

BOARDS OF GOVERNORS ● 2000 ANNUAL MEETINGS ● PRAGUE, CZECH REPUBLIC

INTERNATIONAL MONETARY FUND

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

J

Press Release No. 18

September 26–28, 2000

Statement by the Hon. **DAI XIANGLONG**,
Governor of the Fund for the **PEOPLE'S REPUBLIC OF CHINA**,
at the Joint Annual Discussion

**Statement by the Hon. DAI Xianglong,
Governor of the Fund for the People's Republic of China,
at the Joint Annual Discussion**

Mr. Chairman, Ladies and Gentlemen:

First, on behalf of the Chinese delegation, I would like to express our sincere thanks to the government and people of the Czech Republic for their efforts in making the excellent arrangements for this year's Annual Meetings in Prague and the warm hospitality they have extended to the Chinese delegation. Also, please allow me to take this opportunity to congratulate Mr. Köhler on his appointment as the Managing Director of the IMF.

Since last year's Annual Meetings, the world economy has generally put the effects of the financial crisis behind it. Despite the continued existence of some risks, the global economy is likely to witness its fastest growth in nearly a decade this year. In a relatively stable international environment, governments and international organizations need to strengthen their consensus on such key issues as economic and financial globalization. Economic globalization is an inevitable trend that is expected to come along with the improvement of productivity. However, countries fare differently in the process of globalization; developing countries are generally in a disadvantaged position and the gap between them and the developed countries tends to widen, resulting in unprecedented pressures and challenges in respect of economic security and economic sovereignty. What we are calling for is a win-win globalization characterized by equality. All countries, no matter whether they are in the South or in the North, big or small, should be the beneficiaries of globalization. The wealth of a few countries should not and cannot be built on the poverty of those countries in the South. Otherwise, the social stability of some countries as well as regional and world peace will be threatened, and we will have to pay a high price for that. Therefore, it is essential to establish a fair and reasonable world economic order, involving all the countries – to the extent possible and on an equal basis – in international economic decision-making and rule setting, establishing a new and fair international financial and trading system, and reducing the risks facing developing countries in the course of globalization. Financial globalization, while having boosted the flow of international capital and enhanced the efficiency of international financial markets, brings new financial risks as well. The most urgent issue in seeking to maintain the steady development of the world economy lies in the prevention and resolution of international financial risks. We hope to improve the international monetary system, and urge the major developed countries to assume their responsibility for stabilizing the world economy by further coordinating their

macroeconomic policies and reducing fluctuations in the world economy. International financial institutions should increase financial and technical assistance to member countries, helping to eliminate macroeconomic and balance of payments imbalances as well as to reduce poverty and debt. We strongly oppose the tendency of international financial institutions to politicize the process of providing assistance.

We consider regional financial cooperation to be a helpful complement to the existing international financial system. Economic integration in the euro area has been accelerating, with economic growth picking up significantly. The Chiang Mai Initiative marked another step for economic cooperation in the Asian region. China will be an active participant in financial cooperation based on the currency swap arrangements recently introduced among ASEAN countries and China, Japan, and Korea.

We welcome the efforts by the Fund in recent years to maintain financial stability and strengthen the international financial system. The series of standards and codes which have been established by the Fund and put in use on an experimental basis have an important role to play in improving macroeconomic decision making by member governments. However, due to the differences of circumstances among the members, these standards and codes should be disseminated and implemented based on voluntary and progressive principles. As we devote ourselves to enhancing the transparency of the public sector, we should also work to enhance the transparency of the private sector, and strengthen the supervision and regulation of highly leveraged institutions in particular. Steps must be taken to effectively deter the massive, disorderly, and disruptive flows of short-term capital.

Against the backdrop of economic globalization, the World Bank's role in promoting long-term development has once again come into the spotlight. We believe that the Bank should continue to help developing countries achieve sustainable economic development, and help reduce poverty in developing countries by facilitating the transfer of resources. The Bank should keep lending operations as its core business, complemented by country assistance strategy and problem diagnosis. We have consistently held that the Bank should operate in accordance with its Articles of Agreement, instead of catering to the political needs of a few members. However, the political orientation of the Bank has become increasingly evident in recent years. The Bank will eventually change itself from a development institution into a political tool of a few countries if it falls in with their political intentions and succumbs to pressures from interest groups at the expense of development objectives. This would rock the foundations of the Bank, compromise the fundamental interests of its developing members, and endanger the cause of world development. In implementing its assistance strategies, the Bank should not unduly emphasize those issues that should be addressed by developing countries themselves, such as governance and institutional reform. Otherwise, the Bank would hardly be able to concentrate on those real issues concerning development and resource transfer. The safeguard policies of the Bank are intended to serve the purpose of poverty alleviation and economic development, and should not overshadow the development objectives. Unrealistic requirements and arbitrary increases in safeguard standards have engendered higher cost in project implementation. This has not

only constrained developing countries' ability to use the Bank's loans, put limits on the Bank's role in economic development, but also contributed to the recent decline in the Bank's loan commitment. We call on the Bank's management to pay more attention to the opinions of the borrowing members, and correct the practice of putting means ahead of ends.

Being a net debtor and low-income developing country, China is willing to make contributions to reducing debt burdens of HIPCs and the poorest nations. The Chinese government is now studying the schemes aimed at reducing the debt of these countries on a bilateral basis.

Over the past decade, most transition economies have followed an erratic development path, and are now moving toward stability, with many of them achieving relatively faster growth. Since each country has its specific situations, the modality of economic development is bound to vary. We believe that reform should follow market rules and proceed in an orderly way, step by step. In addition, it is essential to strike a balance between reform, stability and development.

In the past twenty-plus years, China has undergone the transformation from a planned economy to a socialist market economy. By upholding reform and opening up policies, China has achieved rapid and sustained economic growth. Economic growth in the Mainland is expected to exceed 7 percent – the projection at the beginning of the year. We will begin implementing the Tenth Five-year Plan for the national economy next year, and press ahead with the strategic adjustment of the economic infrastructure, including more intensive implementation of the strategy of developing the western regions. We will continue to conduct proactive fiscal policy and sound monetary policy, improve budget management and reform the structure of fiscal expenditure, strengthen the financial system, and promote financial reform. We have fully deregulated the lending rates and basically liberalized the deposit rates of foreign currencies. Interest rate reform for the domestic currency is also well under way. China is currently implementing a managed floating exchange rate system based on market supply and demand, which proves to be consistent with the circumstances and reality in China. China has achieved the convertibility of its currency in current account, and plans to achieve capital account convertibility in the future when conditions permit.

Hong Kong SAR and Macao SAR have fully recovered from the Asian financial crisis. Both economies are growing vigorously and are blessed with favorable prospects. The experience of Hong Kong SAR and Macao SAR has proven the correctness and success of the "One Country Two Systems" principle.

China will soon join the World Trade Organization. I believe we will seize this opportunity to deepen reform, increase openness, strengthen cooperation with other countries, and join others to ensure steady development of the world economy.