News Release

WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

Liberalization of China ' s Interest Rate Inevitable

11 September 2013

Fon Mathuros, Head of Media, Communications Department, Tel.: +86 158 4088 0591; fmathuro@weforum.org

- As China ' s economy shifts from an investment-driven model to a consumption-driven one, the country ' s financial markets will likely continue to liberalize.
- Banks need a good risk management system in place to deal with the changes that will be brought about by liberalizing interest rates.
- For more information about the Annual Meeting of the New Champions 2013, please visit: http://www.weforum.org/newchampions

Dalian, People ' s Republic of China, 11 September 2013 In a panel on the future of China ' s financial system that took place on the opening day of the Annual Meeting of the New Champions 2013, panellists agreed that interest rate liberalization in China is inevitable, and should be done as soon as possible. Chinese " capital and financial markets are becoming more and more mature. The microeconomic situation [and the global economy] are pretty stable, " said Morris Li Ming Shieh, President, China Guangfa Bank (CGB), People's Republic of China, with the European and US economies coming out of the financial crisis. A key and " subtle " question, he said, is whether or not the banks are ready.

The most crucial element for the next stage of China ' s economic development is risk management, said Zhu Ning, Deputy Director and Professor of Finance at the Shanghai Advanced Institute of Finance, People's Republic of China.

China now faces two very difficult " but hopefully manageable challenges, " said Lord Turner, Senior Fellow at the Institute for New Economic Thinking (INET), United Kingdom: " moving away from an excessive focus on investment, and dealing with very high and rapidly rising amounts of debt. " Turner, who previously chaired the United Kingdom ' s Financial Services Authority, advocates that China " think carefully " about interest rate liberalization, which could raise the cost of capital for domestic companies. " There is a narrow path [the government must walk] to avoid significant slowdown and crisis, " he said.

In terms of economic and financial management, China is going through probably the greatest change in a generation, said William R. Rhodes, Senior Adviser, Citi, USA. It is moving from an export-led economy to one that will be dominated by domestic consumption, with less emphasis on investment and infrastructure. Rhodes said that China ' s new leadership is beginning to pay attention to " a tremendous growth in credit, " which shot up from roughly 120% of GDP in 2007 to nearly 200% today, and which " could lead to non-performing assets and over-leveraging. "

Moving away from an investment focus with this credit growth " has to be dealt with carefully, " Turner said. " Every developed country [in its history] has had a major financial crisis and a major setback to growth. It doesn ' t mean China will have it, but the historical record is that this growth run-up leads to crises, " he concluded.

Does this mean the flush days of Chinese banking are over? " It ' s relative, " said Li, adding that " now, banks hope

for a stable and smooth transition " into a new economic system.

Over 1,600 participants from 90 countries are taking part in the seventh Annual Meeting of the New Champions, which is taking place in Dalian on 11-13 September. The Meeting is held in close collaboration with the Government of the People ' s Republic of China with the support of the National Development and Reform Commission (NDRC).

Under the theme Meeting the Innovation Imperative, the Meeting features an intensive three-day programme to explore the innovation imperative under four thematic sub-themes: Transforming Industry Ecosystems; Unleashing Innovation; Building Societal Resilience; and Connecting Markets.

This year ' s select group of business leaders from the Forum ' s Member companies acting as Mentors at the Meeting are: **Oleg V. Deripaska**, Chief Executive Officer, RUSAL, Russian Federation; **Hikmet Ersek**, President and Chief Executive Officer, The Western Union Company, USA; **Augie K. Fabela II**, Co-Founder and Chairman Emeritus, VimpelCom, Netherlands; **Andrea Illy**, Chairman and Chief Executive Officer, illycaffè, Italy; **André Kudelski**, Chairman of the Board and Chief Executive Officer, Kudelski Group, Switzerland; **Ellen Kullman**, Chair of the Board and Chief Executive Officer, DuPont, USA; **Rich Lesser**, Global Chief Executive Officer and President, The Boston Consulting Group, USA; **Liu Jiren**, Chairman and Chief Executive Officer, Neusoft Corporation, People's Republic of China; Global Agenda Council on Emerging Multinationals; **Giuseppe Recchi**, Chairman, Eni, Italy; **Zola Tsotsi**, Chairman, Eskom Holdings, South Africa; and **Wang Jianlin**, Chairman and President, Dalian Wanda Group, People ' s Republic of China.

- Follow the World Economic Forum Annual Meeting of the New Champions at http://wef.ch/amnc13
- For insights from key sessions in 2013 go to http://wef.ch/amnc13insights
- View **photos** from the event at http://wef.ch/amnc13pix
- Watch **live webcasts** of sessions at http://wef.ch/live
- Follow the Forum on **Twitter** at http://wef.ch/twitter and http://wef.ch/livetweet (hashtag #WEF)
- Follow **tweets** from participants on our **twitter list** at http://twitter.com/davos/WEFChina
- Read the **Forum Blog** at http://wef.ch/blog
- Become a fan of the Forum on **Facebook** at http://wef.ch/facebook
- Follow the Forum on **Google+** at http://wef.ch/gplus
- Follow the Meeting on **iPhone** at http://wef.ch/iPhone
- Join the Summer Davos Debates in China at http://davosdebates.youku.com
- Visit the Forum ' s video space in Chinese at http://wef.ch/youku
- Read the Forum ' s Chinese Sina Microblog at http://t.sina.com.cn/davos
- Read the Forum ' s Chinese QQ Microblog at http://t.qq.com/davos

---

The World Economic Forum is an international institution committed to improving the state of the world through public-private cooperation in the spirit of global citizenship. It engages with business, political, academic and other leaders of society to shape global, regional and industry agendas.

Incorporated as a not-for-profit foundation in 1971 and headquartered in Geneva, Switzerland, the Forum is independent, impartial and not tied to any interests. It cooperates closely with all leading international organizations (www.weforum.org).

WORLD ECONOMIC FORUM
World Economic Forum, 91-93 route de la Capite, CH-1223 Cologny/Geneva
Tel. +41 (0)22 869 1212, Fax +41 (0)22 786 2744, http://www.weforum.org