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Statement by
Vice Minister Zhu Guangyao
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I. World Economic Situation

In today's world, the negative implications of the international financial crisis still linger, while new complicating factors constantly emerge. The **developed countries to some extent have seen their economy taking a turn for the better, but the economic structure has undergone no significant changes. The quantitative-easing monetary policy of the developed world has generated significant spill-over effect through financial markets. The emerging economies are confronted with risks such as capital outflows and exchange** rate fluctuation, hence greater downside risks for their economy. Meanwhile, the emerging economies are also faced with strenuous tasks of economic restructuring. In addition, regional conflicts have brought new uncertainties to the global economy, and the increased price volatility of commodities like international crude oil and food has caused remarkable impact on the emerging economies and the developing countries. In general, the challenges facing the global economy are not cyclical but structural ones. Weak global aggregate demand will remain as normality for quite a long period to come.

Under such a situation, countries need to build up the sense of a community of common destiny, strengthen macroeconomic policy dialogue and coordination, give consideration to other countries' interests while pursuing its own national interests, and take into account other countries' development while seeking its own development, so that we can build a growing and opening world economy with integrated interests. The quantitative-easing monetary policy of major reserve currency countries needs to be phased out steadily to avoid dramatic impact on the financial markets, while the structural problems of these countries should also be addressed. The emerging economies need to take preemptive actions and keep watch on financial risks and further deepen structural reforms to strengthen the endogenous momentum for economic development. Low income countries should keep development their first priority and make combined use of external resources and internal potentials to increase investment in infrastructure, human capital and technology innovation, thus enhancing economic competitiveness in an all-round way.

The World Bank Group and the International Monetary Fund (IMF), as the most important multilateral financial institutions in the world, should keep a close eye on the new developments in the international development arena, make efforts to maintain the stability of the global financial market, actively mobilize various sources of resources to expand global aggregate demand, further help countries improve their economic structure, enhance the capability for self-directed development of the developing countries, and promote world economic recovery and sustainable development.

II. Reforms of the World Bank Group and the International Monetary Fund

At the last Annual Meetings, President Kim presented the idea of building the World Bank Group into "a solutions bank". At this year's Spring Meetings, he put forward the twin goals of the World Bank Group—eliminating extreme poverty and promoting shared prosperity, and thereafter developed a strategy and actively promoted the reforms of the World Bank Group based on the concept of "science of delivery" and in line with the changing situation in the international development field. China welcomes the concept of "science of delivery" and supports the reforms of the World Bank Group led by President Kim. We hope that the World Bank Group can take charge to meet the new expectations of the international community on itself in the post-crisis era, introduce flexible mechanisms and arrangements, focus on enabling the developing countries to play their role, and promote the reforms in areas of both internal governance and external adaptation in a coordinated fashion.

Since the Annual Meetings in 2012, the IMF has continued to promote the quota and governance reform, made active efforts to implement the surveillance reform agenda, and played an important role in crisis rescue, and in safeguarding global economic and financial stability. We welcome the progress made in the 2011 Triennial Surveillance Review, particularly on the Integrated Surveillance Decision and the Financial Surveillance Strategy. We look forward that the IMF will make further adjustment to surveillance focus and improve surveillance effectiveness in the upcoming Triennial Surveillance Review to be launched in 2014.

I have the following proposals on the future direction and reform process of the World Bank Group and the International Monetary Fund:

Firstly, the World Bank Group needs to focus on strengthening its capability in addressing global development issues. This includes the capacity to transfer resources to the developing countries and provide development financing; the ability to advocate equitable and just international economic rules and create favorable international development climate; and the competence to draw lessons from global research findings and lead the global development thinking, so as to maintain and expand its impact across the world and avoid being marginalized.

Secondly, the World Bank Group should be committed to promoting the establishment of a development partnership on equal basis. It needs to go beyond the traditional development assistance model of categorizing countries simply into recipients and donors and explore new ways of development cooperation. It should develop new products and services based on the specific national conditions of the member countries, so as to meet the increasingly diversified needs of countries at various development stages. Meanwhile, the World Bank Group should set up a "feedback mechanism" for borrowing countries to ensure that it truly listens to the borrowing countries and makes active adjustment through institutionalized arrangements.

Thirdly, the World Bank Group should strengthen cooperation with the middle income countries (MICs) while supporting the low income countries and fragile states. The Bank Group should continue to increase overall support to the low income countries and fragile states, in particular through projects with strong driving and demonstrational effects to help those countries get rid of poverty. With regards to MICs, the Bank Group should continue to deepen cooperation with these countries. The first is to further strengthen support, cement poverty reduction results and prevent these countries from returning to poverty. The second is to actively help the MICs achieve sustainable development which will in turn drive regional economic development, regional cooperation and South-South cooperation, since some MICs are engines for regional economic growth and locomotives for regional cooperation. The third is to constantly increase the voice of MICs in the World Bank Group, so as to fully reflect the developments and changes in the international economic landscape. The fourth is to be more open toward development experience and innovative thinking from MICs and refine them into development theories for diffusion based on systemic summarization.

Fourthly, it is more urgent than ever for the IMF to complete the 2010 quota and governance reform. We urge those members which have not ratified the 2010 quota and governance reform to fulfill their commitments as soon as possible. In the meantime, we encourage the IMF and its members to step up preparations for the 15th General Review of Quotas and the review of new quota formula, in order to ensure timely completion of the 15th General Review before January 2014, which will guide the review of the quota formula. We emphasize that the new formula should reflect the relative weights of member countries in the world economy, and that the actual quota shares should not deviate too much from the calculated quota shares.

Fifthly, the IMF needs to continue to upgrade its knowledge and expertise in order to respond effectively to new trends and challenges. In view of the observation that sovereign debt restructuring has often been too little and too late, we welcome the recent efforts in strengthening the Debt Sustainability Analysis, and we look forward to further enhancement of the IMF's framework of debt sustainability analysis and policy recommendations. While efforts have been made in improving the methodology of External Balance Assessment (EBA), the EBA methodology, in our view, is still not ready to be used to provide solid policy insights, and further improvements are warranted. Finally, we encourage the IMF to continue to monitor any long-term trends in the global economy, and make preparations accordingly.

Sixthly, cooperation between the IMF and other international organizations remains crucial. It is desirable for the IMF to cooperate closely with other international organizations, such as the FSB, and the OECD, in areas of mutual interest, including data gaps, macroprudential policies, international taxation, and financial sector issues. In any case, we encourage the IMF to stick to its areas of comparative advantage, and to continue improving the international monetary system. In view of the proliferation of Regional Financing Arrangements (RFAs), we encourage the IMF to seek scope for increased IMF-RFA coordination and cooperation, so as to leverage on RFAs' regional expertise and financial resources.

III. China's Economic Reforms and Development

Since the beginning of this year, China has maintained overall stability of its economy regardless of the complicated and changing external environment. Facing economic downside risks, China did not respond with immediate stimulus policies, but a strategy benefiting not only short-term but also long-run development. In particular, it emphasized releasing the dividends of the reforms and stimulating the vigor of the market. The structural adjustment has been moving forward steadily and the quality of economic transformation and upgrading is increasing stably. Recently, there have been signs of pick-up for economic growth in China. We have the confidence, conditions and capability to maintain the steady and fast economic development to fuel the recovery of the world economy.

China is now conducting general study and deployment for deepening the reforms across the board. The reforms will further free and grow the productivity, and free and increase the creativity of the whole society. The key to economic institutional reforms is to better manage role-plays among the government, the market and the society. What is supposed to be done by the market should be left to the hands of the market, which is also the case for the government and the society. The roles of the three should not be misaligned, overplayed or underplayed. We will continue to rely on innovation to drive development, magnify the productivity of various factors of production through technology, philosophy, system and institutional innovation, and enhance the overall competitiveness of the whole society. We will stick to the green, inclusive and sustainable development path, and achieve development with secured employment and increasing resident income, underpinned by the conservation of resources and protection of eco-environment and driven by institutional innovation and technological advancement. We will work hard to build an upgraded version of the Chinese economy and the "Season II" of the miraculous quality improvement and efficiency increase of China's development.