
Foreword

China's economic growth over the past 35 years has sharply reduced poverty, created a large and rapidly growing middle class, and made its physical infrastructure a benchmark for countries around the world. Now the economy has embarked on its next transformation toward higher-income and advanced economy status.

In line with the proverb in the Chinese *Book of Odes (Shijing)*, “pursuing reform is a continuous mission regardless of the glorious past,” China has launched comprehensive reforms to promote growth that is sustainable, inclusive, and environment friendly. This requires a more market-driven economy, based more on services and consumption than on industry and physical investment. It also requires investing more in “soft infrastructure,” including frameworks for well-functioning markets and effective macroeconomic management.

Drawing on international experiences, this book provides guidance for a strengthening of fiscal, monetary, and financial sector frameworks. It encourages further reforms of state-owned enterprises, calls for policy actions to address the financial risks of local governments' funding practices, and highlights the need for better and more frequent macroeconomic statistics.

The recent inclusion of the Chinese renminbi in the IMF's Special Drawing Rights basket has recognized the significant reform progress achieved in many areas. Now is the time to build on these accomplishments. By expanding and deepening reforms, China will be able to support durable growth and stability at home and abroad.

The IMF remains a committed partner in China's transformation, offering policy advice, technical assistance, and training. We hope this book will contribute to the broader discussion about how best to achieve a successful transformation.

Christine Lagarde
Managing Director
International Monetary Fund