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Bank of Japan

**Remarks at the Event to Commemorate
30 Years of the Banca d'Italia in Tokyo**

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Governor of the Bank of Japan

I am honored to be here today for the 30th Anniversary of the Banca d'Italia Representative Office in Tokyo. I would like to take this opportunity to extend my heartfelt congratulations to Governor Visco, Mr. Cicogna, Chief Representative of the Tokyo Representative Office, and all our Italian colleagues on this happy occasion. I am deeply grateful for the Tokyo Representative Office's commitment over the years to nurturing and deepening the spirit of friendship and cooperation between Banca d'Italia and the Bank of Japan, as well as our two countries.

Looking back, the year 1989 -- in which this office was established -- marked the last year of the Showa Era and the first year of the Heisei Era in Japan. Fast forward 30 years to 2019, the Heisei Era has just drawn to a close and we have entered the Reiwa Era. In 1989, Japan was experiencing the last of its bubble years, with the Nikkei 225 Stock Average hitting its all-time high of 38,915 yen. This was followed by a severe financial crisis in the late 1990s and persistent deflation since 1998. Now, Japan's economy is no longer deflationary. Nevertheless, due mainly to the experience of prolonged deflation, people's deflationary mindset and behavior have been deeply entrenched based on the assumption that wages and prices will not increase easily. Changing this is taking time, and we have continued to pursue powerful and large-scale monetary easing measures to achieve the 2 percent target. Our Italian colleagues at the Tokyo Office have witnessed the evolution of our policy measures during the turbulent Heisei Era.

In the global sphere, 1989 also marked a sea change in global politics, with the collapse of the Berlin Wall and the declaration of the end of the Cold War at the historic Malta Summit. With the dismantling of the Cold War structure, the world quickly embraced globalization. Economies soon became more and more interconnected in terms of trade and financial transactions. Of course, while globalization has brought a wealth of benefits to the global economy, we should not forget that rapid globalization also might have brought a degree of economic distortion and led to international financial crises, such as the Asian Currency Crisis in the late 1990s and the Global Financial Crisis in the late 2000s.

After these 30 years, Italy and Japan now face a number of similar problems. Population aging is one of the most challenging issues our two societies face. When you look at the data,

among the G20 countries, the average life expectancy in Japan is the highest, at 84.1 years, and that of Italy is the second highest, at 83.1 years. Italy and Japan also share the problem of a high debt-to-GDP ratio, partly due to increased social security spending. Such aging-related issues were discussed at the G20 Finance Ministers and Central Bank Governors Meeting in Fukuoka last weekend, in which Governor Visco and I took part. We had frank and meaningful discussions to share the experiences of each country, identify common challenges, and exchange views on possible policy responses to strengthen economic fundamentals for sustainable and inclusive growth. To take advantage of the benefits of an aging society, policy makers of the G20 countries, including Italy and Japan, will need to tailor their policies to country-specific circumstances based on the findings of these discussions.

Now, I would like to touch upon the relationship between Banca d'Italia and the Bank of Japan. We take part in many international forums together, such as the G7 and the G20. As seating arrangements are often made in alphabetical order, I usually sit next to Governor Visco and always enjoy his insights and wisdom, supported by the excellent economic and financial research of Banca d'Italia. Likewise, my old friend President Mario Draghi of the ECB was the Governor of Banca d'Italia from 2006 to 2011. He has worked together with the Bank of Japan and supported us in various ways. Looking further back, Dr. Paolo Baffi, who was your governor from 1975 to 1979, visited us in 1962. At that time, the Bank of Japan was beginning to enhance its relationships with other central banks around the globe in anticipation of the globalization of the Japanese economy. Dr. Baffi, who was then deputy governor, taught courses on monetary policy, reserve requirements, and financial cooperation at a 10-week central banking seminar hosted by the Bank of Japan. The participants at the seminar were senior officials from 16 central banks. Dr. Baffi contributed to building the foundations of cooperation between the Bank of Japan and other central banks. All these deep-rooted relationships explain how Banca d'Italia has supported us in our international activities throughout these years. We do indeed enjoy a strong connection.

Lastly, I would like to briefly comment on the relationship of our two countries. Through events such as the Expo Milano 2015, commemoration of the 150th anniversary of diplomatic relationship between Italy and Japan in 2016, and many other occasions, the Italian people

seem to have developed a keen appreciation of Japan and Japanese culture. In February this year, the EU and Japan's Economic Partnership Agreement (EPA) came into force establishing an economic area with a population of 640 million people, accounting for almost 30 percent of world GDP and 40 percent of global trade. This EPA should enable an increase in and deepening of the trade and investment relationships among Italian and Japanese firms.

Coming back to the name of the new era, the Chinese characters for "Reiwa" mean "beautiful harmony," or more specifically "culture is born and nurtured as people's hearts are beautifully drawn together." As we have reaped the fruits of the rapid globalization in the Heisei Era, the time is ripe to face up to the associated challenges so that we may continue to gain from globalization in the Reiwa Era. I truly hope that we can work together in "beautiful harmony" to further enhance the already strong relationship between Italy and Japan.

In closing, I would like once again to extend my sincere congratulations on the 30th anniversary of the Banca d'Italia Representative Office in Tokyo, and to thank all those who have made this possible. I look forward to a 40th, 50th, and many more anniversaries to come, as I am confident that we will continue to enjoy an even stronger friendship and cooperation between Banca d'Italia and the Bank of Japan, as well as between Italy and Japan. Thank you.