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It is my great pleasure and honor to be here today. Having been involved in the G7 process since the late 70's and witnessed the evolution of its process, global governance related issues have always been one of my top agendas and I'd like to share with you some of my views and observations.

1. **First**, I'd like to stress the need of multi- faceted approach in dealing with global economic issues.

We've learnt from the current crisis the importance of macro-prudentiality. Major failures in the financial sector and in financial regulation and supervision were fundamental causes of the crisis.

In this regard, from governance point of view, the establishment of a new FSB with a strengthened mandate is welcome and we look forward to its joint work with the IMF.

Also, although not listed on the agenda here, I'd like to highlight the importance of structural policies.

Even prior to the onset of the crisis, all countries faced important structural policy challenges. The crisis and the recession have magnified these challenges.

From a governance point of view, the expertise and the knowledge of the OECD should be fully explored and utilized as it is an organization which has long been engaged in this area.

2. **Second**, at Pittsburgh, the G20 was designated as the premier forum for international economic cooperation.

We sherpas will start discussing how to maximize the effectiveness of that cooperation as instructed by our leaders.

Among the various issues listed in the document of this conference under the heading of Economic and Financial Governance, I'd like to touch upon "A Framework for strong, sustainable and balanced Growth" launched at Pittsburgh.



After lengthy negotiations, the language agreed on regarding this framework in the statement of Pittsburgh Summit may be a bit complex; our Finance Ministers and Central Bank Governors will elaborate this framework at their upcoming meeting. In essence, the framework aims to provide a policy coordination process, which the G7 is quite familiar with, with an expanded number of participating countries, including emerging economies, and with larger scope of policy objectives.

When recovery is ensured and our extraordinary policy support withdrawn, this framework, I presume, will be the core of the G20 exercises.

The G7 or the G8 alone cannot take full responsibility for a sustainable and balanced growth. Therefore, the Pittsburgh decision is a historic one.

Having said that, for this process to be successful, the following three points must be borne in mind:

- 1) Firstly, the political will of all relevant countries is to be fully engaged in the process. Our experience of G7 policy coordination, which includes the era of the Plaza and Louvre agreement, tells us that it's not so much the choice of indicators but rather political will which counts.

Also, I'd like to draw your attention to the fact that the issues relating to the global imbalance which was the underlying cause of the current crisis have already been on the agenda prior to the crisis within the multilateral consultation framework of the IMF, which unfortunately didn't attract much political attention.

- 2) Secondly is the importance of "peer review/peer pressure". Idealistically speaking, for the sake of predictability, legally-binding instruments should be extended to cover as many areas as possible. However, to be realistic, the wisdom of the G7 and the OECD lies in their introduction and strengthening of this "peer review" mechanism.

Developed countries should be more sensitive to the views expressed in the process. In this regard, the new Japanese government is determined to shift its economy towards a more domestic demand-fueled growth. Together with the United States, who took the initiative to launch this new process, as well as with the European Union, the G7 is now prepared to be engaged. Emerging and developing countries who are not accustomed to this mechanism seem to be quite cautious.

My message is "Don't be afraid of the process, but be responsible as a major stakeholder in the management of the world economy."

- 3) Thirdly is the importance of structural policy, as I've already touched upon, in order to address the rebalancing of global demand, to strengthen growth potential as well as to better take into account the social and environmental dimensions of our economies. Along with appropriate macro-economic policy, more attention should be given to this point.

3. Lastly, and to conclude my remarks, with the change in landscape of the world economy structure, the global governance structure must adapt itself. In search of this new structure, I'd

like to appeal that it's high time to overcome the legacy of the so called "North-South confrontation". We should look together into the benefits and the challenges of the globalization and borderless economy. We should learn the lessons from the failure of the CIEC, the Conference on the International Economic Cooperation, which aimed to seek a New Economic Order in the 70's.