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Statement by the Hon. **TARO ASO**,  
Governor of the Bank and the Fund for **JAPAN**



Statement by the Honorable, Mr. Taro Aso  
Governor of the World Bank Group and the International Monetary Fund for Japan

I. THE GLOBAL ECONOMY AND THE JAPANESE ECONOMY

Global growth is still weak and our efforts to put the global economy on a stronger and more sustainable growth path are critically important.

Economic activities in advanced economies are strengthening as observed by the fact that: private consumption in the United States is on a rising trend; the Japanese economy is steadily recovering, and some European countries' economies are showing signs of recovery, although continuous reform efforts are still necessary for advanced economies. So as not to put a damper on these favorable trends, we look forward to seeing the debt ceiling debate in the United States resolved as soon as possible.

Recent discussions on the tapering of monetary easing in the United States stem from the recovery of the U.S. economy and job market; and these trends are to be welcomed. On the other hand, the U.S. tapering of quantitative easing could have potential spillover effects on emerging market economies; this would need to be properly addressed. It is of foremost importance that emerging market economies steadily implement appropriate macroeconomic policies, structural reforms, and appropriate micro- and macro-prudential supervision in order to make their economies more resilient to external shocks. At the same time, international cooperation is also important in order to maintain financial market stability.

From this standpoint, on September 6, Japan reached an agreement with India to expand the bilateral currency swap arrangement from 15 billion U.S. dollars to 50 billion U.S. dollars. Japan is also consulting with other Asian emerging market countries about expanding the currency swap arrangements. Through such efforts, Japan intends to continue to contribute to the stability of the global financial markets.

I will now move on to the next topic, the Japanese economy.

Based on the recognition that the best contribution Japan can make to the global economy is the revitalization of our own economy, the Abe government has been vigorously and comprehensively implementing ambitious policies of different magnitudes, namely the “three arrows” of Abenomics comprising: (i) aggressive monetary easing; (ii) flexible fiscal policy; and (iii) growth strategy to promote private investment. As these policies start to take effect, the Japanese economy is on a path toward steady recovery, with real GDP growth rates in the first and second quarters of 2013 recording annualized rates of 4.1 percent and 3.8 percent, respectively. In addition, recent price developments indicate that deflation is coming to an end.

Looking ahead, it is critically important for Japan to bring the economy from its current recovery to a stage of sustainable growth and to achieve fiscal consolidation. In this regard, the government has taken significant steps to secure the sustainability of the social security system as well as achieve its fiscal consolidation targets. Based on the “Act for the Fundamental Reform of the Tax System,” the government decided, on October 1, to increase the consumption tax rate from 5 percent to 8 percent as of April 1, 2014. At the same time, the government formulated an economic policy package aimed at: addressing the downside risks to the economy by mitigating an expected reactionary dip in consumption; enhancing the growth potential and creating a virtuous cycle, thereby achieving sustainable growth. More specifically, the package aims to strengthen efforts toward overcoming deflation and reviving the economy by taking on such growth-enhancing policies as the implementation of the growth strategy and the introduction of tax incentives to stimulate investment on top of the 5 trillion yen stimulus measures.

## II. EXPECTATIONS FOR THE IMF AND THE WORLD BANK

Now, I will explain Japan’s expectations for the IMF.

If the Fund is to continue to play an essential role in supporting sustainable growth in the global economy, as well as restoring its resilience, it is important that the IMF further improve the quality of its surveillance and address policy agenda items in a timely and appropriate manner. Japan sincerely hopes that the Fund will continue to put forth its best efforts to strengthen its surveillance functions based on holding constructive dialogues with member countries.

To enhance its legitimacy, effectiveness and credibility, it is essential that the Fund make continuous efforts to complete its own governance reforms, including the quota review. Based on the fact that voluntary financial contributions by member countries have been substantially contributing to the Fund's essential activities, such as preventing and responding to crises, supporting low-income countries, and providing technical assistance, Japan believes the records of financial contributions by member countries should be properly taken into account in the Quota Review process.

Next, I will also address Japan's expectations for the World Bank.

Under the initiative of President Kim, the World Bank has been implementing organizational reforms to achieve the two strategic goals that have been set to resolve global development challenges. Japan would like to support the Bank's efforts.

In the process of ongoing negotiations for the next replenishment of the International Development Association (IDA), an introduction of innovative contribution methods, such as a contribution in the form of a loan from donors is currently under discussion. We welcome the introduction of the loan contribution because it would increase the resources available to the IDA, and those resources can be utilized to achieve more efficient development, including providing transitional support for countries in which many people still live in extreme poverty despite their growing average income. We would like the World Bank to appropriately evaluate the loan contributions provided by donors.

In order to achieve sustainable poverty reduction, it is important to achieve economic growth that will benefit a wide range of social classes and it is necessary to address problems such as social inclusion and sustainability. From this standpoint, we need to introduce a universal health coverage system that will enable all people to receive health care services, at affordable cost, and provide appropriate support to poor and vulnerable people, who are those most affected by large-scale disasters, by engaging in development that takes into account disaster risk management. Japan has long accumulated expertise in health care and disaster risk management; therefore, we would like to proactively participate in discussions held at the World Bank in order to offer Japan's wealth of experience to solve development challenges in developing countries.

### III. CLOSING

Five years have passed since the outbreak of the global financial crisis in 2008. During this period, the IMF and the World Bank Group, cooperating with member countries, have played a leading role in crisis response and have significantly contributed toward the stabilization and development of both the international economy and society. To close my speech, I would like to express my hope that both the Fund and the Bank will continue their efforts to enhance their legitimacy, effectiveness and credibility, to prevent a recurrence of crises, and to achieve stronger and more sustainable global economic growth and poverty reduction.