



MINISTRY OF FINANCE  
Finland

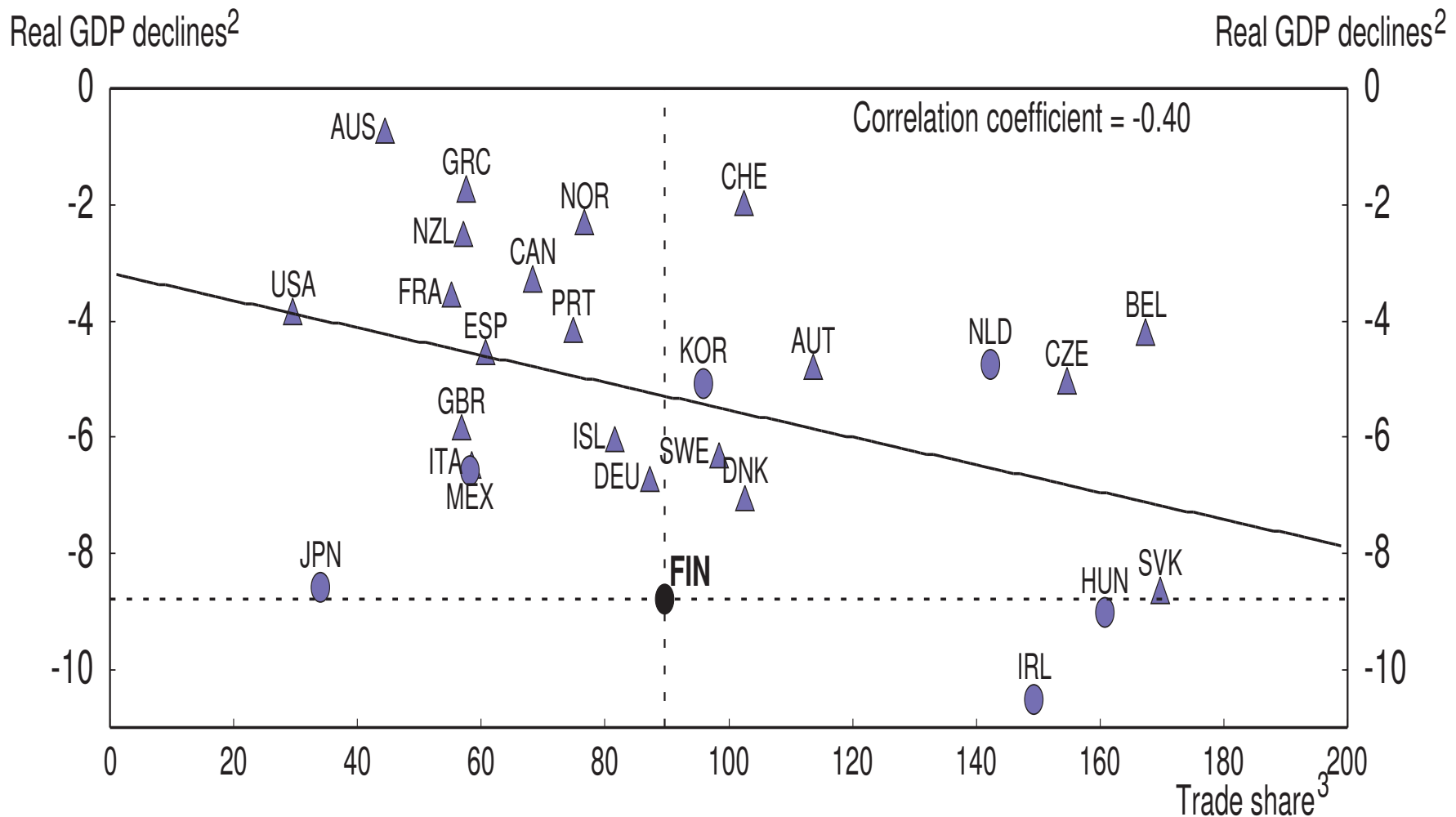
## Economic policy after the crisis

- Crisis
- Policies
- EU agenda

**Jyrki Katainen 26.1.2010, Tokyo**

# The crisis hit hardest very open economies (+Japan & Finland)

## Trade openness and GDP declines during the current downturn

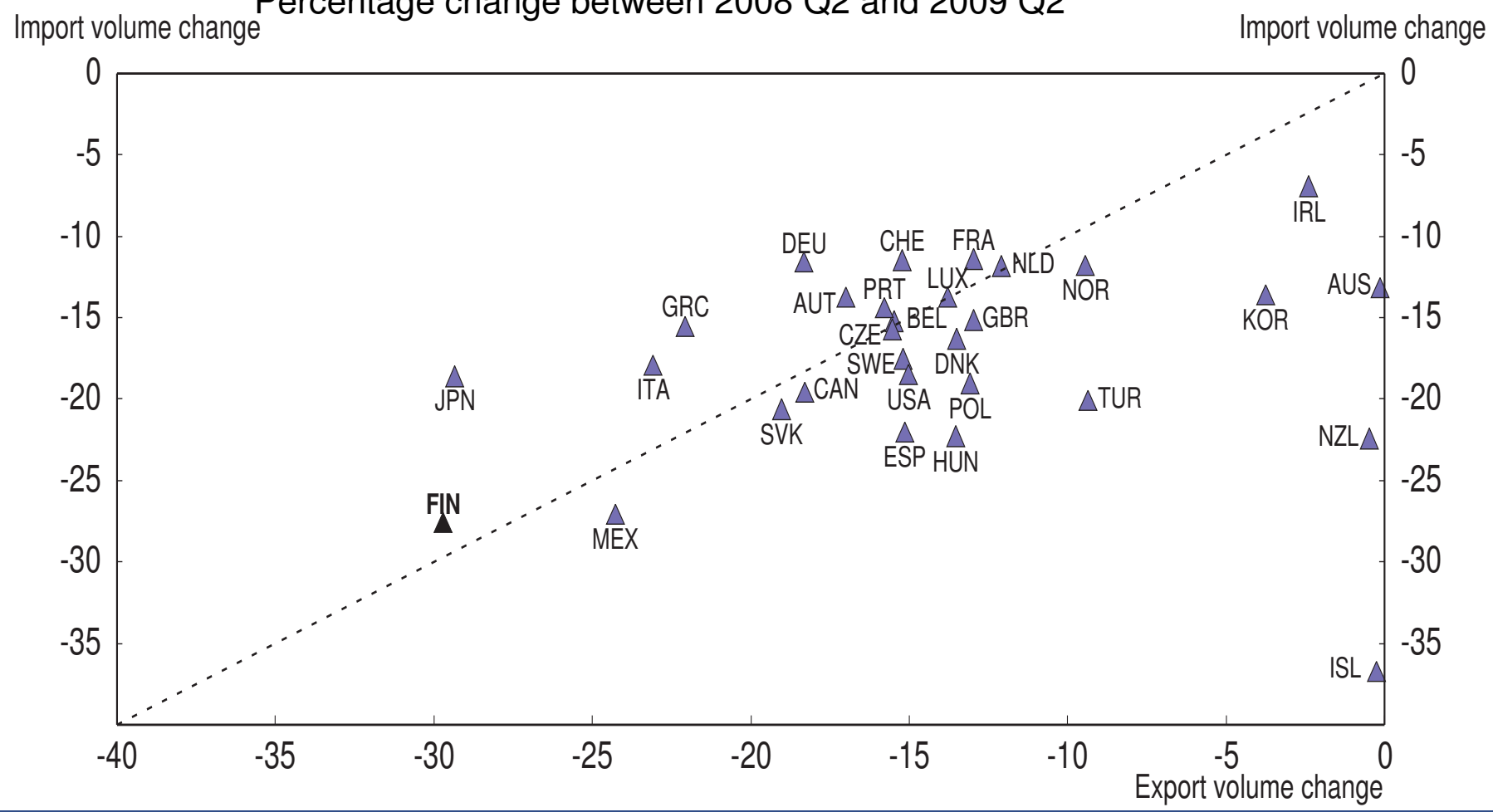




# The crisis hit hard Japanese and Finnish exports (-30 per cent)

## Trade change during the current downturn

Percentage change between 2008 Q2 and 2009 Q2





## Policies after the crisis

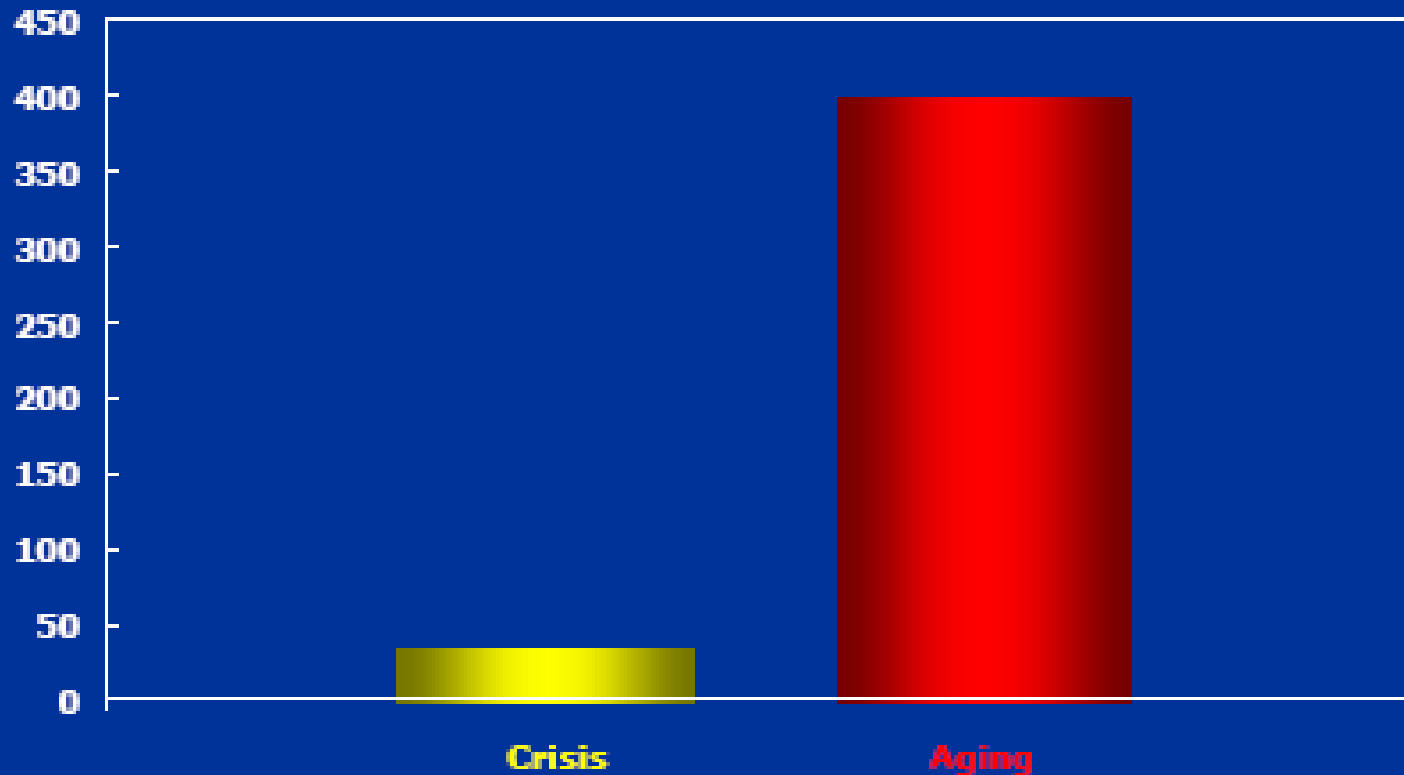
- Keep trade open
- Address fiscal crisis
- Solve competitiveness problems
- Ensure financial stability
- Improve global governance (G20, IMF, FSB)

For fiscal policy, ageing is much bigger challenge than the crisis



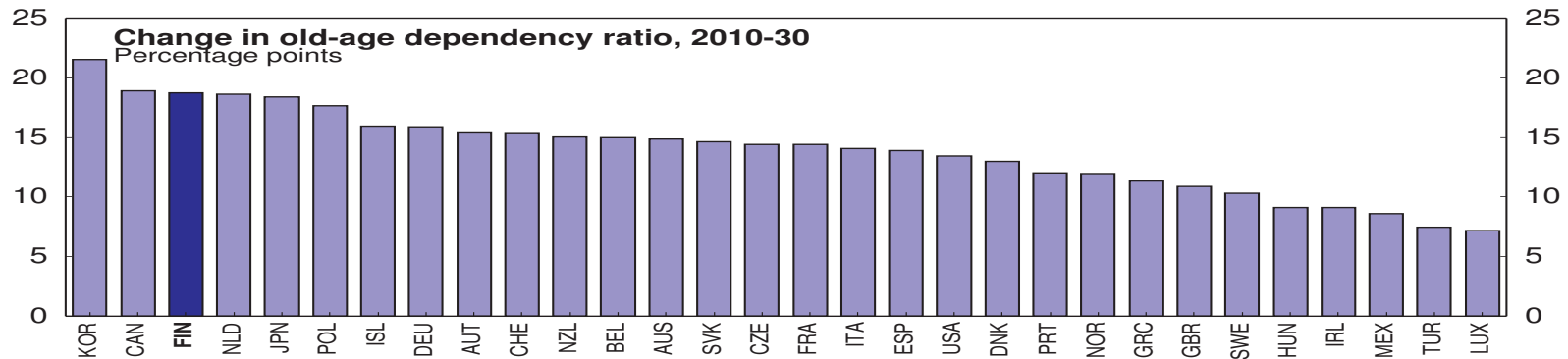
## What Entitlement Reform Can Buy Advanced G-20 Countries

**Net Present Value of Fiscal Costs  
Crisis vs. Age-Related Spending**  
*(percent of GDP)*



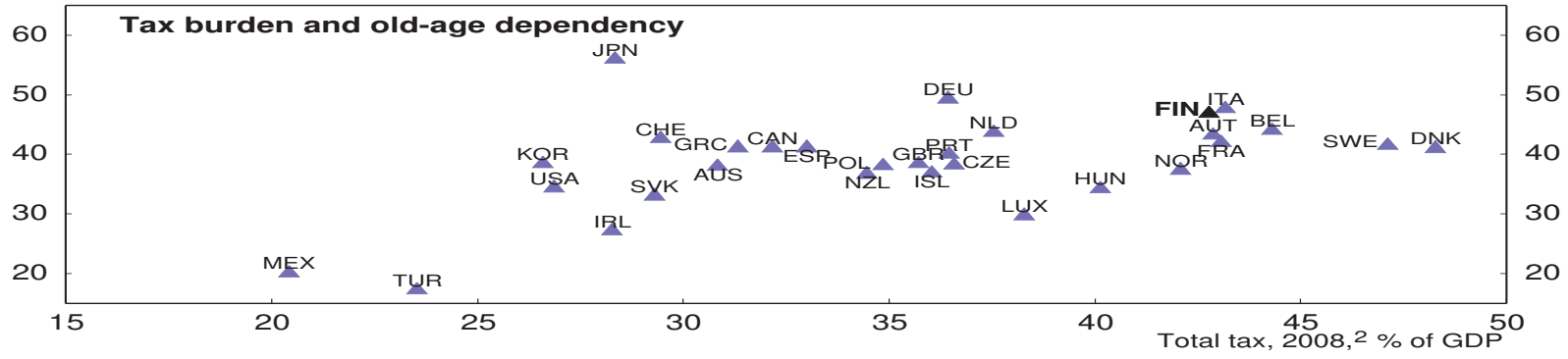


Old age dependency ratio (population over 65 years/working age population) goes up fastest in Korea, Canada, Finland, Holland and Japan



Old-age dependency ratios, 2030

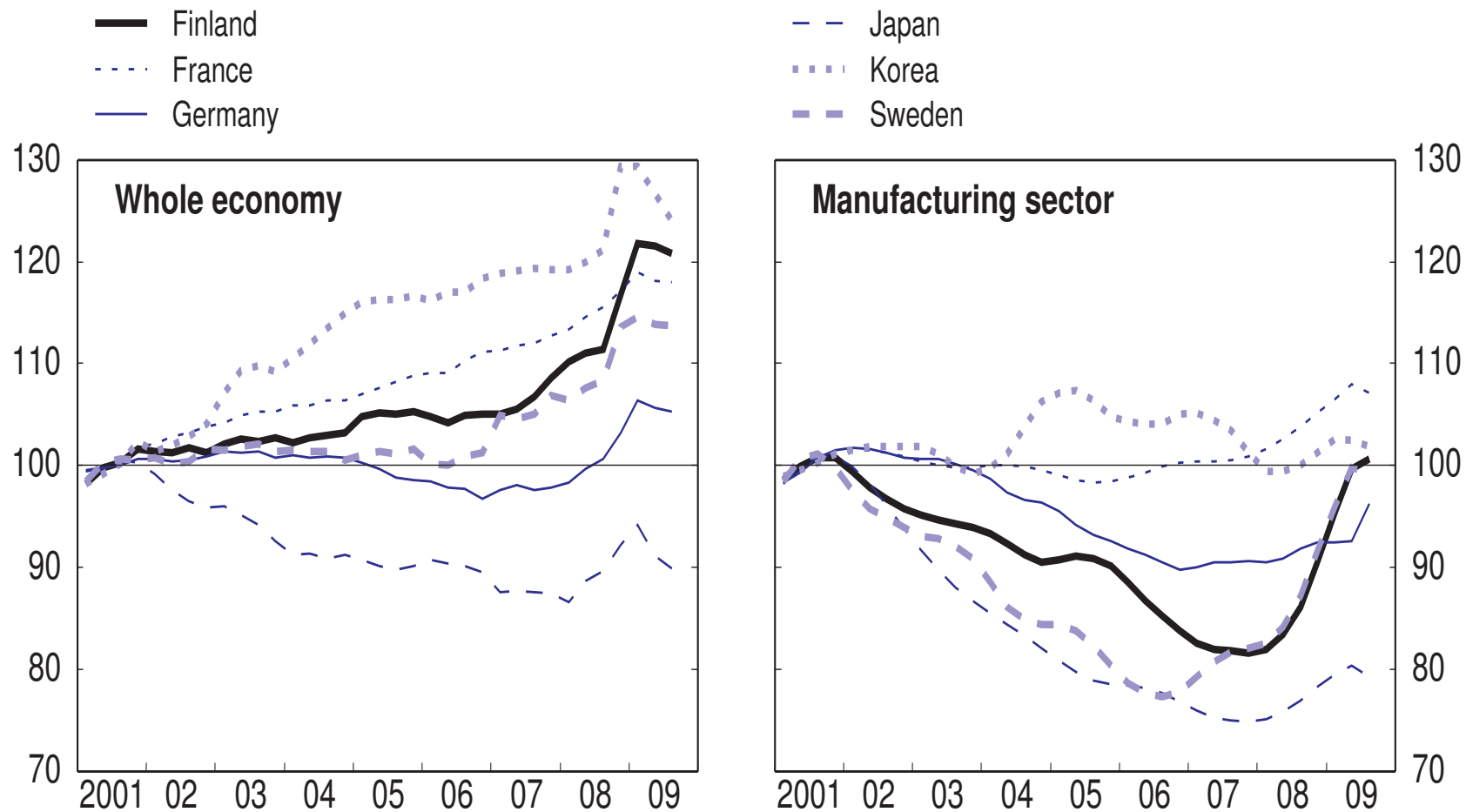
Old-age dependency ratios, 2030





# Competitiveness

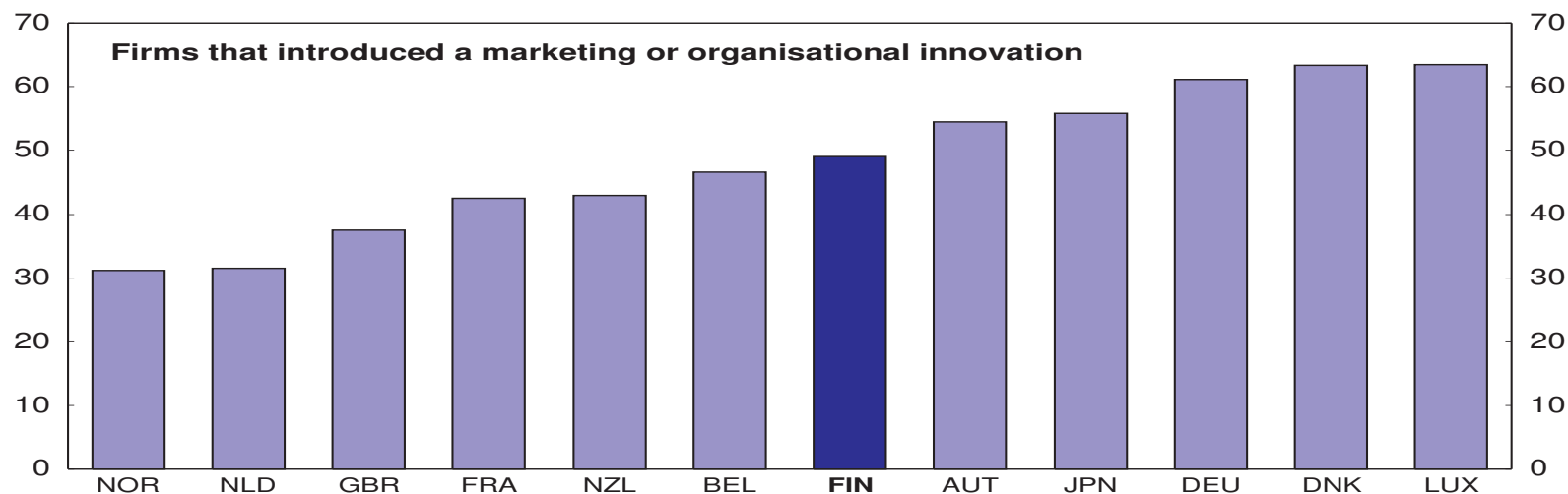
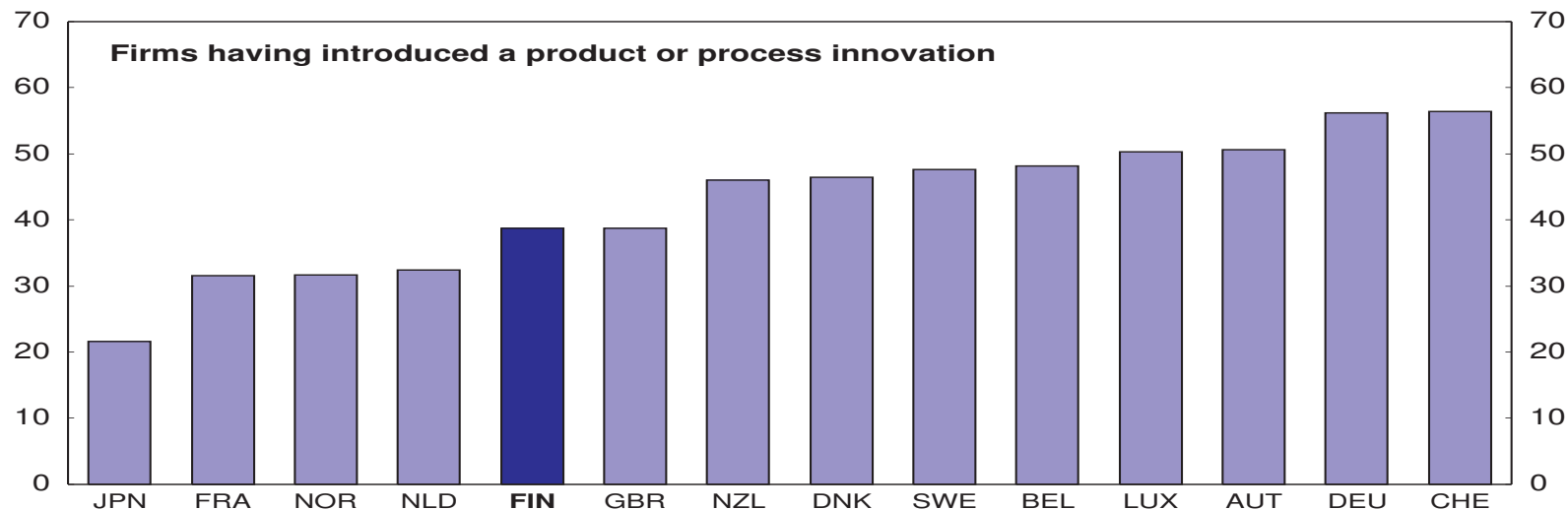
## Nominal unit labour costs in selected OECD countries 2001 = 100





## Innovation in firms

In per cent of all firms, 2002-04





## **Financial stability (Bank taxes)**

**Background: Financial crisis created big loss to tax payers**

**Plans: Banks should bear the costs of financial crisis**

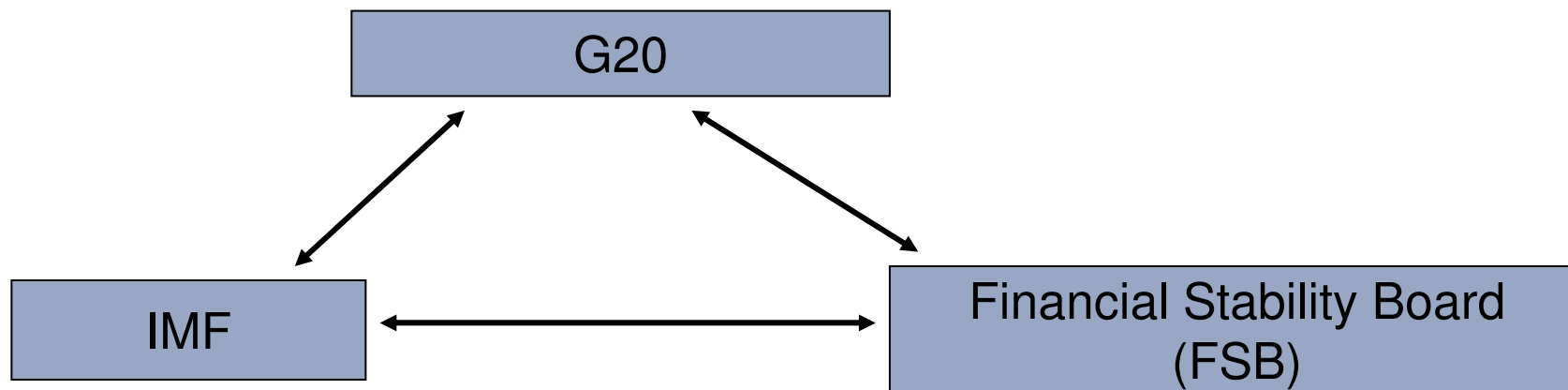
**The IMF is preparing a proposal on global bank tax**

**The US has announced a 'banking tax'**

**Sweden introduced a fee (tax) that is collected by state**



# Global governance & EU external representation



G20: EU-presidency (+ commission), UK, DE, IT, FR, (NL, ES)

IMF: All EU countries, not Commission, ECB observer

FSB: Commission, ECB, UK, DE, IT, FR, NL, ES



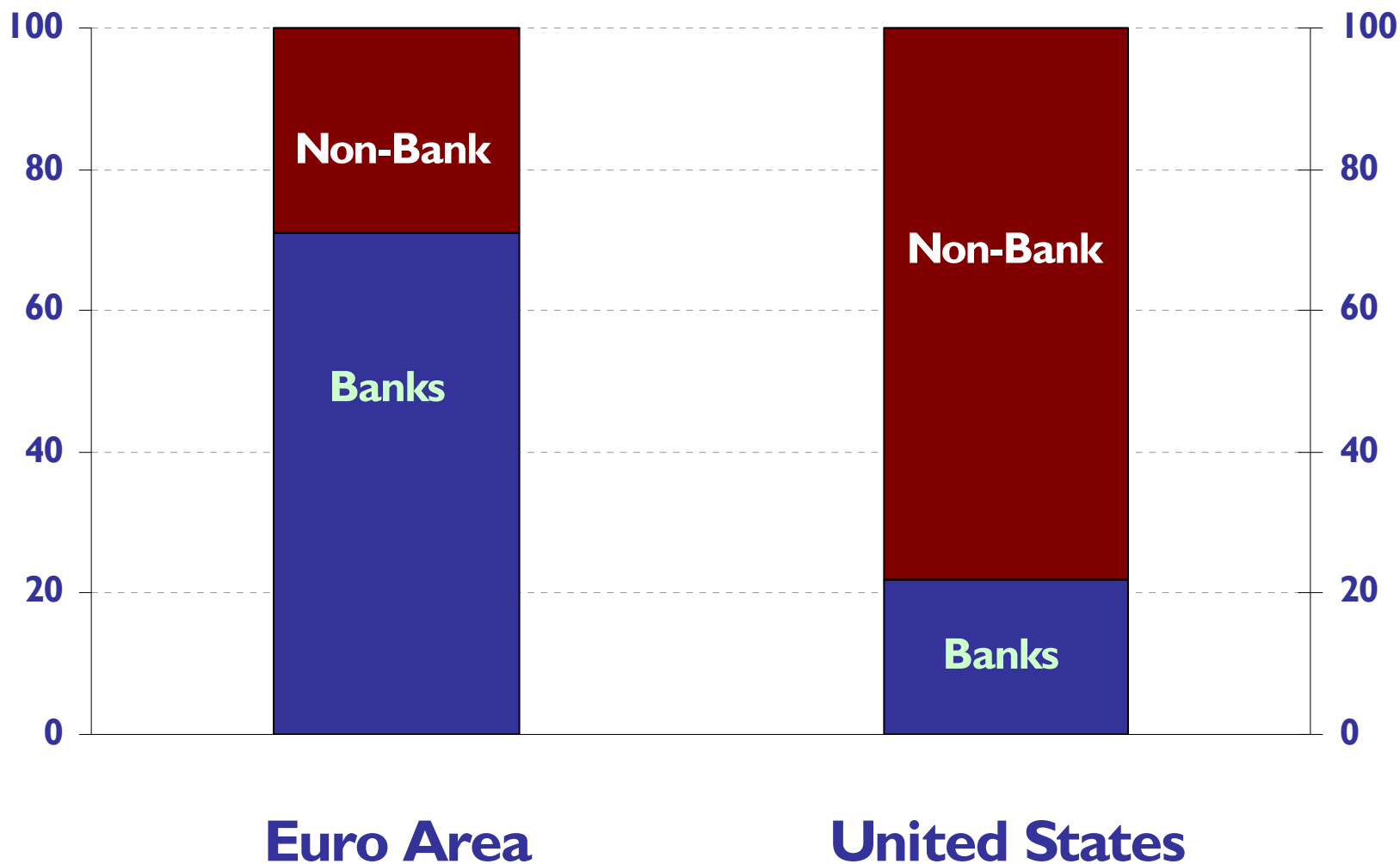
# EU Economic Agenda

	2010		2011		2012		2013	
Presidency	Spain	Belgium	Hung.	Poland	DK	Cyprus	Ireland	Lithua.
Growth Policy	EU2020 negotiations		Implementation of EU 2020					
EU Budget	Negotiations on 2014-2020 framework				Nat. ratification			
EMU enlargement	Estonia 2011? – discussions in many other countries							
Financial markets	Financial market supervision (new Risk Board, 3 supervisory agencies) and regulation							
ECB	New Vice President		New President					
G20 Presidency	South Korea		France					
IMF & World Bank Reforms	World Bank reform		IMF reform					



# Healthy banks are important in Europe

External financing sources of firms in 2004-2008, %





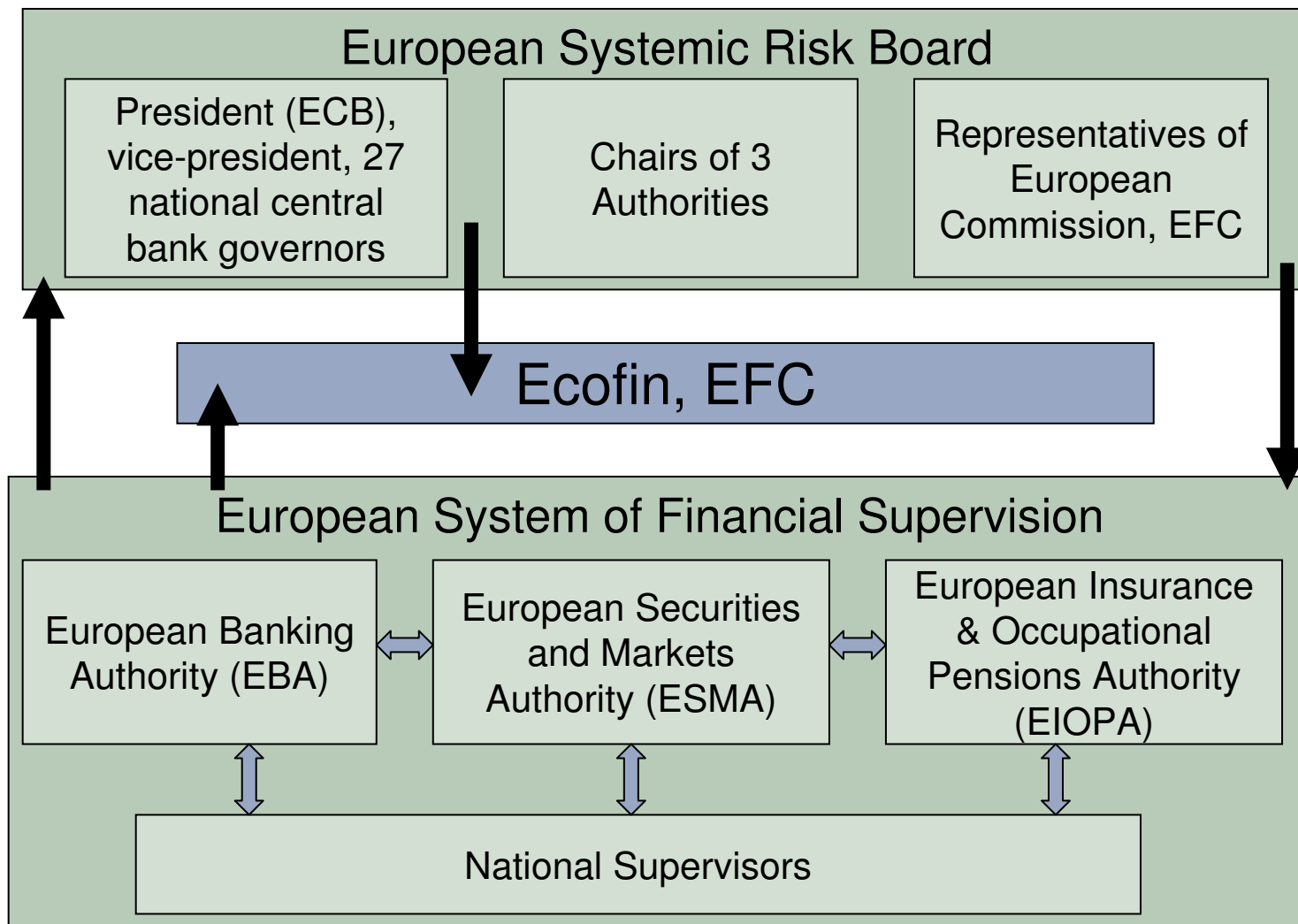
# The New EU Supervisory Framework

## **European Systemic Risk Board (ESRB) in Frankfurt**

- issues warnings and recommendations
- reports to the EU Bodies (Ecofin, Commission, EP)

## **European System of Financial Supervision**

- EBA, (Banking) in London
- EIOPA (Insurance) in Frankfurt
- ESMA (Securities) in Paris





## Concluding remarks

It was easier to deal with the crisis than with its results

- high unemployment, budget deficits

New risks

- protectionism, new financial bubbles and crisis

Solution

- co-operative, growth-oriented & sustainable policies globally