



2012 TOKYO ANNUAL MEETINGS

INTERNATIONAL MONETARY FUND
WORLD BANK GROUP

Governor's Statement No. 10

October 12, 2012

Statement by the Hon. **KORIKI JOJIMA**,
Governor of the Fund and the Bank for **JAPAN**

Statement by the Honorable, Mr. Koriki Jojima
Governor of the International Monetary Fund and the World Bank for Japan

I. HOSTING THE ANNUAL MEETINGS IN TOKYO

It is a great pleasure for us to welcome all of you from around the world to the 2012 Annual Meetings of the International Monetary Fund (IMF) and the World Bank here in Tokyo.

This is the second time for Japan to host the Annual Meetings. Japan is currently on the way to recovery from the Great East Japan Earthquake. When it first hosted the meetings in 1964, about 20 years after the end of the Second World War, it was at the stage of just having achieved postwar recovery and was undergoing economic development at a rapid pace rarely seen in world history. I would say that the Annual Meetings held in Tokyo in 1964 formed the foundation of the development of our country, which had gone through the postwar recovery process, and offered great dreams and hope to the country itself and to the whole world as well. Then Prime Minister Hayato Ikeda stated in his opening address that “a climate of international cooperation which did not exist in former times” and “free economic relations” were critical factors for the development of the global economy, drawing upon the examples of the dramatic growth and trade expansion that Japan had achieved.

During the 48 years since then, the global economy has undergone a number of dramatic changes such as the shift toward a floating exchange rate system, the tremendous increases in capital flows, the end of the Cold War structure, the birth of the Euro, and the rise of emerging market economies. Looking at the current economic situation in the world, there seems to be no end to serious issues requiring our attention and efforts— the resolution and prevention of the repeated currency and financial crises, sustainable growth and poverty reduction in developing countries, and enhancement of international public goods such as addressing climate change. This shows the increasing importance of attaining the stable development of the global economy through a free and open economic framework and international cooperation.

When Japan was hit by the Great East Japan Earthquake last year, we received various forms of support as well as messages of sympathy and encouragement from the international community. I recognized anew that when we try to bounce back on our feet in an adverse situation, the bonds of people become a foundation holding up our struggle. I truly hope that the Annual Meetings, this time, will encourage all countries and all people in the world to take a step forward, hand in hand, in their process to tackle the challenges faced by the international community.

II. JAPAN'S ECONOMY AND FISCAL SITUATIONS AND THE GLOBAL ECONOMY

Next, I will talk about the Japanese economy and fiscal issues.

To deal with the devastating damage caused by the Great East Japan Earthquake, the Government of Japan, in July last year, designated the five years through fiscal year 2015 as a "Concentrated Reconstruction Period." Japan has estimated budgetary needs for the reconstruction works worth a total of 19 trillion yen, equivalent to 4 percent of GDP over this five-year period. The government has already carried out post-earthquake restoration and reconstruction projects worth a total of approximately 17 trillion yen (equivalent to 3.6 percent of GDP), as included in three supplementary budgets for fiscal year 2011 and the annual budget for fiscal year 2012.

Supported by such reconstruction-related demand, domestic demand in Japan has stayed firm on the whole. Japan's GDP recorded an annualized growth rate of 5.3 percent, in the first quarter of this year, and an annualized growth rate of 0.7 percent in the second quarter on a quarter-on-quarter basis. If downside risks subside, including the instability of the financial market and global economic slowdown due to the European sovereign debt crisis, we expect that Japan's GDP will grow about 2 percent in fiscal year 2012. In the medium term, the government will strive to invigorate the Japanese economy by implementing the Comprehensive Strategy for the Rebirth of Japan, which includes measures to strengthen the growth potential in such fields as the energy and environment, health and agriculture, forestry and fisheries.

We will also take steady steps to achieve fiscal consolidation on a medium- and long-term basis. Japan is under pressure to cope with the rapid aging of its population amidst the extremely low birthrate. The average life expectancy among Japanese women increased from

73 years of age, in 1964, to 86 years of age, in 2011. The proportion of elderly people aged 65, or over, in the total Japanese population jumped from 6.2 percent, in 1964, to 24.2 percent in 2012, and accordingly, the number of persons in the working population supporting one elderly person decreased significantly from 9.2 persons to 2.4 persons. While having built a society of longevity, Japan faces the risk that a decrease in the working population could weaken the growth. In order to cope with this risk, we need to create new growth opportunities by constructing an appropriate economic system adapted to a declining birthrate and an aging population.

In August this year, the Diet passed a bill related to the Comprehensive Reform of Social Security and Tax. With this legislative measure, the government aims to adjust the social security system to address the needs of a low birthrate and an aging population and to improve fiscal sustainability. Under the new law, the consumption tax rate will be raised to 10 percent, in two phases, by October 2015. I believe that these efforts for fiscal consolidation will be a significant step toward maintaining public confidence in the government's fiscal policy, thereby supporting our country's medium- and long-term economic growth. Many countries, including Japan, are facing the challenging issue of achieving fiscal consolidation and economic growth at the same time. Japan is earnestly addressing this issue by taking various measures.

Then, I will move on to the next topic, the global economy.

The debt and financial-sector problems in Europe pose the biggest downside risk to the global economy. Europe must make its own efforts to prevent the spread of the crisis and to stabilize the market. First of all, it is important to quickly put into operation the measures that have been agreed on and announced to date. In this respect, we have recently seen positive developments, such as the new bond purchase program introduced by the European Central Bank. We welcome such favorable movements. The currency unification in Europe is an ongoing magnificent experiment in history. We hope that European countries will overcome conflicts in opinions and strengthen their efforts to unite together and establish a monetary union in the true meaning. Japan is ready to make contributions as necessary while keeping watch on these European efforts.

III. EXPECTATIONS FOR THE IMF AND THE WORLD BANK

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

If the IMF is to make high-quality policy advice for the stabilization of the global economy, it must be trusted by member countries, and to this end, each country's voice and quota share must match their economic weight. With the aim of making the governance reforms and the quota increase effective as soon as possible, in line with the agreement reached in 2010, Japan strongly requests that the countries that have not yet completed the necessary domestic procedures speed up the process.

In the ongoing quota review, we must appropriately reflect the past records of voluntary financial contributions by member countries, with keeping in mind the fact that such contributions have greatly helped in promoting the Fund's major activities, such as crisis prevention and resolution, support for low-income countries, and technical assistance.

For crisis prevention and resolution, it is important to strengthen the function of financial safety nets at the global, regional, bilateral, and national levels, and at the same time, to enhance the collaboration between these safety nets. In May this year, the ASEAN+3 member countries agreed to double the total size of the Chiang Mai Initiative Multi-lateralization (CMIM) to 240 billion dollars and introduce a crisis prevention facility. We hope that the collaboration between the regional efforts for economic and financial stabilization and the IMF's activities will be further deepened.

Japan also has expectations for the World Bank.

Along with the rapid development in Asia, the population in poverty is decreasing significantly on a global level, but we must not forget that there are still as many as 1.3 billion people in the world who live at the level below US\$ 1.25 a day. With the goal of achieving economic growth that can benefit all layers of people along with poverty reduction at a steady pace, we expect that the World Bank will continue to work toward improving the investment environment and developing education and health systems, as well as building a society that is resilient to disasters and climate change.

From this viewpoint, Japan plans to implement initiatives in the following areas.

The first one is disaster risk management. The tragedy of the Great East Japan Earthquake that occurred in March last year again reminded the international community of the importance of disaster risk management. On 9th and 10th October, Japan and the World Bank jointly held the Sendai Dialogue on the topic of disaster risk management for sustainable development. We hope that the World Bank will take into account the outcome of that dialogue and mainstream disaster risk management in their operations.

The second initiative is support for Myanmar. Under the leadership of President Thein Sein, this country is addressing various challenges including democratization, national reconciliation, and economic reforms. Japan appreciates the reform efforts undertaken by Myanmar. Japan also welcomes that the World Bank and the Asian Development Bank (ADB) have announced their intention to take measures in January 2013 to help Myanmar clear its arrears, which will pave the way for the resumption of full-fledged assistance to Myanmar. Japan has decided to implement its arrears clearance operation with Myanmar in January 2013, by waiving part of its concessional loans extended through 1987, and then launch new assistance towards Myanmar so as to help this country achieve development.

The last area is Africa, where the process toward economic growth driven by the private sector is a vital issue. From this viewpoint, Japan and the World Bank will jointly hold the Fifth Tokyo International Conference on African Development (TICAD-V) in June next year. Japan hopes to make this conference successful and productive, through close cooperation with the World Bank and the participation of many people around the world. I look forward to seeing you again in Yokohama.

IV. CLOSING

In the regions affected by the Great East Japan Earthquake, reconstruction work is remarkably active. Construction of new buildings has started in places which were filled with debris, the broken railways have been restored, and seriously damaged plants have resumed operations. I hope that many people will visit Japan and see the strength of the Japanese citizens working to bounce back from this adverse situation and also see this country making

a new start after the disaster, as it did 48 years ago when the Annual Meetings were last held in Tokyo.

To close my speech, I would like to express my expectation that the IMF and the World Bank will further deepen cooperative relationships with their member countries and these institutions will continue to play a leading role in achieving the stability and development of the international community.