



International Monetary and Financial Committee

**Twenty-Sixth Meeting
October 13, 2012**

**Statement by Koriki Jojima
Minister of Finance, Japan**

On behalf of Japan

**Statement by the Honorable, Mr. Koriki Jojima
Minister of Finance of Japan
and Governor of the IMF for Japan**
at the Twenty-Sixth Meeting of the International Monetary and Financial Committee
Tokyo, Japan, October 13, 2012

I. OPENING REMARKS AS THE HOST OF THE MEETINGS IN TOKYO

We are delighted to host the IMF/World Bank Annual Meetings and IMFC meeting here in Tokyo for the first time in 48 years.

II. THE JAPANESE AND GLOBAL ECONOMIES

The Japanese Economy

In response to the devastating damage caused by the Great East Japan Earthquake, the Government of Japan, in July last year, designated the five years through fiscal 2015 as a “Concentrated Reconstruction Period.” Japan will implement budgetary measures for reconstruction 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 2011, as well as the annual budget for fiscal 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 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 energy and environment, health and agriculture, forestry and fisheries.

Japan's Fiscal Consolidation

Now, I would like to explain Japan's efforts toward fiscal consolidation since this spring. In March this year, the government submitted a bill for the Comprehensive Reform of the Tax System, which is intended to simultaneously achieve fiscal consolidation and secure a stable source of revenue for enhancing and stabilizing the social security system in order to deal with an aging society coupled with a declining birthrate. This bill was enacted in August this year. Under the new law, the consumption tax rate is supposed to be raised from the current 5 percent to 10 percent in two phases by October 2015.

Japan expects to achieve the goal of halving the ratio of the primary budget deficits of the national and local governments to GDP by fiscal 2015 in accordance with the commitment made at the G20 Summit in Toronto. This will be accomplished by steadily implementing the new law and by undertaking both revenue- and expenditure-side measures, as prescribed by the Medium-term Fiscal Framework, which was revised in August this year. This will be a significant first step toward future fiscal consolidation. However, Japan recognizes that, as the IMF has pointed out, it is necessary to make further efforts to bring the primary balance for the national and local governments into surplus by fiscal 2020. Therefore, Japan is resolved to continue to steadily implement measures to achieve fiscal consolidation.

The Global Economy

The global economy is showing growing signs of a slowdown on the whole. While we must keep a careful watch on the risk of the U.S. fiscal cliff, the greatest cause for concern is the debt and financial-sector problems in Europe. The negative spillover effects of such problems are starting to spread beyond Europe. In order to prevent a further economic downturn, it is essential to quickly take measures to resolve the European sovereign debt crisis.

As for the European situation, it is first and foremost important for Europe itself to take responsibility for doing its utmost. Europe needs to quickly implement all of the measures that have been agreed upon and announced to date. In early September, the Outright Monetary Transactions program, a new bond purchases program, intended to ensure the effectiveness of monetary policy, was introduced. In mid-September, the European Commission's draft plan for a mechanism of unified banking supervision was announced. The European Stability Mechanism has just been launched on October 8. We welcome such positive developments. Japan is ready to make contributions as necessary while keeping

watch on these European efforts.

III. EXPECTATIONS FOR THE IMF

Next, I would like to explain Japan's expectations for the IMF.

Establishment of a Global Financial Safety Net

Amid the continuing uncertainty over the global economy and the financial market, the IMF has an increasingly important role to play in ensuring stable growth of the global economy in the future. First of all, providing a global financial safety net is one of the important roles of the IMF. In this respect, Japan has taken initiative to announce its intention to provide a new line of credit of US\$60 billion for the enhancement of IMF resources, and has called for other countries to follow suit. We are pleased that as a result of such Japanese leadership, an agreement was reached on an increase of more than US\$450 billion in IMF resources at the G-20 Summit in Los Cabos in June this year.

Cooperation between Regional Financial Safety Nets and the IMF

To complement global institutions such as the IMF, Japan has been pouring efforts into enhancing regional financial safety nets in Asia. Regarding the Chiang Mai Initiative Multilateralization (CMIM), which has been promoted under the framework of ASEAN+3, it was agreed at the ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting in May this year that the total size of the CMIM would be doubled from US\$ 120 billion to 240 billion. It was also agreed that a crisis prevention facility would be introduced. The strengthening of regional financial cooperation will provide a greater sense of regional ownership regarding crisis prevention and resolution efforts and will enhance global financial safety nets by complementing global institutions such as the IMF.

In addition, ASEAN+3 is striving not only to enhance the CMIM but also to strengthen the organization of AMRO (ASEAN+3 Macroeconomic Research Office), which is the macroeconomic surveillance unit of this region. Japan is hoping that cooperation between AMRO and the IMF will deepen in fields of activity such as economic surveillance.

Enhancement of the IMF Governance

Providing policy advice based on high-quality surveillance is also an important role of the IMF. To perform that role in an effective manner, it is important for the IMF to secure member countries' trust. To that end, it is necessary to ensure that each member country's voice and quota share better reflect the member's relative position in the world economy. Regarding the IMF quota and governance reform that was agreed upon in December 2010, the goal was to put the amended Articles of Agreement into effect before this Annual Meeting. To our great regret, however, only countries which together hold 68 percent of the voting power have accepted the amendment so far. We hope that the countries that have not yet completed the necessary domestic procedures for the amendment will speed up the process.

Increasing the IMF's staff diversity is also important so as to enhance the Fund's legitimacy, effectiveness, and credibility. Japan is ready to make as much contribution to the Fund in terms of human resources as it does in terms of financial resources.

Quota Review

With regard to the ongoing quota review, Japan, once again, would like to stress the importance of giving appropriate consideration to member countries' past records of financial contributions. Needless to say, quotas constitute the basis of IMF resources, and yet we must not make light of the fact that the IMF's main activities in recent years, such as addressing the global financial crisis, supporting low-income countries and providing technical assistance, could not have been conducted without voluntary financial contributions made by member countries. In light of this reality and in order to increase the incentive for member countries to make voluntary contributions and secure stable financial resources for the IMF, voluntary financial contributions by member countries should be appropriately reflected in the current quota review. It should include financial contributions to the New Arrangements to Borrow (NAB), bilateral loans, interest subsidies and loans for concessional finance for low-income countries, and technical assistance.

Some argue that if consideration is given to the past records of financial contributions, the quota shares of emerging and developing countries would be unduly lowered. However, Japan believes that it is possible to take into consideration both the past records of financial contributions and the quota shares of emerging and developing countries. Of course, it is also

important to appropriately protect the voices of least developed countries.

Support for Low-Income Countries

Finally, we must not forget the importance of supporting low-income countries in Africa and other regions. In this respect, the IMF has an important role to play. The IMF has been providing concessional loans to low-income countries through the Poverty Reduction and Growth Trust (PRGT). Japan has also consistently assisted the IMF's support for low-income countries by making contributions such as the provision of loans and interest subsidies.

In response to the global financial crisis that broke out in 2008, we agreed in 2009 to increase the PRGT's resources to enhance support for low-income countries. Based on this agreement, in May this year, Japan expressed an intention to contribute its share of the windfall profits from the IMF gold sales to the PRGT's interest subsidies. We welcome the progress made now that the number of commitments by member countries has reached the necessary level.

Even if the windfall profits from the IMF gold sales mentioned above are transferred to be used as interest subsidies based on the 2009 agreement, a further expansion of the interest subsidy account will be necessary in order to fully satisfy the needs for support for low-income countries in and beyond 2015. Japan is ready to further contribute to interest subsidies for PRGT on condition that member countries act in concert based on the new agreement reached by the IMF Executive Board.