

Remarks by Deputy Prime Minister Taro Aso
2019 IIF Spring Membership Meeting
June 6th, 2019

Good morning.

I would like to extend a warm welcome to everyone here today, in particular, Tim Adams, President and Chief Executive Officer of the IIF, and express my thanks for the invitation to deliver these remarks today. I am delighted to see that the agenda of this year's IIF Spring Membership Meeting is closely aligned with Japan's priorities for the G20 Presidency. Contributions by you, distinguished representatives of the Private sector, are very important for the success of the G20. We, the G20 Finance Ministers and Central Bank Governors, will be touching on critical issues impacting the world economy and global financial sector at our meeting in Fukuoka.

Ladies and Gentlemen, before we head off to Fukuoka, a vibrant city known for its hospitality and a long history of close ties to Asia, and also my hometown, let me share with you my vision for the G20. As you may know, I took part in the very first G20 Summit meeting in 2008, which was tasked with responding to the Global Financial Crisis in the wake of the Lehman Brothers collapse.

Since then, I have been a strong proponent of the G20. I believe in its power to enhance and marshal international cooperation in addressing key challenges faced by the international community. Now that the Global Financial Crisis is behind us, it is high time the G20 turn to tackling longer-term structural issues, while addressing remaining risks to financial stability. Two of them that Japan views are priorities and have therefore placed on this year's G20 agenda are i) aging and its associated challenges; and ii) global external imbalances, which have narrowed but still persist.

Ladies and Gentlemen, let me now turn to some of the key areas we will be focusing on in Fukuoka, which are also relevant to the IIF.

First, the global economy. Getting together in Washington, D.C. for the Spring Meetings of the IMF and the World Bank, global economy discussed at IMF, G20 Finance Ministers and Central Bank Governors noted that the global expansion continues, albeit at a slower pace than anticipated, with risks remaining tilted to the downside. Against this backdrop, we pledged to continue upholding the G20 goal of achieving stronger, more sustainable, balanced and inclusive growth. For Japan, His Majesty the Emperor's ascension to the Imperial throne on the first day of May marked the beginning of a new era, named Reiwa, or "beautiful harmony". This sentiment captures a vision of the world we want to live in and build together. In support of this vision, Abenomics keeps focused on boosting Japan's economy, and for the benefit of all sectors, from households to corporates.

Second, a renewed focus on global imbalances. Heated debates between deficit and surplus economies is nothing new. However, tensions are rising, with tariff increases and non-tariff measures materializing in many parts of the world. Under the Japanese presidency, the G20 is analyzing the key drivers of imbalances exploring policy options to mitigate associated risks. The current account today looks quite different from what it used to be. Trade in goods was traditionally the single most important driver of the current account. It has given way to other components, such as earnings on foreign investment and trade in services. This is also the case for Japan in 2018. Our trade balance was almost zero, while we recorded a surplus of about 4 percent of GDP due to foreign investment income. As you well know, the current account balance is a reflection of the state of national economy, or, in other words, the savings and investment balance. As such, external imbalances can be a warning sign of domestic imbalances, such as: -rising corporate savings; -overheating asset markets, as was observed in the run-up to the 2008 crisis; and -precautionary household savings where social security coverage is insufficient. The last element can be addressed, for example, by building effective pension systems.

A third key agenda item is debt sustainability and transparency in low-income countries, or LICs. Rising debt vulnerabilities and the lack of debt transparency in many of these countries remain a cause for concern among the international community. The financial landscape for LICs has changed fundamentally in the last couple of decades. The presence of private creditors has increased substantially, together with emerging official lenders. In this context, I commend the IIF for its strong leadership in developing the Principles for Debt Transparency for private sector creditors. Going forward, joint efforts by borrowers and creditors, both public and private, are critical. I encourage the IIF and its members to continue closely working with us to address this global challenge.

A fourth agenda item is financial market fragmentation. Attaining an open and resilient global financial system has always been the common goal of the global regulatory community. However, cross border differences in regulation and supervision can fragment financial markets and may impair financial stability. Such fragmentation can also harm the G-20 objective of sustainable, balanced and inclusive growth by hindering the efficient global allocation of capital and reducing market liquidity. Last December, G20 leaders declared in Buenos Aires that they will address fragmentation through regulatory and supervisory cooperation. I believe that this remarkable step has given the world a new impetus to maintain an open global financial system. I placed this critically important issue as a priority for the Japanese G20 presidency this year. While addressing market fragmentation is not an easy task, G20 members have made good progress so far thanks to the dedicated works by the FSB and IOSCO. We would explore further ideas to help prevent future proliferation of market fragmentation, and look forward to market participants' contributions as well.

Ladies and Gentlemen, let me now conclude.

As I mentioned at the outset of my remarks, I am confident that the G20 will benefit from working closely with the private sector, in particular the IIF that

represents the global financial industry.

I look forward to fostering closer international cooperation through the G20 community, both public and private, to help build a world with enhanced prosperity and stability.

Thank you very much.

