



**ANNUAL  
MEETINGS**  
2021 | WASHINGTON DC  
WORLD BANK GROUP  
INTERNATIONAL MONETARY FUND

Governor's Statement No. 9

October 14, 2021

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

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## **I . Global Economic Outlook**

Thanks to the strong policy support and continued vaccination against COVID-19, this year witnesses gradual recovery of economic activities, and continued recovery of the global economy. However, there is a trend of slowdown and divergence. The economic recovery of emerging markets and developing countries will face greater challenges in their recovery. As global investment continues to languish and liquidity in the international financial markets is easing, financial vulnerability continues to rise. Commodity prices remain at high level but have slowed in momentum. In the future, we need to be vigilant against uncertainties caused by factors such as the continued evolution of the global pandemic, intensifying global inflationary pressure, continued supply chain disruptions, monetary policy shift in major economies, and geopolitical risks.

All parties should strengthen collaboration to facilitate equitable global distribution of vaccines, ensure the accessibility and affordability in developing countries, and promote global cooperation to address the challenges of the pandemic. Governments should adopt responsible macroeconomic policies and strengthen policy coordination to avoid negative spillover effects. Multilateral development institutions, governments, and the private sector should stay committed to development as a priority, jointly implement the United Nations 2030 Agenda for Sustainable Development and the Paris Agreement on climate change, promote more robust, green, and balanced development, and work together to steer global development towards a new stage of balanced, coordinated and inclusive growth.

## **II. China's Economic Outlook**

This year, facing the epidemic challenge and the uncertainty of the external environment, the Chinese government has consolidated and expanded the achievements of COVID-19 response and economic and social development. The Chinese government has implemented macro policies in a systemic and targeted way. Transformation and upgrading continue to advance, and innovation vitality is continuously released. Employment and prices are generally stable, economic quality and efficiency are steadily improving. China's economic growth remains sound and steady. **Firstly**, the economy has achieved steady recovery. The resilience of economic development has been strengthened. The national GDP reached RMB 53.2 trillion in the first half of this year, up by 12.7% year-on-year, with a two-year average growth of 5.3%. Production grew steadily, and Purchasing Manager's Index (PMI) was above the critical point for 18

consecutive months. **Secondly**, demand has risen steadily. Investment grew steadily, with fixed asset investment up by 8.9% year-on-year from January to August. Market sales increased, and total retail sales of consumer goods jumped by 18.1% year-on-year. **Thirdly**, employment and prices were generally stable. The national surveyed urban unemployment rate averaged 5.2%, lower than the expected target of 5.5%, and consumer price index (CPI) rose by 0.6% year-on-year from January to August. **Fourthly**, the overall international balance of payments improved. Import and export of goods grew faster, foreign investment continued to increase, and international foreign exchange reserves remained stable. Denominated in RMB, imports and exports rose by 23.7% year-on-year from January to August. The balance of foreign exchange reserves registered at USD 3.2321 trillion at the end of August. All in all, China's economy continues steady recovery. The major economic indicators are within an appropriate range, and the economic fundamentals that will sustain long-term growth remain unchanged, although the economic recovery is still unstable and uneven.

Since this year, the Chinese government has maintained the continuity, consistency and sustainability of macroeconomic policies. The active fiscal policy has continued to help enhance policy effectiveness and capital efficiency, and the prudent monetary policy has scientifically managed market expectations and effectively prevented and controlled financial risks. In the next step, the Chinese government will continue to thoroughly carry out the new development concept, intensify supply-side structural reform, accelerate the creation of a new development paradigm, focus on promoting high-quality development, make cross-cyclical adjustment of macroeconomic policies, consolidate and expand the achievements of the COVID-19 response and economic and social development, and keep major economic indicators within an appropriate range.

### **III. The WBG and the IMF's Work on Reform and Development**

China appreciates the efforts made by the WBG and the IMF to support member countries in fighting against the epidemic and recovering their economies. To further improve the WBG and the IMF's capacity to perform their mandate, we would like to make the following comments on their reform and development.

China notes the progress made by the WBG on important policies this year. We welcome the *Climate Change Action Plan 2021-2025*, and supports the WBG operations to align with the Paris Agreement. China hopes that the WBG will further strengthen coordination and cooperation with other multilateral and bilateral institutions, play a leading role in global cooperation to address climate change, and give equal priority to energy access, as well as climate change response and energy transition, while formulating practical implementation plans. China supports the WBG to endorse the *Realizing the World Bank Group's Knowledge Potential for Effective Development Solutions: A Strategic Framework* and expects the WBG to further enhance its role as a solution bank, placing more emphasis on knowledge cooperation,

including South-South knowledge cooperation, further leveraging the synergies between finance and knowledge, and promoting experience sharing on development.

China appreciates the positive contributions made by the WBG to helping developing countries cope with COVID-19 pandemic. We expect the WBG to further step up its coordination with international organizations and mechanisms such as the World Health Organization and COVID-19 Vaccines Global Access (COVAX), to improve the effectiveness of crisis response, and help developing countries cope with and recover from the pandemic. The WBG should stay committed to development as a priority, attach equal importance to green, resilient and inclusive development, pay attention to economic growth, job creation and poverty reduction, increase its support to infrastructure development, and better shore up member countries to achieve the United Nations 2030 Agenda for Sustainable Development.

China expects that the WBG stays committed to serve all clients and renders tailored support, given their various circumstances, development stages and actual needs. At the same time, the WBG should actively explore various ways, including capital increase and balance sheet optimization, to further enhance the financial capacity of the International Bank for Reconstruction and Development (IBRD) and provide more financial support to middle-income countries.

China supports the conclusion and recommendations on the International Development Association (IDA) Voting Rights Review, and expects Part I countries to intensify their efforts and contribute to an ambitious IDA 20 Replenishment in the new framework. Meanwhile, China is deeply disappointed that the 2020 Shareholding Review concluded with no result due to political factors. China urges all parties to act in good faith to jointly promote the review in 2025 to achieve concrete outcomes, making the WBG governance structure more balanced and effective, timely reflecting changes of the international economic landscape, and increasing the voice and representation of developing countries as a whole.

China calls on all parties to remain vigilant against unilateralism and politicization in the WBG governance and operations. China urges the WBG to abide by its Articles of Agreement and the principle of political neutrality, uphold the multilateral rules and procedures, strengthen internal management, enhance communication and coordination with shareholders, and address concerns of all parties in an open, transparent, professional and non-discriminatory manner. Any deviation from the basic principles of multilateral institutions will affect the WBG's integrity and credibility, and ultimately undermine its ability to fulfill its development mandate. All members and the WBG have contributed a great amount of manpower and resources to *Doing Business 2021* Report, and no issues have been found in the relevant investigation. Therefore, we request the WBG to release the report.

In the implementation of the G20 DSSI for low-income countries, China has provided the largest amount of debt service suspension among G20 members, and has made positive contribution to supporting low-income countries in addressing the challenges of the pandemic and debt vulnerability with real actions. At the same time, China actively participates in the G20 Common Framework and advocates addressing debt issues under the Common Framework on a case-by-case basis. The WBG and the IMF, in line with their mandates, should fully respect independent decisions of the debtor countries regarding debt service suspension and treatments based on their national conditions. At the same time, the WBG and the IMF should promote all parties, private creditors in particular, to provide debt treatment in accordance with the comparability of treatment principle. As one of the major multilateral creditors, the WBG should lead by example in helping the relevant debtor countries recover debt sustainability by exploring feasible ways to participate in international debt service suspension and treatment under the principle of “joint actions and fair burden sharing”, while maintaining its financial robustness and low financing cost.

The IMF should continue to push ahead with quota and governance reforms, which are prerequisites for the IMF to fulfill its mandates. China supports a strong, quota-based, and adequately resourced IMF and would like to preserve its central role in the global financial safety net. The quota not only underpins IMF’s lending capacity, but also its representation, governance, and legitimacy. Quotas, rather than borrowing arrangements, should be the IMF’s main source of financing. All parties should take a long-term view, fulfill their commitments, and push forward the quota increase and quota share realignment. The Chinese authorities look forward to the timely completion of the Sixteenth General Review of Quotas with positive results, so as to reflect members’ relative weights in the global economy and to strengthen the voice and representation of dynamic emerging markets and developing countries.

China welcomes the IMF’s general allocation of Special Drawing Rights (SDRs), which is of great significance for the global recovery, especially for the low-income countries. China will continue to support the smooth operation of the Voluntary SDR Trading Arrangement (VTA) market. We support the IMF in establishing the Resilience and Sustainability Trust (RST), which will enable members with surplus SDRs to lend to other members in need, including low-income countries, on a voluntary basis.

As an important multilateral institution, the IMF should continue to enhance the effectiveness of its bilateral and multilateral surveillance. We support the IMF to implement the outcomes of the Comprehensive Surveillance Review (CSR) and to provide targeted policy recommendations to its members based on their different phases of economic recovery and development. We welcome the IMF to continue to focus on new trends such as digitalization and climate change, as well as its efforts in promoting inclusive global growth. We support the IMF to conduct a review of the Institutional Views on Capital Flows in order to help member countries properly address the risks posed from disorderly capital flows.

We appreciate the timely and effective work of the IMF to help member countries respond to the COVID-19 crisis. For countries which are still fighting the rampaging virus, the IMF should continue its support in financial assistance and capacity development. We support the IMF's efforts to make full use of the existing lending instruments to provide support to emerging markets and developing countries in need in an appropriate and flexible manner. The Chinese authorities are willing to continue to work with all parties on macroeconomic policy coordination and international vaccine cooperation, and jointly promote an open, inclusive, balanced, and mutually beneficial global economy.