Transcript: World Bank Group President Jim Yong Kim and IFC Executive Vice President Jin-Yong Cai Press Conference, Beijing, China 2012

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Transcript

MODERATOR: Hi, good afternoon, everyone. My name is John Donnelly. I'm the Communications Advisor in the Office of the President of the World Bank. Thank you for coming out on this cold afternoon.

A couple of rules for the press conference: Okay, we have a hard deadline. We have to leave in about a half-an-hour to catch our flight to Washington. So, we will open with a short statement from the World Bank President, Jim Yong Kim, and after that we'll take questions.

We also have here--we have Jin-Yong Cai, who is the Executive Vice President of the IFC, which is the private sector arm of the World Bank.

So, Dr. Kim, would you like to start?

DR. KIM: Thank you very much, Miss...

INTERPRETER: Itong [ph].
DR. KIM: Thank you very much for joining us today. First, I'd like to start by thanking the Chinese people and Chinese leaders for the warm hospitality and welcome that they've extended to me on my first visit to China as President of the World Bank.

My meetings in Beijing and my travels to Sichuan have demonstrated to me that the Chinese leaders, the Chinese people, and the World Bank Group share a common passion to end poverty and to build shared prosperity.

I witnessed this shared spirit when I visited Sichuan and I saw a maternal and child hospital, and roads that were built back so impressively after the devastation of the 2008 earthquake.

I was so impressed in my meeting with Zhang Yan, a businesswoman from Sichuan who owns a car maintenance business that was partially funded by the IFC. She was helped by loans and, at a time when she was unemployed, she and her husband built a business that now employs 158 people.

The World Bank's partnership with China is very strong. One good example is the China 2030 Report that was done in full collaboration with the DRC [Development Research Center of China’s State Council] and with the Chinese Government.

This report generated interest both in China and other middle-income countries and so we're now taking the collaboration to the next level and going to work on a new flagship report with the Chinese Government and with DRC on urbanization.

The study was suggested by Vice Premier Li Keqiang and it is focused on developing a strategy for urbanization that will be relevant not only for China, but for countries all around the world.

In our meeting, Vice Minister Li pointed out insightfully that, to deal with the issue of urbanization is to deal with issues ranging from education to health care to transport to green growth, and we will address all of those issues and more in this report on urbanization.

This study will be the first step in the new China/World Bank collaboration on the delivery knowledge hub. We are very excited about the potential for this particular delivery knowledge hub to both take the lessons of Chinese development to the rest of the world and bring lessons from the rest of the world here to China.
It's important to remember--and the Chinese officials reminded me of this--that China is still a developing country. There are still over 100 million people in China living in absolute poverty.

But in my first trip to China as World Bank President, I have been deeply impressed and inspired with the achievements of the Chinese people -- the infrastructure, the development of hospitals and roads, and now this commitment to sharing the Chinese experience with the rest of the world. This has left me very impressed with both the current state of China and the prospects for the future.

And I now would be happy to take your questions.

MODERATOR: Okay. Thank you. So, please, with your questions, identify yourself and your outlet.

QUESTION: [Interpreted from Chinese] Thank you, I'm from Sina Finance. My question is we all know China is committed to promoting reforms in many areas, including the reform of state-owned enterprises, SOE reform. For the next government, some people say that SOE reform is going to be a very difficult task to accomplish. From the World Bank point of view, how do you look at those barriers that the government has to face in promoting SOE reform?

Secondly, I understand in your meeting with Vice Premier Li Keqiang, you discussed about China's current status as a middle-income country and so, how to avoid the so-called middle-income trap? Has the World Bank already carried out some studies and what kind of advice can you provide to the Chinese Government to avoid the middle-income trap?

DR. KIM: Let me take part of some of the questions and then I'll ask my colleague, Mr. Jin-Yong Cai, to comment on some of the other issues.

The first and foremost, I would simply report -- I would simply point to the commitment that the Chinese Government has made to the China 2030 Report. In that China 2030 Report, there's a very honest assessment of the current situation that China faces, and there are six major steps for moving forward and, quite frankly, moving forward and avoiding the middle-income trap. This is a remarkable study and, for us at the World Bank Group, a remarkable process, because it's one in which one of the most successful countries in the world in development is taking a hard look at itself and saying, "We have been successful, but now here are the steps that we need to take to get to the
next level." I think that's remarkable and the Chinese authorities, including Vice Minister Li Keqiang, reiterated their commitment to moving forward on the steps that are outlined in the 2030 Report.

Jin-Yong.

**MR. CAI:** On the SOE reform, I think when you look at the history of China for the last 15 years, I have to say the Chinese Government has made a tremendous amount of progress in developing some of the best companies in terms of scale, and also competitiveness in their respective fields.

And going forward, as President Jim Kim just mentioned, that we see the commitment of the government after the 18th Party Congress to deepen the reform. The most important part of this is really to provide a level playing field on regulations, and we see that commitment not only from the statement made by Vice Prime Minister Le Keqiang, but also when you see the regulations, the 36 [inaudible], these are very, very good, encouraging signs. So, we are confident that the World Bank Group, working together with the government, we can provide advice and to further advance the overall competitiveness of the economy and provide further reform on the state-owned companies.

But meanwhile, at the same time, the critical part of this effort is really developing a more viable and impactful competitive private sector. In that area, I think the World Bank Group, particularly IFC, will continue to play an important role in working with the private business in China to advance this reform.

**MODERATOR:** Okay. Next question, right here. No, right in the front row.

**QUESTION:** Thank you. Aaron Beck with Dow Jones and The Wall Street Journal. My question is you mentioned a forthcoming report on urbanization, key issues involved there are reform of the Hukou household administration system, and also rural land reform, and but these are issues that are very difficult in China for reasons --complex reasons, ideological reasons, historical reasons. So, what is your sense as to whether or not Chinese leaders are willing to move forward with these sensitive reforms and how they might proceed?

**DR. KIM:** Thanks for your question. You know, we didn't discuss those particular issues, but I think it's instructive to look at the China 2030 Report.
In the China 2030 Report, we took on, with the Chinese authorities, issues that had been very difficult, issues that were not--issues that many would not have predicted would be in that report. We were very impressed with the openness of the Chinese Government, and in our meeting with Vice Premier Li Keqiang, he made it clear to us that we would have to tackle the full range of issues that will arise in dealing with the massive influx, some 14 million people a year into Chinese cities.

He sees a strategic approach to urbanization as one of the keys to the future growth of China. And if past experience is any guide, my expectation is it will tackle the tough issues that will have a bearing on the process of urbanization.

MODERATOR: Okay. Next question. The woman in purple back there.

QUESTION: [Interpreted from Chinese] I'm from CCTV. I have a question for President Kim. I don't know whether you have noticed that there are signs of warming up of the Chinese economy this year so far. So, what is your comment on the performance of the Chinese economy so far?

DR. KIM: Well, at the recent G-20 meeting in Mexico City, we included in our report to the Group the fact that third-quarter growth was over 9 percent [annualized quarter on quarter], and so that was very encouraging. You know, we're all very concerned about the situation in Europe, the situation in the United States, but we've been very encouraged by the recent performance of the Chinese economy. I mean, I think the 10 percent and sometimes higher growth rates of the last decades--I don't think we can expect that this year, but all of us are very encouraged by the strong numbers coming out of the third quarter.

MODERATOR: Okay. Next question. Right over there.

QUESTION: I'm Andreas Landwehr with dpa, the German Press Agency. The Vice Premier and also the Premier both say that the Chinese economy is developing in an uncoordinated, unbalanced, and unsustainable way. Now it's picking up. Do you see this as just a hay fire or do you think it's sustainable?

DR. KIM: So, do I think it's a hay fire? No, I don't think it's a hay fire.
On the other hand, I think we can make some conclusions from simply the content of the meetings we had with the Vice Premier and soon-to-be Premier. He wants to think deeply and strategically about the most important issues facing China.

So, for example, he’s asking us to look at urbanization and to do it quickly—I mean, he asked us to get engaged in this study quickly and he wants the study to help form his own strategic approach to urbanization. I think that there’s no question that the Premier and the new regime wants to surge forward in a strategic, evidence-based way. This is why we’re going to tackle this massive study and do it very quickly so that it can shape a more strategic approach to urbanization. I think it’s critical.

I’m very encouraged that the first words out of his mouth when we sat down to meet is, "Let’s think about developing strategic approaches to this most important question facing us right now."

MR. CAI: If I may—President Kim just added—you know, when you think of the last few years, both Prime Minister Wen Jiabao and Vice Prime Minister Li Keqiang in many occasions have emphasized three unstable, uncoordinated—unsustainable—that kind of shows they deeply understand the challenges the Chinese economy is facing.

And also, past 18th Party Congress, when you kind of look at what they’ve been—particularly Vice Prime Minister Li Keqiang, he had this state council’s meeting talk about the implementation of the Party Congress new platform, very much addressing the critical issue which has caused these real challenges they are facing, particularly in terms of how to level the playing field, and green growth, inclusive growth. These are the areas I think we are very impressed and I think the government is very committed to address in next five years. I think we are very optimistic that if those measures are taken and the issues you have identified will over time be changed.

MODERATOR: Okay. Our apologies. We have time for just one more question. Sorry. Right here.

QUESTION: [Interpreted from Chinese] I’m from China Finance. We know that the World Bank is a knowledge bank. The World Bank also works with some commercial banks within China in China. Whenever these commercial banks collaborate with the World Bank, they get the chance to upgrade their brand name. We know that the World Bank has already worked with a Chinese bank called Industrial Bank, and I don't know whether the Bank has
any plan to work with more commercial banks in China to share your knowledge with them. I understand you already worked with Deyang Bank in Sichuan Province on women's financial services, and how are you going to work with more commercial banks and better share your knowledge with them in order to promote the achievements of the targets, objectives, set for 2030?

**DR. KIM:** Let me just start by saying that I visited Deyang Bank and I visited the women's branch of the Deyang Bank and was just deeply impressed with their ability to move financing to women in a way that was very effective and it led to the starting of that business that I mentioned earlier. So, I've been impressed with it. But I'd like to ask the CEO of IFC, because they're the ones who have been really doing this, to take this question.

**MR. CAI:** The two banks you mentioned, the Industrial Bank and Deyang Bank happen to be the banks IFC invested in. I think the World Bank Group as a whole, we are very committed to helping and advising the government in further deepening the reform in the banking sector.

As you mentioned these two banks --and we also invested in the Bank of Shanghai many years ago and the Bank of Beijing -- all those investments, and there are several other banks, really are through our knowledge and experience that we have drawn worldwide to help the Chinese banking managers and operators to kind of experience and to really improve their performance.

I think going forward the World Bank IBRD team is working closely with the government to do a very in-depth study on banking sector reform and also, meanwhile, from IFC's perspective, we continue to work with our partner banks and also other banks to not only improve their performance and bring in what you see, the culture, the knowledge, and also we are working with many banks, actually, trying to bring them to international business, because we believe the Chinese banks have a lot of resources, lot of things to offer. I think through all those cooperation, the World Bank Group as a whole, we can help the banking sector in China become much more competitive and much more efficient.

**MODERATOR:** Okay. This concludes our press conference. Many thanks for coming out and apologies for the short duration, and thanks to our wonderful translator.