Statement by

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Vice Minister, Ministry of Finance

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The global inequality remains a key challenge for us. The DC paper has made comprehensive analysis on this issue and proposed policy recommendations. I would like to emphasize three observations.

First, economic growth is fundamental for eliminating inequality. Economic growth makes it possible to increase the income and consumption of the poor, and address underlying causes for increased inequality. With sustained rapid economic growth over the past 30 years, China has been able to successfully lift more than 600 million people out of poverty, reduce its share of population in extreme poverty of the world by 30 percent, and contribute significantly to achieving the UN Millennium Development Goals. In this regard, we believe it is critical for countries to put growth as the top priority and strengthen the foundation of sustainable economic growth through vigorous structural reforms.

Second, government intervention is an indispensable means to addressing inequality. Economic growth is necessary to eliminate inequality, but not sufficient. In his book Capital in the Twenty-First Century, Mr. Thomas Piketty, the French economist has concluded from the data analysis of past centuries that, return on capital grows much faster than economic growth rate, while wage growth often lags behind. Therefore, it is difficult to achieve equality by relying solely on market forces, and government intervention is also required. On one hand, it is necessary to improve the governance of financial capital, create a fair and competitive environment, expand market access, reduce monopoly, encourage innovation, and guide financial sector to support real economy and SME development. On the other hand, it is also critical to increase investment in human capital, promote equitable distribution of basic public services and increase labor productivity, while avoid wrong incentives and unsustainable social welfare system. We need to explore effective ways to establish a new welfare state whereby fairness and efficiency are properly balanced.

Third, promoting economic openness helps boost equality. Globalization does not cause intra-country inequality or inter-country inequalities. Rather, promoting globalization in a mutually beneficial way helps reduce inequality. The rapid development of internet and information technology has made the world closely linked, therefore isolation and protection are not an option. With openness we could achieve optimal allocation of resources, improve efficiency through competition, and promote sustained growth. In an open economy, we need to strengthen coordination of international economic policy and international development assistance, and create a favorable external environment for developing countries in order to foster their self-development capacities.

We hope that the newly established Global Practices can consolidate the advantages of the World Bank Group and provide enhanced solutions for achieving inclusive development for developing countries. We encourage the World Bank to continue to innovate in financing, including through the establishment of GIF, in order to increase global infrastructure investment and create global demand and growth. We regard the World Bank as an important international organization that promotes shared prosperity. China
will set up its first single donor trust fund in the World Bank with a total amount of US$50 million. Through supporting project preparation and knowledge cooperation, the Trust Fund will further promote the World Bank reform and make new contributions to achieving poverty reduction and boosting shared prosperity.