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Statement by Mr. Dombrovskis
European Commission

Statement of Commissioner Valdis Dombrovskis to the International Monetary and Financial Committee on behalf of the European Commission

Bangkok, 16 October 2026

1. The European Commission remains firmly committed to the rules-based international order and the multilateral system, which have served the global economy well for decades. We continue to strongly support the IMF's role at the centre of the Global Financial Safety Net, including its position as a trusted truth-teller to its members.

2. While the global economy has shown remarkable resilience so far, it is facing increasingly significant challenges related to a high degree of policy uncertainty, disruption in energy markets, trade restrictions, and geopolitical conflicts and tensions. This includes Russia's long-lasting illegal war of aggression against Ukraine and the conflict in the Middle East. Downside risks to the global outlook are further heightened by rising long-term government bond yields in advanced economies, which could increase global financing costs and weigh on growth more broadly. Furthermore, a potential correction in AI valuations could trigger financial market volatility.

3. Developments in Iran, the Strait of Hormuz, Bab el Mandeb and the wider region threaten regional and global security, elevate energy and industrial product prices and create further inflationary pressures, and could jeopardise food security for the most vulnerable countries. The goal must now be to work towards a lasting reopening of the Strait of Hormuz, without tolls, while supporting the restoration of regional stability. Strategic supply chains must be secured and energy routes diversified. A diplomatic solution needs to be found to restore the freedom of navigation in the Black Sea, also given the importance for global food and fertilizer security. We underline our strong commitment to ensuring well-functioning, stable, and transparent energy markets and sustaining adequate supply in global oil and gas markets. It remains important that measures to alleviate the impact of high energy prices are temporary and targeted, minimise fiscal costs, do not delay decarbonisation of the energy system nor increase the demand for oil and gas.

4. We strongly condemn Russia's increasing, systematic attacks on Ukraine and its people, and urge Russia to agree to a full, unconditional and immediate ceasefire and engage in meaningful negotiations towards a just and lasting peace. As we approach the sixth year of Russia's full-scale invasion of Ukraine, the EU reaffirms its firm and unwavering support for Ukraine's independence, sovereignty and territorial integrity within its internationally recognised borders. We will continue to provide, in coordination with like-minded partners and allies, comprehensive political, financial, economic, humanitarian, military and diplomatic support to Ukraine. In parallel, the EU will continue to increase pressure to constrain Russia's ability to pursue its war of aggression, remaining committed to the effective implementation and further strengthening of restrictive measures. In this regard, we call on our international partners to step up pressure on Russia via strengthening sanctions and fighting circumvention, to maximise the impact of our collective work.

5. The EU remains Ukraine's largest international donor. Close to EUR229 billion in assistance has been provided, together with European financial institutions and EU Member States. This support includes the grants and highly concessional loans given through the Ukraine Facility and the Macro-Financial Assistance instruments, as well as through the new Ukraine Support Loan (USL) from which EUR 16.9 billion has been paid out already. The Loan will ultimately provide Ukraine EUR 90 billion of financial assistance for budgetary and military purposes for 2026-2027, funded by EU borrowing on capital markets, to be repaid by Ukraine only if it receives reparations. Budget support under the USL is conditional on the

implementation of agreed reforms, including measures to strengthen the rule of law, combat corruption, mobilise domestic revenues and improve public financial management, supporting Ukraine's economic resilience and progress towards EU membership. We count on the commitment of Ukraine's executive and parliamentary authorities to implement the agreed reforms within their respective timelines. The EU support was initially expected to be sufficient to cover Ukraine's budgetary financing gap in 2026, and two thirds of Ukraine's financing needs over 2026-2027. More support will be needed also from other donors, including on defence, against the backdrop of an intensifying war. The G7 Extraordinary Revenue Acceleration (ERA) loans have been almost completely disbursed, including the EU's contribution of EUR 18.1 billion, and will be repaid from windfall profits generated by Russia's immobilised central bank assets.

6. The EU strongly supports Ukraine's reform agenda under the IMF programme and remains committed to close coordination to ensure that our respective economic-policy reform conditions are aligned and complementary. The USL was essential in providing the strong and credible financing assurances that enabled the approval of the new Extended Fund Facility (EFF) programme for Ukraine, as well its First Review on 20 July 2026. Under this programme, USD 2.2 billion has already been disbursed, supporting Ukraine's fiscal, external, price and financial stability, while promoting long-term growth in the context of post-war reconstruction and EU accession negotiations. The EU strongly supports the IMF's reform agenda and is committed to close alignment and the complementarity of our respective economic-policy reform conditionality.

7. The EU economy is relatively resilient and is expected to continue growing modestly amid intensifying headwinds. Economic activity in the first half of 2026 was somewhat stronger than projected in the European Commission Spring 2026 Forecast, and sentiment has improved in the third quarter. Protracted geopolitical tensions with a negative impact on energy markets appear to warrant a downward correction of the EU growth projection for 2027. Healthy household and corporate balance sheets continue to support domestic demand. Continued pressure on energy markets is pushing fuel prices up again, however. European gas and electricity prices have risen sharply over the summer, also reflecting the severe heatwaves and droughts that boosted cooling demand and constrained power generation. Inflation, which eased in early summer, picked up again in July and August. The extreme weather is also affecting agriculture, transport and other water-dependent sectors. Overall, the short-term economic outlook has improved slightly compared to spring. Risks to growth remain tilted to the downside, while risks to inflation remain tilted to the upside.

8. The European Commission Spring 2026 Forecast projected a mildly expansionary fiscal stance in the euro area in 2026. This is driven by spending financed through Recovery and Resilience Facility (RRF) grants as well as higher defence spending and, to a smaller extent, measures taken in response to higher energy prices. So far, EUR 440 billion of the RFF has been disbursed in grants and loans to Member States, out of a total EUR 573 billion allocated. In 2027, the fiscal stance is forecast to turn neutral, as the RRF comes to an end whilst defence spending continues to increase.

9. The national escape clause for defence is currently activated for 18 Member States. Italy requested its activation, as 19th Member State, which was positively assessed by the Commission on 8 October and is now awaiting the follow up by the EU Council. The national escape clause for defence allows for a temporary deviation from the ceilings of net expenditure to facilitate an increase in defence spending between 2025 and 2028, whilst safeguarding the sustainability of public finances in the medium term. Since spring, EU Member States have the opportunity to request an expansion in the scope of their existing national escape clause for defence to strengthen the structural resilience of the European energy system and accelerate the

transition away from fossil fuels. Such a broadening of the scope of the national escape clause to energy security has so far been requested by Greece, Italy and Portugal.

10. Reforming and strengthening the WTO, addressing non-market policies and practices, and diversifying supply chains is more important than ever. We continue engaging with important partners, such as the US and China. We continue the implementation of the EU-US Joint Statement and see to rebalance trade with China with the aim to ensure the long-term competitiveness of our industry and a level playing field. The Commission has also prioritised the conclusion of ambitious, comprehensive and balanced Free Trade Agreements around the world. In the last year, we have successfully concluded negotiations with Indonesia, India, Australia and the Eastern and Southern African States-4 group. We also benefit from our agreements with Mercosur and signed a modernised Free Trade Agreement with Mexico. Negotiations were substantially concluded with the Philippines and are ongoing with Malaysia, Thailand and the United Arab Emirates. Our goal is to conclude some of them in the coming months. We have deepened our cooperation with our Indo-Pacific partners, launching a Trade and Investment Dialogue with the 12 members of the, which focus Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Finally, in July we laid down the EU approach to WTO reform via three new papers tabled in Geneva, which a focus on rebalancing rights and obligations, restoring the level playing field and improving governance and decision-making.

11. The IMF's new External Sector Report (ESR) shows that global macroeconomic imbalances have widened further in 2025, warranting intensified policy attention. Some imbalances reflect underlying fundamentals such as relative income levels or demographics in the context of free international trade and free global capital flows. Excessive and persistent imbalances beyond those justified by fundamentals are a concern, however. Following extensive work at the IMF, G20 and G7 to better understand the nature of global imbalances, the time has come to address them. This should be done in a cooperative and timely manner by the main surplus and deficit countries to avoid disorderly adjustment that can impair global growth and resilience. Countries should take steps to eliminate non-market policies and practices that exacerbate imbalances. In particular, countries with excessive and persistent external surpluses should remove distortions that constrain domestic consumption and that result in an overreliance on exports for growth. As a significant surplus country, China should foster a more consumption-driven growth model by pursuing an expansionary fiscal policy, scaling-up social spending whilst scaling-back harmful industrial policies and other non-market policies and practices. Countries with excessive and persistent external deficits should also undertake policies that include supporting domestic savings and fiscal consolidation. The US, a significant deficit country, should undertake fiscal consolidation, putting debt-to-GDP on a downward path and increasing public saving. The EU needs to invest more and implement outstanding reforms to enhance our competitiveness. Therefore, we are completing the Single Market and deepening Europe's capital markets. The EU's efforts are already leading to results, with the Euro Area current account surplus declining in 2024 and 2025.We support the IMF's continued role in providing impartial and well-founded analysis for discussions on global imbalances.

12. We are advancing Europe's competitiveness agenda, building on the reports by Mario Draghi and Enrico Letta. Good progress is being made. This includes the EU Tech Sovereignty Package, which strengthens Europe's competitiveness in the cloud and AI ecosystem and chip manufacturing, the European Innovation Act, helping innovative ideas reach the market, the Public Procurement Act, which simplifies and modernises procurement rules. The 'One Europe, One Market' Roadmap on the Single Market sets out key legislative measures with a very clear timeline, targets, and milestone for the delivery of this agenda of legislative measures by the

end of 2027 at the latest. We are pushing forward with the EU Savings and Investment Union to better channel savings to productive investments and create more integrated capital markets. This is why we will put forward a new Banking Package focusing on simplification and tackling fragmentation.

13. The IMF is a key pillar of the international financial architecture, and the Commission is a firm supporter of its work. We welcome the completion of key policy reviews to further strengthen the Fund's role, including the Comprehensive Surveillance Review, Financial Sector Assessment Program Review, and the Review of Program Design and Conditionality. We highlight the Fund's role on addressing cross-cutting issues such as climate change, gender, digitalization and artificial intelligence, based on macro-criticality. Climate change has significant macroeconomic, financial stability and cross-border implications. Channels for this include extreme weather events and climate policies, such as carbon pricing and its spillovers, border adjustment measures, transition-driven shifts in trade and energy prices, climate adaptation and related fiscal costs. As such, macro-critical climate risks must continue to be appropriately covered by the IMF.

14. We welcome that many IMF members have already consented to their quota increase and look forward to the implementation of the 16th General Review of Quotas (GRQ) as soon as possible. In April 2026, EU Member States endorsed the Diriyah Guiding Principles on IMF Quota and Governance Reforms. EU Member States remain open to discussing a possible quota realignment to better reflect members' relative positions in the world economy based on fair and broad burden sharing, while protecting the poorest members. The EU believes that the current quota formula still accurately measures countries' relative positions in the world economy and can provide a good basis for a possible realignment. Any new quota formulas should capture not only an economy's size, but also its connection to the rest of the world — in line with the IMF's mandate. We also underline that higher quota shares should, as a matter of principle, come hand in hand with corresponding responsibilities.

15. EU Member States have collectively pledged around USD 39 billion of voluntary channelling of Special Drawing Rights (SDRs) (or equivalent contributions) to the Resilience and Sustainability Trust (RST) and the Poverty Reduction and Growth Trust (PRGT) and have transferred around 97.5 per cent to IMF trust funds. We encourage countries to consider new voluntary contributions to bolster both the PRGT and the RST, and to deliver on their pledges. We underline the vital role of these resources in strengthening climate resilience and supporting a just green transition, particularly through the RST.

16. Addressing global debt vulnerabilities remains a key priority. The Commission welcomes progress under the G20/Paris Club Common Framework (CF) for Debt Treatments and encourages further strengthening of it to ensure debt treatments are delivered in a predictable, timely, orderly and coordinated manner. We also encourage more effective multilateral coordination on debt treatments in middle-income countries, including by exploring possible options, either by extending the G20 Common Framework to this group of countries or by applying lessons from recent debt restructurings. For countries facing liquidity challenges but with sustainable debts and strong reform agendas, the IMF and the World Bank's Three-Pillar Approach offers support. We welcome efforts to strengthen its implementation. Moreover, we encourage further efforts from all stakeholders to enhance debt transparency and data accuracy, including through the World Bank's data-sharing exercise.