

**Achieving Comprehensive and Sustainable Development in the Post-pandemic Era
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1. Opening

- Hello everyone. I'm very pleased and honored to make a speech at this distinguished forum of the IFF general assembly today. It's a pity that I cannot see friends from within China and other countries because of Covid-19. I hope that we can get together in real mode in coming years after this pandemic is over.
- I was President of the Asian Development Bank (ADB) between 2013 and January of this year. When I came back to Tokyo, I did not even imagine that this kind of situation would prevail in all countries of the world.
- The imminent issues of the international community today are how to cope with the coronavirus and how to recover the economies after Covid-19. But today's speech is about how to achieve comprehensive and sustainable development after Covid-19.
- Specifically, I will touch upon four issues. The first is climate change and SDGs. The second is fiscal and monetary policies. The third is the social divide, and the fourth is globalization and multilateralism.

2. Climate change, SDGs

- Looking beyond to the world after the Covid-19 pandemic, the international community must address climate change through "mitigation" to reduce greenhouse gases, and "adaptation" to strengthen the world's resilience to the negative impacts of climate change.
- One of the important issues after Covid-19, or in the course of recovery, and even during Covid-19, is how to cope with climate change. Asia is especially vulnerable to climate change. We have more extreme weather, including typhoons, drought, flood, heatwaves, and rise of sea level.

- About mitigations, renewable energy prices have been falling, and also the technology to integrate renewable energy to the power grid has been making progress, both at a pace surpassing peoples' expectations. Furthermore, green investment provides opportunities for growth.
- Turning to adaptation, there are many technologies which we can use for adaptation to reduce the damage from climate change. For instance, in agriculture, we have GPS and drip irrigation for better use of water. For flooding and drought, we have more resilient varieties of rice. We can also construct highways with longer years of life. We can use hazard maps for urban planning, and disaster prevention and management.
- In addition to climate change, we have such issues as absolute poverty, the gender gap, and quality education and health services for all. These are part of sustainable development goals (SDGs). In addition, we must have efforts to build high quality infrastructure such as energy, transport and urban areas in many countries.

3. Normalization of fiscal and monetary policies

- The second point I want to mention is fiscal and monetary policies. Today, all countries basically are mobilizing fiscal, monetary and financial sector policies to protect employment, households and enterprises. There are voices worrying about the moral hazard. However, we should support companies which can be viable in the absence of Covid-19 infections. We can err on the safe side instead of not acting.
- The fiscal deficit is expanding, the debt-to-GDP ratio is rising, central banks' purchases of government bonds are expanding, and base money is also expanding because of support to the financial sector. It is impossible to do these things selectively because it takes time.
- So, massive spending in a non-selective way is necessary. And if these monies provided by fiscal and monetary expansions are not used for consumption and investment, those monies will be saved so that they can be used for purchasing government bonds. So, at this moment, there is no risk or danger of inflation, collapse of government debts in countries or interest rate hike, and rapid depreciation of exchange rates.
- But we cannot continue to do this for ever. We cannot continue to have a

perpetually rising debt-to-GDP ratio, or a divergence of such ratio. We should start thinking about the normalization of fiscal and monetary policies once Covid-19 is over.

4. Addressing the social divide

- The third point I want to mention is how to cope with the social divide in countries.
- Globalization and technologies in countries, including developing and developed countries, have widened the gap among people in terms of income and wealth. The Covid-19 pandemic is further widening the social divide.
- Among the developed countries of the world, those working in factories and mines are losing jobs due to the relocation of production sites to developed countries. The middle-income population is also hit by technological innovations, while a very small part of the population riding on the waves of technology and globalization are amassing even more wealth.
- In the developing countries, absolute poverty has diminished greatly due to the inflow of capital and technology and expansion of growth. In particular, the reduction of poverty in China and India has contributed to the poverty reduction in Asia and the world. However, it should be noted that the wealthy are becoming even more richer, and the Gini coefficient is rising among many of the developing countries.
- The social divide is beyond that. It is now leading to the social divide in terms of the regional divide, divide based on religion and ethnicity. Furthermore, it is starting to damage the proper functions of sovereign states which should be responsible for peoples' lives.
- As such, we should make efforts to have a progressive tax system and along with its proper enforcement, and also provide good public services in education, health and support for the disadvantaged.
- In China, for instance, the registration system (*hukou*) which is dividing urban and rural registration, is now being relaxed. The reforms in the registration system, progressive taxation, and public education and health should be accelerated further.
- Platform enterprises based on digital technologies have very dominant powers in wealth, income, human capital and technologies. How can we cope with their dominance through taxation, competition policies, as well as policies regarding data

and privacy? We should consider these issues drawing on international cooperation as these issues cannot be effectively solved by individual governments due to easy relocations, spill-over and externalities.

5. Globalism and multilateralism

- Finally, such social divide and other issues have led to uncertainties about the future of globalization and multilateralism.
- Trade and the interaction of peoples between regions and countries have served as the basis of development of human society. Especially after World War II, because of technological progress in transport and communication, and also efforts by the international community, globalization has brought more welfare to the people. More recently, large capital flows between countries and digital technologies has further accelerated globalization.
- Yes, today, we may need a certain level of adjustment in globalization. Countries are concerned about national security and leakage of technologies such as trade secrets. They are also more concerned about the possible damage to supply chains interrupted by disasters and other events. After the coronavirus pandemic, countries are paying more attention upon securing the supply of medicine and medical supplies. So there may be more domestic production instead of just relying upon global value chains.
- But even if there is some adjustment, I do not think that there will be or should be a reversal of globalization because it is not to the interest of the people or countries. In that context, there is a necessity to maintain multilateral institutions such as the G-20, the United Nations, the IMF, the World Bank and ADB.
- Of course, in the international community, sovereign states, which are based upon voters and taxpayers, are responsible for welfare of the people. Sovereign states are so important that they are no alternatives. But an international cooperation framework based upon solid and healthy sovereign states is also essential to the long-term comprehensive interest of their people.
- I hope that today's meeting at the IFF will promote and provide the opportunity to discuss how we can achieve comprehensive and sustainable development in the international community going forward.
- Thank you very much.

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