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1. Global Economic and Financial Situation

We welcome the sound momentum in the global economic recovery that has emerged since the last annual meeting. Developed and emerging market economies have seen widespread economic improvement with strong momentum in terms of cyclical expansion and broad-based economic growth. Nevertheless, downside risks should not be ignored.

With favorable conditions of policy support and cyclical upturn, the recovery of global trade and investment has rebounded, the financial environment remains supportive, and accelerated investment growth in the United States, Europe, Japan and other major developed economies has boosted recovery while core inflation is still below target. Emerging market and developing countries have been seeing robust growth in consumption, continued improvement in the external environment, and further strengthening of economic growth. However, the global economy is also faced with some long-term challenges, such as low productivity growth, aging population and widening income gaps. Risks to the global economy are overall balanced in the short term while tilted to the downside in the medium term. The outlook for global economic growth might be negatively affected by a range of factors such as an escalation of trade frictions caused by unilateral actions, faster-than-expected normalization of monetary policy in major developed economies, geopolitical tensions, heightened concerns over technological changes and globalization, cyber security loopholes, and climate change.

All parties should take advantage of the opportunity offered by the current economic growth and adopt sound monetary, fiscal, and structural reform measures to maintain the recovery momentum, increase economic resilience, and realize inclusive growth. Meanwhile, fiscal policies should avoid procyclicality and macroprudential policies should be adopted to lower vulnerabilities and preserve financial stability.

It is necessary for developed economies to have a right mix of monetary and fiscal policies to create more fiscal space and rebuild fiscal buffers. They should firmly carry out structural reforms to reduce trade barriers and resolve external imbalances.

Emerging and developing countries should use macroprudential policies to keep leverage in check, reduce financial market risks, monitor foreign currency debt exposures, and increase resilience in the face of fluctuations of capital flows and

commodity prices. They also need to build stronger fiscal buffers, promote inclusive growth and reduce inequality.

All parties should continue to advocate multilateral cooperation and strengthen policy coordination. They should commit themselves to preserving an open and rules-based multilateral trade system, and use this system to resolve trade disputes while pushing for greater global integration of trade and investment. Furthermore, these countries need to continue to implement the financial reforms in a collaborative manner and improve the stability and resilience of the international monetary system.

2. Economic and Financial Situation of China

The Chinese economy has been growing steadily with good momentum, and major indicators outperformed expectation. In 2017, the GDP growth rate was 6.9%, 0.2 percentage point higher than the previous year. The share of the Chinese economy in the global economy increased to around 15%. Consumption and investment maintained a steady growth pace with 10.2% increase for the total retail sales of consumer goods and 7.2% increase for the accumulated investment in fixed assets. Foreign trade performed relatively well, with 18.7% and 10.8% increase for imports and exports respectively. 13.51 million new jobs were created in urban areas. Inflation remained stable with CPI increased by 1.6% year-on-year. In the first quarter of this year, the Chinese economy has continued to advance and improve, and is expected to be stable and healthy for the whole year. In the first quarter, the annualized GDP growth rate was 6.8%, the year-on-year growth rates of consumption and investment were 9.8% and 7.5% respectively, and the year-on-year growth rates of imports and exports were 11.7% and 7.4% respectively. As of end March, the manufacturing PMI was 51.5%, demonstrating an increasing trend. The year-on-year growth rates of M2, RMB loans and total social financing were 8.2%, 12.9% and 10.5% respectively. The growth has been more quality-oriented and balanced. In the first quarter, the value-added of tertiary industries accounted for 61.6% of GDP growth, and the final consumption expenditure accounted for 77.8% of the GDP growth. In 2017, the current account surplus-to-GDP ratio was 1.3%.

The financial sector has remained sound with risks broadly contained. In 2017, leverage ratio increased slightly for the non-financial sector and declined somewhat for the corporate sector, the leverage of the financial sector has also been contained. At the same time, the Chinese government has been vigorously pushing forward the reform of the financial regulatory system. The Financial Stability and Development Committee under the State Council was established late last year to provide strengthened coordination on major issues concerning financial stability, reform and development at a higher level with its secretariat located in the PBC. The general direction for the reform is to strengthen integrated supervision and regulation, separate formulation of regulatory policies and rules from implementation, and at the same time enhance the function of the

PBC in exercising macroprudential regulation and safeguarding against systemic risks. Recently, the China Banking and Insurance Regulatory Commission (CBIRC) was created by merging the banking and insurance regulators, and the PBC was assigned responsibilities for formulating major banking and insurance laws and regulations. In general, the Chinese economy has solid fundamentals and numerous policy tools available to prevent systemic risks.

Going forward, the Chinese government will continue to preserve the stability and consistency of its macroeconomic and financial policies. Efforts this year will continue to focus on implementing a prudent and neutral monetary policy while strengthening the ability of the financial sector to serve the real economy. China will vigorously push forward the reform and opening-up of the financial sector, significantly relax market access restrictions, create a more attractive investment environment, strengthen the protection of intellectual properties and actively expand imports. We will let the market play a decisive role in resource allocation and resolutely promote market-based reform of the foreign exchange regime by increasing exchange rate flexibility, and keep the RMB exchange rate basically stable at a reasonable and equilibrium level, improve the two-pillar adjustment framework underpinning the monetary policy and macroprudential policy, and enhance the management of systemic risks. China will adopt active and more effective fiscal policies, targeting the deficit ratio for this year at 2.6%, and further expanding budgeted fiscal expenditure to 21 trillion yuan. At the same time, after the universal implementation of the Business Tax to VAT reform started last year, new measures to lower VAT rate were announced recently, reducing the rate from 17% to 16% for the manufacturing industry and from 11% to 10% for the transportation industry. When combined with other supporting measures, this will reduce taxes on business and individuals by more than 800 billion yuan this year. China will continue to support multilateralism and an open and rules-based multilateral trade system under the WTO framework, and will strengthen its cooperation with all parties.

Supported by the broad-based global economic upturn, the Hong Kong SAR economy expanded by 3.8% in 2017, faster than the average annual growth rate of 2.9% during the last 10 years. The domestic demand was robust thanks to the strong growth of private consumption and expenditure rebound in investment. The labor market remained in full employment with the unemployment rate in the fourth quarter of 2017 falling to 2.9%, a near-20-year low. The underlying composite CPI inflation declined for the sixth consecutive year to 1.7%. According to forecast, the annual economic growth rate of the Hong Kong SAR will be 3% - 4% in 2018 and the underlying composite CPI will rise by 2.5% on average. The Linked Exchange Rate System (LERS) remains the best arrangement for Hong Kong SAR.

Boosted by the rebound of service exports, the Macau SAR economy grew by 9.1% in 2017 while the unemployment rate remained at the low level of 2.0%. The

inflation rate fell back to 1.2%, while fiscal position continued to be in surplus, and it is expected that the economy will maintain its trend of positive growth in 2018.

3. Reform of the IMF

The IMF should continue with its quota and governance reform so that the Fund to play its role more effectively. We should do our best to ensure that the IMF is a strong, quota-based, and adequately resourced institution to preserve its role at the center of the Global Financial Safety Net (GFSN). The quota reform is key to guarantee adequate resources for the IMF. We call on all parties to work in spirit of cooperation to complete the 15th general review of quotas within the timetable agreed by members through consensus, fill quota gaps, realign quota shares to result in increased shares for dynamic economies in line with their relative positions in the global economy.

We encourage the IMF to further improve its surveillance, promote multilateral cooperation and globalization, strengthen international policy coordination and provide policy advices that can reflect country-specific circumstances. Efforts should focus on enhancing the surveillance of macro policies of members, and analyzing possible impacts and spillovers from monetary tightening, tax reforms and unilateral trade barriers being adopted by major economies, and ensuring timely monitoring of capital flows and macro-financial risks. We support IMF's efforts to play an active role in multilateral policy coordination, upholding and prompting an open and rules-based multilateral trade system and safeguarding global economic integration, prosperity and stability.

We welcome the considerable progress made in the work on risks and spillovers, external imbalances and fiscal policies, as well as on emerging issues. Focus on new issues should not be at the expense of the Fund's core surveillance activities and its budgetary arrangements should reflect the change of surveillance focus. The Fund should enhance the traction of its surveillance and adopt consistent analytical methods. In particular, tailored policy recommendations on fiscal consolidation, capital flows, governance and structural issues are encouraged.

The IMF should continue to strengthen its support for capacity development and utilize its expertise in macroeconomic policies to help its members, low-income developing countries in particular to improve their institutions. China will continue to strengthen its cooperation with the IMF in capacity development.

We support the IMF in providing effective assistance to low-income countries (LICs) by adopting a broader perspective to analyze debt issues. We encourage the IMF to respect the independence of LICs in selecting projects and fulfilling their contractual responsibilities, while distinguishing between loans for investment and loans for consumption. Efforts should also be made to better help these countries in complying

with the data reporting requirements under the GDDS and SDDS. Transparency is essential to the IMF, LICs as well as creditor countries.

We welcome the IMF's work on broadening the role and use of SDRs and to establish a more resilient international monetary system. We support the IMF's research work on issues such as digital economy, crypto currency and crypto assets, as well as the efforts to push forward international tax cooperation, address cyber security and climate change challenges, and promote economic integration in a more open, inclusive and balanced manner.