

(Translation)

**Provide New Driving Forces for Innovative Development of the  
World Economy**

— Special Address by H.E. Li Yuanchao

Vice President of the People's Republic of China

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Professor Schwab,  
Distinguished Guests,  
Ladies and Gentlemen,  
Dear Friends,

I am delighted to attend the 2016 annual meeting of the World Economic Forum. I wish to thank Professor Schwab and the Forum for the kind invitation and the careful arrangements for this special session. The theme of this year's annual forum, "Mastering the Fourth Industrial Revolution", is of great relevance as it examines the new driving force for the world economic growth.

The world economy is now at a crucial stage of a shift in the force that drives growth, and the Chinese economy has entered a new normal. Chinese President Xi Jinping has pointed out that the Chinese economy in this new normal will grow more steadily and have more diversified driving forces. Chinese Premier Li Keqiang said that the bright prospects of the Chinese economy are not based on blind optimism but on necessary basis, conditions and impetus. I would like to use today's platform to talk about the current state of the Chinese economy and our policy directions for the next stage.

**First, the Chinese economy achieved steady growth in 2015 and China remains an important driving force for global growth.** To begin with, China's GDP registered a medium-high growth rate of 6.9% in 2015. Despite the volatility in world economy, China still achieved a GDP increase of over US\$500 billion, which is estimated to be the largest in the world. Such a growth has been achieved on a high basis of an over US\$10 trillion economy and continues to be one of the fastest among the world's major economies. Secondly, China realized continued

improvement of the lives of its people. Per capita disposable income grew by 7.4%, outpacing the overall economy by half a percentage point. In towns and cities nationwide, 13.12 million new jobs were created, outperforming the set target. Urban surveyed unemployment rate in 31 major cities was 5.1%, one of the lowest since 2009. Thirdly, China's growth was achieved with an optimized structure. Consumption contributed 66.4% to growth, an increase by 15.4 percentage points and 30.3 percentage points higher than investment. The share of the service sector in GDP rose by 2.4 percentage points, reaching 50.5%, 16.7 percentage points higher than the industrial sector. Per unit GDP energy consumption was lowered by 5.6%. China's new industries, new forms of business and new products took shape and grew more rapidly, and the added value of high-tech industries was up 10.2% year-on-year, growing much faster than traditional industries. On-line retail sales grew over 30%. The output of new-energy cars increased 1.6 fold, and industrial robots 42%. Fourthly, China's growth was open and produced mutually-beneficial and win-win outcomes. In 2015, China's imports totaled US\$1.68 trillion, still the second biggest in the world. The outbound direct investment reached US\$127.6 billion, up by 10% year-on-year. Chinese residents made 120 million overseas visits, up by 12%, and spent more than RMB 1 trillion overseas, registering an increase of 20%. The volume and global share of China's imports of major commodities from international market continued to grow. In 2015, the volume of crude oil import went up by 8.8%, hitting a record high. Import volume of soybeans grew by 14.4%. Such increase met the need of China's own development and also contributed over one quarter to world economic growth. China remains a major driving force for global economic growth.

**Second, China has the confidence and capability to maintain medium-to-high growth.** As the world is yet to shrug off the deep impact of the global financial crisis, its economy is still in a period of profound adjustment. The Chinese economy, closely connected with the world economy, has entered a new normal, shifting from fast quantitative expansion to a stage of pursuing higher quality and efficiency. In this new normal, China has the confidence and capability to promote economic restructuring and, at the same time, maintain medium-to-high growth. As the world economy has insufficient aggregate demand and commodity prices plunge in the international market, the growth of China's economy, which is now bigger in size and under heavier resource and environment constraint, naturally moderates. This echoes the general rules of economic development. Yet the Chinese economy has great potential, resilience and ample space for policy adjustment. We have the confidence

and capability to maintain a certain speed of growth to meet our two “centenary goals” (to double the 2010 GDP and per capita income and complete the building of a moderately prosperous society by 2020 when the Communist Party of China celebrates its centenary; and second, to build China into a prosperous, strong, democratic, culturally advanced and harmonious socialist country by the middle of this century when the People’s Republic of China celebrates its centenary.) Over 100 million Chinese have received college education or beyond, and each year our universities turn out over 7 million graduates. They form the basis of our abundant human resources for high-quality development. As the Chinese people have the fine tradition of valuing frugality, our household savings rate has stayed above 38% over the years. Last year, the increased residential savings were in excess of RMB 4 trillion. Since 2008, residential savings have increased by RMB 35 trillion. This provides a strong basis for boosting consumption and effective investment. In the past five years, China’s GDP grew from over US\$7 trillion to over US\$10 trillion, forming a solid material foundation for future development. The fiscal revenue of China for 2015 is expected to grow by more than 5%, and by the end of 2015, China’s foreign exchange reserve surpassed US\$3.33 trillion, being the world’s biggest. China remains attractive to international capital and received US\$126.27 billion of foreign direct investment in 2015, up by 5.6% year-on-year. China is committed to reform and will further invigorate market players. We are formulating the 13th Five-Year Plan and will pursue innovative, coordinated, green, open and shared development, work to achieve sustainable growth of quality and efficiency so that the Chinese economy will realize steadier and better development in the long run.

**Third, China will nurture new driving forces for growth through reform and innovation.** For the coming years, China’s development priority is to maintain medium-to-high growth, advance to medium-high ends of the industrial chain and provide new driving forces for the world economy. There is a lot we will do and can do. Here I would like to share with you three examples of China’s exploration and practices of reform and innovation.

The first example concerns a small mountainous county named Jingde in China’s Anhui Province. With a population of 150,000, this county saw 1,100 new enterprises last year alone. The increase margin was 20%. The local people were so enthusiastic about having their own start-ups, because the local government opened up a green channel for them by adopting three measures: first, items that legally require no administrative approval do not need to have government review and approval; second,



items that legally require administrative approval must be on the list of power of the government and third, for all those on the list of power, procedures can be completed conveniently at the government service center. In fact, there has been an upsurge of newly registered market entities across the country as we vigorously push forward reform on administrative review and approval. For every single day in last year, over 12,000 newly registered companies emerged across China. In the coming years, China will continue to step up reform on administrative management system, SOEs, fiscal and tax regimes, financial system and in other areas, streamline administration and delegate power, and upgrade service to further unleash the vitality of market entities.

The second example is the high-speed rail of China which represents the world's largest infrastructure investment market and is building itself into the most important rail transport supplier in the world. By the end of 2015, China's railway mileage in operation has exceeded 120,000 kilometers, ranking the second in the world. Over RMB 800 billion was invested that year. And the mileage of high-speed railway stood at 19,000 kilometers, ranking the first in the world. One important reason for the rapid development of China's high-speed railway is that, building on the technologies that have been learned from abroad, China has developed, through innovation, an advanced high-speed railway technology system with independent intellectual property rights. This once again proves that "innovation is the primary driving force for development". In the future, the Chinese government will try to make the most of the new round of scientific and technological revolution and industrial revolution, in other words, the opportunities brought by the "fourth industrial revolution", the theme of this year's Forum. We will accelerate the implementation of "made in China 2025" and "Internet+" and develop emerging industries of strategic importance as well as modern services at a faster pace. Efforts will be made to improve traditional manufacturing and to promote green manufacturing and smart upgrading, so as to facilitate the development of more cutting-edge technologies and clusters of emerging industries and to enable change and innovation in the way we produce and organize businesses.

The third example is the large number of new incubators for young people to start up businesses, such as Innovation Works and makers' cafes that have sprung up in the streets of Beijing's Zhongguancun and the city of Shenzhen. By the end of 2015, China has had more than 2300 makers' spaces of different kinds and over 2,500 incubators and accelerators for various tech firms. Their number is still growing at an annual rate of over 20%. Going forward, we will further promote mass entrepreneurship and

innovation, encourage and develop crowd innovation, crowd sourcing, crowd support and crowd funding, so that everyone with the will to innovate and start business can have the opportunity and space to achieve success; all factors including labor, knowledge, technology, management and capital will be invigorated; and the potential of the entire society will be unleashed.

**Fourth, China will work with the rest of the world to meet challenges and realize win-win cooperation.** Over the past eight years since the global financial crisis broke out, the world economic recovery has been slow with many emergencies and uncertainties. As an ancient Chinese saying goes, “those that stay vigilant against potential risk and danger will survive and thrive.” Facing a complex situation, it is important to stay clear-minded about dangers and possible opportunities. What the world economy needs today is greater openness, inclusiveness, cooperation and win-win results. In the next five years, China will commit itself to developing an open economy at a higher level and seeking economic cooperation with other countries as partners. China will continue to advance the initiative of jointly building the “Belt and Road” for shared benefits and common development with countries and regions along the routes, strengthen international cooperation on industrial capacity and equipment manufacturing, and help developing countries enhance infrastructure development and become more industrialized for mutually beneficial and win-win outcomes. We will speed up negotiations on free trade areas and investment agreements, tear down all kinds of trade barriers, continue to improve the environment for foreign investors in China and participate actively in global economic governance.

Since the turn of the century, the contribution per person by more than 1.3 billion Chinese people to world economic growth has always been above world average. To ensure sound development in China is in itself an important contribution to the development of mankind. China will, in the spirit of peace, development and win-win cooperation, work with the rest of the world to tackle challenges, cooperate for win-win results and bolster world economic recovery and development.

From 4 to 5 September this year, the 11th G20 Summit will be held in Hangzhou, Zhejiang province of China. As Chinese President Xi Jinping pointed out, the G20 plays a significant role in leading and promoting international economic cooperation and should work vigorously for the goal of realizing strong, sustainable and balanced growth. The G20 brings together major developed countries and emerging markets and developing countries which, taken together, account for two thirds of the world's



population, 85% of global GDP and nearly 80% of international trade. Under the theme of “towards an innovative, invigorated, interconnected and inclusive world economy”, the Hangzhou Summit will focus its discussions on innovating growth models, improving global economic and financial governance, boosting international trade and investment and promoting inclusive and interconnected development in an effort to provide new drivers for the development of the world economy. We believe, the G20 needs to work on the following four fronts.

**First, explore new forces for world economic development.** The G20 needs to shift its policy thinking for economic development towards greater emphasis on improving mid-to-long-term growth potential, identify priorities for structural reform, seize the new opportunities brought by new factors including scientific and technological innovation, new industrial revolution and digital economy, and realize a faster shift from old to new forces that drive growth.

**Second, promote reform on global economic governance.** The G20 needs to remain committed to the reform and improvement of the international financial and monetary system, enhance the effectiveness of international financial institutions and pay more attention to the legitimate aspirations of emerging markets and developing countries. Efforts should be made to implement the G20 Principles on Energy Collaboration and push forward cooperation in green finance, fighting corruption as well as taxation, so as to provide institutional guarantee for the health and efficiency of the world economy.

**Third, build an open world economic system.** International trade grew slower than world economy for three consecutive years from 2012 to 2014. Global foreign direct investment declined by 16% in 2014. In 2015, the growth of global trade in goods and services was 0.8 percentage point slower than the previous year and half a percentage point slower than that of the global economy. This is worrying. The G20 should play a bigger role in promoting global trade, continue to reject protectionism, strengthen the multilateral trading regime and deepen the development of the global value chain. International investment cooperation should also be strengthened to foster a fair and transparent policy environment for the operation and investment of businesses of all countries.

**Fourth, share in the fruits of world economic development.** In 2015, the international community reached consensus on the 2030 Agenda for Sustainable Development and the Paris agreement on climate change. The G20 should lead by example and implement them fully. It

also needs to increase investment in infrastructure and industrialization, accommodate the special needs of the least developed countries and African countries and help them enhance capacity for independent development to usher in new prospects for common development of all.

In the preparation for the Hangzhou Summit, China will, in the spirit of openness, transparency and inclusiveness, maintain close communication with all parties and heed the views and suggestions of all partners.

Change is the rule of nature that guides the four seasons, and also the rule of economic development. Though it is a world of ice and snow outside, in a few months' time, spring will come back to the mountains. Let us join hands to provide new forces for the development of the world economy. Together, we will bring about a new economic spring for our globe.