

Tackling Global Challenges and the OECD

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With the world economy today experiencing turbulence on a number of diverse fronts, OECD countries are preoccupied with meeting these challenges. Among these are concerns for the future of the world economy stemming from the sub-prime mortgage blowout, climate change, high oil and food prices, and even the risk of falling short of achieving the Millennium Development Goals (MDGs) in the fight against poverty.

The G8 Summit meeting, to be held this July in Toyako Hokkaido, Japan will constitute one of the most important attempts to address these issues. On the agenda for discussion during the summit meeting are World Economy, Environment, Climate Change, Development and Africa, as well as Political issues.

Against the backdrop of the sub-prime mortgage problem and the dramatic surge of petroleum prices, the slow down of the world economy is already apparent. The development of new financial techniques and the lack of effective risk management have resulted in the rapid spread of risk through securitization. We need to enhance the stability of the international financial system through such measures as improving risk disclosures of financial institutions and reviewing the role of credit ratings. To tackle the financial market turmoil, useful lessons may be drawn from Japan's painful experience upon the bursting of its "bubble economy". The first of these is that a swift response is absolutely imperative. Second, it is critical to nip in the bud potential credit crunches. In this regard, I welcome the efforts of the financial authorities to analyze the causes of the recent turbulence in the financial markets and the oil price hike as well as to examine medium- and long-term measures.

Soaring food prices are another concern affecting the global economy. The world's most vulnerable population is facing an increasing threat of hunger and malnutrition. A wider range of people in a number of countries are now

affected by the high prices, bringing about social unrest. Emergency humanitarian relief must be coupled with a more long-term socio-economic development perspective. It goes without saying that the situation seriously jeopardizes the prospects of achieving the MDGs. I believe a strong sense of urgency must accompany this discussion at the Hokkaido Toyako Summit. In response to this problem, Japan decided to provide emergency food aid of about 100 million dollars through WFP this April. Japan had already disbursed about 68 million dollars to the WFP in 2008.

Climate change is a top priority of the G8 Toyako Summit. Last year, Japan proposed the “Cool Earth 50” initiative, calling for a halving of global greenhouse emissions by 2050. I also proposed the “Cool Earth Promotion Programme” at the World Economic Forum this January, which consists of three parts: post-Kyoto Framework, International Environment Cooperation and Innovation.

On the post-Kyoto Framework, I am calling on the United Nations to examine strategies and measures to bring about peaking out and halving green house gas missions. To ensure the peaking-out of the emissions, it is critical to create a mechanism in which everyone participates, including, inter alia, all major emitters.

On International Environment Cooperation, I proposed to set a global target of 30% improvement of energy efficiency by 2020. Japan will also establish a new financial mechanism, Cool Earth Partnership, on the scale of US\$ 10 billion to assist developing countries aimed at achieving both emissions reductions and economic growth.

On Innovation, Japan will accelerate development of technologies such as zero CO2 emission coal-fired power plants, low-cost, high-efficiency solar power generation, etc.

The OECD is one of the best and largest think tanks in the world. It is renowned for providing high quality analyses and policy options on a wide range of economic and social issues. In this regard, the OECD can make a significant contribution to the international community as it tackles the challenges now confronting us.

In addition, the OECD has a long and outstanding record at analyzing cross-cutting issues. Climate change is not simply an economic issue; it also involves technology diffusion and development and broadly impacts on individuals' lifestyles. I hope the OECD can provide us with a well-balanced analysis based upon a realistic assessment of the cost and benefits of various policy measures to reduce CO2 emission.

I understand that the 2008 OECD Ministerial Council Meeting will also discuss organizational issues such as enlargement, enhanced engagement and financial contribution. In the era of globalization, the above-mentioned challenges can no longer be effectively managed by OECD countries alone. In this sense, it is of great importance to the OECD to strengthen cooperation with non-member economies through outreach and enhanced engagement.

A few years ago, Japan asked the following question at the OECD Ministerial Council Meeting regarding the future of the OECD - "Today, the OECD stands at a crossroad. Will it become an international organization with a truly global influence?" If the organization is to meet the expectations of the OECD countries and the global community, I believe that the only possible answer must be an unqualified "yes"