

**Statement by the Honorable SUZUKI Shunichi  
Governor of the IMF for Japan  
at the Forty-Eighth Meeting of the International Monetary and Financial Committee  
(October 14th, 2023)**

**1. The Global Economy and the Japanese Economy**

Firstly, Japan conveys its deepest condolences to the victims and their families severely affected by the earthquake in the central part of the Kingdom of Morocco, and western Afghanistan as well as the floods in the eastern part of the State of Libya. Japan also expresses its sincere gratitude to the Government of Morocco and the people of Marrakech for their warm hospitality in the immediate aftermath of the earthquake.

We continue to condemn Russia's illegal, unjustifiable, and unprovoked war of aggression against Ukraine. Russia's war has caused tragic loss of life, destruction of property and infrastructure, and exacerbated global economic challenges. We call for an immediate end of Russia's illegal war against Ukraine, which would address one of the largest uncertainties over the global economic outlook.

As the international community unites and continues its economic assistance to Ukraine, we call on the IMF to keep playing a central role. We welcome the completion of the IMF's first review of the Extended Fund Facility (EFF) in June and look forward to the successful completion of the second review in early December.

**Global Economy**

The global recovery remains slow due to Russia's war and energy and food insecurity. In addition, inflation has peaked but is persistently high. As many countries continue to tighten monetary policies to address inflation, the debt situation in low- and middle-income countries has become more severe.

In this context, we need to ensure fiscal sustainability by normalizing fiscal support while our support to vulnerable groups should be temporary and targeted.

Amid the continued global monetary tightening, we should note the risk of heightened volatility in financial markets, including the foreign exchange market. It is important that exchange rates move stably, reflecting fundamentals, and the excessive volatility is not desirable. We may need to take appropriate actions, depending on the circumstances.

Recent developments in global economy, including the repercussions of the COVID-19 pandemic and Russia's war, highlighted importance of achieving both economic efficiency and resilience in cross-border economic activities. The IMF's future analysis should properly take into account these new factors.

**Japanese Economy**

Amid the improving environment for employment and income, the Japanese economy is expected to continue to recover moderately, reflecting the effects of various policies. However, we need to pay close attention to the risk of a downturn in overseas economies putting downward pressure on the Japanese economy, and the effects of rising prices and fluctuations in financial and capital markets. Under these circumstances, Japan is formulating a package of comprehensive economic measures to further strengthen its economy, including

through addressing the recent price hikes, sustaining wage increases and promoting domestic investments.

## **2. Our Expectations to the IMF**

As various challenges against global economic stability and development continue, we look forward to the IMF playing a central role in multilateral cooperation anchored by the rule of law and mutual trust.

### **IMF Reform**

The global economy is facing multiple crises. In order to help member countries respond to these challenges, the IMF should be further strengthened in terms of its size, function, and governance.

With regard to the size, it is essential to agree on a quota increase under the 16th General Review of Quotas by the December deadline this year. As the deadline is approaching, an equiproportional increase is the only feasible option to reach an agreement. Japan supports a 50 percent equiproportional increase.

It is also important to strengthen the function of the IMF. Japan welcomes improvements in precautionary arrangements, which will enhance the crisis prevention capability of member countries. In addition, we should consider raising access limits of the General Resources Account (GRA) and the Poverty Reduction and Growth Trust (PRGT). To reduce the burden on borrowing countries, a temporary increase in the threshold of surcharges could also be considered.

To enhance the IMF's lending capacity through a quota increase, increase in resources for the PRGT would become even more important to continue providing strong support to low-income countries. Japan will make an additional contribution of around USD 410 million (around SDR 310 million) to the PRGT subsidy resources, including through channeling all the remaining amount of the pledged 40% of its newly allocated SDRs to the Deposit and Investment Account (DIA). This will make Japan's total contribution reach around USD 630 million (around SDR 480 million), which accounts for over 20% of the global fundraising target for subsidy resources set in July 2021. To ensure the long-term financial sustainability of the PRGT, we urge the IMF to further strengthen engagement with member countries for additional pledges as well as to accelerate consideration on the full range of funding options, including the use of the IMF's internal resources. If conditions such as ensuring the liquidity and safety of SDR as a foreign reserve asset were fulfilled, we would also consider the option of SDR channeling through MDBs.

Regarding governance reform, we support the creation of a 25th chair on the IMF Executive Board from Sub-Saharan Africa countries, to better reflect the voice of developing countries in decision making in the IMF. We are also prepared to consider adding a fifth Deputy Managing Director.

### **Debt Issues**

The risks of debt vulnerabilities are elevated not only in low-income countries but also in some middle-income countries. Restoring debt sustainability is an urgent issue for developing countries to help meet their medium and long-term development challenges.

For low-income countries, it is crucial that the creditor committees implement debt treatments under the Common Framework in a swift and predictable manner. On the other hand, for middle-income countries, we welcome that the significant progress has been made towards an agreement on debt treatment for Sri Lanka in

the past half year since the launch of the creditor committee among various Paris Club and non-Paris Club creditors, which was led by France, India, and Japan. We look forward to its swift resolution.

Improvement in debt data transparency and accuracy is essential in order to prevent future debt crises, and Japan has long promoted these efforts. We hope that more creditor countries will start sharing their lending data. We also call on the IMF to promote their reform options necessary to enhance debt transparency. Furthermore, we encourage private creditors to submit more lending data to the joint Institute of International Finance / OECD Data Repository Portal.

## **Digital Money**

Many countries, including developing countries, are advancing their deliberation to introduce Central Bank Digital Currencies (CBDCs). In introducing CBDCs, it is critical to design institutional and regulatory frameworks with due consideration to the potential impacts on financial stability, capital flows, and to reduce associated spillover effects on other countries' monetary policy and the international monetary system.

As the introduction of CBDC is still in initial stages or under consideration in many countries, the IMF's CBDC Handbook is a critically important initiative as a practical guidance for policymakers. We welcome the steady progress of its work, including the publication of the IMF's Fintech notes, which will serve as the basis for the Handbook. We look forward to the prompt publication of the Handbook and expect that the IMF will continue to develop the Handbook in cooperation with other international organizations and national authorities, based on further analysis and actual cases of introduced CBDCs.

## **Capacity Development**

Japan supports the IMF's efforts to further integrate its capacity development with surveillance and lending activities. Appropriate prioritization and ensuring ownership of the various needs of recipient countries remain critical to improve its effectiveness. We encourage the IMF, under the ongoing Capacity Development Strategy Review, to analyze and assess the effectiveness of its activities to date and challenges going forward, including through strengthening project monitoring by utilizing the Results-Based Management (RBM) framework.

Furthermore, the IMF should continue providing capacity development in traditional areas such as debt management and revenue mobilization to meet the growing needs of fragile and conflict-affected states (FCS) and low-income countries. Japan has decided to contribute to the Ukraine Capacity Development Fund to support capacity development activities in domestic revenue mobilization to help Ukraine ensure economic stabilization and promote post-war reconstruction. Japan, as a longstanding leading partner, will continue to proactively support the IMF's capacity development activities.

## **Regional Financing Arrangements (RFAs)**

In order for the Global Financial Safety Net (GFSN) to function effectively, we should also continue strengthening RFAs. Japan, as the co-chair of the ASEAN+3 Finance track this year, is promoting further enhancement of the regional financial safety net through ASEAN+3 financial cooperation, while collaborating with the IMF. Specifically, Japan is currently leading discussions towards the creation of a rapid financing facility, with the aim of enhancing the effectiveness of the Chiang Mai Initiative Multilateralization (CMIM) and will further deepen discussions with member countries.

## **Staff Diversity**

Finally, Japan has been contributing to the IMF not only through financial resources and policy inputs but also well-qualified Fund staff. The IMF's global coverage warrants its staff composition to be more diversified with appropriate country balance, which is key to promoting more effective operations. Regarding gender diversity, we welcome the progress made in achieving gender parity. Moreover, it is important to discuss further on eliminating the gender gap at the IMF Executive Board while respecting each country's circumstances and discretion. Japan will continue to cooperate with and contribute to the IMF with diverse and well-qualified staff.