

Remarks by World Bank Group President David Malpass at China's 1+6 Roundtable with Premier Li Keqiang

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The world faces a huge challenge from the pandemic and economic shutdowns – especially the poorest countries and the most vulnerable people. Broad, rapid, and affordable access to COVID-19 vaccines will be at the core of a resilient economic recovery that lifts everyone.

Our common goal is greener, faster, and more resilient growth and higher living standards for all countries and all people. International cooperation, greater trade, and cross-border investment will be critical to make this work. We look forward to working with China and others to make progress in these areas.

The World Bank Group's 40-year engagement with China has been mutually beneficial and continues to evolve. I would like to thank China for its large contribution to IDA19, which is particularly noteworthy given China's stage of development. The COVID-19 pandemic presents a big new financing challenge, and I'm hopeful that shareholders will be responsive on resources, within their various capabilities. We would welcome China's views on this.

The lending relationship is also evolving steadily, with a strong focus on analytical and advisory services and strong engagement from the International Finance Corporation. The World Bank's annual lending to China is declining in keeping with the capital increase. We remain substantively engaged on global public goods, including reducing marine plastic pollution and, potentially, greenhouse gas emissions. Given China's low borrowing costs, the amount of lending itself is less important – the broader engagement and the close relationship is what is most valuable for us both.

This evolution makes sense for China and the world because, while China is a developing country, many parts of its economy are advanced. China and the world will benefit from dialogue on the constructive evolution of China's relationships.

Thank you for the opportunity to provide input on your economic plan. I would like make the following brief comments:

China's growth slowdown since the mid-2010s reflects rising constraints to an investment-driven growth model and growing demographic headwinds. To boost productivity growth, there need to be reforms aimed at allowing increases in the return on invested capital, and its responsiveness to the needs of people and the markets. This can be implemented with fiscal and social policy measures to provide better balance between consumption and investment.

We think that China's economy needs further reform to get the most benefit as it returns to sustained growth. The 14th Five-Year Plan offers an opportunity to anchor these policy shifts – and we shared specific ideas in our written comments. Bold action to implement these reforms will be critical.

COVID-19 makes the reform agenda even more urgent. While China's economy has recovered more quickly than other large economies, the recovery has been uneven so far and China's domestic and external macroeconomic imbalances have worsened.

China's COVID-19 economic policy response has been weighted towards supporting firms and banks and encouraging public investment; in relative terms, direct transfers to households have been limited. As a result, China's recovery has been led by investment and net exports, while consumption has recovered more rapidly in the U.S. and Europe. This is expanding the global imbalances and isn't optimal for China's long-term development.

In this context, poor households, stranded migrant workers, and the unemployed should receive greater support. There is a role for centrally-funded programs, given local governments' fiscal constraints. Also, some local governments have experimented with consumption vouchers to encourage greater local demand. Such innovations could be tested and expanded.

As China has already made clear, greening of China's growth going forward should form a core objective of the 14th FYP. We welcome progress in this regard.

Turning to the debt issues facing the poorest countries, I've congratulated the G20 on the progress on debt relief and transparency. China has taken important steps this year in coordination with the G20. The transparent disclosure of all public and publicly guaranteed debt is critical. Without it, the amount of relief required cannot be calculated, and fair burden sharing cannot be ensured.

One challenge is that private creditors have not been participating, leaving official bilateral creditors shouldering much of the burden. We need to work together to ensure that private creditors provide comparable treatment that provides deep debt relief. For several countries, debt reduction – as measured by either a reduction in the stock of debt or a reduction in the true Net Present Value (NPV) – is urgent in order to allow growth to resume. This path offers an opportunity for China – namely, post-COVID lending that is transparent, sustainable and development oriented, taking advantage of the very low interest rates available to China, and building on a level playing field among various creditors.

Let me close with a note on partnership. COVID-19 has demonstrated – with deadly effect – that national borders offer little protection against some calamities. It is critical that countries work together, and China is an important partner in this global collaboration.

This year marks the fortieth anniversary of the partnership between China and the World Bank Group. Forty years ago in 1980, Deng Xiaoping famously said to then-President of the World Bank Group, Robert McNamara: "We are very poor. We have lost touch with the world... But we are determined to modernize and develop our economy... We need the World Bank to catch up. We can do it without you, but we can do it quicker and better with you." Deng's words have been a continuous source of motivation to all of us. We want to build on this foundation and continue a strong engagement with China in addressing the important challenges of tomorrow.