



# IMI Newsletter

International Monetary Institute  
Renmin University of China

## Focus

- China, the Special Drawing Right and the World Reserves System
- IMI Members Receive Sun Yefang Financial Innovation Award

## Research

- Roundtable on Money and Finance
- Macro-Finance Salon No. 23, 24, 25, 26, 27
- "Series of IMF History" Project

## Exchange

- Executive Director of IMI Visit CSIS
- Launch of IMF Asia and Pacific Regional Economic Outlook
- IMI Delegation Visit China "One Belt and One Road" Strategy Institute at BISU
- Scholars from Zhejiang University Visit IMI
- Economists of AMRO Visit IMI



## Focus

### **China, the Special Drawing Right and the World Reserves System**

On May 22, Seminar on China, the Special Drawing Right and the World Reserves System co-hosted by IMI, OMFIF, International Financial Institute of Bank of China, was held in Renmin University. Participants include Chen Yulu, president of Renmin University; David Marsh, managing director of OMFIF; Chen Weidong, deputy executive director of International Financial Institute, Bank of China; Guo Qingwang, dean of School of Finance, Renmin University; as well as over 60 experts from World Bank, Asian Development Bank, Standard Chartered Bank, China Construction Bank, and other policy making sectors, financial institutions, and academics. Ben Shenglin, executive director of IMI, chaired the seminar.

In his opening remarks, President Chen Yulu, put forward three points. First, SDR aims to consolidate the economic achievements after the world war. Second, the internationalization of RMB starts late, but is developing stably. Third, the adjustment of the basket of reserve currencies implies the future directions of the reform of international monetary system.

The seminar focused on the following issues: internationalization of RMB — motivations, status quo & perspectives, development of the SDR since 1969 in the context of changes in world financial markets, the IMF review process — how it works and what will happen, and China's financial system & its contribution to reinforced world monetary arrangements.

Including RMB into SDR will drive China's capital to the world, but it also involves risks and challenges. RMB joining SDR is not only an economic but also a political issue which will influence the future orientation of international monetary system. The change of the composition of SDR in the future 15 months will influence China's role in international trade, investment, and capital flow. China's measure to liberalize and internationalize RMB draws world attention. China hopes to establish a new set of standards that benefits emerging economies to facilitate the solution to global financial issues and achieve financial globalization.

## **IMI Members Receive Sun Yefang Financial Innovation Award**

On May 8, Sun Yefang Economic Science Foundation announced winners of 2014 Sun Yefang Financial Innovation Award. Pan Gongsheng, member of IMI Advisory Board and deputy governor of PBoC, and Zhang Jie, director of IMI and associate dean of School of Finance at Renmin University, received the award for their books *Revival of China's Big Banks* and *Restructure China's Financial System* respectively.

Sun Yefang Economic Science Foundation was established on June 19th 1983. To foster the development and research in finance, the foundation set up Sun Yefang Financial Innovation Award. Upholding the principle of openness and transparency, the foundation aims to find the most innovative works, keep up with times and lead in academics. The award ceremony is held every two years.

Based on Rules of Sun Yefang Economic Science Foundation and review procedures, after the first review by executive board and selection by experts, 17 winners were awarded including 6 books, 11 dissertations (5 in Chinese and 6 in English). The result was shown on the internet from May 8 to May 18.



## Research

### Roundtable on Money and Finance

#### Editor's Note:

*Roundtable on Money and Finance* is IMI's signature quarterly forum, held in the second Saturday afternoon of each March, June, September and the next January respectively (adjusted for national holidays and special occasions). The forum invites financial experts and leaders from home and abroad, having featured keynote speakers including Wei Jianguo, former vice minister of the Ministry of Commerce; Su Ning, former deputy-governor of PBoC; Chen Yulu, president of Renmin University; Pan Gongsheng, deputy-governor of PBoC; Robert A. Mundell, professor of Columbia University; Edmond Alphandery, former French minister of finance; Patrick Honohan, governor of Central Bank of Ireland; Yves Mersch, governor of Central Bank of Luxembourg. Currently, the forum has become a significant platform for academic exchanges in the macrofinance, and has cast great influence among financial researchers and practitioners.

#### Roundtable on Money and Finance • Spring 2015 China's Financial New Ecology

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On April 9 and 10, Roundtable on Money and Finance•Spring 2015 was co-hosted by IMI, Shanghai Financial Society and Academy of Internet Finance of Zhejiang University in Hangzhou and Shanghai.

On April 9, the theme of the Hangzhou conference was “Changes and Integration of Traditional Finance in the Internet Era”. More than 200 guests participated in the conference including: Liu Renwu, Zhang Kefu, Yao Shenghou, government counselor of Zhejiang Province; Pan Haisheng, director of the counselors' office; Ren Shaobo, general secretary of Zhejiang University; Wu Xiaobo, dean of School of Management of Zhejiang University; Shi Jinchuan, dean of Academy of Financial Research; Fang Zhiwei, associate dean of Social Science Academy; Yang liuyong, associate dean of School of Economics; Liu Jun, vice president of China Everbright Group; Wang Yongli, former vice president of Bank of China;

Tu Yonghong and Songke, deputy directors of IMI. The meeting was chaired by Ben Shenglin, executive director of IMI and dean of Academy of Internet Finance. Mr. Liu Jun made a speech on “Finding the ‘Return’ World – Changes and Integration of Traditional Finance in the Internet Era”. In the discussion session, Mr. Liu Jun, Mr. Wang Yongli, and Prof. Tu Yonghong interacted with guests on RMB internationalization, the deposit insurance system, financial supervision, the development of P2P, private equity, and venture capital.

On April 10, the theme of the Shanghai conference was “the Reform of Free Trade Zone and the International Outlook of RMB”. More than 60 guests participated in the conference including Jiao Jinpu, director general, Financial Consumer Protection Bureau, PBoC; Shi Liya, deputy director of cross-border RMB business sector, PBoC Shanghai; Li Zhenning, chairman of Renmin University Alumni Association in Shanghai; E Zhihuan, deputy general manager, Economics & Strategic Planning Department, Bank of China (Hong Kong); Zhao Xijun, associate dean of School of Finance, Renmin University; Wang Fang, assistant dean of School of Finance, Renmin University; Tu Yonghong, deputy director of IMI, etc. Ben Shenglin chaired the meeting. Ms. Shi Liya gave a speech on RMB internationalization. She pointed out that RMB is experiencing a transformation from domestic usage to international usage. Prof. Tu Yonghong commented that as for offshore market, on the one hand, we need to provide value-added products; on the other hand, we need to provide offshore market with better derivative market and domestic capital market with better investment targets.

## **Roundtable on Money and Finance • Summer 2015**

### **Book Endowment Ceremony in Memory of Professor Ronald McKinnon**

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On May 30, Roundtable on Money and Finance•Summer 2015 and the Book Endowment Ceremony in Memory of Professor Ronald McKinnon was held at Mingde Building co-hosted by IMI, School of Finance and Hanqing Advanced Institute of Economics and Finance. Prof. McKinnon was a member of IMI Advisory Board. After he passed away in 2014, his wife generously donated a number of 1897 books from his personal collections to IMI. In memory of him, many scholars and friends of McKinnon participated in this event including Chen Yulu, President of Renmin University; Wu Xiaoling, deputy director of China NPC Finance Committee and former vice-president of PBoC; Xiao Meng, former deputy editor-in-chief of Comparative Studies; Guan Tao, senior research fellow of CF40 and former director of the



BOP Department of the State Administration of Foreign Exchange; Zhang Xiaopu and Li Wenhong, deputy director general of Policy Research Institute, China Banking Regulatory Commission; Chen Qiqing, director of Macroeconomic Department, Party School of the CPC Central Committee; Guo Qingwang, dean of School of Finance, Renmin University; Liang Jing, executive dean of Hanqing Advanced Institute of Economics and Finance; Zhang Jie, dean of School of Finance; Tu Yonghong, deputy director of IMI. Ben Shenglin, executive director of IMI and professor of Zhejiang University chaired the ceremony.

President Chen Yulu honored Prof. McKinnon's great achievements in academic and close relations with China in the opening remarks. He further called on the new generation of scholars to learn from Prof. McKinnon and apply his theory in practice to promote China's financial reform. Ms. Wu Xiaoling delivered the keynote speech and pointed out McKinnon's contributions to China and her personal observations over international monetary reform. Prof. Zhang Jie talked about the value of McKinnon's theory and its application in China. Mr. Sun Guofeng elaborated on McKinnon's "Conflicted Virtue" theory. As a student of Prof. McKinnon, Dr. Qiao Hong talked about McKinnon's personality and the logics of his theory. She also read the letter from McKinnon's wife and children. On behalf of the School of Finance, Prof. Guo Qingwang received the endowment of the books and expressed gratitude. He promised to make full use of these books so that students and faculty could better learn and extend McKinnon's theory and ideas into the future.

## Macro-Finance Salon

### Editor's Note:

*The Macro-Finance Salon hosted by IMI aims at promoting the study and practice of macro-finance, as well as its disciplinary program, while carrying out in-depth research on macro-finance theory, policy and strategy. The concept of “macro-finance” stems from Professor Huang Da’s fundamental idea of integrating macro and micro financial theory, which systematically regards finance and real economy as a whole. In the book of “General Theory of Macro-Finance”, President Chen Yulu of Renmin University demonstrates the fundamental connotation and methodology of macro-finance, laying theoretical and empirical foundation for macro-finance framework, which facilitates long-term economy growth and stronger national competitiveness.*

### Macro-Finance Salon (No. 23): Offshore RMB Market Development in Hong Kong

On April 19, Macro-Finance Salon (No. 23) was held at Mingde Building. Dr. E Zhihuan, deputy general manager, Economics & Strategic Planning Department, Bank of China (Hong Kong), was invited as the guest speaker. Mr. Wei Benhua, former deputy administrator-in-bureau, the State Administration of Foreign Exchange, and Mr. Zhang Zhixiang, former director general of International Department, PBoC, attended the Salon. The Salon was chaired by Prof. Tu Yonghong, deputy director of IMI.

Dr. E analyzed the development of the offshore RMB market, its new challenges and future trend. She pointed out that Hong Kong serves as the most important offshore RMB payment center and capital pool owing to its growing business scope and volume with its strong RTGS system. With the opening-up of the free trade zones, the demands of cross-border RMB transactions have been on the rise.

The Hong Kong offshore RMB market also face growing pains: first, the RMB liquidity expansion speed has been slowing down due to the depreciation of RMB exchange rate; second, the Hong Kong payment of the offshore market is decreasing and falling behind that of the Singapore and western countries; third, the fluctuation of the exchange rates in the Hong Kong market has become more serve; fourth, the market product system needs to be



improved.

She emphasized that Hong Kong needs to improve the Liquidity complementary mechanism of its offshore market, provide sufficient liquidity, promote innovation of financial products, facilitate RMB financing and play a leading role in contributing to the Belt and Road initiative.

### **Macro-Finance Salon (No. 24) and the Internal Post-Project Conference (No. 2): Going Global for Chinese Financial Institutions and RMB Internationalization**

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On May 8, Macro-Finance Salon (No. 24) and the Internal Post-Project Conference (No. 2) was held at Culture Square of Renmin University. The Salon was presented by Prof. Ben Shenglin, executive director of IMI, professor of Zhejiang University and also the project leader; Mr. Wei Benhua, former deputy administrator-in-bureau, the State Administration of Foreign Exchange; Prof. Yu Jiefang, deputy director of the Department of Finance, Zhejiang University, and research fellow of Center for Internet and Financial Innovation. The Salon was chaired by Prof. Tu Yonghong, deputy director of IMI.

Prof. Ben introduced the outcome of the report on Going Global for Chinese Financial Institutions and RMB Internationalization. The report analyzed the opportunities and challenges facing RMB internationalization as well as the strategy of going global from the perspectives of traditional and internet finance. The report pointed out the banking sector outperforms other Chinese financial institutions overseas. Most of the institutions are directly linked with major infrastructure, so they have relative slow capital returns. These institutions also value building various international exchange platforms. The going global strategy focuses on three points: first, improving the RMB cross-border payment and settlement system; second, cooperating on the government legislation and cross-border regulation; third, fostering and reserving inter-disciplinary talents.

### **Macro-Finance Salon (No.25) and Premiere of *The Big Reset: War on Gold and the Financial End game***

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On May 23, Macro-Finance Salon (No.25) and premiere of *The Big Reset: War on Gold and the Financial End game* was held at Culture Square or Renmin University. Guests include



Mr. Willem Middelkoop, author of the book and founder of Commodity Discovery Fund; Mr. Wei Benhua, former deputy administrator-in-bureau, the State Administration of Foreign Exchange; and Ms. Xu Li, deputy editor-in-chief from China Renmin University Press. The Salon was chaired by Prof. Ben Shengling, executive director of IMI and professor of Zhejiang University.

Mr. Middelkoop delivered a speech on his new book. The book refers that the international monetary system has entered into a new stage. The US dollar would be outpaced by other currencies and the gold reserve would be an important factor for every central bank to gain international competitiveness. He emphasized that China's cooperation with BRICS and emerging economies through the Belt and Road Initiative and AIIB represented China's responsibilities and leading position. In fact, PboC has advocated for the new order of the world reserves system. Yet this process needs central banks of developed countries to readjust the structure between assets and liabilities, so as to mitigate the influence of QE policy and massive sovereign debt.

## **Macro-Finance Salon (No.26): The Segregation of Economic and Finance Models**

On June 4, Macro-Finance Salon (No.26) was held at Culture Square of Renmin University. Prof. Hou Weizhong from California State University Long Beach delivered a lecture on the segregation of economic and finance models. Also present were Prof. Zhang Chengsi, assistant dean of School of Finance and director of Money and Banking Department and Prof. Qian Zongxin, research fellow of IMI.

Prof. Hou first explained the concept of macro-finance which was first raised by Prof. Huang Da and further extended by President Chen Yulu in *The General Theory of Macro-Finance*. In recent years, the economic theory more relied on the mathematical derivation instead of connecting with the reality. So we need macro-finance to stress on the practice of economic theory. He further explained that the general equilibrium and neoclassicism have not been under the analytical framework. Nowadays, in the economic development, the essence of the financial institutions has not been recognized, and the potential risks have been underestimated. He also analyzed the separation of financial capital from industrial capital and advocated the improvement of the theoretical model in economics, in order to present the light assets enterprises in the economy.



## **Macro-Finance Salon (No.27): Central Banking and Money Supply**

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On June 6, Macro-Finance Salon (No.27) was held in Mingde Building. Mr. Sheng Songcheng, director general of Statistics and Analysis Department of PBOC, was invited to deliver a speech on his new book *Central Banking and Money Supply*. Participants includes Mr. Wang Yongli, former vice president, Bank of China; Mr. Zhu Qing, Chairman of Academic Committee, School of Finance, Renmin University; Mr. Huang Jun, deputy director of China Art Financial Institute, Renmin University; Prof. Tu Yonghong, deputy director of IMI, and Mr. Chen Qiqing, director of Macroeconomic Department, Party School of the CPC Central Committee. The salon was chaired by Prof. Qu Qiang, director of China Financial Policy Research Center, Renmin University.

Mr. Sheng talked about China's money supply and the market-based interest rate, the relationship between currency and product price, and changes in deposit pricing of financial institutions after the adjustment of interest rates. In his opinion, bitcoin is not a currency in real terms and cannot adapt to modern economy due to its limited amount. Currency, on the other hand, cannot determine the price of any single product. To restrain the fluctuation of the products, the most effective way is to improve its supply instead of adopting monetary policies. He also made proposals on the future reform of market-based interest rates.

## “Series of IMF History” Project

### Editor’s Note:

*Series of IMF History, with 11 volumes in total, is the most authoritative and circumstantial book series about International Monetary Fund. It is the first time for the series to be translated into English. IMI and China Finance Press are in charge of translation and editing respectively. The series is expected to be published by the end of 2016.*

On May 13, the fourth plenary meeting of the “Series of IMF History” Project was held at China Financial Publishing House. Wei Gejun, president of China Financial Publishing House and team leader of the project; Wang Lu, deputy editor-in-chief of China Financial Publishing House; He Wei, director of International Cooperation Department, China Financial Publishing House; Song Ke, deputy director of IMI; Zheng Wufu, deputy director general of Personnel Department, PBoC; Duan Jining, director of CBRC; Tu Yonghong, deputy director of IMI presented at the meeting. The meeting was chaired by Wei Benhua, former deputy administrator-in-bureau, State Administration of Foreign Exchange. The translation work has entered the compiling and proofreading stage. The team reported their progress, and shared the difficulties encountered and experience accumulated during the translation.



# Exchange

## Executive Director of IMI Visit CSIS

Invited by the US Center for Strategic and International Studies (CSIS), Prof. Ben Shenglin, executive director of IMI, visited CSIS in March and conducted deep exchanges on bilateral cooperation with Dr. Fariborz Ghadar, senior advisor and distinguished senior scholar, Matthew Goodman, William Simon chair in political economy and Scott Kennedy, deputy director and Freeman chair in China studies. Both parties agreed to collaborate on areas of mutual interest, such as RMB internationalization and reform of international monetary system.

CSIS is a prominent US think tank based in Washington, D.C., established more than 50 years ago. Its members include many outstanding representatives from political, business and academic community including Dr. Kissinger.

Dr. Ghadar is also the William A. Schreyer Professor of global management, policies and planning at the Smeal School of Business at Pennsylvania State University and founding director of the Center for Global Business Studies. Prof. Ben also visited PSU and delivered a speech entitled “The Journey of RMB Internationalization Continues”. He also engaged in the discussion with the students and faculty on the rise of Chinese enterprises and the international financial governance structure.

## Launch of IMF Asia and Pacific Regional Economic Outlook

On May 7, the Launch of IMF Asia and Pacific Regional Economic Outlook was co-hosted by IMI, IMF China and CBN Research Institute. Attendees include Alfred Schipke, IMF senior resident representative; Raphael Lam, IMF deputy resident representative; Wei Benhua, former deputy administrator-in-bureau of State Administration of Foreign Exchange; Byron Tsao, economic and financial counselor of the US Embassy in China; Ozlen Savkar, economic counselor of Turkish Embassy in China; Hwee Ling Tay, chief representative of Monetary Authority of Singapore. Zhang Zhixiang, former director general of International Department of PBoC and former executive director for China in IMF chaired the meeting.

Alfred Schipke gave a speech entitled “Stabilizing and Outperforming”. He saw prospects of robust growth in Asia but warned about economic frailties especially in the form of the unsynchronized monetary policies and major exchange rate fluctuations. With little space for policy mistakes, policy-makers should put their eyes on risk resistance capacity and growth potentials. He also made a summary of economic conditions for the first quarter and gave advice.

Raphael Lam delivered an address themed Reaping the Benefits from Global Value Chains. He analyzed value chain’s influence on trade through exchange rates and gave policy advice. He said global value chain was an interconnected production network in which imported intermediary products and production factors are turned into products for the next production stage. Currently, trade-related global value chains dominate in Asia. A greater participation into the value chain requires optimized economic fundamentals, reduced tariffs and trade barriers, moving to upwards sectors, and facilitating conversion of knowledge and technology into productivity. The influence on the standard trade flexibility depends on the size of each country in the chain. For that, we need enhanced cooperation, greater human capital, technological development, and improved economic factors to avert risks.



## **IMI Delegation Visit China “One Belt and One Road” Strategy Institute at BISU**

On May 28, IMI and China “One Belt and One Road” Strategy Institute held the Signing Ceremony for Cooperation Agreement at Beijing International Studies University (BISU). Participants include Zhang Jie, director of IMI; Qiu Ming, vice president of BISU; Zou Tongqian, assistant president of BISU, deputy executive director of China “One Belt and One Road” Strategy Institute; Jiang Xinxing, director of Research Office of BISU; as well as deputy directors of IMI Tu Yonghong and Song Ke, and research fellows of IMI Xu Yuanrong and Dai Wensheng. The ceremony was chaired by Bai Yufei, deputy director of Research Office of BISU.

Prof. Zhang Jie and Prof. Zou Tongqian signed a strategic cooperation agreement. According to the agreement, the two parties will mobilize superior resources and competitive edges in research, explore potential for innovation, take advantage of their own strengths and achieve win-win results through complementary cooperation. The joint think tank will serve our national strategy through strategic research, policy consulting, personnel training, public opinion guidance and participation in public diplomacy.

After the ceremony, the two parties had an in-depth communication in current cooperative subjects. They also decided to start compiling the high-level training textbooks of “One Belt and One Road” and research on RMB internationalization. They will also co-host the “One Belt and One Road” International Think Tank Forum and “One Belt and One Road” and AIIB Construction Forum, etc.

## Scholars from Zhejiang University Visit IMI

On June 18, a delegation from Zhejiang University visited IMI including Mr. Fang Zhiwei, director of Promotional Division of Social Sciences Academy; Mr. Chen Jian, associate dean of Cultural Heritage Academy; Ms. Cheng Li, deputy director of Project Development Division of Social Sciences Academy. Other participants include Mr. Mou Feng, deputy director of Research Department at Renmin University; Dr. Song Ke, deputy director of IMI; Mr. Su Zhi and Mr. Qu Qiang, both research fellows of IMI. The two parties exchanged on the construction of think tanks.

Dr. Song welcomed the delegation and shared IMI's experience in operation and development, particularly its positioning, research team building, international exchanges, mechanisms for research outcome release and publication. Mr. Fang particularly consulted on IMI book series, RMB Internationalization Report and subject research. The two parties hope to have deeper communication and more cooperation opportunities in the future.



## Economists of AMRO Visit IMI

On June 29, economists of ASEAN+3 Macroeconomic Research Office (AMRO) paid a visit to IMI. The two sides exchanged ideas on RMB internationalization, opening of the capital account and frontier issues of Chinese financial reform. Chaipat Poonpatpibul, chief economist of AMRO; Chuin Hwei Ng, economist in economic policy; Zhang Zhixiang, former director general of International Department of PBoC; Zhao Xijun, associate dean of School of Finance of Renmin University attended the meeting. Wei Benhua, former deputy administrator-in-bureau of the State Administration of Foreign Exchange, chaired the meeting.

The meeting focused on the impact of RMB's inclusion in the SDR basket on domestic and global financial market, the order of the opening of China's capital account, exchange rate reform and China's financial reform, the direction of China's capital and financial account from the second to the fourth quarter of 2015, and the impact of the capital account liberalization on capital flows. Zhang Zhixiang introduced the research outcomes of IMI in the reform of international monetary system and RMB internationalization. Both sides look forward to deeper and more extensive cooperation and exchanges in the future.





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Title: **Newsletter**

Frequency of Publication: Quarterly

Editor-in-Chief: Ben Shenglin

Associate Editors: Song Ke, Qu Qiang, Dong Xijun

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