



# IMI Newsletter

International Monetary Institute  
Renmin University of China

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## Highlight

### **The New Year Symposium in Memory of the 40<sup>th</sup> Anniversary of the Reform and Opening-up**

On the afternoon of January 5, the New Year Symposium in Memory of the 40<sup>th</sup> Anniversary of the Reform and Opening-up and Roundtable on Money and Finance· Winter 2018 was held jointly by the School of Finance of RUC, the Financial Policy Research Center, and IMI. Over 80 experts and scholars, including members of IMI Advisory Board, IMI Academic Committee members, research fellows, guests from the financial management systems, research institutes and the financial industry attended the symposium and discussed the topic— “A New Journey after 40 Years of Reform and Opening-up”. The conference was chaired by Zhuang Yumin, the council chairman of IMI and the dean of the School of Finance of RUC.

Wu Xiaoqiu, vice president of RUC, delivered a speech first. In reference to General Secretary Xi Jinping’s important speech at the 40th Anniversary of Reform and Opening-up, he pointed out that continuing the reform and opening up, adhering to socialist market economy and adhering to the guidelines of emancipating the mind and seeking truth from facts contributed to outstanding achievements of the reform and opening up. In the past 40 years, China’s financial market has developed by leaps and bounds. It has not only scaled up, but also transformed from financing-led structure to a diversified structure. In the future, China’s finance will be more marketized, internationalized, technology-driven, and diversified. The function of China’s finance will also change dramatically, with risk control and asset management functions playing a more prominent role.

Then, Wei Benhua, IMI Academic Committee member, Former Deputy Administrator-in-Bureau of SAFE and Former Executive Director for China in IMF, Wang Guogang, IMI Academic Committee member, Professor of the School of Finance of RUC and Member of Academic Committee, CASS, and Wang Zhongmin, IMI Advisory Board member and former vice chairman of the National Council for Social Security Fund delivered keynote speeches respectively.

Wei Benhua combined his work experience with the People’s Bank of China, the IMF and other international organizations to tell the stories of himself and the reform and opening up. He summed up the major events that shows China’s influence in international organizations over the past few decades, and praised IMI’s Jin tong talent program as a talent training plan. He noted that this plan mobilized IMF experts and economists to cultivate students into talents with an international perspective. He reviewed the difficulties and experiences he encountered when he was the president of an international organization, and emphasized China’s great achievements in diplomacy during the 40 years of reform and

opening up.

Wang Guogang delivered a keynote speech entitled “China’s Finance in the Past 40 Years: History, Experience and Prospects”, summarizing the main experiences and achievements of financial reform in the past 40 years. He divided the 40 years of financial reform and opening up process into four stages, and raised suggestions on how to construct a modern financial system, including bringing market mechanisms into full play; improving the macro-prudential and monetary policies, ensuring financial supervision cover all financial behaviors, reforming and adjusting the financial structure in a timely manner in accordance with scientific and technological progress and the requirements of the real economy, so that the domestic financial system maintains a strong advantage and influence amid the international competition.

Wang Zhongmin delivered a keynote speech entitled “the distortion of credit scenarios”. He took the central bank’s RRR cut on January 4 as an entry point to talk about the main problem of China’s monetary policy transmission - the distortion of the credit scenarios. After 40 years of reform and opening up, China's credit scenarios have not yet centered on natural persons and legal persons. This is a problem and also an area for future development.

The round-table discussion session was chaired by Prof. Ben Shenglin, IMI Co-Director, Dean of the Academy of Internet Finance of Zhejiang University, and Dean of the International Business School of Zhejiang University. Other guests include Ji Zhihong, director of Finance Department of People's Bank of China; Hu Xuehao, deputy director general of the Finance Department at the Ministry of Finance; Guo Jianwei, president of the Urumqi Sub-branch of the PBoC; Liu Qingsong, President of China Institute of Finance and Capital Markets at China Securities Regulatory Commission; Yang Zaiping, Secretary-General of the Asian Financial Cooperation Association, former executive Vice-President of the China Banking Association; Feng Bo, former General Manager of the Dalian Commodity Exchange; Chen Xinjian, Executive Director and Vice President of the Industrial Bank; Zhou Yueqiu, Director of Institute of Urban Finance at ICBC, Secretary General of China Urban Financial Society; Chen Weidong, General Director of institute of international finance, Bank of China Group; Zhong Hong, deputy director of IIF, BOC; Huang Jinlao, Chairman of Jiangsu Suning Bank Co., Ltd.; Zhuang Enyue, Vice President of China Cinda Asset Management Co., Ltd.; Fan Xiwen, Chief Risk Officer of China-LAC Cooperation Fund; Sun Lujun, deputy general manager of China Reform Fund Co., Ltd.; Yang Tao, Assistant to the Director of the Institute of Finance and Banking (IFB), Chinese Academy of Social Sciences (CASS); Ding Jianping, Vice Dean of Shanghai Institute of International Finance Center (SIIFC) and Director of Research Center for Modern Finance at Shanghai University of Finance and Economics; Chen Qiqing, Deputy Director of Macroeconomic Department, Party School of the CPC Central Committee(China Academy of Governance); Zhao Liang, Chairman of Elements Credit Co., Ltd.; Yin Jiayin, Vice Chairman of the same company; Peng Xiaoguang, Vice Chairman of China Urban-townization Promotion Council ( CUPC);Wang Changyun, Dean of Hanqing Advanced Institute of Economics and Finance; Zhao Xijun, Zhang Chengsi, the Associate Deans of School of Finance; Qu Qiang, Director of China Financial Policy Research Center (FRC) of RUC; Prof. Guo Qingwang, Zhu Qing, Pang Hong of School of Finance; Tu Yonghong and Song Ke, deputy directors of IMI and so on. They held a heated discussion on the following topics: Tax



Reform, the role of market in allocating resources, the coordination of fiscal and monetary policies, the current problems of capital market development, the globalization of financial industry and de-leverage. The guests fully exchanged their views on the 40 years of reform and opening-up, the current macroeconomic situation, and the future trends of financial reform.

Finally, Zhang Jie, the director of IMI, summarized the meeting. He emphasized that this year is the tenth anniversary of the establishment of the Institute of Monetary Research of Renmin University of China. He expressed gratitude to Prof. Wu, Prof. Zhuang, and other school administrators and expressed gratitude for the support of alumni and the whole society, and the concerted efforts of the team. He reviewed the work of IMI over the past decade and the results of the team were remarkable. In the next ten years, the Institute will also need to forge ahead and contemplate on the experiences of the past decade to make the Institute a better platform.

## 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 and Ma Delun, former deputy governor of PBoC; Chen Yulu, deputy governor of PBoC; Pan Gongsheng, deputy governor of PBoC and administrator of SAFE; Robert A. Mundell, professor of Columbia University; Edmond Alphandery, former French minister of finance; Patrick Honohan, former governor of Central Bank of Ireland; Yves Mersch, member of the Executive Board of the European Central Bank. Currently, the forum has become a significant platform for academic exchanges in the macro finance, and has cast great influence among financial researchers and practitioners.*

#### **Young Economists Roundtable on Money and Finance (No. 1): A New Journey after 40 Years of Reform and Opening Up**

On the afternoon of January 5, the Young Economics Roundtable on Money and Finance (No. 1) was held during the 2019 IMI New Year Symposium. The meeting was themed on "A New Journey after 40 Years of Reform and Opening Up". Guo Biao, Associate Professor at School of Finance of Renmin University of China, Li Lin, Chief Economist and Asset Allocation Research Director of CreditEase, Liu Chenjie, Chairman and Investment Director of Upright Finance Global Macro Hedge Fund, Wang Zuogang, Senior Director of the Public Affairs Department of Ant Financial and Deputy General Manager of Alipay, and Zhong Hong, Deputy Director of Bank of China Institute of International Finance and Executive Associate Editor of Studies of International Finance, delivered keynote speeches. Leading experts and scholars from government sectors and academia, and representatives of advanced enterprises also attended this meeting. The meeting was chaired by Song Ke, Deputy Director of IMI and Assistant Dean of School of Finance of RUC.



Ben Shenglin, Co-Director of IMI, Founding Dean of Zhejiang University Academy of Internet Finance and International Business School, attended this meeting and delivered a speech. He believes that in the coming decade the Roundtable will bring discussions to the table for the rise of great power, and Renmin University of China, as a leading think tank, should do researches about history and future. Young scholars should have a global view, and after the incident of Meng Wanzhou, we should focus on technology, future and new finance. In her keynote speech, Zhong Hong expressed her opinions on transformations of banks. She believes that currently transformations of banks mainly include three aspects: light assets, light business and light cost. The transformation of Bank of China keeps in step with that of other banks in the world. The transformation towards a light bank is reflected in the decrease of risks, the intensity of human resources, and profits. She also pointed out that the fintech has brought some challenges to the traditional financial business, and force banks to transform themselves. At the same time, she indicated that during the transformation, banks need policymakers to create a stable macroeconomic environment, including monetary, regulatory and financial market environments. More importantly, banks need to prepared good strategic planning and arrangement. They need to avoid derailment in the future in terms of how to realize orientation and mode of transformation with differentiation and features.

Wang Zuogang shared some thoughts from the perspective of Fintech. He pointed out that there is a great deal of micro and inclusive financial business involved in Fintech, but in fact, there is no clear line between large and micro financial businesses. Mobile payment, which does not allow large-value transactions, needs to be improved. In addition, the development of blockchain allows more people from more regions and countries to enjoy the convenience of Fintech. Some of the security issues that come with it are related to law, regulation and market, among which the most fundamental one is law. He also pointed out that the impact of technological changes on institutional demand should be further studied in a systematic way. Issues including the governance supervision of pure IT companies and their future business require in-depth discussion.

Liu Chenjie briefly expressed his views on the supply-side reform. He believes that there will highly likely be a financial crisis in the next five years, so some protective measures need to be taken. He also said that in 2030, China's economic growth rate is expected to stay at 3%-4%. The overall industrial structure and dynamic may undergo some big changes. The huge dividends initially released by industries such as the smartphone industry may gradually fade away. Finally, he recommended lowering the tax rate and taking stock of the market environment. Tax can be increased to create more benefit when people live a rich and comfortable life, or as he put it, when “the fish are big and fat”.

Li Lin briefly reviewed global economic development and asset performance in 2018. The global economic growth was generally stable in 2018. The economic development of major countries entered the late economic stage. Most of the assets did not enjoy positive returns, and the volatility of asset prices clearly increased. She believes that the economic growth of major countries will slow down in 2019. She also thinks that the United States is at the end of the economic cycle and that its economic growth may significantly slow down in the second half of the year. The US dollar index will be under great pressure in the second half of the year, and emerging economies with a weak economic basis will continue to face great pressure and many challenges and risks. Finally, she summed up the 2019 global

macroeconomic outlook and the theme of investment. She pointed out that the stock market proportion of developed countries should be slightly lowered, and that of the emerging economies should be increased.

Guo Biao first pointed out that the significance of derivatives in capital circulation is to make up for discontinuity, match and calibration in order to maintain capital value and accelerate error correction. He then analyzed the cross markets in terms of options and stocks, CDS and options, CDS plus options and stocks. He finally concluded that derivatives are necessary. It is not a virtual existence of the real economy, but an important competitive catalyst and pricing scale in capital circulation, as well as a key factor in promoting the development of the real economy.

The meeting was also attended by more than 20 other guests and members of the IMI research team.

## **Young Economics Roundtable on Money and Finance (No. 2): Credit Expansion and Asset Price**

On March 9th, Young Economics Roundtable on Money and Finance (No. 2) hosted by International Monetary Institute (IMI) was held in Renmin University of China. This was a closed-door seminar. Wang Qi, Assistant General Manager of China Fund Management Co.,Ltd., Li Jun, Head of third-party investment of Sunshine Asset Management Co., Ltd., and Ma Yong, IMI Senior Research Fellow and professor from the School of Finance, Renmin University of China, delivered keynote speeches. The seminar centered on the theme of “Credit Expansion and Asset Price” and was chaired by Zhou Wenyuan, IMI Research Fellow, Convener of the Young Economics Roundtable on Money and Finance and Managing Director (Chief Research Fellow) of Guotai Junan Transaction Investment Committee.

Zhang Jie, Director of IMI and professor from the School of Finance, Renmin University of China, first gave an opening remark. He pointed out that national strength not only lay in wealth, but also in soft powers such as thought, science, culture and institutions. If we did not understand China's history, thoughts, or philosophy, we could not explore China's present and future. Zhang also expressed his hope that new finance researchers would think independently, innovate proactively, seize new opportunities and achieve new goals as China went global.

Wang Qi delivered a speech on the topic of “Credit Expansion and Asset Prices from the Perspective of Economic Cycle”. Through analyzing major manufacturers’ basic financial data, Wang pointed out that there might be a need to restart current investment of enterprises and observe follow-up changes. He thought that social financing and business cycle intertwined with each other and showed signs of reverse growth under the influence of policies issued this year. He said that the macro leverage ratio depended on whether the marginal debt increase could bring enough GDP growth or profit while current economy was recovering moderately.

Li Jun shared his opinions under the theme of “Social Credit from 2009 to 2019”. He deemed that social financing structure was determined by economic structure and the structure was actually a marketization choice. From the perspective of marketization, notes financing was reasonable. And from the perspective of structure, current interest rate was also



reasonable. Li said that the current growth rate of social financing was not too fast, and should continue to ease in the future. The easing process was coordination between volume and price, especially credit. He reckoned that if the interest rate and deposit reserve rate continued to decline, the capital market, especially stock price, would not be sluggish.

Ma Yong discussed theoretical issues of credit expansion and asset price with participants from a macro perspective. By clarifying the relations between credit expansion and asset price, as well as some indicators, Ma believed that current financial market was far from overheat. There was even no sign of recovery. In terms of the total volume, the expected low interest rate policy would remain for a long time, which provided basic financial conditions for the expansion of credit aggregates. In terms of structure, as policy became clearer, market pessimism was expected to reverse. Stock market could be the first beneficiary compared with real estate market. In terms of development stage, we were still at a preliminary stage no matter from perspectives of money, finance or economy.

In addition, this seminar was also attended by Li Gang, Vice President of Pengyang AMC, Liu Chang, General Manager of Fixed Income Department, Essence Securities, Chen Hua, General Manager of Business Segment, Guoyuan Futures, Qin Long, General Manager of Fixed Income Department, Zhongtai Securities, Li Xilong, partner and Associate Director of Fixed Income Investment Department, Longlife Investment Co., Ltd., Deputy Investment Investor Director, Liang Luping from Fixed Income Department, Yinhua Fund Management Co.,Ltd., IMI research fellows including Qian Zongxin, Jiang Bo, and Jing Linde.



## Macro-Finance Salon

### Editor's Note:

*Macro-Finance Salon is a high-level academic salon initiated by IMI and Department of Money and Banking of School of Finance at RUC. The salon 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", Chen Yulu, Deputy Governor of PBoC, demonstrates the fundamental connotation and methodology of Macro-Finance, laying theoretical and empirical foundation for Macro-Finance framework, which facilitates long-term economic growth and stronger national competitiveness.*

### **Macro-Finance Salon (No. 111): The Misunderstanding of 'Positive Non-Intervention'-- The Causes and Consequences of the Hong Kong Banking Crisis in 1965**

On the morning of January 3, Macro-Finance Salon (No. 111) was held in RUC. Li Peide, honorary professor of the University of Hong Kong, delivered a keynote speech entitled with "The Misunderstanding of 'Positive Non-Intervention': The Causes and Consequences of the Hong Kong Banking Crisis in 1965". The salon was chaired by He Ping, professor at the School of Finance. Professor Wang Jue, the leader of the Economic History Department of the School of Economics at RUC and Cai Ruhai, Dean of the Training College of the Central University of Finance and Economics, attended the seminar and made comments.

Professor Li Peide mainly discussed the issue from the banking crisis that broke out in Hong Kong in 1965. He first pointed out that proposed by the Financial Secretary of Guo Bowei, the policy meant that the market will naturally develop without the intervention and limits from the government. He then analyzed the background of the bank crisis. The first was the high growth of Hong Kong's economy from 1964 to 1965. The success of Hong Kong's economy was attributed to laissez-faire policy. The second was HSBC's monopoly privilege. Li Peide pointed out that after the bank crisis broke out, the Bank of England consultants believed that the main reason was bank cash flow, bank runs and excessive inter-bank competition. The government's inaction and "positive non-intervention" policies were also criticized by some financial advisers at that time. The government's response is to cancel the licenses of those offending banks. Finally, he said that the consequence was that by acquiring Hang Seng Bank, HSBC took the leading position in the Hong Kong banking industry.

During discussion, Professor Wang Jue and Professor Cai Ruhai put forward some questions and opinions, such as the quasi-central bank status of HSBC, the political



convenience of the positive non-intervention policy, and the analysis of the bank's financial strategies. Li Peide also answered in terms of these questions. In addition, experts also discussed the impact of rumors on the 1965 Hong Kong banking crisis.

**Macro-Finance Salon (No. 112): The Book Launch for *China's Choice in the Global Financial Turbulence***

On the morning of January 12, Macro-Finance Salon (No. 112) and the book launch for *China's Choice in the Global Financial Turbulence* was held in Renmin University. The author Mr. Wang Yongli, member of IMI Academic Committee and former vice president of Bank of China, gave a keynote speech. Also attending the discussions are: Wei Benhua, former deputy administrator-in-bureau of SAFE; Guan Qingyou, director and chief economist of Rushi Finance Research Institute; Zhang Jie, director of IMI; Tu Yonghong, deputy director of IMI. The salon was presided over by Prof. Song Ke, deputy director of IMI.

In his keynote speech, Mr. Wang shared his motivation for writing the book, as well as its main contents. As the world today witnesses great economic and social changes, and financial risks surface, becoming more prominent, Mr. Wang believes that it is vital to look back and trace the 40 years of Chinese high speed monetary and financial advancement, ever since the reform and opening up policy, as well as to look forward and analyze China's strategy in today's global structure. Doing so can help readers look past the surface, and sense the magic and mystery of finance, as well as facilitate the appreciation and accumulation of wealth.

As Mr. Wang pointed out, although the internet has just begun its impacts on our society and the financial sector, to study its applications in finance, we would have to also follow the essentials and underlying logics of finance. There is another evolving topic—the future of the international monetary and the financial system and what role should China play in such a future. These are the core topics covered in the *China's Choice in the Global Financial Turbulence*.

Mr. Wang further pointed out that China should accelerate its establishment of an international finance center, and expand the RMB's leadership role as an international currency by promoting it as the money of account and clearance in commodity trades and financial transfers. He emphasized that the RMB, as the money of account and clearance, should be actively introduced to the world; the global RMB clearance and trade center should be located in China Mainland, not offshore. Total money in China started decreasing since 2013; household net deposit has peaked by the end of February 2015; and total liability rate was about 270% GDP at the end of 2017. Based on multiple indicators, 2015 was an important turning point for China, transforming from high-speed to normal development. In the past year, 2018, China saw a decrease in liquidity, caused by strict financial regulation and de-leveraging to control financial risks. Looking forward, 2019, the 70th year since the founding of People's Republic of China, will be a challenging year as China switches gears in its economic development.

In the roundtable discussion, attending experts discussed various topics, including: money development mechanisms, international finance management, monetary finance,

China's choice under the new normal, digital currency including bitcoins and the blockchain market, financial infrastructure, internet financial supervision, the theory and practical development of financial crisis management, China's research trend for financial research, global income distribution, and financial reform in China.

After the seminar, the participants engaged in friendly conversation. With Spring Festival coming up, Mr. Zhang Jie handed a Chinese 'Fu' (Blessing) written by himself to Mr. Wang Yongli, as a well-wish for the coming year, thanking him for his collaboration with IMI in the past year, and expressing his hope for further collaboration and exchange.

## **Macro-Finance Salon (No. 113): The Challenge of Digitalization and Social Transformation in Germany and China**

On January 17, Federal Minister of Finance and Vice-Chancellor of Germany Mr. Olaf Scholz was invited to make a keynote speech entitled 'The Challenge of Digitalization and Social Transformation in Germany and China' on Macro-Finance Salon (No.113).

Zhang Jianming, Executive Vice Chairman of the University Council, Renmin University, gave a welcome address. Vice President Wu Xiaoqiu of Renmin University attended the roundtable discussion. Zhuang Yumin, Dean of School of Finance at RUC, chaired the meeting. IMI Co-Director Ben Shenglin moderated the panel discussion. More than 150 experts and scholars from Chinese and German businesses, research institutes, governments and media, including Hotnest co-founder Fabian von Heimburg, Mobvoi founder and CEO Li Zhifei, attended the meeting.

Zhang Jianming welcomed the arrival of Vice Chancellor Scholz and the delegation. He pointed out that Renmin University of China, as the first modern university founded by the Communist Party of China, plays an important role in social sciences in China. He noted that from its beginning, the Macro-Finance Salon has been following both China's reality and international frontier. The salon has built a high-level professional exchange platform for broad financial disciplines in the new era and its theoretical researches. He hopes that the discussion would introduce new methods, new models and new forms of modern economic development in the integration of digital economy and social development, and also would contribute to the promotion of Sino-German friendship and economic and social development in China and Germany.

In his speech, Mr. Olaf Scholz pointed out that young people should learn to cope with the challenges brought up by the digital economy. China and Germany are important trading partners and there are more links and communication between the two countries than ever. The digital economy is part of where the two sides can further cooperate. We must think of carefully the role of the digital economy in manufacture, energy and other industries, how to achieve equality, how to protect personal information in the development of the digital economy, and the role governments should play in digital economy. .

In the panel discussion, Olaf Scholz, Wu Xiaoqiu, Fabian von Heimburg, Li Zhifei and other guests discussed topics including the digital economy and social transformation.



## **Macro-Finance Salon (No. 114) and Workshop on Emerging Countries in Global Financial Governance**

On February 26, Macro-Finance Salon (No. 114) and Workshop on Emerging Countries in Global Financial Governance was held in Renmin University. Prof. C. Randall Henning from American University and Prof. Andrew Walter from Melbourne University presented their papers “Regional Financial Arrangements and the International Monetary Fund” and “Fragmentation and Resilience in Global Economic Governance: Emerging Countries and Financial Regulatory Standard-Setting” respectively. Discussants include Wei Benhua, Former Deputy Administrator-in-bureau of SAFE, Zhang Zhixiang, Former Director-General, International Department, PBoC, Zheng Liansheng, Research Fellow and Deputy Director, Research Center for Financial Law and Regulation, Institute of Finance and Banking, CASS, and Xiong Aizong, Research Fellow, Institute of World Economics and Politics, CASS. The meeting was chaired by Di Dongsheng, Associate Dean, School of International Studies, Renmin University.

Prof. C. Randall Henning first presented his paper “Regional Financial Arrangements and the International Monetary Fund”. The study examines competition and cooperation among elements of the global financial safety net (GFSN), which many observers fear is becoming increasingly fragmented. It gives particular attention to the relationship between the IMF and the regional financial arrangements (RFAs). Overlap among these crisis-fighting institutions has benefits but also pitfalls, such as problems of inter-operability of lending instruments, moral hazard, and institutional coordination and conflict resolution. The study addresses these problems, reviews the RFAs in Latin America, East Asia and Europe, and concludes, among other things, that (a) institutional competition, while harmful in program conditionality, can be beneficial in economic analysis and surveillance, (b) moral hazard is critically dependent on institutional governance, and (c) IMF reform would have consequences for moral hazard and dispute resolution that are unintended. Prof. Henning also identifies the limits to cooperation among institutions and how our approach to institutional reform should adapt to them. In so doing, the paper critiques the findings of some of the other recent studies of the GFSN, including the G20 Eminent Persons Group Report and the Geneva Report.

In Prof. Andrew Walter’s paper “Fragmentation and Resilience in Global Economic Governance: Emerging Countries and Financial Regulatory Standard-Setting”, he explores why the global financial standard-setting process has to date been more politically resilient than might have been expected. He argues that important among the reasons for this resilience is that some major emerging market countries see a number of continuing advantages in their membership of global standard-setting bodies. However, the variation in these perceived advantages and of preferences regarding global financial standard-setting among emerging countries may have grown since 2009. This inhibits the formation of a powerful bloc favouring the development of institutional alternatives, as has occurred in trade, development finance and a number of other areas. He also makes agreement on a common reform agenda difficult.

After the presentations, the discussants expressed their opinions centering the role international institutions play in global financial governance, participation of EMC in Basel,

China-US trade war, etc.

## **Macro-Finance Salon (No. 115): China's Economic Outlook: 2019 and Beyond**

On the afternoon of March 21<sup>st</sup>, Macro-finance Salon (No.115) was held in Renmin University. Mr. Zhu Haibin, Managing Director and China's Chief Economist of J.P. Morgan delivered a speech under the theme of *China's Economic Outlook: 2019 and Beyond*. The meeting was attended by Mr. Cao Lu, vice president of J.P. Morgan (China), Mr. Wei Benhua, former deputy administrator-in-bureau of the State Administration of Foreign Exchange, Professor Wang Changyun, dean of Hanqing Advanced Institute of Economics and Finance, IMI researchers Liu Hongwei and Tian Xinming etc. Mr. Zhang Zhixiang, former director general of the International Department of the People's Bank of China hosted the meeting.

In his speech, Mr. Zhu Haibin shared his opinions of China's economic trend in the short term, challenges in the mid-long term and potential growth drivers in the future. Firstly, on reviewing China's economic performance in 2018, he came up with two points: policy reversal might exert an obvious influence on the short cycle of the economy; trade will greatly influence China's and America's economy within one year or beyond. He briefed the audience on J.P. Morgan's overall predication that China's economic growth rate in 2019 will be around 6.2% and the countercyclical policy's influence on China's economy from the perspectives of fiscal, monetary and real estate policies and financial supervision.

In addition, Mr. Zhu elaborated on two problems in China's economic development. Firstly, the downward trend of PPI may lead to continuous sluggishness in industrial businesses, increasing downward pressure on investment in manufacturing industry. Secondly, the nominal GDP growth rate may be much lower than 9.5% as predicted by the Chinese government, which may negatively impact China's long-term economic performance.

He concluded his speech by saying that the downward pressure of China's economy will continue, and it will be satisfactory if China's economy can maintain a 5% growth rate in ten years, which requires active structural reforms, including reforms in production factors market and market entity as well as systemic risk prevention.

After the speech, participants had a further discussion on China-US trade friction, Belt and Road Initiative, RMB exchange rate, debt risks, leverage rate and other issues.

## **Macro-Finance Salon (No. 116): Initial Estimation and Policy Discussion on China's Financial Cycle**

Macro-Finance Salon (No.116) was held on the afternoon of March 28th at Renmin University of China. Dr. Zhu Taihui, Senior Research Fellow of National Institution for Finance and Development and Head of the Editorial Office of Financial Regulation Research, delivered a speech titled "Initial Estimation and Policy Discussion on China's Financial Cycle". Participants include Ma Yong, Professor of School of Finance, RUC, and IMI Research Fellows Peng Yuchao, Tian Xinming, Lin Nan and Xiu Jing. The Salon was chaired by Bian Weihong, Division Head of International Finance Institute, Bank of China.



Dr. Zhu Taihui studied China's financial cycle from five perspectives. In the speech, he first analyzed two major difficulties facing China's financial system and policy against the backdrop of recent economic transformation and increasing downward pressure. On one hand, high-level departments should devote more efforts to serving the real economy, and undertake the task to enable a rapid yet steady development of economic transformation. And on the other hand, China faces intense risk prevention pressure. Given that, Dr. Zhu pointed out a starting point—figuring out the way to cope with the two difficulties based on China's financial cycle and an initial estimation. Second, Dr. Zhu shared his views on the implication and basis of financial crises, how to adjust the financial cycle from the perspectives of indicators and estimate method, as well as the result and features of the adjustment. Third, Dr. Zhu talked about the lessons this study could give to China's current macro control policy. He put forward suggestions on how to integrate financial cycle and the regulation framework of monetary policy, and shared his views on whether the estimation could be the standard and supporting point to coordinate monetary and macro prudential policies. At last, Dr. Zhu talked about the research prospect of adjusting the financial cycle.

After the speech, guests started their discussions on the relationship between finance and the real economy, definition of the financial cycle, financial regulation, the relationship between currency and credit, and how would the financial cycle impact micro economy.

## RMB Internationalization Report

### **Editor's Note:**

*In order to faithfully record the progress of RMB internationalization and objectively reflect the challenges in the long run, IMI has released the RMB Internationalization Report since 2012. The Reports draw broad attention from all sectors of society due to the independence, objectivity and referential value for decision making. Currently, the Reports have been released in both China and abroad in English, Japanese, Korean, Russian, Arabic, Simplified and Traditional Chinese characters. RMB Internationalization Report 2019 is under the theme of high-quality development and high-standard financial opening-up.*

### **Expert Consultation Meeting on "The RMB Internationalization Report 2019"**

On March 15th, the expert consultation meeting on "The RMB Internationalization Report 2019" was successfully held in Renmin University of China. Chen Yulu, deputy governor of the People's Bank of China, Wei Benhua, former deputy administrator-in-bureau of the State Administration of Foreign Exchange, Guo Jianwei, president of the Urumqi Central Branch of the People's Bank of China, Sun Lujun, deputy general manager of China Reform Fund Management Co., Ltd., Zhang Xiaopu, deputy director of the Macroeconomic Bureau of the Central Leading Group for Financial and Economic Affairs, E Zhihuan, chief economist of BOC Hong Kong, Chen Weidong, director of the Institute of International Finance of the Bank of China, Qu Fengjie, director of the Institute of Foreign Economics of the National Development and Reform Commission, Tu Yonghong, deputy director of IMI, Qian Zongxin, Associate Professor of the School of Finance of Renmin University of China, and other guests attended the meeting and gave valuable comments on the report. Major members of the RMB Internationalization Report Research Group participated in the meeting. The meeting was hosted by Zhang Jie, director of IMI.

Qian Zongxin, on behalf of the research group, first introduced the progress of RMB Internationalization Report 2019. The report, with the theme of "Quality Development and High-level Financial Opening-up", highlighted that RMB internationalization required quality economic development. He also introduced the logic, structure and conclusions of the report and made some suggestions.

During the expert discussion, the participants shared their perspectives and suggestions on the theme, structure and conclusions of the report. Wei Benhua said that the policies made in reform and opening up imposed influences on economic growth and structural adjustment respectively. He remarked that the report made an accurate selection of its theme with detailed supporting content, but some expression should be improved, and he gave specific analyses and modifications on each chapter.



Chen Weidong deemed that high-level opening-up should be a long-term goal. We should identify the essence of RMB internationalization and then discuss in what aspects high-level opening-up could be appropriate and stimulative to RMB internationalization. Since financial liberalization has different content in different times, it would be unreasonable to simply equalize openness to absorbing foreign investment. Infrastructure construction should be the foundation of RMB internationalization. We need to assess each infrastructure with consideration of technology advancement, policy adjustments and changes in foreign relations. The report should also include management measures responding to new features and factors in the market.

E Zhihuan made some suggestions in regard with the content and logic of the report and noted that the market witnessed great changes last year. Apart from understanding changes in the system and policies, we need a further analysis of the market, especially the analysis on the rules of the changes.

Guo Jianwei said that the report laid much emphasis on offering policies and statistics, but it should make a structural analysis besides the general analyses of the indicators. RMB internationalization could be push forward through regionalization in the first place, in which the report could help to decrease its path dependency via stronger publicizing. He also mentioned that the financial institutions and companies should improve their management level and risk control system.

Qu Fengjie pointed out that the common challenge of every year's report was the coordination of the professional external conditions and the unsatisfying basic conditions of RMB internationalization. She offered some suggestions on the report's logic and said that she would like to see more elaboration on some concepts and logic.

Sun Lujun considered the infrastructure construction as the micro-foundation for RMB internationalization and financial opening-up the macro one, and the latter should be more than the opening-up in the financial market. He gave two suggestions for expressions, namely the conclusions should be more concise and the diction more precise.

Zhang Xiaopu supposed that a quality development required a modernized financial system and to deepen reform, we should seek momentum from openness. Thus, financial openness was necessary and essential to realize RMB internationalization. It would also be a guarantee for efficient allocation of financial factors and an engine for quality growth.

Tu Yonghong analyzed the logic of the report: high-level opening-up is the foundation of quality growth, and high-level opening-up together with quality growth form a solid foundation of RMB internationalization. She emphasized that the financial sector should facilitate the real economy.

Finally, Chen Yulu made a concluding speech. He suggested that the theoretical logic of the report should be more rigorous and profound. In a macro context, we need to position the significance of opening-up, especially a high-level opening-up. A high-level financial opening-up required a high-level financial management. Thus, we should accurately identify the core of financial supply-side reform. In addition, he advised that the report should elaborate on the competition-oriented principle and the relationship between further opening up and financial supply-side reform.



## Exchange

### **Seminar on China Wealth Management Jinjialing Index (2018)**

On January 5, Seminar on China Wealth Management Jinjialing Index (2018) was held at Renmin University of China. The seminar was hosted by the School of Finance of Renmin University of China, Qingdao Finance Office, Qingdao Jinjialing Financial District Management Committee, and IMI and the Wealth Management Center of Renmin University of China.

Zhuang Yumin, Dean of the School of Finance of Renmin University of China, and Wang Jinling, deputy director of the Qingdao Finance Office, delivered speeches respectively, introducing the background of the compilation of China's wealth management Jinjialing Index and the development of Qingdao's wealth management financial reform pilot zone. Zhao Xijun, deputy dean of the School of Finance of Renmin University of China, Feng Bo, former general manager of Dalian Commodity Exchange, Sun Lujun, deputy general manager of Guoxin Fund Management Co., Ltd., Liu Lina, Director of the Asset Management Department of China Banking Regulatory Commission, Kong Qinglong, general manager of the private banking division of China Minsheng Bank, Song Yongming, deputy general manager of Minsheng Plus Fund, Li Lin, chief economist and asset allocation research director of Yixin Wealth, and Zhou Wen yuan, managing director and chief researcher of Guotai Junan Securities Co., Ltd., Qian Zongxin, Dai Wensheng, Gang Jianhua and He Lin, Members of the China Fortune Management Jinjialing Index Report Group attended the seminar. The seminar was hosted by Song Ke, Assistant Dean of the School of Finance of Renmin University of China and Deputy Director of IMI.

At the seminar, the research results of the wealth management Jinjialing Index, jointly carried out by Renmin University of China and Qingdao Jinjialing Financial Cluster Management Committee, were officially released. Qian Zongxin, deputy director of the Wealth Management Research Center of Renmin University of China, introduced the preparation method, specific content and main conclusions of the China Wealth Management Jinjialing Index (2018). The index system covers the four categories of global wealth management development macro index, China wealth management industry development index, regional wealth management index and wealth management forward-looking index. The index relates to the development of global wealth management, China's wealth management industry scale, products, institutions, reputation, talents and regional development of China's wealth management. On the basis, the index made forward-looking predictions on the future development of China's wealth management industry. Studies suggest that: As seen from the development of the global wealth management industry, the



overall scale continues to rise, with emerging markets represented by the Asia-Pacific region growing at a faster rate and the structure evolving toward developed markets. The North American market enjoys large volume and stable growth, and has advantages in terms of market environment. In terms of the development of China's wealth management industry, the scale of wealth management and products are booming, but the trends of various industries are diverging. The wealth management institutions are becoming less concentrated, and differentiation among industries is obvious as well. The reputation of wealth management institutions is increasing year by year, among which in terms of social recognition and reputation, traditional commercial banks and insurance companies are still relatively high compared to that of the emerging private equity funds and third-party wealth management institutions. The number of wealth management talents is growing steadily, but there is still a lack of high-end talent.

Regarding regional wealth management development, among the four municipalities and 15 sub-provincial cities, Beijing, Shanghai, Guangzhou, Shenzhen and Qingdao ranked the top five in the wealth management composite index; however, the advantages between cities are different, presenting a differentiated competitive situation. Judging from the forward-looking analysis of wealth management, China enjoys huge development potential of wealth management. As for industry development, the wealth management of the banking industry has always developed steadily and has great potential. The trust industry rebounded in 2017, and has a bright future. The development of the securities industry and the fund industry may encounter bottlenecks, and the overall industry prospect of the insurance industry is promising. From a regional perspective, Beijing, Shanghai, and Shenzhen will continue to be the pacemaker in China for a long time.

As the core area and a pilot zone of Qingdao's wealth management financial reform, Qingdao Jinjialing Financial District, with the aim of building a global wealth management highland, formulated its development plan as "Firmly grasp the construction of the carrier and promote scale expansion, optimize the financial ecology and strictly control financial risks, and build a scientific and technological financial system" a three-pronged idea. Regarding its positioning, the district aims to build a wealth management hub, financial technology pioneer zone and financial security demonstration zone. It also plans to implement the Jinjialing Financial District three-year action plan, building a beautiful financial city, eco-city, future city, and also strives to strengthen the leading position of Jinjialing Financial District in China's wealth management development.

During the roundtable discussion, the guests had a heated discussion on the content of the report and the development of the wealth management industry, affirmed the depth and breadth of the report, and proposed further improvement suggestions on the method and content of the index, and expressed their expectations on the development of the industry and the research of this topic.

## The Inauguration Ceremony and Annual Forum of FICCRUC

On March 23rd, the Inauguration Ceremony and Annual Forum of the Fixed Income Clearing Corporation Branch of Renmin University of China's Alumni Association (FICCRUC) were held in Rulun Lecture Hall, sponsored by School of Finance of RUC, IMI, and FICCRUC. Zhuang Yumin, co-chairwoman of IMI and dean of School of Finance of RUC, presided over the forum. Wu Xiaoqiu and Du Peng, vice presidents of Renmin University of China, attended the forum as well as guests from other prestigious universities and more than 600 alumni from banking, insurance, securities, trusts and funds sectors.

Vice President Du Peng announced the establishment of FICCRUC, and unveiled a plaque with Zhou Rong, director of the Alumni Office of Renmin University of China and secretary general of the Alumni Association, Zhuang Yumin, co-chairwoman of FICCRUC and dean of School of Finance of Renmin University of China, and Bu Yanhong, co-chairwoman of FICCRUC and general manager of the Asset Management Department of Postal Savings Bank of China.

FICCRUC is comprised of alumni dedicated to the fixed income fields such as bonds, commodities, foreign exchange, and non-standard assets.

After the inauguration ceremony, the Annual Forum began, centered around “stability” and “changes”.

Wu Xiaoqiu delivered a keynote speech on “‘The Stability’ and ‘Changes’ of China's Finance”. He pointed out that the stability of China's finance is reflected on the consistency of the principles of the financial system and the macro-control, the continuity of financial sector's market-oriented reform, its opening-up and the internationalization.

While the “changes” of China's finance are concerned with its functions, operation, structure and risks. The financial functions are no longer financing alone but a combination of financing and wealth management. The development of Internet and fintech has changed China's financial operation and has boosted the efficiency.

China's securitized financial assets account for a larger proportion, the financial assets' structure continues improving and the financial functions keep changing. At the same time, China's financial risks have become more and more complicated with increasing uncertainty in the international environment. These are "changes" of China's finance.

Moreover, the disintermediation, the penetration of technology and the internationalization are changing China's finance profoundly and driving the financial reform forward. As China's economy continues developing, China has the potential to become a global financial center in the future.

Tang Yiting, executive director of FICCRUC and chairman of Beijing Lerui Asset Management Co., Ltd, delivered a keynote speech on “The Outlook on Macroeconomy and the Asset Allocation Strategy”. He reviewed the macroeconomic trends in 2018, analyzed domestic monetary and fiscal policies, and predicted the performance of major assets in 2019. He believed that there are opportunities for interest rate bonds and credit bonds, and for the



equity assets, the allocation can be scaled up further.

After the keynote speeches, three roundtable discussion sessions were held. The themes are “Bank Financing Subsidiaries and Non-Banking Asset Management”, “Finance Facilitating Real Economy: Business Transformation and Opportunity”, and “2019 Major Asset Allocation”.

## **Financial Dialogue between IMI Experts and Vice Chairman Carsten Schneider of SPD Fraction in the German Bundestag**

Carsten Schneider, the Vice Chairman of SPD fraction in the German Bundestag, visited China from March 25th to March 28th at the invitation of the International Department, Central Committee of CPC. Mr. Schneider had an unofficial dialogue with IMI experts on the afternoon of May 25th, which was organized by Beijing representative office of Friedrich-Ebert-Stiftung.

Foreign guests present at the discussion include Mr. Schneider, the Vice Chairman of SPD fraction in the German Bundestag and former Spokesperson for financial affairs, and Dr. Alexander Kallweit, the Resident Representative for China of Friedrich-Ebert-Stiftung.

Chinese guests present at the discussion include Mr. Wei Benhua, the former IMF Executive Director for China and former Deputy Administrator-in-bureau of the State Administration of Foreign Exchange, Prof. Zhao Xijun, the Associate Dean at School of Finance in Renmin University of China, and Dr. Dai Zhixin, the lecturer in RUC who earned a PhD in economics at University of Lyon in France.

During the discussion, both sides discussed macroeconomic and financial issues in China and Europe, especially Germany, as well as the current hot topics regarding international finance, trade, etc. The experts present exchanged their views and the discussion was a complete success.



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