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Statement by the Hon. **XIE XUREN**,
Governor of the Bank for the **PEOPLE'S REPUBLIC OF CHINA**

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I. Current Global Economic Situation

The world economy is now slowly recovering, but the uncertainties and destabilizing factors are increasing. The property and labor market in the US remains sloppy, the European sovereign debt crisis continues to simmer, inflation pressure in emerging market economies is increasing, and the world economy is faced with severe challenges.

In face of the complicated situation and challenges, countries in the world should help each other by strengthening macro-economic policy coordination and working together to ensure stability and promote growth as they are all in the same boat. Mid- and long-term fiscal sustainability can only be achieved with accelerated restructuring which in turn depends on economic recovery and financial market stability. Due to the impact of economic crisis, the poverty reduction and development undertakings in developing countries have become more arduous. The international community should pay more attention to development issues and adopt active and effective measures to reduce the North-South gap for common development and prosperity of the world as a whole.

II. Direction for Future Development and Reform of the World Bank and IMF

As important part of the international financial system reform, the World Bank has taken the lead to complete its second phase of Voice Reform, its governance structure has been further improved to better reflect the changes in the global economic landscape, and the voice and representativeness of developing countries has been increased. The successful conclusion of general capital increase for IBRD and IDA 16 replenishment has strengthened the capability of the World Bank to promote poverty reduction and development and scale up funding to developing countries, in particular, the low-income countries. The World Bank has also helped the crisis-affected countries implement counter-cyclical economic policies and establish social safety nets, and promoted global economic recovery through innovative instruments like trade finance, thus played an active role in tackling the international financial crisis.

As the core organization of the international monetary system, the IMF, since the start of the crisis, has carried out reforms in key areas like quota and governance, crisis rescue and monitoring, and played an important role in helping the member countries weather the crisis and maintaining global economic and financial stability. In particular, the Board of Governors of IMF adopted the resolution on the reform of quota and Board of Executive Directors in December 2010, doubling the total quotas and shifting over 6 percent of quotas to dynamic emerging market and developing countries and underrepresented countries, thus effectively increased the voice and representatives of emerging market and developing countries.

As the World Bank and IMF are two important multilateral development and financial institutions in the world, I would like to make the following proposals on the future direction and reform process of the two institutions:

First, the World Bank should remain unswerving on its mandate of poverty reduction and development. Development imbalance is still the primary challenge facing the world economy. The World Bank should stick to its mandate of poverty reduction and development, effectively promote the transfer of funding and technology to developing countries through innovations in instruments and establishment of platforms, facilitate exchanges of development experiences, constantly enhance the capacity for development of developing countries, and promote common development of the world.

Second, the World Bank should effectively promote international cooperation on development. As the world economy has entered a new development stage, the development experience of developing countries as a result of constant exploration and accumulation in line with the changing situation is useful enrichment to the world development theories. The World Bank, as a multilateral development institution with strengths in funding, knowledge and cooperation platform, should work together with developing countries to jointly improve development theories, make innovations in development philosophy, exploit new territory for development cooperation, explore diverse ways of South-South cooperation and promote the global poverty reduction and development agenda.

Third, the World Bank should further promote its own reform. China appreciates the efforts by the Bank in voice, internal governance and management model reforms in recent years. We are willing to work with relevant parties to be deeply involved in the reform of the Bank, further increase the voice and representativeness of developing countries in the World Bank, reinforce development effectiveness of the Bank, and help the Bank better fulfill its mandate of poverty reduction and development.

Fourth, the reform of IMF should be further promoted to increase its effectiveness in performing its function. Firstly, IMF should seek the root cause of the crisis and adjust the monitoring framework and transform monitoring priorities accordingly. Secondly, IMF should continue to improve its quota and governance structure. As an international institution based on quota, IMF must put the 2010 quota reform package into effect as soon as possible so as to effectively guarantee the source of funding in the long run and meet the needs of member countries to address crisis. The quota formula of IMF should be simpler and more transparent and better reflect the changes in the relative economic power of member countries. In addition, IMF should further study the inherent defects of the international monetary system, promote diversification of the international reserve currency system and build the international reserve currency system into one with stable value, rule-based issuance and manageable supply.

III. Economic Development Update of China

Since the second half of 2008, the Chinese government has taken active policies and measures to tackle the international financial crisis, implemented the package plan in response to the crisis, constantly strengthened and improved macro-regulation, and effectively curbed the marked slowdown trend of economic growth. It is among the first to achieve economic recovery. In 2009 and 2010, our GDP grew by 9.1% and 10.3% respectively. This year, the government continued to implement the proactive fiscal policy and prudent monetary policy and put significant efforts in stabilizing the price, adjusting structure, ensuring people's livelihood and promoting harmony. GDP in the first half of the year grew by 9.6% over the same period of last year and income of urban and rural residents increased by 7.6% and 13.7% respectively. For the first 7 months of the year, retail of consumer goods grew by 16.8%, fixed-asset investment 25.4% and foreign trade 25.1%. The macro-regulation is producing positive and steady effect and economic and social development has maintained sound momentum.

The economic development of China is in good shape in general albeit challenges of imbalance and lack of coordination and sustainability of development. The Chinese government will continue to strengthen and improve macro-regulation, maintain the continuity and stability of macro-economic policies, strike a proper balance between maintaining steady yet rapid economic development, restructuring the economy and managing inflation expectations, and work hard to maintain the sustained and steady growth of the economy. The sound and stable development of China's economy will serve as positive contributions to the global economic recovery.