

PEOPLE'S REPUBLIC OF CHINA***JIN LIQUN, Alternate Governor**

First of all, on behalf of the People's Republic of China (PRC), I would like to express my sincere congratulations to Portugal on its membership in the Asian Development Bank (ADB), and also to extend my special welcome to the delegation of the Interim Government of Afghanistan.

The Thirty-Fifth Annual Meeting of ADB is convened at a moment that is critical for the global development undertaking. The convocation of the International Conference on Financing for Development in Monterrey, Mexico, demonstrated a clear understanding on the part of all countries in the world that common development of them all is important for a long-lasting peace and prosperity of the world. And this has brought about new hopes to global development.

Asia takes up more than a half of the world population, and has two thirds of the world population in poverty. In this connection, development in Asia is of utmost importance to world peace and development. Being the largest development institution in this region, ADB has an imperious mission for development and prosperity of this region. To ensure its accomplishment of this lofty mission, all members should continuously enhance ADB's ability to assist the developing members. In the meantime, ADB itself should constantly improve its operational approaches and improve the effectiveness of the development assistance. Against this background, I would like to contribute the following ideas:

Firstly, ADB should have a stronger financial capability to effectively fulfill the task of poverty reduction. Poverty reduction needs concessional financial support. The developed members should increase their contributions to ADB, seek more concessional financial sources, and render support to the developing members in their direct investment in poverty reduction projects. We would like to express our appreciation of the efforts made by the United Kingdom and other donor countries.

We support ADB to review its capital adequacy at the earliest possible date and call for prompt lowering of its ordinary capital resources (OCR) pricing, thereby better assisting poverty alleviation. The OCR price has been maintained at a high level, and to a large extent, resulted in restricting ADB's operation and making it hard for the poor borrowing countries to carry out poverty reduction projects. In light of the current improvement of net income and its financial status, ADB should reduce the OCR pricing in a timely manner.

While capacity building is of critical importance to the sustainability of poverty reduction, technical assistance (TA) is imperative to capacity building. As the major development institution in Asia, ADB has had a large shortfall in its TA funds in recent

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years, the solution of which cannot rely on using the net income from OCR in the long run. We call upon developed members to increase their contributions to the TA fund to improve the present trend of inadequate TA funding.

It should be recognized that official development assistance (ODA) is by no means bestowed as a favor, but an imperative instrument by which to rectify the inequitable global income distribution. And it is characterized as mutual benefit. Taking the main business from 1996 to 2001 as an example: ADB's TA contract amounted to \$610 million in total, out of which nearly \$500 million was paid to the consultative companies or consultants of the developing members. With respect to the loan projects, international competitive bidding contracts in these five years registered around \$7.4 billion, accounting for 62% of the total contact value. From this example, it can be easily seen that such a large amount of payment has greatly contributed to economic development and job creation in the developed members.

Secondly, ADB should identify a right approach to poverty reduction, improve the quality of its service, and enhance the effectiveness of its development assistance. Economic growth serves as the material basis of poverty reduction. Poverty reduction, which is not a charity, should be regarded as resources, opportunities, or ways and means intended to empower the poor to be more productive and generate higher income. In order to attain such an objective, ADB should support the developing members to achieve economic growth and improve income distribution structure. It should be noted that all the ways and means considered helpful for poverty alleviation are conducive to growth and to equitable income distribution in development countries. It is imperative to abandon any attempts to give a narrow definition of poverty reduction. Projects more formalistic and specious in nature should cede their place to more substantive and productive ones. This is the fundamental prerequisite to ensure the effectiveness and benefits of the development assistance.

In recent years, ADB's lending conditions tend to be more complicated, and even generate a tendency of politicization. This runs counter to its purpose, thus adding greater difficulties to project implementation. We appeal to all members and ADB management to pay attention to preventing further expansion of this tendency, hence avoiding the unfavorable situation featuring continuous increase of poverty reduction costs and decrease of actual benefits.

The way in which ADB's TA programs are managed has major drawbacks, which calls for an expeditious reform. ADB at present is both the supervisor of projects and the executor of TA projects. Under such an institutional arrangement, the final recipients could only act as observers rather than the real owners. This makes it hard to attain the goal of self-capacity building through project implementation, and has impaired the overall benefits of TA projects. In order to improve this unfavorable situation, ADB's management model should be reformed so as to enable the recipients to perform as the real executors and improve the effectiveness and benefits of TA grant.

Thirdly, ADB should give more emphasis to studies of major development issues, while maintaining its basic operation of transferring financial resources to the developing members. There is no doubt that it remains ADB's basic operation to provide concessional financial support to the growth of developing members. ADB should continue to make greater efforts to transfer financial resources to the developing countries.

At the same time, ADB should strengthen its studies on the actual problems facing the developing countries in the process of economic globalization and regionalization, and put forward its own policy recommendations, so as to create a sound external environment for the developing countries.

Considering the development practices in the Asia and Pacific region, ADB should also consolidate new development approaches, so as to provide the developing countries with a theoretical tool for their reform and development, and make its due contribution to the diversification of development models.

Under the leadership of President Chino, ADB has continued to contribute to Asia's development. By completing its internal restructuring early this year, ADB has thus created conditions more favorable for the communication and exchanges between the institution and the recipients, and for improving the quality of its service. ADB has hammered out new loan products, which better meet the requirement of the borrowers. Thanks to the consideration of the President himself, ADB's initiatives to promote regional economic cooperation have proceeded smoothly, and registered salient achievements. We highly appreciate and support ADB's endeavors in this perspective.

Both the PRC and ADB pursue the goal of common development of the Asia and Pacific region. The PRC supports ADB, with strict compliance with its Charter, and persisting in viewing the promotion of development as its mission. We stand ready to conduct full cooperation with ADB, which is under the leadership of President Chino. We look forward to making concerted efforts with ADB management to strengthen its financial strength, improve the quality of its projects, and raise the overall benefits of its development assistance. The success of ADB is a manifestation of that of its development cause, which will definitely mobilize the international community to render stronger support to the cause. The PRC is willing to make its due contribution to ADB's success. The PRC has decided to contribute \$1 million to ADB's TA Special Fund. The PRC is still a developing country with rather low income; nonetheless, this contribution indicates that the developing members support the important role of ADB in promoting regional economic development.

As we meet here for the Thirty-Fifth Annual Meeting of ADB, economic development in Asia is experiencing another critical period. Economy in this region has envisaged a sign of recovery, for quite a number of economies have adopted a series of policies to stimulate economic growth, such as expanding domestic demand and economic restructuring. However, the growth of the global economy and international trade at present still maintains a slow pace and trade protectionism intensified, making

the external environment complicated for Asian countries. We appeal to the key international reserve-currency countries to keep a stable exchange rate of their currency. We urge the developed countries to resist the temptation of trade protectionism by opening their markets to Asian countries. The improvement of the external economic environment that Asian countries are facing is conducive to the sustainable economic growth in Asia, and furthermore conducive to the stable development of the global economy. We are pleased to notice that, by actively undertaking restructuring and expanding domestic demand, Asian countries are enhancing their self-development capacity. Through various forms of regional economic cooperation, they are better positioned in warding off external shocks. It is our strong belief that Asian economic development will undoubtedly develop and be sustainable and healthy.

The PRC, as a developing country in the Asia and Pacific region, strongly supports the development in this region. The PRC stands ready to join the concerted efforts with ADB and all its members to accelerate the common development and prosperity in Asia.

Over the past two decades and more of its reform and opening up, the PRC's economy has been growing with an annual increase of 9.6%. Living standards of the people have been raised considerably and the number of the population in poverty has dwindled sharply. There is a promising outlook for the country's economy to maintain long-term rapid and sound development in a sustainable manner. It is mainly indicated by the following factors, including high domestic deposit, great investment potential, large population, vast market, and abundant human resources. Besides, the country pays high attention to fostering economic growth by promoting science and technology; meanwhile, the market-oriented economic system will be better improved and the resource allocation more efficient.

The PRC's economy has developed rapidly and been further opening to the outside world. Development of the PRC will not only be beneficial to the country's population, but also to the prosperity and development in this region and the whole world. Since the reform and opening up, the PRC's international trade has increased by 14.6% annually on average. With its accession to the World Trade Organization, the PRC will open wider to the outside, earnestly implement the rules of WTO, strictly fulfill its commitments, and open up to the outside at various levels and in an all-round manner. According to estimate, the PRC's overall volume of goods import and export will reach \$680 billion by 2005, providing broader business opportunities for Asian countries. At present, the PRC is undertaking strategies of Western development and encouraging enterprises to make overseas investment, which will produce direct benefits to the neighboring countries.

As the host of this year's annual meeting, the PRC, in particular Shanghai municipal government and its people, has devoted great efforts to the preparation of the meeting. I hope that our preparations will stand the strict test from all of you. Last but not least, I hope all of you enjoy your stay in the PRC. And also I wish the Thirty-Fifth Annual Meeting of ADB a full success!

