



2015
L I M A
ANNUAL MEETINGS
WORLD BANK GROUP
INTERNATIONAL MONETARY FUND

Governor's Statement No. 29

October 9, 2015

Statement by the Hon. **JIWEI LOU**,
Governor of the Bank for **THE PEOPLE'S REPUBLIC OF CHINA**

Statement by
Mr. Jiwei Lou
Minister, Ministry of Finance
The People's Republic of China
2015 Annual Meetings
Of the Boards of Governors of the World Bank Group
and the International Monetary Fund
October 9, 2015
Lima, Peru

I. The Current Global Economic Outlook

The global economy keeps modest recovery with weak momentum and lower growth than expected. Both the World Bank and the IMF have trimmed growth forecast for the global economy in 2015. Meanwhile, the global economic recovery remains uneven. Advanced economies are picking up. Fed is expected to start monetary tightening cycle, which will generate negative spillovers to emerging and developing economies. Given the complex external and internal environment, growth of emerging and developing economics has slowed down, and some keep cutting interest rates to cope with downward pressure on economy. Due to these factors, global trade and investment remain depressed, commodity prices have slumped, and international financial market underwent sharp volatility recently.

Under such circumstances, the international community should boost confidence, and adopt concerted efforts to accelerate global recovery. To stimulate global demand, both advanced countries and emerging and developing ones need to deepen structural reform, improve investment climate, support SME financing, and expand investment in infrastructure and other productive sectors. These measures will help countries enhance economic efficiency and generate new vitality to national and global growth. We should continue strengthening financial regulation, improving financial safety net, and addressing financial risks, so as to reinforce financial resilience and risk management capacity. We call on advanced economies to implement prudent tapering policy, maintain effective communication with the market, and strengthen fiscal sustainability, so as to minimize adverse spillovers not only to emerging and developing countries, but also to global economic recovery and financial stability.

II. China's Economic Prospect

Currently the Chinese economy is still developing within the proper range. The first half of this year witnessed 7% growth, which was a hard-won achievement after fast growth in this country over the past years. Furthermore, the 7% growth was achieved amidst sluggish global economy. Compared with other major economies, China's growth rate is still standing out. It contributed around 30% to global growth in the first half of this year.

More importantly, the 7% growth is the result of China's proactive macroeconomic adjustment, which aims at enhancing economic quality and efficiency. Part of indicators show that China's economic restructuring is paying off. Consumption contributes 60% to growth, outperforming investment; the proportion of services to China's GDP is higher than the industrial sector; high-

tech industry grows faster than the whole industrial sector. Efforts on Energy conservation, environmental protection and green economy are all scaling up. New growth engines are rapidly taking shape. In the first six months of this year, over 7 million new jobs were created. Growth quality and the environment keep improving.

At present, China is earnestly deepening reform, promoting opening up, and accelerating transformation of growth model.

First, major reforms will be accomplished by 2020, including the structural reform. These reforms will invigorate the market, unleash huge growth potential, offset waning demographic dividends and push up total factor productivity (TFP). To fill in the fiscal gap, China has increased the proportion of some SOEs' dividends to government coffer so as to shore up economic growth and structural reform.

Second, China is building a new open economy by removing institutional shackles, and promote reform, development and innovation through opening up, so as to facilitate free and efficient flow of external and internal production factors and inject new impetus to long term development.

Third, China is accelerating the transformation of growth model and adjusting economic structure. More emphasis has been put on innovation-led and consumption-driven growth to solve unbalanced, uncoordinated and unsustainable problems in the economy.

It is predicted that China will continue to maintain around 7% growth in the coming few years with solid economic foundation, sound growth conditions and sufficient driving power at disposal.

III. Reform and Development of the World Bank and the IMF

The World Bank should strengthen all-round cooperation with developing countries. The Bank should be more attended to the voice of developing countries, respect their ownership, build equal partnership, and deliver tailored development solutions. With that the Bank can set itself in a better position to maximize development impact, fulfill the twin goals, and render more support to the Post-2015 Development Agenda. We call on the Bank to transfer more development resources to low income countries in poverty reduction and development with better ownership. Meanwhile, on the one hand the World Bank should strengthen finance and knowledge cooperation with middle income countries, supporting their efforts to build on development gains to overcome the middle-income trap and move up to high income status. On the other hand, the Bank should step up cooperation with middle income countries in international development, promoting tripartite and multilateral cooperation, equal and mutually beneficial partnership in investment and industrial cooperation, and south-south knowledge cooperation and experience sharing.

The World Bank should lead an example among international financial institutions in improving governance structure and increasing voice and representation of developing countries. We welcome consensus on the roadmap of shareholding reform and capital increase. We hope that the roadmap be fully implemented, and capital increase serves as the fundamental approach to strengthening the Bank's financial capacity. We urge the Bank to continuously push forward governance reform and notably increase the voice and representation of developing countries at an early date based on the changing global economic weight, so that the developing world can play a greater role in the Bank's decision making process.

We also encourage the World Bank to build strong partnership with its partners. The Bank should strengthen cooperation not only with other multilateral development institutions old and

new, such as the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB), but also with national development agencies and private sector. Through co-financing and parallel financing, the Bank and its partners can jointly support global poverty reduction and development. The NDB and the AIIB are new partners in international development, which builds a cooperative and complementary relationship with the existing multilateral development banks. The two new banks will reinforce the overall capacity of global financial system for development. We support the operationalization of GIF. Together with other resources of the World Bank, it will play an important role in global infrastructure development.

As a quota-based institution, the IMF needs adequate representativeness and sufficient resources to safeguard global financial stability. We are deeply disappointed that the 2010 quota and governance reforms were not ratified by the extended deadline of September 15, 2015, which further undermines the credibility, legitimacy, and effectiveness of the Fund. Besides, the gap between calculated and existing quota shares for emerging market and developing economies has been widening. Thus, we call for all members to endeavor to complete the work on interim solutions that represent meaningful progress toward the objectives of the 2010 reforms by mid-December 2015. With that said, any interim solution should not substitute for the reform itself, and the 2010 reforms should remain the top priority. We also call for all stakeholders to expedite the work on the 15th General Review of Quotas and the quota formula review.

To safeguard traction of its policy advice, the IMF needs to continue to upgrade its crisis prevention capacity. We welcome the progress made in implementing the recommendations of the 2014 Triennial Surveillance Review (TSR), which has further strengthened the IMF's surveillance on macrofinancial linkages and macrocritical structural issues. With prolonged monetary accommodation in major advanced economies brewing financial imbalance in many countries, we support the Fund to continue to undertake research on the role of monetary policy in maintaining financial stability. Given the risk of secular stagnation in the global economy and the limited fiscal space in many countries, we particularly welcome the IMF's analysis on making public investment more efficient, and call for the IMF to maintain close cooperation with multilateral development banks in addressing the infrastructure gap in member countries.

To safeguard an inclusive and environmentally-sustainable growth, the IMF needs to further deepen its analysis on social and financial inclusions, while leveraging other multilateral institutions' expertise on other issues of importance. Moreover, we welcome the IMF's efforts to increase developing countries' access to all of the IMF's concessional facilities, improve its engagement with post-conflict and fragile countries, enhance the eligibility framework for Poverty Reduction and Growth Trust (PRGT), and support more flexible access to concessional and non-concessional resources to better meet their financing needs.