

WORLD BANK GROUP

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Statement by the Hon. **JIN RENQING**,
Governor of the Bank for the **PEOPLE'S REPUBLIC OF CHINA**,
at the Joint Annual Discussion

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Mr. Chairman, Governors, Ladies and Gentlemen,
Good Morning,

Since our meeting last year, the global economy has been growing steadily following a robust performance in 2004, with world trade expanding and FDI turning around. According to the preliminary estimates of the major international financial institutions, the global economy will maintain a relatively rapid growth of 4% in 2005.

Taking this opportunity, we would like to express our appreciation to the Bank and Fund for their constructive role in facilitating international coordination and cooperation, promoting global economic development and reducing poverty, as well as our thanks to the hard work of the staff of the two institutions.

Colleagues,

Despite the encouraging situation in the global economy, we should by no means overlook some downside risks, among other things, aggravating global economic imbalances, resurgence in trade protectionism, oil prices hike, persistent large deficits with the major economies, unstable exchange rates between major currencies, and emerging inflation pressure, adding more uncertainties to regional and global economy. Furthermore, unfair international economic order and the lack of external assistance remain to be the crippling factors for the developing countries in their pursuit of development.

In order to address those global destabilizing factors and create a bright prospect for human being, international community needs to enhance dialogue and coordination on an equal basis for a win-win result. To this end, we should:

—— Maintain stable growth of the global economy through our joint efforts. Economic growth is the most effective way to improving welfare of the people in all countries of the world. We, therefore, should work together to promote a balanced and sustainable growth in the world economy by adopting effective fiscal and monetary policies and pressing ahead with institutional reforms and restructuring.

—— Address the deep-rooted problems impeding global economic development through enhanced policy dialogue. The international community should act more aggressively to reform the international financial architecture, support the establishment of a multilateral trading system, and make joint efforts in stabilizing international energy markets, so as to create a benign financial, trade and energy environment for the common development around the globe, particularly in the developing countries.

—— Realize the MDGs through effective partnership. Developed countries should come up with concrete plan to deliver their commitments in funding, debt relief and market access, especially in meeting the target of increasing ODA to 0.7% of their GNIs, and continue to explore new arrangements for development financing, so as to provide sufficient financial support to achieve the MDGs.

—— Give further attention and support to the Least Developed Countries. Africa and the HIPCs are facing greater development challenges, which deserve special attention from the international community as well as additional assistance. The experience of many countries shows that constant improvements and re-alignments in government capacity is critical for a country to achieve long term stability and sustained growth. In this connection, government capacity building in those countries should receive special support from international aid agencies.

Colleagues,

The Bank and Fund are shouldered with the important mission in the sphere of global governance. I would also like to take this opportunity to share with you my reflections on how the two institutions could further play their role in reducing poverty and promoting development.

First, the two institutions should continue to play their role as the major platform for global development financing, while improving and strengthening their capacity in resources mobilization and transfer. For this end, three things should be done. One, the financial capacity should be enhanced, financing cost and costs of doing business further reduced, and flexibility and targeting to client countries improved. Two, new financing arrangements should be explored while actively pushing forward the improvement and experiment of some new financing initiatives. Three, supervision should be stepped up over the developed countries in fulfilling their ODA obligations.

Second, the two institutions also have the responsibility to guide economic globalization in the right direction by using their comparative advantages as multilateral financial institutions. In this context, they should, *inter alia*, provide global public goods to correct global imbalances; help developing countries participate in the international rule-making through multilateral coordination and technical assistance; promote balanced, orderly flow of production factors such as capital, technology and labor; perform symmetric monitoring of the global economic development; and facilitate the international financial architecture reform, South-South cooperation, and regional cooperation to stabilize global economic development.

Third, the two institutions should strengthen Middle Income Countries strategy to maintain the integrity of their development functions. Only if the developmental needs of the developing countries of different developmental stages are satisfied, can the two institutions effectively perform their functions of promoting global balance and sustainable development,

Forth, the two institutions should contribute to enriching the database of global development by constantly distilling their experience and innovating their development philosophies, supporting the ownership of their member countries, and promoting the diversification of development models. The two institutions should adhere to a scientific attitude of finding truth from practice, testing truth with practice, and develop truth in practice, while abandoning the dogmatist mentality, and giving full respect to ownership and diversity of client countries.

Fifth, the two institutions should reform their own governance structure, increasing participation of developing countries in decision making. In doing so, the increasing strength of developing countries as a whole should be reflected, and the views of all member countries expressed in a balanced way, to ensure that the policies of the two institutions will be in the interest of the vast developing countries as well as the world at large. At the same time, the two institutions should also stick to their development mission and professionalism, and resist any attempt or practice to politicize their businesses.

Colleagues,

Since last Annual Meetings, the Chinese government has adopted a series of macroeconomic measures in response to new conditions and problems in economic and social development. The government has pursued prudent fiscal and monetary policies, brought under control some destabilizing and unhealthy factors, and maintained relatively rapid economic and social development. In the first half of 2005, GDP increased to USD 814.6 billion, up 9.5% over the same period of last year. Personal income continued to increase rapidly, and domestic consumption accelerated, while CPI is well contained with a modest increase of 2.3%. Total volume of export and import reached USD 645 billion, up by 23% over the same period of last year. By the end of June, foreign exchange reserve reached USD 711 billion.

The economies of Hong Kong, China and Macao, China also continue to perform well. The GDP of Hong Kong registered a real growth of 8.1% in 2004, and the economic recovery became more pronounced in 2005. The GDP of Macao grew by 8.6% and 8.2% respectively for the first two quarters of 2005. The central government will continue to promote economic cooperation between the mainland and Hong Kong and Macao and promote common prosperity, in accordance with the basic state policies of *One Country and Two Systems, Hong Kong People Administering Hong Kong, Macao People Administering Macao*, and a high degree of autonomy.

The Chinese government aims to achieve comprehensive, harmonious and sustainable development and establish a harmonious socialist society, guided by the scientific development view and relying mainly on its own efforts to reform and innovate. Our objective for the first 20 years of this century is to quadruple the GDP to USD 4 trillion by 2020, and increase the GDP per capita to USD 3000. This would mean quadrupling of size of domestic market and, and it will bring unprecedented opportunities for all other countries.

With China's economic development and its growing contribution to the world economy, China's economic policies have attracted a lot of attention, especially regarding the exchange rate policy. I would like to take this opportunity emphasize that, the Chinese government has been consistently pursuing an independent and responsible policy approach in its exchange rate regime. On July 21, the Chinese government made an important step forward in reforming its exchange rate regime, moving to a market-based managed floating exchange rate regime with reference to a basket of currencies. The objective was to establish a managed floating exchange rate regime based on market supply and demand, and maintain the RMB exchange rate basically stable at an adaptive and equilibrium level. The reform was carried out in an independent, controllable and progressive way. The reformed exchange rate regime and more flexible RMB exchange rate have strengthened the government's ability to manage the macro-economy and improved the prospect of rapid, sustained and balanced growth.

China will continue to increase its support to other developing countries as our overall national strength improves. At the High-level Panel on Financing for Development of the UN Summit on September 14, President Hu Jintao announced a number of measures to provide more help to other developing countries, including according zero tariff treatment, debt relief, providing USD 10 billion concessional of loans, public health cooperation, and training personnel of various professions, etc.

Colleagues,

As a member of international community, China is willing to participate in international cooperation and develop economic cooperation with other countries based on the principle of equal treatment and mutual benefits so as to achieve common prosperity. China will continue to provide assistance to other developing countries to the extent possible and help them overcome difficulties and strengthen capacity for country-driven development.