

Statement by the Honorable KATAYAMA Satsuki
Governor of the IMF for Japan
at the Fifty-fourth Meeting of the International Monetary and Financial Committee
(October 17, 2026)

Japan expresses its sincere gratitude to Thailand, the host country of Annual Meetings this year, for its exceptional hospitality. Japan also commends Saudi Arabian Finance Minister Mohammed Al-Jadaan for his dedicated efforts to facilitate dialogue among member countries and welcomes the extension of his IMFC Chairmanship.

1. Global Economic Developments and Japan's Economic and Fiscal Policies:

The global economy is facing heightened uncertainty and a variety of risks, including geopolitical tensions and negative impacts on supply chains caused by trade restrictions. The policy challenges facing countries have become increasingly complex. While the recent global economy has shown a certain degree of resilience, risks remain significant. It is necessary to keep in mind the impact of uncertainty on financial markets.

The current situation in the Middle East is adversely affecting global energy supplies and logistics. It is essential to ensure the free and safe navigation of the Strait of Hormuz as soon as possible. In this context, Japan is formulating a comprehensive cooperation plan aiming at strengthening the economic and energy resilience of the Gulf countries in the Middle East. Since this April, Japan has been providing emergency assistance to countries facing fuel supply shortages, particularly in Asia and the Pacific, and support for responding to structural issues, such as strengthening stockpiling capacity for crude oil and diversifying energy sources, through JICA and JBIC under the framework of Partnership on Wide Energy and Resources Resilience Asia (POWER Asia).

It is also critical to end Russia's illegal aggression against Ukraine without delay, achieving a just and lasting peace. Japan's assistance for Ukraine has reached approximately USD 20 billion. To continue such support, Japan calls on Ukraine to steadily implement reforms, including domestic resource mobilization through VAT reform, as well as anti-corruption measures, toward the successful completion of the next review under the IMF program approved in February.

Arbitrary export restrictions on critical minerals are downside risks to the global economy and hence should be withdrawn. There are high expectations for the IMF to present high-quality analysis and policy advice in this area. Japan encourages the IMF to continue delivering objective and professional analysis on the issue, as the April World Economic Outlook and related publications highlighted the severe global impacts of supply chain disruptions caused by export controls on critical minerals.

In addition to tackling the immediate challenges, each country is required to address structural issues—technological innovation and response to intensifying and frequent natural disasters and demographic change— and to enhance its economic resilience. To this end, it is essential for advanced and developing economies to achieve both economic growth and fiscal sustainability. In Japan, domestic investment toward growth has long been insufficient. To raise potential growth, Japan will promote bold investments in strategic sectors through close cooperation between the public and private sectors. To reduce the burden on low- and middle-income workers, Japan will introduce well-targeted benefits tailored to income level on a full scale from FY2029, while implementing a two-year reduction of the

consumption tax rate on food and beverages. These measures will be financed without relying on deficit-financing bonds. As the IMF has previously recommended, Japan will reduce its reliance on supplementary budgets and ensure that regular programs are funded in the initial budget. Japan will place the government debt to GDP ratio on a firm declining path. Through these efforts, amid Japan's transition to a world with inflation and positive interest rates, we will maintain market confidence and achieve both economic growth and fiscal sustainability.

2. Strengthening the IMF's Functions and Roles:

As the global economy faces heightened uncertainty and a variety of risks, the role of the IMF in safeguarding the stability of international financial system and global economy is becoming more critical than ever. We would like to highlight Japan's key priorities in the IMF's core functions: surveillance, lending, and capacity development.

(i) Surveillance:

As member countries face increasingly complex policy challenges, the IMF's analyses underpinned by its neutrality and expertise, together with its candid policy recommendations, are becoming even more critical. In this regard, Japan welcomes the completion of the Comprehensive Surveillance Review. As highlighted in the review, it is essential to address global imbalances, strengthen spillover analyses, and ensure data accuracy.

Persistence of global imbalances risks escalating trade tensions or triggering disorderly adjustments in financial markets. To prevent these risks, both surplus and deficit countries must pursue domestic policies that contribute to reducing excessive imbalances. Countries with excessive and persistent external surpluses should refrain from non-market policies and practices (NMPPs) and improve social safety nets, while countries with excessive and persistent external deficits should pursue fiscal consolidation and promote domestic savings. Such policies ultimately benefit the countries themselves. Japan expects the IMF to provide candid policy recommendations, including through the External Sector Report and Article IV Consultation reports, and to continue monitoring members' policy implementation.

It is also crucial to strengthen analyses on outward spillovers of each country's domestic policies. Specifically, the IMF should further deepen empirical and scenario-based analyses of the negative spillover effects of overcapacity arising from NMPPs. Japan calls on the IMF to incorporate such analyses not only into Article IV Consultation reports but also into its multilateral surveillances, such as the World Economic Outlook and Regional Economic Outlooks, thereby providing a solid foundation for constructive policy dialogue among members. In this regard, close collaboration with the Organisation for Economic Co-operation and Development (OECD) is also important.

Provision of accurate and adequate data is the foundation of effective IMF surveillance. The IMF should strengthen capacity development for countries unable to provide adequate data due to their capacity constraints. Where countries with necessary capacity do not provide sufficient data, the IMF should exert its efforts to ensure the countries' data accuracy and adequacy. In this context, incentive mechanisms that encourage data provision need to be considered.

(ii) Lending:

As the global economy faces a variety of structural challenges and perils, the IMF's lending has become

increasingly important. Against this backdrop, Japan welcomes the completion of the Review of Program Design and Conditionality.

The number of lending programs for low-income and vulnerable countries has increased significantly. Specifically, the number of the lending programs financed through the Poverty Reduction and Growth Trust (PRGT) exceeds those financed through the General Resources Account (GRA). This fact articulates that the assistance for low-income and vulnerable countries constitutes a core function of the IMF. It is important to ensure that the PRGT, which underpins the support, remains sustainable and effective. Japan will continue to provide Voluntary Financial Contributions (VFCs) to the PRGT.

It is also important for the IMF, as the center of the Global Financial Safety Net (GFSN), to further demonstrate its catalytic role in mobilizing financial resources from a variety of institutions. As the lessons from Southeast Asia have shown, enhanced cooperation between the IMF and Regional Financing Arrangements is crucial. The Chiang Mai Initiative Multilateralisation (CMIM), established in the aftermath of the Asian Financial Crisis in 1990s, can provide timely liquidity support based on its deep knowledge of regional circumstances. Accordingly, both the IMF and the CMIM should respond to member countries' financing needs by leveraging each of their comparative advantages. To ensure effective cooperation during crises, it is beneficial to deepen mutual understanding during normal times. In this regard, Japan welcomes that the IMF and the ASEAN+3 Macroeconomic Research Office (AMRO), which is responsible for surveillance under CMIM, renewed the Memorandum of Understanding on their cooperation, during this Annual Meetings. Japan encourages the IMF and the AMRO to further deepen their cooperation in a manner consistent with their respective mandates and expertise, thereby contributing to both regional and global financial stability.

(iii)Capacity Development:

The IMF's capacity development has become increasingly important in strengthening the economic resilience of member countries. Japan places particular emphasis on the importance of: (i) promoting integration of capacity development with surveillance and lending; (ii) sustaining recipient countries' capacities acquired through the capacity development; and (iii) strengthening accountability through enhanced visibility of outcomes. These efforts should be further strengthened going forward. In the Asia-Pacific region, Japan expects the IMF's Regional Office for Asia and the Pacific (OAP) to play an even greater role as a "bridge" in promoting synergies among various capacity development tools and cooperation among relevant institutions.

Regarding debt management as one of the capacity development areas, improving the accuracy and transparency of debt-related data in borrowing countries is essential for the IMF's surveillance and lending. Japan encourages further strengthening of capacity development in this field. The IMF should advance support for enhancing government debt management policy and developing domestic bond markets to achieve sound debt management.

Domestic resource mobilization (DRM) is an important issue that underpins self-reliant and sustainable economic growth and investment promotion in member countries. Building on the discussions at the "Tax and Development Conference" held in Tokyo in March this year, the IMF should further strengthen its support for DRM, with respecting ownership of recipient countries. Japan expects the IMF to further deepen collaboration with the World Bank, the OECD, the Asian Development Bank, and other international institutions to continue providing effective support to countries including fragile and small island developing states by leveraging their comparative advantages.

Japan welcomes the establishment of the Anti-Money Laundering and Anti-Corruption (AMLAC) Fund, which promotes anti-money laundering and countering the financing of terrorism (AML/CFT) together with governance and anti-corruption efforts in an integrated manner. Japan expects the AMLAC Fund to strengthen the fight against illicit finance, including by addressing emerging challenges such as fraud and the misuse of crypto-assets, and contribute to enhancing the economic resilience and financial soundness across IMF member countries through capacity development. Japan has long supported this area and plans to provide USD 3.5 million over five years to the newly established AMLAC Fund.

Regarding digital money, Japan welcomes the progress made on the CBDC Handbook backed by its assistance. Japan expects that the IMF continues to provide capacity development in this area, taking into account the latest technological developments. The IMF's support will enable member countries to recognize the relative strengths and challenges of various technologies and continue enhancing cross-border payments while appropriately addressing risks. Japan will continue to support capacity development and analytical work in this field, including efforts to address correspondent banking challenges faced by Pacific Island Countries.

3. Strengthening the IMF's Governance:

For the IMF to continue fulfilling its role in an evolving international financial landscape, it is crucial to interweave its functional strengthening outlined above and quota and governance reforms. To enhance the IMF's credibility and legitimacy, transparent and objective quota and governance reforms based on an appropriate quota formula are paramount. Consistent with the Diriyah Guiding Principles, quota reviews should start with discussions on the formula. In revising the quota formula, it is essential not only to reflect changes in the international financial environment, but also to properly capture members' responsible contributions to the IMF's core functions besides traditional focus on their capacity to contribute and potential need for IMF resources. Japan considers the following three points particularly important in the discussion of quota and governance reforms:

First, the realities of today's international monetary and financial system should be better reflected. While traditional quota formulas have placed significant weight on economic size such as GDP, capital flows nowadays have much greater impact on countries' balance of payments stability. Indeed, sudden stops or reversals of capital flow have driven recent financial crises. Accordingly, assessments of countries' relative positions in the global economy should capture not only real economic indicators, such as GDP and trade flows, but also financial interconnectedness.

Second, VFCs, which underpin the IMF's core functions, should be appropriately reflected in the reforms. As noted earlier, lending and capacity development for low-income and vulnerable countries are core functions of the IMF and supported by VFCs from member countries. Against this backdrop, properly recognizing the VFCs is essential to incentivize members to continue their contributions. This incentive would also help strengthen the financial foundation for supporting low-income and vulnerable countries, thereby benefiting those countries most in need of assistance.

Third, it is also important to better reflect members' responsible operational contributions to the IMF's core functions. As recognized in the Diriyah Guiding Principles, voice and representation at the IMF entail both rights and responsibilities. For example, the provision of accurate and reliable data is

fundamental to the effectiveness and credibility of the IMF's surveillance and other core functions. We should consider providing incentives for member countries by appropriately evaluating such contributions.

In parallel with these discussions, it is also necessary to enhance the diversity and expertise of the IMF's staff, which constitutes the organization's greatest asset. The IMF's global coverage warrants its staff composition to be more diversified with appropriate country balance, which is key to promoting more effective operations. Especially, Japan encourages the IMF's further efforts to hire staff from significantly underrepresented countries. Japan will proactively offer human resource contributions, in addition to financial and operational contributions.

4. Conclusion:

We, as the IMFC members gathering today, share a grave and challenging responsibility for navigating economic policy amid a fluid international monetary system. Adding to strengthening self-help efforts, it is increasingly important to seek to build a new order and to deepen cooperation at the bilateral, regional, and multilateral levels. In this context, it is paramount to review the IMF's functions and governance, as the center of the GFSN, from a medium- to long-term perspective. Through such discussions, Japan, together with the IMF under the leadership of Managing Director Kristalina Georgieva, will continue to contribute to the stability of both the global economy and the international monetary and financial system.