the government authorities, and make the results known to the public, and a kind of evaluation of the members of the boards of those financial institutions who were responsible for that kind of crisis.

In the case of the European countries, as well as the U.S.A., those kinds of very neutral, dependable financial examinations by the banking authorities have never been conducted, and so, obviously, the public has never

had access to the results of such examinations. Without that kind of transparency, it is impossible to persuade all the participants in the market that all the financial institutions' authorities have been cleared.

It is of the utmost importance to guarantee a certain level of the amount of deposits for all depositors in the country. So, in most countries now, we have a certain ceiling under which all deposits would be protected during any kind of financial crisis. But what happened in Cyprus was completely opposite to this policy—they have been trying to introduce a system whereby depositors are also asked to lose part of their deposits. This will completely destroy the confidence in the financial system, and thereby aggravate the financial crisis.

So, I can't understand why people in Brussels should use this kind of stupid policy, which, in everybody's eyes, at a glance, is a completely wrong policy to maintain the confidence in the financial system.

I hope that this kind of policy, which has been advised by Brussels, will be reversed as soon as possible, because this will have tremendous contagion effect to other countries in question.

That's my view. Thank you.