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Statement by the Hon. **JIAYI ZOU**,
Alternate Governor of the Bank for **THE PEOPLE'S REPUBLIC OF CHINA**

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I. Global Economy

The global economy is undergoing profound and complicated changes. Due to the downturn in international trade and investment as well as the intensification of unilateralism and protectionism, the world economy continues to grow but the momentum is weakening and the pace is slowing down. In the first three quarters this year, major economies experienced simultaneous slowdown. The U.S. economic growth has decelerated. The recovery of the Euro Zone has been slow, with some member countries registered with very low growth. Japan's economy has recovered moderately. The overall growth of emerging markets has slowed down.

The global economy is facing uncertainties arising from persistent trade frictions, declining global investment, increased financial vulnerabilities caused by monetary easing, insufficient macroeconomic policy space, and rising oil prices caused by geopolitical factors. At the same time, protectionism and unilateralism remain pervasive, and disputes on trade and investment are on the rise, which impact the global industrial structure and financial stability, add significantly to the risks of the world economy, and hurt confidence of international investors apparently.

At this critical moment, the international community should further forge consensus, adhere to the principle of multilateralism, work together to foster an open global economy, strengthen multilateral cooperation and policy coordination, build partnership, and deal with divergences properly. We should reform and improve global governance so that international institutions, including the World Bank Group, can fulfill their mandates more effectively. We should stick to reform and innovation, explore new drivers of growth, strive to sustain the recovery of the world economy, and address global challenges jointly. We should promote trade and investment liberalization and facilitation, enhance global development cooperation and make economic globalization more open, inclusive and balanced so that its benefits can be shared by all.

II. Chinese Economy

Since the beginning of this year, despite increased and complicated domestic and external risks and challenges, the Chinese economy has in general maintained steady growth, with main macroeconomic indicators operating in the reasonable range, and economic structures continuing to improve. **First, economic operation remained stable.** In the first three quarters of the year, China's GDP grew by 6.2% year-on-year. China remains an important engine for world economic growth. The overall industrial production was stable, and the investment structure was improved. Total retail sales of consumer goods continued to grow relatively fast, and consumer prices went up moderately. **Second, the quality of development was constantly improving.** Consumption has become the main driving force of economic growth, and contributed 60.5% to overall economic growth in the

first three quarters of the year. The modern service industry maintained sound growth momentum with information transmission, software and information technology industries keeping going up at a relatively high rate. **Third, the growth of new drivers was accelerated.** With continued improvement of the business environment, the vitality of market entities was enhanced, and new business models were vigorously developed. The development of key areas such as artificial intelligence and big data was promoted in an orderly manner, and 5G commercial-use was officially launched. New technologies such as digital consumption, e-commerce and modern supply chain were increasingly integrated with each other, effectively driving the development of platform economy, shared economy and intelligent economy.

China's dynamic micro-foundations and sufficient macro-policy tools can ensure the sound fundamentals of its economic development. In the next step, we will maintain the basic tune of "seeking progress while maintaining stability" for its economic work, continue to promote supply-side structural reform, uphold the new development philosophy and make efforts to boost high-quality development. We will continue to strengthen proactive fiscal policy, further implement policies of cutting taxes and fees. Prudent monetary policy will be neither too loose nor too tight. Growth of M2 and aggregate social financing will be commensurate with that of nominal GDP growth. We will make holistic efforts to maintain stable growth, advance reforms, make structural adjustments, improve living standards, guard against risks and ensure stability.

III. Reform and Development of the WBG and the IMF

Since last year, WBG has actively implemented its development strategy as reflected in the Forward Look, and made new progress in innovating investment and financing tools, strengthening resource mobilization, providing public goods, supporting FCV countries (Countries affected by fragility, conflict and violence), and serving all clients including middle-income countries. The IMF has further improved its surveillance and coordination of macroeconomic and financial policies, promoted the reform of conditionalities and the international monetary system, and made positive progress on strengthening capacity building for member countries.

In order to strengthen capability of WBG and IMF to exercise functions, fend against risks and promote development, we have the following suggestions on their reforms and development :

(1) Expedite the adoption of capital increase and shareholding realignment. In 2018, all parties have reached consensus on capital increase resolutions. We once again call on all parties, from the perspective of improving the governance structure of WBG, to expedite the domestic approval process and legal procedures, fulfill the payment commitments, so as to promote earlier and full implementation of the 2018 capital increase resolutions.

(2) Support the mainstreaming of "Jobs and Economic Transition". We support WBG to help developing member countries, especially low-income countries, make full use of new opportunities brought about by the digital economy and frontier technologies. WBG should assist low-income countries to promote the development of human capital and the

application of advanced technologies through skills training, so as for the countries to achieve leapfrog development towards the 2030 Sustainable Development Goals of the United Nations.

(3) Preserve multilateralism and a rules-based multilateral trade system. We welcome the World Development Report 2020 themed on global value chains, which concludes that "supporting the rules-based multilateral trade system is important for development" and that "multilateral trading system matters profoundly in a GVC world". We hope the international community can further build consensus in this aspect and promote trade and investment liberalization and facilitation.

(4) Support the Human Capital Project to play an active role. We hope that WBG will continue to provide useful support for countries to improve their human capital through the Project. We support, in principle, WBG's research on labor force skills on the basis of respecting the specific conditions of different countries and regions. We expect that WBG make full use of its comparative advantages and assist developing countries to mobilize more resources, eliminate development bottlenecks and solve human capital problems from the roots.

(5) Take a prudent approach on IDA voting rights review. China would like to participate actively in the process of IDA19 replenishment in accordance with its own responsibilities and obligations, and urge developed countries to effectively fulfill their contribution obligations, and take concrete actions to promote global poverty reduction and development. We hope that WBG will take a prudent and step-by-step approach on IDA voting rights review, so as to ensure the process be carried out in a flexible and constructive manner. The result of voting rights allocation should reflect the concerns and interests of all parties in a balanced way, protecting the interests of recipient countries while safeguarding sufficient incentives for donors, especially emerging donors.

(6) Pushing ahead with quota and governance reforms to reflect members' relative positions in the global economy. We are deeply disappointed that the Fifteenth General Review of Quotas failed to agree on a quota increase and a quota share realignment. The IMF should continue to push ahead with quota and governance reforms, which are a prerequisite for the IMF to fulfill its mandates. The G20 Summits and the IMFC meetings have made several commitments to a successful conclusion of the Fifteenth General Review of Quotas, so that the quota shares of the dynamic economies can be increased in line with their relative positions in the world economy. Those commitments should be respected and fulfilled. China supports a strong, quota-based, and adequately resourced IMF to preserve its central role in the global financial safety net. Quotas, not temporary funding arrangements, are the IMF's main source of financing. The failure to adjust quota shares will undermine the IMF's representation, governance, and legitimacy. We expect the IMF to commit to future quota share adjustments with a clear timetable and roadmap. China will, along with the other parties, continue to push for reforms of the IMF's quotas that will strengthen the voice and representation of emerging market economies and developing countries, narrow the gap between actual and calculated quotas in a constructive manner, and reduce the

structural distortions in quotas, so that quotas will reflect members' relative weights in the global economy.

(7) Further strengthening the IMF's surveillance. As a multilateral institution, the IMF should continue to enhance the effectiveness and even handedness of its bilateral and multilateral surveillance. We appreciate the IMF's analysis of global imbalances on a multilateral rather than bilateral basis. Global imbalances are caused by countries' macroeconomic and structural policies as well as cyclical factors. Raising bilateral trade barriers is not the right solution. Tariff increases will be largely offset by the trade diversion effect, with limited impact on the overall bilateral trade balance. In order to reduce imbalances, both deficit and surplus countries need to pursue well-targeted macroeconomic policies and structural adjustment. We encourage the IMF to continue to conduct an even-handed and multilaterally-consistent assessment of exchange rates and external positions, so that it can provide members with constructive policy advice. We agree with the IMF's view that exchange rate flexibility can help mitigate external shocks. The IMF's views on exchange rate issues should remain consistent over time and across countries, and additional attention should be given to the exchange rate effect of monetary policy.

(8) Improving low-income countries' debt management capacity. We support the IMF's efforts in helping low-income countries improve debt management and strengthen institutions and governance. As an important development partner of low-income countries, China has contributed to the economic and social development of these countries. China and the IMF have jointly established a capacity development center, which has provided many training courses, including those on debt sustainability, to low-income countries in the region. In assessing a country's debt sustainability under its Debt Sustainability Framework, the IMF needs to differentiate between debts of a productive nature and those incurred to finance consumption, and to focus more on growth and development needs.