

Statement by the Honorable Taro Aso,
Deputy Prime Minister of Japan
and the Chairperson of the Board of Governors,
at the Fiftieth Annual Meeting of the Asian Development Bank
(Yokohama, Japan, May 6, 2017)

1. Introduction

Your Imperial Highness, the Crown Prince, Mr. President, Distinguished Governors, Ladies and Gentlemen:

We feel greatly honored to hold the 50th Annual Meeting of the Asian Development Bank with the presence of Your Highness. On behalf of all the Governors and other participants, I would like to express my profound gratitude.

And I would like to extend my warm welcome to all of you for your participation in this meeting. Yokohama is one of the most international cities in Japan. It has developed as Japan's gateway to the world since the opening of its port some 160 years ago. Thus, it is an appropriate place to hold this memorable meeting.

This meeting could not have been held without the cooperation of many Yokohama citizens. I would like to extend my sincere gratitude to the citizens of Yokohama for their warm hospitality.

Also, I am glad that Mr. Nakao was reelected as President last August, winning the confidence of all members for his strong leadership in managing the Bank.

2. Economic Development of the Asia-Pacific Region

Now, looking back on the half-century since the Bank's foundation, Asia and the Pacific region, which was very poor 50 years ago, has made remarkable economic progress. As a result, the poverty rate has dropped significantly. Today, this region is the driving force of the global economy.

During this process, this region has faced a range of difficulties, such as food shortage, weak infrastructure, pandemics, natural disasters, and the currency crisis. However, countries have made great efforts in overcoming them and successfully built a dynamic region. The Bank, as a family doctor in the region, has made a huge contribution by working closely with these countries and providing appropriate assistance.

3. Challenges for the Asia-Pacific Region and Required Responses

The region's achievement in poverty reduction through economic growth is a proud success story of development in the world.

But we cannot be complacent.

Over 300 million people still live in poverty in the region. And the region continues to face threats from natural disasters and pandemics. Moreover, economic development and globalization have brought about challenges such as widening inequality, aging, climate change and rising volatility in international capital flows.

To confront these challenges, I believe we should follow two guiding principles of “achieving inclusive and sustainable economic growth”, and “strengthening resilience against various crises”. And we should focus on areas such as infrastructure development, strengthening of the health system, disaster risk management and regional financial cooperation.

(Infrastructure Development)

First, let me talk about infrastructure development. Infrastructure needs in Asia are getting larger both in terms of quantity and quality due to economic development.

The Bank's recent estimates point to huge infrastructure needs in developing Asia, amounting to 26 trillion dollars over the next 15 years. Against this backdrop, I would expect the Bank to continue to promote infrastructure development, and to further mobilize private sector financing including through PPPs.

I would also like to point out that enhancing quality of infrastructure in terms of lifecycle cost and environmental and social considerations is important. From this perspective, I welcome the Bank's recent decision to introduce new procurement procedures that put more emphasis on quality. I encourage the Bank to continue to move in this direction.

Japan has been promoting quality infrastructure in Asia in close collaboration with the Bank.

To further strengthen this partnership, I now announce that Japan will provide 40 million dollars over a 2-year period to the newly-created Bank's trust fund to promote high level technologies.

I would also like to emphasize that it is critical to utilize infrastructure in an open, transparent and

non-exclusive manner to enhance its connectivity.

(Strengthening of the Health System)

Second, turning to the issue of health, a stronger health system makes people healthier.

This is important not only for humanitarian and social reasons but also for economic reasons, as good health contributes to inclusive and sustainable growth.

This issue is particularly relevant in Asia, because Asia is frequently hit by pandemics such as bird flu, and also because rapid aging is expected to create emerging health challenges such as a growing demand for elderly care.

The Bank, as a broad-based development institution, is encouraged to further strengthen its expertise on these social issues to make a meaningful contribution.

Japan achieved universal health coverage ahead of other countries, and accumulated various expertise and experience on health and elderly care as it has entered into super-aging society.

Based on these strengths, Japan will support Asian countries in addressing health-related challenges. During this Annual Meeting, the Bank and JICA have just agreed on a framework to promote collaboration in this area.

(Disaster Risk Management)

Third, on disaster risk management. Natural disasters such as typhoons, floods and earthquakes occur frequently in Asia, and the risk could intensify due to progress of climate change.

Against this backdrop, the Bank is encouraged to make further efforts in addressing climate change. Also, I expect the Bank to bolster support in areas such as post-disaster reconstruction and building of disaster-resilient societies.

With our abundant knowledge and experience, Japan has been actively promoting measures such as building disaster-resilient infrastructure. In addition, Japan will make further contribution by working towards the establishment of "Southeast Asia Disaster Risk Insurance" to facilitate swift mobilization of funding in case of natural disasters.

(Regional Financial Cooperation)

Fourth, on regional financial cooperation.

As the Asian economy is facing risks stemming from volatile international capital flows, I expect the Bank to support structural reforms through policy dialogue and loans, to strengthen economic resilience of its members. Also, the Bank is encouraged to provide prompt crisis response in collaboration with other international financial institutions.

Japan, as one of Co-chairs of the ASEAN+3 Financial Cooperation Process this year, has been promoting further enhancement of the CMIM, our regional financial safety net. Also, we have been advancing more use of local currencies under the ABMI.

In addition, Japan proposed a new type of Bilateral Swap Arrangements, at the Finance Ministers and Central Bank's Governors Meeting between ASEAN countries and Japan held yesterday. Specifically, Japan proposed to enable withdrawal in Japanese yen under the existing BSAs, and establish a new type of BSA totaling up to 4 trillion yen to address short term liquidity problems. Through these efforts, Japan will further strengthen financial resilience in Asia.

4. Future Direction of the Bank's Operations

Now, let me touch on the future direction of the Bank's operations.

Thanks to the Bank's support, the Asian region has achieved remarkable economic development, and the proportion of Upper Middle-Income Countries, or UMICs, has been rising. On the other hand, the region is faced with more various challenges such as rapid aging, climate change and volatility in international capital flows.

Against this background, I encourage the Bank to focus more on knowledge-sharing and reform supporting loans in areas such as health, while continuing to promote infrastructure projects as a central pillar of its operations. Japan supports that the Bank bolsters its staffing and organization to implement these operations in an effective manner.

Regarding a balance between support for UMICs and poorer countries, the Bank should in principle prioritize poorer countries to make effective use of the Bank's precious resources.

At the same time, the Bank is also expected to address challenges facing UMICs, as such engagement contributes to further development of the entire region.

Based on these considerations, we believe that the Bank should engage with UMICs in an

appropriate manner both in terms of volume and quality. Specifically, the Bank should continue its engagement with UMICs, focusing on knowledge cooperation and support in areas such as environmental issues with externality and spillovers.

5. Conclusion

Now, let me conclude.

The Bank is currently preparing “Strategy 2030”, its new long-term strategy. I hope that the Bank will develop a strong strategy taking into consideration various discussions at this Annual Meeting, so that the Bank will remain a highly relevant institution in the region and contribute to its further development.

To close my remarks, I would like to commend the Bank for its tremendous achievements over the past 50 years. And I encourage it to continue playing a central role in regional development under the strong leadership of President Nakao. Japan remains firmly committed to working hard for the development of the Asia-Pacific region, in close cooperation with the Bank.

Thank you very much.