



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

## **Forty-First Meeting April 16, 2020**

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**Statement by Mr. Aso  
Japan**



**Statement by the Honorable ASO Taro**  
**Deputy Prime Minister of Japan and Governor of the IMF for Japan**  
**at the Forty-First Meeting of the International Monetary and Financial Committee**  
**(April 16<sup>th</sup>, 2020)**

**1. The Global outbreak of the Novel Corona Virus (COVID-19)**

First of all, I would like to express my deepest sympathies to all who have lost their lives from the COVID-19, and hope that those infected will recover soon. Also, I express my profound respect to all those who are fighting against this unprecedented crisis, including medical workers and experts.

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

**Global Economy**

Due to the spread of the COVID-19, the global economy has been facing a rapid slowdown. Travel restrictions and output suspension have to be imposed in order to contain the spread of the virus, causing multifaceted effects, including their global spillovers through the disruption of global value chains, capital outflows and weak consumption due to the uncertainties ahead. These global phenomena have dampened the global outlook in an incomparable manner and increased volatility in financial markets with the uncertain outlook for the containment of the epidemic.

Emerging economies and developing countries (EMDCs) are facing severe impacts from capital outflows and a sharp decline of commodity prices, particularly oil prices. In this situation, it is urgent that these countries quickly contain this health crisis, mitigate the impacts on economies and financial stability, and maintain debt sustainability.

The IMF members should now show the spirit of international cooperation, in close coordination with one another, and deploy all possible policy measures to fight against this unprecedented crisis.

**The Japanese Economy**

Japan is not an exception in this crisis. The economy is extremely depressed and put under severe conditions. Domestic demands that used to support the recovery including private consumption are showing weakness and capital investment remains flat.

Under these circumstances, in the recognition that efforts to prevent the spread of the COVID-19 are important for the economy, the government of Japan approved the Emergency Economic Package totaling approximately USD 1 trillion on April 7<sup>th</sup>, which fully mobilizes bold fiscal, monetary and tax measures, compiling a new supplementary budget, without being constrained by past practices. Consolidating with the comprehensive economic package approved last December and other measures, this package consists of two phases: the “emergency support phase,” which strongly implement early containment of the outbreak and protects employment, businesses and daily lives, and the “V-shaped recovery phase,” which aims to stimulate demand and promote social innovations after the crisis. Japan will also facilitate, through emergency support by the Japan Bank for International Cooperation (JBIC) and the Japan International Cooperation Agency (JICA), overseas business of Japanese companies and help developing countries maintain and revitalize their local economic activities and supply chains.

### **3. Our Expectations for the IMF**

#### **An objective and reliable analysis and policy advice**

A timely and proper understanding and analysis on the situation and appropriate policy advice for EMDCs are essential for effective crisis responses. In this regard, Japan welcomes the Fund's analysis and policy advice about the impacts on the global economy of the spread of the COVID-19, including its World Economic Outlook (WEO). Hereafter, given the current crisis, we expect the Fund to conduct more frequent and timely analyses on countries' outlook for balance of payments and debt sustainability in particular as a basis in providing financial support for developing countries.

#### **Emergency Liquidity Support for EMDCs**

Overcoming the current crisis requires the rapid implementation of "fast" and "adequate" support. In this regard, Japan supports the following measures by the IMF:

First, it is crucial for the global economy and stability of financial markets to put an early end to the spread of the COVID-19. In this context, it is of particular importance to ensure that poor and vulnerable countries have vital financing to take critical medical responses. Therefore, Japan strongly supports liquidity provision by the IMF to these countries through its Catastrophe Containment and Relief Trust, and has contributed USD 100 million as immediately available resources. We urge further contributions by other countries.

Second, low-income countries (LICs) need to secure immediate short-term liquidity to ensure medical and health spending to protect the poor and vulnerable. Japan welcomes the initiative for a time-bound suspension of debt service payments with broad participation by all bilateral official creditors. We greatly expect that these beneficiary countries will achieve robust recovery after the crisis through the IMF and World Bank Group's timely and reliable analyses on debt sustainability and provision of necessary advice, while enhancing debt transparency in these countries during this suspension period.

Third, in order to provide emergency financing for broader EMDCs to meet their prospective imminent needs, Japan welcomes the recent approval by the Executive Board of the temporary augmentation of the IMF's emergency facilities, the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI). We need to meet the funding needs expected to increase according to this revision. Responding to the earnest request by Managing Director Kristalina Georgieva, Japan is aiming at doubling its contribution to the Poverty Reduction and Growth Trust (PRGT) from the current SDR 3.6 billion. Japan will make available the first SDR 1.8 billion immediately. We call for other member countries to follow quickly, and Japan will match an additional SDR 1.8 billion with their contributions.

Lastly, we note that even economically sound countries could face negative impacts from highly volatile swing of financial flows. To effectively cope with such situations, Japan welcomes the recent establishment of the Short-term Liquidity Line (SLL), allowing for a rapid access to liquidity as needed.

#### **The IMF's Roles in the Future Economic Recovery**

We consider it essential for the IMF to further prioritize and streamline its workstreams with a view to responding effectively to future crises like the one caused by the COVID-19 pandemic, the resulting disruption of economies, and tightening of financial conditions. In particular, Japan expects the IMF to play the following three roles in preparation for the future recovery phase of global economy.

*(1) Surveillance and Policy Advice*

It is essential to draw lessons and enhance its surveillance capability through assessing and identifying vulnerabilities in balance of payments and economic structure that the COVID-19 outbreak has revealed. Also, we need to give careful consideration to how environmental and climate change issues should be treated in the IMF in terms of macro-criticality.

*(2) Lending*

In order for the Fund to function as the center of the global financial safety net (GFSN), It is critical for the Fund to closely cooperate with other institutions playing important roles in the GFSN, including foreign reserves, bilateral swaps, and regional financing arrangements (RFAs).

In addition, we welcome the completion of the fifteenth General Review of Quotas (GRQ) and reiterate the importance for each member to proceed its domestic procedures to complete the doubling of the New Agreements to Borrow (NAB) and a new round of Bilateral Borrowing Agreements (BBAs). Japan has completed its domestic procedure for NAB and is finalizing the BBA. As the current crisis has revealed, rapid and flexible borrowing resources play an important role, and thus should be integrated in the Fund's resources as a major funding source with due recognition in its governance structure.

*(3) Capacity Development*

The initiative of a time-bound suspension of debt service payments by all bilateral official creditors should be used as an important opportunity for poor and vulnerable countries to ensure debt transparency and sustainability. Regarding the debt issues, as Japan has long been advocating, it is essential to enhance domestic revenue mobilization including tax, and Japan expects the Fund to collaborate with other developing partners through the Platform for Collaboration on Tax (PCT) and further strengthen technical assistance. I believe that these efforts will improve fiscal resilience of developing countries against future crises.

In addition, Japan has been actively supporting the IMF by providing not only financial resources and policy input, but also well-qualified human resources. It is critically important for the IMF to enhance its efforts to diversify its staff nationality, with special focus on regional balance, given the wide range of services provided to the diverse membership. We will continue to provide these contributions in a more proactive manner.

Finally, we are in the middle of an unprecedented crisis worse than the Global Financial Crisis in 2008. It is an immediate challenge for us to cooperate in implementing rapid emergency economic, fiscal and monetary measures as needed. The IMF is a central institution for international monetary cooperation, and Japan will continue to contribute to the crisis response and the recovery of the global economy.