I’d like to thank Premier Li for his hospitality. We had constructive discussions about the challenges facing China’s economy and the global economy.

In our meetings, I commended the Premier and China’s leaders for past reforms and the many important ones still underway.

China began a very important opening process in 1978. Liberalization of agriculture allowed China to experience one of the highest agricultural growth rates in the world. Reforms accelerated in the 1990s with the unification and stabilization of the RMB, with price liberalization and with improved regulation of financial sector excesses. Despite periods of excessive debt, structural reforms allowed sustained fast growth.

This paid big dividends for the people of China, allowing nearly a billion people to rise above poverty and the nation to achieve remarkable gains in GDP and median income. More reforms are underway.

Tax cuts—lowering the VAT tax rate—are helping smaller businesses and tax cuts for low income are under consideration. Improvements in foreign investment laws will reduce uncertainty and should attract more investment and innovation. Further improvements in the financial system are being implemented, though the quality, transparency and level of debt are problematic. China’s ranking in the World Bank’s Doing Business Index rose substantially this year, benefiting from a notable improvement in the areas of dealing with construction permits, paying taxes and resolving insolvency. Structural reforms like these have the potential for big upside
gains for the people of China as they engage more fully in domestic and global markets.
Even so, China’s economy faces growing debt and structural constraints that require new drivers of growth, especially during this period of slower global growth and recessions in parts of Europe.
To avert a sharper slowdown, it’s essential to resolve bilateral trade relationships; and also to improve the quality and transparency of China’s lending.
In the meetings, I encouraged new reforms and liberalization: China could improve the rule of law, allow the market to play a more decisive role in allocating resources including debt and investment, reduce subsidies for SOEs and other distortions in the economy, and remove barriers to competition.
Fast, broad-based growth is hard to achieve but is vital for reducing inequality and building higher living standards. For fast growth to be sustainable, countries need strong institutions to foster innovation, ensure tolerance, and administer the rule of law.
The World Bank engagement with China has evolved to support these goals. Working cooperatively with several ministries, we’re pursuing a greater focus on institutional reforms; strengthening market forces; improving China’s stewardship of global public goods such as oceans, rivers, fisheries and air quality; and joining China in sharing the knowledge gained from its rapid economic advance.
Later today, I’m very pleased to be able to sign an MOU with the Ministers of Finance and Environment which will strengthen our relationship with China on climate and environment issues. The MOU encourages cooperation and progress on marine plastics, biodiversity, adaptation and resilience to climate changes and severe weather events, and a range of other environment-related activities.
As a vibrant economy, China is also an important global participant and increasingly significant provider of development financing. To add value in this area requires strong commitments to debt transparency. This will bolster accountability, foster private investment in developing countries, and reinforce safeguards against financial crises.
In this regard, I welcome China’s financial support for the World Bank, and especially for the International Development Agency (IDA). IDA is the World Bank’s fund for the world’s poorest. It will be replenished in three weeks. The proposed replenishment will
direct more funding toward people in fragile countries and reaffirms the world’s commitment to job creation, climate issues, gender, and innovation. We are gratified by China’s active participation in this IDA replenishment. Through the IDA platform and other international cooperation, we look forward to working with China and other partners to achieve good development outcomes that are durable and improve the lives of people across the developing world.

Again, Premier Li, thank you for your hospitality and the constructive discussion.