

GOVERNOR'S SPEECH



Governor	: Mr. Tariq Bajwa
Title	: Remarks by the Governor, State Bank of Pakistan
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Venue	: SBP Head Office Karachi

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23rd Zahid Husain Memorial Lecture
19th April 2019

Honorable Chief Guest Justice (r) Nasir Aslam Zahid, learned Speaker Dr. Zhou Xiaochuan, distinguished guests, ladies and gentlemen!

1. I feel honored to welcome you all to the 23rd Zahid Husain Memorial Lecture today, on “***Lessons from the role of People’s Bank of China in China’s economic rise***” by Dr. Zhou Xiaochuan, former Governor of the Peoples Bank of China.
2. The Zahid Hussain Memorial Lecture series is one of the most prestigious events organized by the State Bank of Pakistan every year, and serves a dual purpose: it symbolizes our humble effort to acknowledge the services

rendered to the nation by Mr. Zahid Husain – the first Governor of the State Bank. And second, the lectures offer an opportunity for intellectuals, academics and policymakers to come together and engage in healthy and constructive debates on contemporary economic issues and challenges. While we may be in variance with some of the viewpoints expressed by our eminent speakers, we nonetheless wholeheartedly welcome the opportunity to learn from their understanding and interpretation of complex economic interactions, and their efforts to deal with the identified issues.

Ladies and Gentlemen!

3. But before I introduce our eminent speaker, please allow me to briefly recognize the services rendered to our country by Mr. Zahid Husain. As we are all aware, this country faced incredible challenges immediately after independence. In the words of Quaid-i-Azam Muhammad Ali Jinnah, we got a ‘mutilated, truncated and moth-eaten’ country.¹ Pakistan’s chances of survival did not appear encouraging during those earlier years. It was during these testing times that Mr. Zahid Husain stood out amongst the dedicated lieutenants of our founding father.
4. Mr. Zahid Husain was among the principal architects of Pakistan’s financial and planning system. His commitment to public service and nation-building, and his resolve and ability to overcome multiple, significant challenges faced by the new-born country, set him apart from

¹ “Truncated State, Divided Nation” (Ch.2, p.40-60) from “The Struggle for Pakistan: A Muslim Homeland and Global Politics” (Ayesha Jalal, 2014).

others. This was evident from the fact that he was Pakistan's first High Commissioner to India; the first Governor of the State Bank of Pakistan, the first Chairman of the Planning Commission Board and the Taxation Inquiry Committee; and the author of Pakistan's first Five Year Plan. We, at the State Bank of Pakistan, feel honored to have had him as our first Governor, and hope that we can carry his legacy forward with the same ideals that he embodied.

5. Mr. Zahid Husain personified a kind of leadership that automatically commanded respect, and this was critical as he set out to lay the building blocks of governance institutions in the country after independence. In this day and age, we often take these pillars of the state for granted, while being nearly oblivious of the untiring efforts of our predecessors. As aptly noted by Sir Isaac Newton, "If I have seen further, it is by standing on the shoulders of Giants."
6. Today, as we are gathered here, I would like to avail this opportunity to recognize and give a token of thanks to our honorable *Chief Guest, Justice (Retired) Nasir Aslam Zahid* – the son of Mr. Zahid Husain. He has been very generous in accepting our invitation to grace this occasion as the Chief Guest. In continuing his father's legacy, Justice Nasir Aslam Zahid has been at the pinnacle of public service, having served as Chief Justice of the Sindh High Court, a judge of the Federal Shariah Court, and finally as a justice in the Supreme Court of Pakistan. Since retirement, he has been actively involved in judicial education, and human and women's rights issues. Like his father, he is a man of ideals, and commands enormous

respect across society. And the State Bank would never forget the contributions of his father. It was in 1973, the Silver Jubilee of the SBP, when it was decided that a lecture series would be instituted in Mr. Zahid Husain's name. Since then, the SBP has hosted 22 globally acclaimed economists, policymakers and intellectuals, who have delivered lectures on a multitude of topics with enormous significance for economic policymaking.

Ladies and Gentlemen!

7. With that said, please let me now introduce our highly esteemed and learned speaker for today,— Dr. Zhou Xiaochuan. During his long career, Dr. Zhou has served as a seasoned and successful banking executive, and as a reformist government official. He retired from the People's Bank of China (PBoC) after serving for a record period of 15 years as Governor. He was also a member of the PBoC's Monetary Policy Committee from 2003 to 2018.
8. After completing his PhD in automation and systems engineering from the Tsinghua University, Dr. Zhou worked at multiple economic and finance-related positions, and quickly proved himself to be a capable technocrat, administrator and policymaker. He served as: Vice-Governor of the Bank of China from 1991 to 1995; Vice-Governor of the People's Bank of China from 1996 to 1998; President of the China Construction Bank from 1998 to 2000; and then chairman of the China Securities Regulatory Commission from 2000 to 2002. He distinguished himself during the Asian financial crisis of the late 1990s by helping keep China's currency stable

while at the same time protecting the Chinese economy from adverse trade shocks.

9. But it is arguably Dr. Zhou's role as the Governor of the People's Bank of China that won him international acclaim. He stood out for his integrity, intellectual aptitude and the bold reforms introduced during his tenure that have ably served the public interest in China and allowed the country to emerge as a global economic powerhouse. Dr. Zhou played a pivotal role in his country's exchange rate and interest rate liberalization, financial services and capital market reforms, and capital account convertibility in China. All of these reforms were enacted on the basis of robust theoretical and empirical foundations. Dr. Zhou actively pursued the internationalization of the Renminbi, to minimize the systemic risks to the global economy by diversifying the basket of reserve currencies and addressing Triffin's dilemma, which is the predicament that reserve currency-issuing countries face while trying to simultaneously meet the needs of the domestic and the global economy. He has advocated for a formal settlement mechanism, and regretted that John Maynard Keynes's farsighted idea of 'BANCOR' was not accepted at the Bretton Woods Conference.
10. Dr. Zhou's rich legacy at the People's Bank of China can be gauged from the Bank's emergence on the global level as a macroeconomic problem-solver. The inclusion of the Renminbi in the IMF's SDR basket has increased China's and the People's Bank's role in the global financial system. Great reserves build-up, smooth sailing during the global recession

and sustained high growth are all hallmarks of his era. Christine Lagarde, the IMF's Managing Director, has commended Dr. Zhou's role in, and I quote, *“successfully steering monetary policy while structural transformation was in full swing, contributing importantly to China's sustained growth to become the second largest economy in the world.”* End quote.

11. Dr. Zhou is currently a member of the Group of Thirty (G30) and Chinese Economists 50 Forum, and also holds teaching responsibilities at Tsinghua and other institutions. He has written several books and over one hundred academic articles on various aspects of financial and economic policy. Some of his important articles, such as *“Rebuilding the Relationship between the Enterprise and the Bank”* and the *“Social Security: Reform and Policy Recommendations”* touch upon development and inclusive growth. I would also strongly recommend his book *“Marching Toward an Open Economic System”* to the audience here, as it offers relevant insights about China's successful journey in the age of globalization.
12. Given Dr. Zhou's extensive experience at the highest levels of central banking, as well as his intellectual and research output, I am sure that his unique perspective and insights will be of enormous relevance for developing economies like Pakistan.
13. We are therefore delighted that Dr. Zhou Xiaochuan has joined us today as we honor the memory of one of our country's finest civil servants. I would

like to thank Dr. Zhou, on behalf of this forum, for taking time out of his very busy schedule and speaking to us here today.

14. I would also like to thank all of you all for attending today's lecture. In keeping with our past lectures, I hope this one will also challenge your beliefs, encourage you to think outside your comfort zone, and hopefully trigger a lively, thoughtful and constructive debate.
15. Without further ado, let me now invite Dr. Zhou to share his thoughts with us.

Dr. Zhou Xiaochuan...!

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