

**Statement by the Honorable KATO Katsunobu
Governor of the IMF for Japan
at the Fifty-second Meeting of the International Monetary and Financial Committee
(October 17, 2025)**

To begin with, Japan appreciates IMF Managing Director Kristalina Georgieva's strong leadership for stabilizing the global economy. We also thank Saudi Arabian Finance Minister Mohammed Al-Jadaan for promoting constructive and strategic dialogue among IMF member countries as the IMFC Chair.

1. Views on the Recent Global and Japanese Economy:

[Global Economy]

The outlook of the global economy is uncertain due to trade measures and geopolitical tensions, constraining the behavior of businesses and consumers. In addition, long-term structural transformations, including accelerated technological innovations such as AI, intensified climate change, and demographic shifts, are arising. Failure to adapt effectively to these changes could heighten risks of widening of domestic and international disparities, social and political instability, and market fragmentations.

Against this backdrop, countries should pursue policies and communications that reduce economic uncertainty and strengthen growth, thereby contributing to the stability of international trade, economic, and financial systems. It is also essential to monitor risks that could trigger major adjustments in financial markets and to guard against excessive volatility or disorderly movements in exchange rates that could undermine economic and financial stability.

As the global economic and trade order becomes increasingly fluid, we must adapt to the reality while working to shape a new order. To this end, countries should enhance their own economic and social resilience through their self-help efforts, seek rules that can be shared among nations that hold diverse values, and build a multi-layered international economic system encompassing bilateral, regional, and plurilateral frameworks.

In this regard, Russia's protracted and illegal aggression against Ukraine remains a serious risk factor for the entire global economy and an obstacle to rebuilding an orderly international economic system. Japan strongly calls for an immediate end of the aggression by Russia and an achievement of a just and lasting peace. We remain committed to supporting Ukraine centered around the IMF programs and will continue to back Ukraine's efforts in domestic reforms.

[Japanese Economy]

Japan's economy is transitioning toward a "growth-oriented economy" driven by wage increases and investment, demonstrated by capital investment exceeding a record level of 100 trillion yen and wage increases by more than 5 percent for two consecutive years at this year's spring wage negotiations. To ensure this momentum, Japan aims to raise productivity and added value, while realizing a stable increase in real wages.

2. Japan's Expectations for Strengthening the IMF's Functions and Roles:

As the global economy faces uncertainty and various structural changes, while the international economic order is expected to be increasingly multi-layered, the IMF's role as the center of the four-layered Global Financial Safety Net (GFSN) is becoming more critical than ever. While upholding its core mandate of addressing Balance of Payment (BOP) issues of member countries, the IMF must boldly review its functions and governance in order to adapt to the evolving external environment and meet the changing needs of its member countries to the maximum extent possible. As this year marks the 80th anniversary of the establishment of the IMF, Japan has initiated discussions to redefine the IMF's role from a long-term and "out-of-the-box" perspectives, and to further strengthen its functions. From this standpoint, Japan emphasizes the following points as critical:

(i) Surveillance:

As policy challenges become increasingly complex and difficult across various areas including fiscal, monetary, and trade policies, the IMF's multilateral and bilateral surveillances based on analyses underpinned by its neutrality and expertise, together with objective policy recommendations are more critical than ever for encouraging member countries to carry out necessary reforms. Surveillance should prioritize macro-critical issues that directly affect members countries' BOP, based on the clear definition on "macro-criticality".

For example, identifying the status and causes of external imbalances and proposing corrective measures should remain a top priority of multilateral and bilateral surveillances. In this regard, the messages presented by the External Sector Report in July this year such as "tariffs are not effective measures for correcting current account imbalances between countries" and "excessive external imbalances reflect domestic economic distortions, which should be addressed through targeted policy adjustments" — are highly relevant. Furthermore, an analysis on negative spillovers from overcapacity driven by non-market policies and practices, and cross-country recommendations to address them are also important. Japan expects the IMF to continue providing concrete policy advice based on insights gained through surveillance, and to offer opportunities that help members implement necessary reforms.

Additionally, as new technologies are rapidly emerging, the IMF should examine implications of cross-border payments via various digital assets and currencies to the entire international monetary system, including possibility of currency substitution, difficulty in implementing capital controls, and heightened risks of money laundering and terrorist financing.

(ii) Lending:

As the global economy faces heightened uncertainty and various structural transformations, the macro-critical BOP challenges that countries must address are becoming increasingly diverse. These challenges range from immediate to medium- and long-term, as well as from actual to potential, stemming from exogenous factors or domestic structural issues. To enable the IMF as the core of the GFSN, to effectively respond to such diverse macro-critical BOP needs, its lending function has to be continuously reviewed and strengthened — both in terms of quality and quantity. At the same time, the IMF's core mission: focusing on correcting external imbalances, playing its catalytic role in mobilizing finance resources from various institutions, and supporting necessary domestic reforms, must be preserved, so that reviewing its lending function will not lead to moral hazard and mission

creep.

On top of that, support for low-income and small island countries who are vulnerable to external shocks should be regarded as one of the core functions of the IMF, since those countries are not covered by either Regional Financing Arrangements (RFAs) or bilateral swaps under the multi-layered GFSN.

In addition, the IMF and RFAs should build a framework for collaboration, so that they can respond to member countries' financing needs by leveraging each of their comparative advantages, based on the basic recognition that they are partners that form GFSN with complementarity. In Asian region, Japan expects the IMF and AMRO to deepen their cooperation, starting with joint initiatives in capacity development and knowledge works.

(iii) Capacity Development:

As the global economy faces heightened uncertainty and multiple risks, and policy challenges become increasingly complex and difficult, it is more important than ever for member countries to strengthen their institutional and human resource capacity, for enhancing their ability to address these challenges. From this perspective, capacity development must be more effective as a core function of the IMF, along with surveillance and lending. Japan, as a longstanding top donor to the IMF capacity development, calls for: (1) enhancing synergies among capacity development tools; (2) ensuring integration of capacity development with surveillance and lending; and (3) strengthening performance management.

First, it is important to implement various tools of capacity development—such as technical assistance, training, peer-to-peer learning, and scholarship—in a complementary manner. In the Asia-Pacific region, Japan expects the IMF's Regional Office for Asia and the Pacific (OAP) to function as a hub for these efforts.

Second, capacity development should be aligned with resolving issues identified through surveillances and backing reforms required under lending programs, by building a mechanism to optimize its timing, themes, and target participants.

Third, in terms of strengthening performance management, a mechanism should be built to enhance post-program monitoring for assessing outcomes of capacity development, to feed the results of the assessment into the design of future capacity development, surveillance, and lending, and to share best practices widely among member countries.

With regard to focus areas of capacity development, Japan places particular emphasis on debt issues, domestic resource mobilization (DRM), and adaptation to digital technologies, aiming at promoting countries' self-help efforts and enhancing their resilience to external challenges.

Regarding debt, we need to further strengthen the implementation of the Common Framework for low-income countries. Publication of the Debt Restructuring Playbook with indicative timeline at the Global Sovereign Debt Roundtable (GSDR) this was an important achievement. Japan calls on the IMF to contribute to improving the implementation of the Common Framework, including through updating the Playbook. For middle-income countries, Japan expects multilateral efforts drawing on the experiences and lessons learned from debt restructuring of Sri Lanka. It is also crucial to enhance debt

management capacity and debt transparency through initiatives such as the Debt Management Facility and Data for Decisions.

DRM is an important issue for member countries to achieve sustainable development by strengthening fiscal sustainability and fiscal management, while adapting to tight and unstable financial environment as well as limitation of donor funding. Japan supports the objective of the IMF-World Bank Joint Domestic Resource Mobilization Initiative. Japan continues its supports through Japan Special Account to help implement appropriate tax policies and design necessary legislations, primarily focusing on Asia and Pacific Region, and also contributes to the activities of the Global Public Finance Partnership. To enhance the effectiveness and efficiency of technical assistance in the field of taxation, it is important to undertake dialogues between tax experts from member countries and international organizations. From this perspective, Japan welcomes that the Platform for Collaboration on Tax (PCT), which consists of related international organizations including the IMF and the WBG, is holding the Tax and Development Conference, focusing on DRM, in Tokyo next March.

On digital technology, as new innovations such as Central Bank Digital Currencies (CBDCs) and stablecoins are rapidly emerging, Japan expects the IMF to strengthen capacity development in this area, so that authorities can gain benefits from these developments, while identifying and mitigating various risks, particularly those related to cross-border payments. For example, prompt completion of developing CBDC Handbook and its use in capacity development is essential. The IMF should also provide capacity development that can contribute to addressing correspondent banking issues faced by Pacific Island Countries. Japan stands ready to support these initiatives.

3. Advancing Discussions on Quota and Governance Reform for Strengthening Function and Roles of the IMF:

For the IMF to effectively fulfill its functions and better respond to evolving BOP needs of its member countries through the reforms outlined above, quota and governance reform is imperative. In this context, Japan considers it important to advance discussions toward establishing Guiding Principles by the Spring Meetings next year, in line with the Diriyah Declaration, and intends to actively contribute to this process. Japan believes that these Principles should serve as a guideline not only for the 17th General Review of Quotas but also for the subsequent IMF quota reviews and governance reforms. From this perspective, Japan emphasizes the following points:

- The quota review is not a goal, but means to improve the IMF's function and governance, so that it can better serve for members' needs as the core of the GFSN.
- It is necessary to re-examine whether the current system—where a single quota play a role on two fronts: one for allocating access to fund resources, and the other for defining voting power and its capital subscription—is fit for purpose as the IMF seeks to function effectively as the center of the GFSN. For example, under the current system, the quota which reflects each country's economic size, determines member country's access to lending and SDR allocations. This system puts low-income countries and vulnerable small states into a paradoxical situation, where their small economic size, which is the root cause of their vulnerability, limits their access and SDR allocations. To address such constraints, Japan believes it worth exploring options such as introducing two separate quotas—one for access and another for subscription and voting power—thereby delinking quotas from access.

- Support for low-income and vulnerable countries should be positioned as one of the central focuses of the IMF and strengthened accordingly. To this end, a governance structure should be built to secure stable financial foundation for these functions. For example, member countries may want to consider amendments to the Articles of Agreement to allow direct transfers of General Resources Account (GRA) net income and reserves to the Poverty Reduction and Growth Trust (PRGT), thereby creating a mechanism for stable financing. In addition, Voluntary Financial Contributions by member countries to support these core functions should be reflected in voting power to strengthen governance aligned with the IMF's core functions.
- The decision making process of the IMF should be more inclusive. Practical ways should be explored to enhance voice and representations of small countries that form constituencies with many peers, so that they can have more direct interactions with the IMF management.

In parallel with these governance reforms, enhancing staff diversity and expertise is also necessary to make the IMF more effectively respond to diverse needs of its members. Japan stands ready to proactively contribute to the IMF through its human resources, in addition to financial and policy contributions.

4. Conclusion:

Amid an evolving global economic order, we are gathering today as the IMFC members with a shared era of multiple risks and high uncertainty, as well as collective responsibility for navigating economic policy. Therefore, we must continue our efforts in building a new international economic order through cooperation at bilateral, regional, and multilateral levels, while encouraging self-help efforts and seeking rules that transcend differences in values. We should also improve IMF's functions and governance at the center of these efforts, with a long-term and "out-of-the-box" perspectives. The IMFC is a crucial forum, where the Governors of member countries get together for such discussions. From this viewpoint, Japan strongly supports the initiative by the Saudi Arabian Chair to strengthen the functions of the IMFC. Japan, together with the IMF, remains committed to contributing to global economic stability and sustainable growth.