

20th Anniversary of the IMF Regional Office for Asia and the Pacific
--Inclusive and Sustainable Economic Growth--
9:30-11:30 November 8, 2017

Keynote Speech by Vice Minister for International Affairs Mr. Masatsugu Asakawa
“Cooperation between Japan and the IMF and Their Roles in Asia”

1. Good morning, ladies and gentlemen. It is my great honor to speak at this memorable event to celebrate the twentieth anniversary of the IMF Regional Office for Asia and the Pacific, or OAP. I am also very much pleased to have Ms. Christine Lagarde here today. Personally I spent four years working for the IMF, so whenever I talk to IMF staff nowadays, I feel very much at home.
2. First of all, I would like to pay tribute to the IMF’s long-standing contributions toward helping economies across the Asia-Pacific region. For years, Asia has been the most dynamic region in terms of spurring economic growth and reducing poverty. I believe that OAP has been one of the focal points for the IMF’s endeavor in supporting the development of the regional economy and financial markets, as well as capacity development activities in the region.
3. Let me start by looking back on the last 20 years after the establishment of OAP. We have achieved a lot of things. Visiting the past is often useful to learn the new. I hope I will be able to provide some food for thought for today’s discussion: how we can achieve inclusive and sustainable growth.
4. In 1997, twenty years ago from now, we faced the Asian financial crisis. Starting in Thailand in early July, the severe crisis spread immediately to other countries in the East Asian region. Before the crisis, the region had grown at around 8 percent on average for three decades since the launch of the ASEAN in 1967. It was admired as “the East Asian Miracle.”
5. However, the economic and financial landscape of the region suddenly changed, as the risk of so-called “double mismatches” of currency and maturity was materialized. When capital inflows were reversed, most countries struggled to maintain their de-facto fixed exchange rates, which entailed the depletion of foreign reserves. The following year, in 1998, the growth rate of the ASEAN 5 countries plummeted to below negative 8 percent.
6. In the wake of the large-scale financial crisis, Asian economies have made tremendous efforts to fix the root causes of the crisis and strengthen their macroeconomic resilience. The efforts included adopting more flexible exchange rates, cleaning up the balance sheets of the banking and corporate sectors, and conducting sound macroeconomic management.

7. In addition to these individual efforts, countries in the region have cooperated together to work hard toward building preparedness for and preventing another crisis in the future. Japan has been making collective efforts with our Asian partners toward ensuring safer and more prosperous Asian financial markets. We launched a package of support measures totaling 30 billion dollars under the New Miyazawa Initiative in 1998. Moreover, we have established and strengthened the regional financial safety net. And, we launched the ABMI, or Asian Bond Market Initiative, which aims to maximize the utilization of savings in the region for financing investment in the region. This also serves as a solution of “the double mismatches” in terms of maturity and currency. We are now discussing closely with the Fund to make our regional financial safety net, Chiang Mai Initiative, and the IMF, the core of the global financial safety net, to work together in an effective and efficient way.
8. We took seriously the lesson learned from the crisis, and turned the crisis into an opportunity to develop solidarity in the Asia and enhance resilience of regional financial markets as well as individual economies. Building on these individual and regional efforts, the region has achieved economic recovery and paved the way to return on a robust growth path. When we faced a series of major financial crises recently, such as the Global Financial Crisis and the euro area debt crisis, the Asian region has weathered relatively well, compared to severely affected epicenters, such as the United States and the euro area. The strong resilience that the region has shown during these financial crises can be attributed to the continuous reform efforts made by countries in the region.
9. I believe that the IMF has also learned a lot from its experiences of the IMF-supported programs amid the Asian Financial Crisis. I really appreciate that the Fund is an institution that is humble to listen to legitimate criticism and flexible to change itself when necessary. I just point out the following three things:
 - First, the Fund streamlined program conditionality, including eliminating structural performance criteria, focusing more on a macro-critical policy areas;
 - Second, the Fund consider the use of fiscal policy more flexibly, taking into account an economic impact of fiscal adjustment and protecting social spending for the most vulnerable people; and,
 - Third, the Fund look more at the financial sector, and put emphasis on macro-financial linkages.
10. The lessons learnt from the Asian financial crisis certainly mitigated the negative impact of the Global Financial Crisis and helped us avoid falling into the second Great Depression. If we had overlooked policy gaps, we would have been unable to enjoy the current strong economic recovery. In short, policymakers should not be complacent and do what they need to do.
11. The Fund has fully functioned in keeping policymakers away from the disease of complacency.

The Fund has always been candid in its surveillance and in discussing economic programs with country authorities. Determined truth telling by the Fund is invaluable public goods.

12. Let me turn on the current global economy. Almost a decade have passed since the Global Financial Crisis. The current global economic recovery is broad-based, and the near-term outlook is firming. This is even more so for the Asia-Pacific region.
13. As the latest WEO rightly says, the current global economic upswing gives a window of opportunity for us to address medium-term downside risks and raise potential growth by tackling important policy challenges. Avoiding complacency with the cyclical recovery and myopic focus on short-term GDP growth, we should work hard toward achieving sustainable and inclusive growth.
14. Addressing structural challenges including population aging is important for advanced economies, especially for Japan. To make Japan's current recovery and growth more sustainable, we are resolved to press forward structural reforms and overcome Japan's greatest challenge—population aging and declining fertility rates. We have been advancing a “work-style reform” as a key agenda of structural reforms, which aims to promote the labor participation of women and the elderly and raise labor productivity.
15. “Womonomics” is an essential part of Abenomics. The number of female workers has increased by 1.5 million for last four years. We will accelerate our efforts to achieve women's further active engagement in our economy. In this connection, Madam Lagarde, you are a perfect role model for Japanese women.
16. Going forward, we will further enhance Japan's economic potential through taking new, revolutionary approaches. We will promote harnessing cutting-edge technologies, such as artificial intelligence, Internet of Things, and robotics, to raise productivity across all industries and sectors. Moreover, thinking ahead of a society in which many people live for one hundred years, we are keenly aware of the need to ensure that the labor force has the adequate skills for future jobs. We will therefore upgrade our investment in human capital, including through reducing the financial burden related to early childhood as well as advanced education, and championing recurrent and life-long education.
17. Population aging is a great challenge to not only Japan but also many other Asian countries. Population aging can be measured by the ratio of aged-65 or older to the total population. Japan's population aging ratio is 27 percent in 2016. Although the average population aging ratio of the ASEAN countries is around just 6 percent now, many of the ASEAN economies will face a rapid population aging in the near future. While it took 24 years for Japan's population aging ratio to

double from 7 to 14 percent, for example, Korea, Singapore, and China are expected to experience faster aging than Japan did.

18. We need to adapt our policies such as social security and labor market policy to rapid demographic changes. As a front runner, Japan will continue to make efforts to tackle this demographic challenge. Japan's efforts, both successful and even unsuccessful, will be no doubt useful lessons to countries in the Asia-Pacific region. We expect the Fund to be a reliable partner of our Asia-Pacific countries with its candid advice to tackle this great challenge. We also expect the Fund to disseminate useful findings through its surveillance and capacity development activities to the Asia and the world.
19. I would like to conclude my remarks in hoping that Japan and the Fund will continue to cooperate to tackle important regional common challenges and thereby contribute to achieving sustainable and inclusive growth in the Asian-Pacific region. Thank you for your attention.