



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

NINETY-SIXTH MEETING
WASHINGTON, D.C. – OCTOBER 14, 2017

DC/S/2017-0033
October 14, 2017

Statement by
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96th Meeting of the Development Committee

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1. Global Economic Situation

At present, led by the growth in major economies, the recovery of the world economy has been further consolidated. However, it is mainly driven by cyclical and policy factors, without adequate internally generated forces and resilience, and many destabilizing factors and uncertainties remain. Policy-makers in all countries should continue to strengthen multilateral cooperation, work together to address global challenges, adopt integrated measures to realize steady growth, and make efforts to promote continued recovery of the world economy.

The economy of developed economies still face potential downward risks due to the lack of a clear policy direction in certain countries, insufficient growth momentum, structural deficiencies in the labor market etc. Emerging market and developing economies have seen their economic outlook noticeably improved, but some challenges remain, such as sluggish external demand, capital market volatility, structural imbalance, infrastructural bottlenecks and financial fragility.

The world economic recovery reaches a critical moment. Countries should take targeted and effective policy measures to continuously consolidate the momentum of world economic growth. Major developed economies should take responsible macroeconomic policies, reduce policy uncertainties and negative spillovers, push forward with structural reforms and effectively increase growth potential. Emerging market and developing countries should adopt integrated fiscal, monetary and structural reform measures to promote long-term, stable and sustainable growth.

With the policy focus of some major developed countries turning inward, anti-globalization sentiments simmering and protectionism on the rise, the international community should build a consensus to uphold multilateralism, reform and improve global economic governance, strengthen the coordination of macroeconomic policies, firmly push forward with trade and investment liberalization and facilitation, deepen international development cooperation, promote balanced and inclusive global development, and make globalization more robust, inclusive and sustainable.

2. Macroeconomic Situation in China and Its Outlook

Since the beginning of this year, the Chinese economy has kept a medium-high growth rate, operating within a reasonable range overall. At the same time, the structural reform of the economy has been making strides and showing positive results.

In the first half of 2017, the year-on-year GDP growth rate was 6.9%, 0.2 percentage points higher than the same period last year, and economic growth remained within the 6.7-6.9% range for eight quarters running. In the first 8 months of this year, the industrial production remained stable, corporate economic return noticeably improved, the service sector enjoyed a boom and expansion, investment and consumption kept a steady growth and import and export increased rapidly. Employment was stable and improving, with 9.74 million new jobs created in urban areas, a year-on-year increase of 260,000 new jobs. The headline inflation remained stable and year-on-year CPI inflation was 1.5%.

The quality of economic growth has improved. Contribution from domestic demand to the growth increased and in the first half of this year, contribution from final consumption to the economic growth reached 63.4%. The industrial optimization and upgrading picked up speed and value added of the service sector accounted for 54.1% of GDP. The labor productivity continued to increase. In the first half of this year, the real growth of resident income was 7.3%, higher than economic growth.

New economic drivers have been growing and becoming more powerful. The value added of new strategic industries and hi-tech industries has kept a double-digit growth. New technologies such as industrial robots and civilian drones are growing even faster and new business forms and services such as bicycle sharing, online teaching and smart health-care are developing rapidly, changing ways of production and people's lifestyle.

Generally speaking, the fundamentals behind the long-term positive trend of the Chinese economic development have not changed. With the acceleration of reform, innovation, structural adjustment and shift of growth drivers, the positive factors supporting the continued medium-high economic growth will keep strengthening, and the stable and positive trend of the Chinese economic development will continue. The Chinese government will continue to take the supply-side structural reform as its priority to promote the strategic adjustment of the economic structure and moderately expand the aggregate demand. We are capable of achieving the expected target of around 6.5% economic growth for this year. China still has rather substantial growth potential. It is expected to maintain a medium-high growth, and continue to contribute to the global growth.

3. Reform of the World Bank and IMF

Since last year, the World Bank Group has been vigorously carrying out “Forward Look – A Vision for the World Bank Group in 2030” , a development strategy toward 2030, and pushing forward with internal reforms. It has achieved positive results in adopting innovative investment and financing instruments, strengthening resource mobilization, providing global public goods, supporting fragile and conflict-affected countries, and helping all its clients, including middle-income countries with economic development. The IMF has made significant progress in improving policy monitoring and macroeconomic and financial policy coordination, pushing forward with quota and governance reform, strengthening the support for capacity development of member states and promoting the reform of the international monetary system. The IMF has started the 15th General Quota Review and promised to complete the review by the 2019 spring meetings but no later than the 2019 annual meetings. Meanwhile, the IMF is also vigorously carrying out loan instrument reform and summarizing experience and lessons learnt from its cooperation with the regional financial safety nets and has made policy recommendations on the improvement of the Global Financial Safety Net.

In order to effectively enhance the ability of the World Bank and IMF to perform their duties, defend against crisis and promote development, we would like to make the following suggestions on their reform process and evolution direction:

Firstly, establish a solid foundation for the effective implementation of the Forward Look of the World Bank

The Forward Look has set a direction for the World Bank to become bigger and stronger and better meet the needs of the member countries. The World Bank should continue to serve all its clients, help improve the self-development ability of low-income countries, promoting sustainable development of middle-income countries, and spreading the positive spillover effect of its cooperation with middle-income countries to benefit more low-income countries and the international economic system as a whole. We welcome the measures taken by the World Bank to build “A Better Bank”, including adopting innovative financing models, increasing the support for countries affected by fragility, conflicts and violence, streamlining its operation procedures and promoting the global agenda based on its comparative

advantages. We hope that the World Bank will put more emphasis on regional cooperation and connectivity, increase its support for the South-South and trilateral/quadrilateral cooperation, explore the linkage between WBG investments and the Belt and Road Initiative as well as priority development strategies of such regions as Africa, enhance the coordination and cooperation among connectivity projects, and promote the inclusive and sustainable growth of regional and global economy. A firm financial foundation is one of the important guarantees for the World Bank's successful implementation of the Forward Look and realization of its twin goals, and capital increase is the fundamental way to make the World Bank "bigger". This will constitute a concrete measure in supporting multilateralism.

Secondly, make new development financing models more effective through systematic efforts

We support the World Bank to mobilize as much public and private resources as possible to fill the gap in global development financing, so as to promote the implementation of the 2030 Agenda for Sustainable Development. While adopting innovative development financing models, especially the "cascade approach", the World Bank should strengthen the coordination among its institutions, and give full play to public financing in such areas as supporting the borrowing countries to improve investment environment and lowering the risks for private sector. The WBG should strive for early results of the pilots of "cascade approach" in the infrastructure sector, and building on these results, expand new development financing models to other countries and regions and apply them in regional cooperation projects.

There is also need to pay more attention to the views of recipient countries and develop tailor-made programs for mobilizing private funds, and to actively develop innovative financing tools and cooperation models, including the public-private partnership (PPP). Efforts should be made to strengthen broad partnership, and seek more opportunities to realize the full potential of co-financing and trilateral/quadrilateral cooperation. We hope that the WBG can help develop a long-term, stable, sustainable and diversified financing system capable of risk management for infrastructure development. The WBG should also make full use of existing mechanisms and platforms, such as Investing in Africa Forum and Investing in Africa Think Tank Alliance, so as to facilitate the generation of synergy among various initiatives and enhance development benefits.

Thirdly, focus on the bigger picture and complete the 2015 Shareholding Review of the World Bank as soon as possible

It is regrettable that the World Bank's 2015 Shareholding Review has not been completed according to the Lima Roadmap. Whether WBG could conclude its shareholding review will test the World Bank's credibility and its ability to adapt to the general trend of global economic governance reform. We hope that all parties will provide more political impetus from the perspective of increasing the legitimacy and effectiveness of the World Bank's governance structure and have the reform completed no later than the Spring Meetings next year, so as to increase the representation and voice of emerging market and developing countries, and generate new momentum for solving the north-south development imbalance and promoting the world economic growth. China supports pushing forward with the shareholding realignment in a gradual and steady way, taking the concerns of poor small countries into consideration and balancing the wishes and interests of all the interested parties. As for the capital increase options, we should keep a proper dynamic balance between selective and general capital increases and provide opportunities for the member countries who are willing to make more contributions. A selective capital increase at a larger scale will not only help realize a substantive realignment of shareholding, but also facilitate the strengthening of the financial capacity of the World Bank. We hope that all parties, from the perspective of improving the World Bank governance structure, support completing this reform as soon as possible.

Fourthly, improve surveillance and advisory functions of IMF

The IMF should further strengthen its surveillance and policy advice, advocate multilateralism and global economic cooperation and integration, facilitate international policy coordination and mitigate the downside risks to global growth. Priorities should be given to strengthening surveillance on macroeconomic

and financial policies of its member countries. It should comprehensively analyze the current policy uncertainties in and possible spillover effects from the major economies. Capital flows and macro-financial risks should be closely monitored with advice for improving macro-prudential management and for mitigating these risks. In addressing key obstacles to improving potential growth in developed countries, especially in the areas of labor force participation, wage growth, aging populations and labor productivity, the IMF is encouraged to work with international organizations in relevant fields and enhance its analysis and advice on structural reforms. We support an active role for the IMF in multilateral macroeconomic policy coordination, its continued commitment to the principles of globalization and multilateralism, and its efforts in assisting the sustained and all-round recovery of global trade and investment.

Fifthly, continue pushing forward the quota and governance reform of the IMF

The IMF should continue to push ahead with quota and governance reforms to ensure a quota-based and adequately resourced institution, and it should play a central role in the global financial safety net. We support the IMF's efforts to intensify cooperation with the regional financial arrangements and to further enhance the effectiveness of its lending facilities. In order to play a central role in the global financial safety net, the IMF needs to fundamentally ensure the adequacy of its resources and the key is to promote the quota reform. We call on all parties to demonstrate a spirit of cooperation and ensure that the Fifteenth General Review of Quota is completed within the timetable established by the consensus of its membership, so as to narrow the gaps in quotas, improve the quota structure, reduce out-of-lineness, and increase the representation of dynamic emerging market and developing economies.

Sixthly, continue enhancing the IMF's support for capacity development of its member states

The IMF is encouraged to enhance capacity development for its members. The IMF should use more expertise in macroeconomic policies to help its members, especially the developing and low-income countries, to establish and enhance policy frameworks and institutions, including an independent monetary policy framework, a flexible market-based exchange rate regime, strict fiscal discipline, budget system and debt management, and an effective tax system in line with national conditions. These will enable member countries to improve their overall economic governance, reduce policy errors and resource misallocation and achieve growth and stability. Building on its previous efforts, China has decided to further increase its contribution to the IMF's capacity development activities and has established with the IMF the Joint China-IMF Capacity Development Center to serve capacity-building needs developing countries, including those covered by the "the Belt and Road" initiative.

Seventhly, continuously push forward the IMF's efforts to reform the international monetary system

The IMF should continue to push for the reform of the International Monetary System. We support continuing the study on expanding the use of SDR to enhance the resilience of the International Monetary System. We expect the IMF to focus its efforts on addressing the inherent weaknesses in the existing International Monetary System. We call for all parties to continue to improve the sovereign debt restructuring framework, strengthen coordination between debtors and creditors, and promote the use of enhanced contractual terms. China is willing to continue to closely work with all parties to advance the reform of the International Monetary System, in order to improve global economic governance and safeguard global stability.

As an active supporter of multilateralism and globalization, China attaches great importance to the role of the World Bank and IMF in multilateral cooperation and will, as always, support the two organizations to become bigger and stronger, so as to make their due contribution to growing global economy, reducing poverty and guarding against crisis and risks. China welcomes the World Bank and IMF to take an active part in the Belt and Road Initiative and give full play to their respective advantages, so as to help achieve a win-win future through cooperation.