



Statement by Finance Minister Taro Aso

G20 Finance Ministers and Central Bank Governors Meeting under the Japanese Presidency

(Vision of Japan's G20 Presidency)

10 years have passed since the Global Financial Crisis. While the past several years have witnessed a strong recovery, there are signs that the recovery is now losing steam, with clear downside risks. With heightened financial vulnerabilities, we need to further increase our vigilance and strengthen resiliency to minimize costs in the event of another crisis.

At the same time, the world faces a host of critical long-term challenges, such as aging populations, looming climate change, and a glaring gap in basic infrastructure and social welfare services in developing countries. Meanwhile, rapid technological innovation, while leading to a burst in productivity across industries, comes with dramatic changes in a wide range of areas such as financial services, with job opportunities shifting and the challenge of adapting to changes.

All this comes when support for an international order based on cooperation and openness, one that brought peace and higher prosperity to the world, is under strain, with growing dissatisfaction with economic inequality. There is a serious risk that unless a commitment to international cooperation and openness is restored, the world will retreat to one that is closed and fragmented, which history has shown time and again leads to instability and perverse economic outcomes.

Japan has benefitted perhaps more than any other nation from the cooperation and openness that has characterized the 7 decades after the end of World War II. Having grown to one of the world's most advanced economies, Japan has a responsibility and mission to protect the international order. Japan is committed to fully harnessing the opportunities offered by its Presidency so as to reinvigorate the G20 and make it a forum where members of the international community will cooperate to address issues facing the global economy.

(G20 role and priorities under Japanese presidency)

The G20 is now in a quite different environment from that at the time of the first G20 summit, established in response to the global crisis. The core mission that the G20 is expected to pursue under current conditions would be to strengthen economic fundamentals for sustainable and inclusive growth of the global economy. The G20 should now refocus itself on missions that are truly essential to the international community, and deliver effectively on such missions.

With this background, we will focus on the following three themes under the Japanese presidency:

- (1) Risks and challenges to the global economy;
- (2) Concrete actions to strengthen medium-term growth potential; and,
- (3) Policy responses to economic and social changes stemming from both technological innovation and globalization.

First, we need to act on the risks and challenges to the global economy. The G20's ultimate mission in non-crisis times is to monitor global economic risks and work to stem crises before they materialize. This is the most important mission of the G20 as the premier international forum representing a vast majority of the global economy. Consistent with this role, with a view to achieving sustainable and balanced growth, we will also discuss the causes of and possible responses to persistent large external imbalances. We believe that the G20, with its global membership, provides a suitable venue for discussion of this issue. External imbalances are best addressed by restoring saving-investment balances in the context of multilateral cooperation, rather than bilateral trade measures. In the process, we will pay close attention to structural drivers behind saving-investment imbalances such as excessive corporate savings and the impact of aging, and explore policy options to promote the required adjustments. Aging also poses wide-ranging important policy challenges not only for the already relatively older countries but also for rapidly aging countries. Therefore, the G20 will discuss aging in a comprehensive manner covering related issues such as monetary and fiscal policy implications, labor supply challenges, and financial inclusion.

Second, the G20 will focus on concrete actions to strengthen medium-term growth potential, such as investment in infrastructure and human capital. We believe that the G20 should continue to promote the Quality Infrastructure Investment (QII) agenda, as a way of boosting economic productivity. QII will bring positive economic and social spillovers over the long run, beyond the physical value of infrastructure. Specifically, QII helps mobilize additional private sector capital, and forms a solid basis for sustainable growth by generating jobs,

building capacity, and transferring technologies. Furthermore, a sustainable growth path needs to be supported by measures to ensure an enabling environment, including those to strengthen resilience against natural disasters. In this regard, disaster risk financing schemes play a critical role.

We will also extend our discussion beyond physical infrastructure to investment in human capital. A sustainable financing structure to promote Universal Health Coverage (UHC) in developing countries is one of the items under this agenda. Finally, we propose that the G20 discuss how to address rising debt vulnerabilities in low-income countries, which have caused grave concern within the international community. We will put emphasis on joint efforts made by borrowers and creditors, both official and private, so as to enhance debt transparency and ensure debt sustainability.

Third, we will take up economic and social changes stemming from technological innovation and globalization. Technological innovation and globalization have been drastically changing the economic and social landscape and business models. Consequently, policy makers in both developed and developing countries face the paramount challenge of maximizing their benefits while minimizing the associated risks without fragmenting the global economic system. Specifically in the area of international taxation, we will continue to have discussions on a review of the existing tax framework triggered by digitalization, in addition to fighting against tax avoidance and evasion. In the financial sector, we will begin our work to address the issue of market fragmentation. We will also take steps to harness the potential benefits of technological innovation, such as distributed ledger technology, while mitigating its risks, including those posed by crypto-assets.

(G20 process under Japanese presidency)

With all of the above in mind, we will make utmost efforts to ensure that the G20 more effectively fulfills its mission by streamlining G20 operations. Our Ministerial meetings and discussions would focus on strategically important issues, while giving political momentum to the important global issues being addressed at international organizations and other international fora. We will also ensure that G20 working groups conduct output-driven and efficient preparatory work, fully utilizing the technical expertise of international organizations.

We, G20 Finance Ministers and Central Bank Governors, are responsible for the future of global economy. I look forward to active and constructive discussions at the G20 on these important issues in building a foundation toward sustainable and inclusive prosperity.