

7TH IMF-JICA CONFERENCE

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Honorable Ministers, Governors, distinguished guests, and friends, good morning. It is my great pleasure to be here to speak to you all.

First, I would like to thank the IMF and JICA for hosting this important conference. Since 2011, this conference has provided valuable biennial opportunities for participants from all over the Asia-Pacific region to discuss practical ways to address their common challenges, and to learn from each other. This year, we will focus on fiscal policies, climate and disaster resilience, and industrial policies, all of which are relevant and timely in the context of the current regional situation.

As we all know, the emerging and frontier Asia is the center of the global economic growth. Its growth rate has been surpassing other regions for many years and accounted for roughly 60 percent of the global growth last year. However, near-term risks seem to have tilted to the downside, due to a variety of factors, including uncertainty of the U.S. macroeconomic and trade policies, as well as economic downturn and overcapacity in China.

Furthermore, our region is facing significant structural challenges. We are most exposed to climate-related risks. Some analysis shows that climate change could cause a total loss of 17% of GDP across Asia and the Pacific by 2070. The changing demographic landscape also warrants our attention. By 2050, the share of people aged 60 and over is forecasted to represent one quarter of the regional population, and over half of the elderly population in the world will live in developing Asia.

Under such circumstances, the importance of effective fiscal policies, which is the first item on the agenda of today's conference, has been ever increasing. Policy makers have to take a well-balanced approach to meet current development needs, address structural issues such as climate and demographic challenges, and build fiscal buffers to respond to future crises.

International partners such as the IMF and JICA can help each country's efforts with their respective expertise, while maximizing synergies through collaboration.

Sri Lanka is one of the cases in point on strengthening fiscal policies through multilateral collaboration. The IMF has been supporting Sri Lanka to restore their fiscal sustainability under the IMF lending program, in tandem with the ground-breaking debt restructuring deal between the Sri Lankan authority and the Official Creditors Committee, co-led by India, France, and Japan. Domestic financial resources mobilized through the efforts under the IMF-supported program will empower Sri Lanka to advance toward Sustainable Development Goals in a self-reliant manner. JICA also has been taking a critical part in these multilateral efforts. The agency has been helping the Sri Lankan authority develop and implement its public investment management plan and SOE's reform plan. Furthermore, the concessional Yen-loan for ongoing and potential public investment projects will contribute to further strengthening the fiscal and external position of the country.

The resilience against climate change and natural disasters, the second agenda of today, is another area where collaboration between the IMF and JICA has become even more critical. Our region needs to tackle the increasing severity of climate and disaster impacts on countries' short-term external positions, macro-economy, and long-term development.

Bangladesh presents a good model. In December 2023, the authorities, their international partners, and the private sector jointly launched the "Bangladesh Climate and Development Platform". This platform is an initiative based on the IMF lending program through the Resilience and Sustainability Facility. It aims to facilitate a collaborative approach among all partners for public and private investment in adaptation and mitigation. JICA is contributing to this initiative through various projects, such as flood control for adaptation, and technology transfer for renewables and energy-saving.

Our third session will discuss "industrial policy". This is a topical and contentious issue, as an increasing number of countries are implementing industrial policies around the world, including in the Asian region. While some could be effective and legitimate industrial policies, others are less effective or even harmful, particularly for trade and investment partners. Policy makers need to be

sensitive about the impacts of potential spillover of their policies on other countries and international markets. In addition to careful cost/benefit analyses, they need to consider how to mitigate the negative spillovers and promote fair competition. To this end, the following three set of guiding questions would be helpful:

- First, whether industrial policies are consistent with international rules such as the WTO rules.
- Second, whether the government provides information to the public and other countries in a transparent manner.
- Third, whether both domestic and foreign entities have freedom or choice in their access in such policies.

Policy makers also need to consider economic security implications. While in general, inward foreign direct investments bring benefits to countries such as knowledge transfer, appropriate screening on FDIs should be in place to make such investment ‘safe’ from the economic security perspective, especially when the inward FDIs are made in critical infrastructure and sectors.

As these are complicated tasks, countries may count on objective analyses by the IMF and tailored advice from Japan based on our first-hand experiences at home.

I would like to conclude my remarks by emphasizing the importance of personal relationships and networks. I sincerely hope that all of you here today can build and strengthen your human networks throughout this conference, and further promote peer-to-peer learning all around the region. We believe that the IMF Office of the Asia and the Pacific, an important regional hub of the IMF, and JICA can jointly play a wonderful facilitating role in this context. By bringing our knowledge and networks together, we can collectively navigate for a better future even under these uncertain global economic conditions.

Thank you very much for your attention.