

**Statement by Rintaro Tamaki,
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**At The Fifty-second Annual Meeting of The Inter- American Development Bank
and The Twenty-sixth Annual Meeting of The Inter- American Investment Corporation,
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1. Introduction

Mr. Chairman, Mr. President, fellow Governors, ladies and gentlemen.

On behalf of the Japanese Government, I am honored to deliver message at the 52nd Annual Meeting of the Inter-American Development Bank (IDB) and the 26th Annual Meeting of the Inter-American Investment Corporation (IIC). I would also like to express our sincere gratitude to the Government of Canada for hosting this meeting, and to the people of Calgary for their hospitality.

On March 11, 2011, the catastrophic earthquake struck off the northeast coast of Japan. Immediately after the disaster, we received many messages of condolence and offers of support from the IDB member countries, as well as from the IDB President Moreno and the management and staff of the IDB. I would like again to express my deepest gratitude for your warm words and supports.

Japan faces an unprecedented crisis, in which an incident at a nuclear power plant has transpired in addition to the enormous earthquake and tsunamis. The government, with strong determination, is addressing the immediate needs of the affected people as well as taking steps for rehabilitation and reconstruction. The remarkable integrity and composure is demonstrated by the Japanese people, and our society has maintained its stability and cohesion.

2. Current economic situation in the LAC region

Latin America and the Caribbean (LAC) countries are growing rapidly, having succeeded in containing the adverse impacts of the global economic crisis to relatively minor levels. The LAC region is now enjoying what President Moreno called the “Latin American Decade.”

While high prices of natural resources are a contributing factor to this rapid growth, it should be noted that excessive dependence on primary commodities with volatile prices poses great risks to the countries producing them. Given their current strong economies and strengthened fiscal foundations, it is certainly an opportune time for the LAC countries to take actions to ensure inclusive and sustainable growth by addressing medium- and long-term issues, such as improving labor productivity in the service and industrial sectors and enhancing financial intermediary functions to promote investment, and thereby boosting growth potential.

3. Challenges to development in the LAC region

(Soaring food prices)

Food prices, including the prices of wheat and corn, are rising in the LAC countries. Further price hikes and resulting higher inflation will likely cause greater strains on people living in poverty. As the demand for foods in emerging countries is likely to grow, there are greater expectations of the role of the LAC countries with large potential arable land as major food exporters. I call on the IDB to make every effort to improve food productivity in the LAC region, which is one of the sector priorities under the GCI mandate.

(Poverty and income disparities)

The recent political instability in the Middle East and North Africa (MENA) was partly triggered by social unrest associated with high unemployment and soaring food prices in this region. In the LAC countries, the political situation is currently stable but reducing poverty and income disparities remain a priority issue. Progress has been made in that many people in the LAC region have escaped from poverty. However, those middle-income citizens are still financially vulnerable and the risk of falling back into poverty remains high. Improving stability of vulnerable middle-income citizens is a key challenge which the LAC region is facing. I hope the IDB and the IIC will enhance their support for the private sector development, particularly for small and medium enterprises, for their high potential to create employment.

(Regional integration)

Regional integration is one of the priority sectors in which the IDB is able to play a leading role as a regional development bank. In the LAC region where there is high growth potential, private capital should be mobilized aggressively to develop roads, ports, and other infrastructure to promote regional integration. In addition to “the hardware” integration such as building infrastructure, the IDB should put emphasis on “software” aspect of integration by harmonizing regulatory framework and policies in the LAC region. Coordination among related countries is a difficult element in promoting regional integration, and the IDB is expected to function as “an honest broker” in this respect.

The trading volume is relatively small in South Asia, where infrastructure networks are not well enough connected, while East Asia, where well-connected infrastructures facilitate active trading, has been growing thanks to an increase in trade and investment. Improving overall infrastructure network is also necessary in Asia. In promoting regional integration, we believe that sharing ongoing similar experiences in Asia will help the LAC countries improve the quality of their efforts. I hope to see the more integrated LAC region deepening its relationship and partnership with the more integrated Asia.

(Sustainable cities)

In the LAC region, some 75 percent of the population lives in urban areas and thus cities play a key role in the region’s development and prosperity. Reducing poverty, providing social

services, ensuring citizen security, and protecting the environment in cities are key priorities. I look forward to seeing “the Regional Emerging Sustainable Cities Platform”, a new initiative launched under the leadership of President Moreno, implemented aggressively in order to address complicated urban issues in a comprehensive manner. Japan is capable of making positive contributions to the Platform with its technologies and experience in related fields, including disaster prevention, urban transportation, water supply and sewerage, and renewable energy.

4. IDB’s challenges after the GCI

(IDB’s actions after the GCI agreement)

The IDB, which plays the central role in supporting the development of the LAC countries, needs to improve its operational efficiency, financial soundness, and the development effectiveness to become an even more robust organization. To this end, I would like to emphasize the importance of implementing the IDB’s reform agenda on schedule based on the GCI mandate.

(Development Results)

While welcoming the progress in the IDB toward intensifying the development result management, I would like to call on the IDB to strengthen its capability of impact evaluation to analyze how IDB’s operations attribute to growth and poverty reduction of the LAC region.

In Japan, the Diet is currently deliberating the fiscal 2011 budget proposals, which aims to authorize Japanese government to subscribe additional shares of Ordinary Capital Resources and increase contributions to the Fund for Special Operations based on the GCI agreement. As the Japanese government is held accountable to the nation’s taxpayers for providing additional capital and contributions, I believe it is imperative that the IDB demonstrates clearly how the IDB’s operations have been contributing to growth and poverty reduction of the LAC region.

5. The IDB and Japan

(Cooperation between the IDB and Japanese organizations for environmental protection)

In December 2010, the Cancun Agreement was adopted. I would like to commend Mexico for its efforts as chair of the conference. As the next step, it is necessary to translate the Cancun Agreement into specific actions. Japan would like to cooperate in this process, using the Japan Bank for International Cooperation (JBIC) and the Japan International Cooperation Agency (JICA), when appropriate, by promoting technological transfer and private investment in forest conservation, carbon emission reduction, and other areas.

With regard to environmental protection, the IDB and the JBIC signed a Memorandum of Understanding (MOU) in November 2010 to strengthen cooperation in “the Global Action for

Reconciling Economic Growth and Environmental Preservation (GREEN)”, a new initiative by the JBIC to expand cooperation in mitigation and adaptation of global warming. In this connection, the JBIC approved a new GREEN project, providing two-step loans to support renewable energy projects through the Banco Nacional de Desenvolvimento Economico e Social (BNDES). In January 2011, the IDB and the JICA signed a MOU on support of renewable energy and energy efficiency promotion, especially to promote the co-financing of energy conservation and renewable energy projects as well as technological cooperation between the JICA and the IDB’s newly established Energy Innovation Center. As Japan put priority on international cooperation in environmental and energy sectors, we welcome the IDB’s strengthening relationships with the JBIC and the JICA.

(Japan’s re-engagement with the LAC region)

In the 1960s to 1970s, the LAC countries forged deeper ties as significant economic partners with Japan. There have been signs in recent years of the ties between Japan and the LAC countries strengthening again. Japan is becoming increasingly interested in the resource-rich thriving LAC region.

The Japanese government intends to strengthen relationships in a wide range of areas, such as trade and investment, with various countries and regions in the world. Naturally, while developing stronger relationships—Asia is the initial focus under the government’s “New Growth Strategy”—we would like to build stronger and more extensive partnerships with the LAC countries.

In the 21st century, Japan is re-engaging with the LAC countries, and further strengthening and enhancing its relationships with those countries that have overcome many crises in the past and come back to a strong growth track.

Thank you.