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Statement by the Hon. **ZHOU XIAOCHUAN,**
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I. Global economy

Eight years after the financial crisis, global economic growth remains sluggish and is facing elevated downside risks. In this context, national policymakers should further strengthen multilateral cooperation in order to jointly address global risks and take comprehensive measures to promote strong, sustainable, balanced, and inclusive global growth.

There are heightened uncertainties about the growth outlook for advanced economies due to factors such as the Brexit, nonperforming loans in European banks, and diverging monetary policies. Prospects for Emerging Market and Developing Economies (EMDEs) have shown improvement as a whole, but some are still challenged by the weak external demand, increased volatility of capital flows, infrastructure bottlenecks, and financial vulnerabilities.

Against this backdrop, it is imperative for all economies to take multiple policy measures. Major advanced economies need to adopt an appropriate combination of monetary and fiscal policies, firmly implement structural reforms, and boost their growth potential. EMDEs need to pursue prudent monetary and fiscal policies, while intensifying structural reform efforts, so as to ensure stable and sustainable long-term growth.

There is an urgent need for global cooperation in view of the continued slowdown of global trade and investment, as well as the trend of anti-globalization and protectionism. All parties need to enhance their coordination on global macroeconomic policies, prevent all forms of trade and investment protectionism, and work together to speed up the liberalization of global trade and investment. Moreover, given the challenges facing global stability, countries should continue to implement financial sector reforms in a consistent manner, strengthen the global financial safety net, and improve the stability and resilience of the international monetary system.

II. Chinese economy

Since the beginning of this year, China has maintained a modest but still robust growth within a reasonable range. Meanwhile, China has made good progress in its economic transition, and reforms continue to generate the desired effects.

The Chinese economy grew at 6.7 percent in the first half of 2016, contributing around 25 percent to the global growth. In the first eight months of this year, investment in fixed assets increased by 8.1 percent, the total retail sales of consumer goods by 10.3 percent, and the profitability of industrial enterprises by 8.4 percent. In August 2016, the manufacturing PMI increased to 50.4 percent, reflecting the recovery of business activities. It is expected that the Chinese economy will achieve this year's growth target of 6.5-7 percent.

Price indexes basically remained stable. In the first eight months of this year, the CPI increased by 2.0 percent year-on-year, and the year-on-year decline of the PPI continued to moderate in a steady manner. Although the month-on-month CPI moved downward recently, it is likely to remain stable for the whole year, given the existing upward pressure from labor costs, service sector prices, and housing rental costs.

The structure and quality of growth have been improving steadily. For the first half of 2016, final consumption expenditure contributed to 73.4 percent of GDP growth, 13.2 percentage points higher than the same period of the previous year. The added value of the tertiary industry accounted for 54.1 percent of the domestic GDP, 1.8 percentage points higher than the same period last year. Meanwhile, energy consumption per unit of GDP declined by 5.2 percent.

Faced with the uncertainties in the global economy, China will continue to implement its proactive fiscal policy and sound monetary policy. At the same time, efforts will be made to promote supply-side structural reforms with a focus on reducing excess capacity in coal, steel, and other industries, lowering corporate leverage, and dealing with the piling debt through market-based approaches such as debt restructuring, debt-to-equity swaps, securitization, and liquidation. This will help reduce vulnerabilities and mitigate risks, and the medium- and long-term growth potential will be lifted.

III. Reforms of the IMF and the World Bank

Since the 2015 Annual Meetings, the IMF has made positive progress in pushing forward with quota and governance reform, strengthening the IMF's surveillance, and enhancing the resilience of the international monetary system. In particular, after being delayed for five years, the 2010 Quota and Governance Reforms have finally come into effect, the RMB has been introduced into the SDR currency basket, and further progress has been made in the reform of the international monetary system.

The WBG has completed the reform of the Environmental and Social Framework, further implemented internal reforms, depicted the 'Forward Look for 2030,' and formulated the shareholding review dynamic formula of the IBRD according to the roadmap and timeframe agreed by the Lima Annual Meeting. The dynamic formula will lay a solid foundation for the following discussions on general capital increase and selective capital increase for the IBRD and IFC in 2017.

To improve the IMF's and the World Bank's capacity to fulfill their mandates, we would propose the following on their future development and reform process.

First, the IMF should continue its quota and governance reforms and ensure that the IMF is strong, quota-based, and adequately-resourced. Against the backdrop of weak global growth, elevated financial market risks, increased capital flow volatilities, and substantial uncertainties, the IMF needs to keep adequate resources so as to be prepared for timely actions to mitigate risks and stabilize market confidence. We support maintaining access to the bilateral and multilateral borrowing agreements between the IMF and its members, and call for broad participation—including through new agreements. However, as borrowed resources should be temporary, it is more important to press ahead with the quota reform so as to increase the IMF's resources in a fundamental way. As we welcome the implementation of the 2010 Quota and Governance Reform, it should be pointed out that there still are material gaps between actual quotas and calculated quotas, and between calculated quotas and global realities. We call on all parties to maintain the reform momentum, to demonstrate a cooperative spirit, and to ensure that the IMF completes the 15th General Quota Review in line with the timetable agreed by the IMF so as to make substantial progress in further improving the representativeness of dynamic EMDEs.

Second, it is important that the IMF continues to improve its surveillance, strengthen its research and analytical work on key common challenges in economic transitions across countries, and provide risk alerts in a timely manner. Economic transition and structural adjustment are common challenges facing all of us across the globe. We encourage the IMF to use its expertise on macroeconomic analysis and to provide its members with technical assistance on their macroeconomic policies and structural reforms. Such work includes strengthening the IMF's analysis and recommendations on how to assess and use fiscal policy space; how to increase corporate sector investment effectively; how to address critical common challenges of overcapacity, debt overhang, and balance sheet mismatches; and how to manage global challenges such as the aging population and slowed productivity growth. The IMF should closely monitor possible resource allocation distortions and financial risks arising from the persistently low interest rates and the prolonged accommodative financing conditions. It should help member countries to identify risks and take timely actions. We welcome the IMF's research on macroprudential policies, and expect the IMF to provide members with practical advice and to promote international cooperation in this area.

Third, the IMF should press ahead with international monetary system reforms. We welcome the IMF's efforts to derive lessons and experiences from national practices and to integrate its research on capital flow management and macroprudential policies, and based on which would provide members with knowledge about how to mitigate their macroeconomic and financial risks. We support further strengthening the Global Financial Safety Net with the IMF at its core, enhancing the effectiveness of the IMF's lending tools and cooperation between the IMF and regional financial safety nets. We call for all parties to continue to improve the sovereign debt restructuring mechanism, strengthen coordination between debtors and creditors, and promote the use of enhanced contract terms. We welcome relevant researches and discussions by the IMF on expanding the use of the SDR. China has already published its foreign reserves, balance of payments and international investment positions in both the U.S. dollar and SDR, and the World Bank has also issued SDR-denominated bonds in China. Moreover, on October 1, the RMB has been officially included in the SDR basket. China is willing to work with all relevant parties to promote the international monetary system reform, improve global economic governance, and maintain global financial stability.

Fourth, the WBG should strengthen cooperation with developing countries and provide tailored solutions to their development needs. The WBG should increase support to low-income countries (LICs), be more attentive to their voice, respect the autonomy of their economic development, and help them better address the challenge of extreme poverty. The WBG should better engage with middle-income countries (MICs), strengthen its support to institutional innovation, and help MICs enhance capacity to tackle external risks. With the help of the WBG, the positive spillovers of MICs' economic development will bring benefits to LICs, and help LICs increase labor productivity, introduce foreign investment and development experience, better integrate into the global value chain, and enhance their capacity for autonomous development.

Fifth, the WBG should be more responsive to clients' demands, and commit to be better and bigger. At the same time, the WBG should refine its strategic priorities to (1) help member countries advance structural reform, accelerate infrastructure development, and promote economic diversification and industrial upgrading and (2) strengthen tripartite and multi-party cooperation and regional economic cooperation to enhance the role of the private sector by developing strategic partnership, PPP, and other forms to mobilize more resources for poverty reduction and development. We support the WBG playing a good role in meeting global challenges such as climate change, natural disasters, pandemics, violence, and conflict, and formulating rational institutional arrangements according to its Articles of Agreements and in line with its division of labor with other international institutions. Meanwhile, the WBG should ensure that its support for poverty reduction and development remains intact, and that all recipients be treated on an equal footing.

Sixth, the voting power reform and capital increase should improve the voice and representation of developing countries. The discussion of the rules of share allocations and capital increase of the IBRD should be aligned with the Istanbul principles, the Lima principles, and the 2030 Agenda for Sustainable Development. The reform should aim at increasing the overall shares and voting power of DTCs, reflect the changing weights of the global economy, and enhance the legitimacy and effectiveness of the IBRD's governance structure. We look forward to the successful replenishment of IDA 18 at a relatively high level to support the IBRD and IFC to strengthen their financial and lending capacity through capital increase. We also encourage the WBG to promote modernization of its governance structure. At the same time, we support the WBG to mobilize more resources for global sustainable development through strong partnership.