State the by

Mr. Yaobin Shi
Vice Minister, Ministry of Finance

The People’s Republic of China
Statement by

Mr. Yaobin Shi
Vice Minister, Ministry of Finance
The People’s Republic of China

89th Meeting of the Development Committee

April 12, 2014
Washington, D.C.

The global economic growth has been experiencing changes. Macroeconomic policy shifts in developed countries have reversed the direction of capital flowing, posing new challenges for developing countries. In this context, the international community should pay more attention to development, transfer more resources to developing countries, and provide stronger support for their economic growth, so as to inject lasting dynamism to sustain global economic development.

As the largest multilateral development organization in the world, the World Bank Group should play a bigger role in stabilizing the global economy. First, the Bank Group could enhance its support for economic growth in low-income countries and further strengthen cooperation with middle-income countries. With concerted efforts to unlock their huge potential, these developing countries are expected to be the stabilizer and new engine for the global economy. Second, the World Bank Group should encourage more capital flow into the real economy and productive sectors. Historically, large-scale and disorderly capital flows had often triggered crisis. The Bank Group should therefore help channel capital inflows into real economy, by working across its institutions and with development partners, and fully utilize its global convening powers and comparative advantages in resources mobilization, financial innovation and projects development.

The Chinese economy is currently performing well. In 2013, GDP grew by 7.7%, mainly driven by domestic demand. Structural adjustment has made remarkable progress. The proportion of tertiary industry increased to 46.1%, surpassing the second industry for the first time, and provided strong support for employment growth.

However, there is concern about China’s local debt issues and financial sector risks, and worry that lower growth rate in the country may have a significant impact on the global economy. In this regard, I would like to make three comments. First, the possibility of systematic and regional financial risks in China would be very slight, the governmental debt ratio has been continuously keeping under the internationally recognized red line, meanwhile, the government has strengthened preventive measures, including gradually incorporating government debt into budget management, strengthening discipline on local governments in borrowing, and implementing the Basel III financial regulatory measures. Second, domestic investment will not decline substantially. With GDP per capita just over 6,000 U.S. dollars, rapid progress in industrialization and urbanization associated with this development stage will create huge investment demands. And high savings rate and sufficient foreign exchange reserves are also expected to provide strong support for investment growth. In the meantime, China will accelerate development of financial markets so as to improve investment return. Third, a package of reforms has been put in place, which will bring huge reform bonus. Growth rate is expected to be about 7.5% in 2014, and the steady growth and further optimization in economic structure will help sustain global economic growth. In short, China’s comprehensive deepening of reforms and further opening up will bring new opportunities for sustainable development of the domestic and global economy.