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IMI Newsletter

International Monetary Institute
Renmin University of China

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Highlight

2023 International Monetary Forum

On July 22nd, the “2023 International Monetary Forum” was held in Beijing. The event was hosted by the School of Finance at Renmin University of China and the School of Finance at Nankai University. It was organized by the International Monetary Institute (IMI) at Renmin University of China, co-organized by Beijing Bank, and supported by Chongyang Investment Education Fund. The forum was themed by “High-level Opening-up and Regional Cooperation”. Participants engaged in enthusiastic discussions on topics such as “High-level Opening-up and RMB Internationalization,” “High-level Opening-up and High-Quality Financial Development,” and “Digital Transformation in High-Quality Development of the Financial Industry.”

Scholars and experts attended the meeting. They are Zhang Donggang, Secretary of the Party Committee of Renmin University of China; Chen Yulu, President of Nankai University; Dai Xianglong, former Governor of the People's Bank of China; Chen Wenling, Chief Economist of China Center for International Economic Exchanges; Huo Xuewen, Chairman of Beijing Bank; Peng Wensheng, Chief Economist and Director of CICC Institute; Wu Xiaoqiu, Dean of National Academy of Finance and Development at Renmin University of China; Zhou Chengjun, Director of Financial Research Institute at the People's Bank of China; Di Gang, Deputy Director of Digital Currency Research Institute at the People's Bank of China; Chen Daofu, Deputy Director of Financial Research Institute at the Development Research Center of the State Council; Ba Shusong, Executive Director of HSBC Business School at Peking University; Chen Weidong, President of Bank of China Research Institute, and other renowned experts and scholars from domestic and international financial regulatory agencies, research institutions, and financial industry.



At the opening ceremony of the “2023 International Monetary Forum and the press conference of the *2023 RMB Internationalization Report*” held on the morning of July 22nd, Zhang Donggang and Chen Yulu, representing Renmin University of China and Nankai University respectively, delivered opening speeches.

Zhang Donggang pointed out that in terms of macroeconomics, accelerating a new development pattern and high-quality development requires changes in quality, efficiency, and driving forces. We need to continue high-quality development, pursue a high-level opening-up to improve the macroeconomic governance system. China’s way of doing things imply Chinese values, theoretical systems, policy orientations, and specific measures. Therefore, it is great and grand. For a long time, Renmin University of China and its Economics discipline have taken it as their responsibility to answer “Four Questions” including the question of China, the world, the times, and the people. They focus on China's reality to address challenges, and actively serve China's modernization. Since 2012, Renmin University of China has regularly released *the RMB Internationalization Report* and organized the International Monetary Forum, which has become an important window to showcase the achievements of China's economics discipline, providing intellectual support for the prosperity of the world economy and the high-quality development of the Chinese economy.



Chen Yulu pointed out the RMB is gaining momentum in its level of internationalization, and is expected to become the most dynamic and promising global high-quality public product. Noting that the RMB has become one of the major international currencies, he said that efforts are necessary on three fronts to strengthen its globalization further. A modern industrial system that is underpinned by the real economy should be completed. Progress is also needed in deepening financial market reforms and in the establishment of infrastructure for RMB globalization. In addition, there must be a high level of balance between the institutional opening-up of China's financial system and its risk control. Global challenges, such as the impact of the pandemic and geopolitical conflicts, have made the problem of insufficient international currency supply more urgent. The internationalization of the RMB offers emerging markets and developing economies a new option, and also drives the international monetary system toward a direction of diversified competition. This will, in turn, enhance global economic stability.



The opening ceremony's welcoming remarks were presided over by Zhuang Yumin, Dean of the School of Finance at Renmin University of China.



During the event, the 2023 RMB Internationalization Report was released. Wang Fang, the report's chief editor, Associate Dean of the School of Finance at Renmin University of China, and Deputy Director of the International Monetary Institute, provided an interpretation of the report. She pointed out that the international use of RMB has maintained a historically high level, with a continuing upward trend and



enormous potential for future development. Furthermore, the report emphasizes the impact mechanism and significant importance of economic and trade cooperation on currency internationalization. As an effective path for China to achieve high-quality development and RMB internationalization, international economic and trade cooperation can promote economic integration and the economic and financial development of member countries. Therefore, future RMB internationalization needs to focus on broader and multi-level economic and trade cooperation, steadily expanding high-standard institutional openness, and promoting a deeper and more substantial internationalization of RMB. Specifically, the advancement of international economic and trade cooperation can be pursued from the following three aspects: First, actively promote resource integration and industrial chain restructuring under the framework of Regional Comprehensive Economic Partnership to optimize the conditions for RMB usage within the region. Second, continue to strengthen cooperation between Chinese and European enterprises, attach importance to the institutional guarantees of the China-Europe economic symbiotic relationship, and address the difficulties and challenges faced by agreements such as the China-EU Comprehensive Agreement on Investment. Third, proactively apply to join the Digital Economy Partnership Agreement to share China's achievements and experiences in digital economic development with the world.



Subsequently, distinguished guests including Dai Xianglong, Chen Wenling, Huo Xuewen, Peng Wensheng, and Wu Xiaoqiu delivered keynote speeches one after another.

During his speech, Dai Xianglong mentioned that to construct a Chinese-style modern financial system, it is essential to strive for achieving multiple objectives before 2035. Among these objectives, RMB internationalization is a core component of China's modern financial transformation. First and foremost, it is crucial to have a correct understanding of the purpose of RMB internationalization. RMB internationalization is not only necessary for China's reform and opening-up but also for the improvement of the international monetary system. It is not about challenging the US dollar, nor is it aimed at replacing it. Secondly, it is necessary to accurately assess the international influence of RMB internationalization at present. In a comprehensive evaluation, the international status of RMB is not inferior to that of the Japanese yen and the British pound. However, its level of internationalization is still relatively low, and the relevant systems are not yet fully developed, facing various challenges. To promote RMB internationalization in an orderly manner, two aspects are crucial: First, improving the institutional arrangements for RMB internationalization, and second, seizing opportunities and choosing the right timing to make breakthroughs.



In her speech, Chen Wenling pointed out that modern finance is the core of a modern economy and an important component of building a socialist modernized and strong country—a financially strong nation. It represents a critical strategic choice in China's process of Chinese-style modernization, especially amid the current intense competition among major powers, particularly between China and the United States. Specifically, she highlighted three key points. First, global financial policy adjustments should closely monitor the shift in the United States' monetary policy.



Second, it is essential to recognize that the global trend of “de-dollarization” is an unstoppable long-term process. Finally, RMB internationalization is a lengthy journey that requires continuous efforts and the creation of high-quality institutional supply.



During his speech, Huo Xuewen emphasized that the internationalization of the RMB is a historical process that requires various conditions to be fulfilled. These conditions include the establishment of regulations and systems by the country, cooperation among regulatory agencies from different nations, the presence of robust infrastructure for currency transactions and settlements, cross-border trade and investment, international asset allocation, and international cooperation within the financial industry. High-level openness is an unwavering development strategy of the country, and RMB internationalization is an essential path towards achieving this high-level openness. As the national financial management center, Beijing holds a crucial position in fostering financial high-level openness and international financial cooperation. Beijing Bank will actively play its role in promoting the internationalization of RMB and safeguarding the country’s financial security and stability, contributing its efforts to China’s process of Chinese-style modernization and high-quality development in the financial sector.



In his speech, Peng Wensheng pointed out that although the proportion of the United States in the global economy has declined, the status of the US dollar as an international reserve currency has not diminished. Over the past 40 years, the globalization and financialization under the dominance of the US dollar system have led to a series of issues, prompting people to reflect on the non-neutrality of currencies, excessive financial expansion, and the impact of globalization, leading to a shift from the trilemma to the dilemma. The trend of “de-globalization” is characterized by increased supply constraints and greater government resource allocation, while “de-financialization” is reflected in strengthened financial regulation and increased fiscal roles. In this context, we need to contemplate new perspectives and characteristics for currency internationalization. History will not merely repeat itself, and we are not facing a simple repetition of the Bretton Woods system. With the decline of the financial role and the rise of the real economy, China, as a representative of a large-scale real economy and relatively small international financial role, will encounter new opportunities for RMB internationalization.



Wu Xiaoqiu pointed out in his speech that the new world order requires an adaptable multipolar and diverse international monetary system, in which the RMB should play an equally significant role as the Euro. The historical starting point and main path for the RMB internationalization lie in its liberalization and marketization, making it one of the freely tradable international currencies. This indicates that both our own country and others have confidence in the RMB. This confidence stems from three aspects: First, the institutional foundation, which includes the socialist market economy system with Chinese characteristics and a sound legal system. Second, economic capabilities, mainly reflected in economic size, competitiveness, international trade, and technological innovation. Third, the financial market, which requires promoting the opening-up of China's financial sector, especially the capital market, to create mechanisms for the substantial offshore RMB to flow back into the domestic market for investments. By 2035, the RMB should stand shoulder to shoulder with the Euro, forming a new pole in the international monetary system.



The keynote speech session was chaired by Zhang Jie, the Director of the International Monetary Institute at Renmin University of China.



On the afternoon of July 22nd, three different parallel forums were held simultaneously.

Parallel Forum I , titled "High-level opening up and the RMB internationalization," was presided over by Qian Zongxin, Vice Dean of the School of



Finance at Renmin University of China. Zhou Chengjun, Director of the Institute of Finance at the People's Bank of China, and Chen Weidong, President of the Bank of China Institute of International Finance, delivered keynote speeches. Prominent guests, including Guo Jianwei, former Chief Editor of China Financial Publishing House, Ding Zhijie, Director of the Foreign Exchange Research Center of the State Administration of Foreign Exchange, Zhang Liqing, Director of the International Finance Research Center and former Dean of the School of Finance at Central University of Finance and Economics, Zhou Yueqiu, Chief Economist and Chairman of the Academic Committee of Beijing Financial Street Research Institute and former Chief Economist of the Industrial and Commercial Bank of China, E Zhihuan, Chief Economist of Bank of China (Hong Kong), Qu Fengjie, researcher at the Institute of Economic Research under the National Development and Reform Commission, Zhou Yinggang, Dean of the School of Economics at Xiamen University and Dean of the Wang Yanan Institute for Studies in Economics, Wang Wen, Executive Dean of Chongyang Institute for Financial Studies at Renmin University of China, Tu Yonghong, Deputy Director of IMI and Dean of the Academy of Yangtze River Delta Studies at Renmin University of China, Lu Liping, a researcher at IMI and associate professor at the School of Finance at Renmin University of China, and more than ten other guests engaged in in-depth discussions on the topics of “High-level opening up and the internationalization of the RMB” and “Regional cooperation and the evolution of the international monetary system.”



Parallel Forum II, titled “High-level Opening-up and High-Quality Financial Development,” was organized by the School of Finance at Nankai University. The

forum was chaired by Fan Xiaoyun, Dean of the School of Finance at Nankai University. Di Gang, Deputy Director of the Digital Currency Institute of the People's Bank of China, Chen Daofu, Deputy Director of the Institute of Finance at the Development Research Center of the State Council, and Ba Shusong, Executive Director of the HSBC Financial Research Institute at Peking University, delivered keynote speeches. Former Governor of the People's Bank of China, Dai Xianglong provided his insights and comments on the lectures. Following the keynote session, Li Quan, Director of the Institute of Finance at the School of Finance at Nankai University, Tan Xiaofen, Professor of Finance at the School of Economics and Management at Beihang University, Wu Yue, Deputy Director of the Local Financial Supervision and Administration Bureau of Tianjin Municipality, and Zhang Falin, Vice Dean of the National Security Institute at Nankai University, engaged in enthusiastic discussions on the theme of "High-level opening and modernization of China's financial system," under the moderation of Li Zeguang, Head of the Department of Finance at the School of Finance at Nankai University. At the same time, under the guidance of Wang Bo, Director of the Institute of Digital Finance at the School of Finance at Nankai University, Professor Fang Yi from the National Development and Strategic Research Institute at Renmin University of China, Professor Hu Haifeng, Head of the Department of Finance at the School of Economics at Beijing Normal University, and Wang Zhigang, Director of the Data Center at the Chinese Academy of Fiscal Sciences, engaged in in-depth discussions on the theme of "High-level opening up and prevention of financial systemic risks." Dean Fan Xiaoyun provided her comments on the research session.





Parallel Forum III, titled “Digital Transformation in High-Quality Development of the Financial Industry, and the Fourth Financial Technology Youth Academic Seminar,” was co-hosted by the International Monetary Institute (IMI) at Renmin University of China and the Financial Technology 50 Forum (CFT50). The Tencent Research Institute was the joint organizer, and the Financial Technology Research Center of the National Financial and Development Laboratory provided guidance. The event was also supported by the Institute of Finance at the Chinese Academy of Social Sciences and the editorial departments of both *Chinese Review of Financial Studies* and *Exploration of Financial Theory* journals. The meeting was chaired by Song Ke, Deputy Director of the International Monetary Institute at Renmin University of China. The opening remarks were delivered by Zhang Xiaojing, Director of the Institute of Finance at the Chinese Academy of Social Sciences, Ye Yanfei, Former First Inspector of the Policy Research Bureau of the China Banking and Insurance Regulatory Commission, and Zhang Xin, Vice President of Tencent Group. Following that, Cheng Lian, Secretary-General of the Academic Committee of the National Financial and Development Laboratory and Director of the *Chinese Review of Financial Studies* editorial department, provided an overview of the Fourth Youth Paper Collection Activity. Under the moderation of Du Xiaoyu, Deputy Director of Tencent Research Institute, Zhang Qian, Member of the Party Committee and Deputy Secretary-General of the China Insurance Asset Management Association, Yang Tao, Deputy Director of the National Financial and Development Laboratory, Luo Yu, Deputy Secretary of the Party Committee and Professor at the School of Finance at Renmin University of China, and Yin Li, Professor at the School of Finance at the Central University of Finance and Economics, Longma Scholar, and Doctoral Supervisor, provided comments on some of the winning papers of the youth paper competition. Finally, the award ceremony for the authors of the Fourth Financial Technology Youth Competition took place.

Newsletter

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Research

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. 205) and Lectures on "Millennium Commemoration of the Birth of Paper Currency" Series (No. 1): Overview of the Origin and Development Path of Chinese Currency

On April 17th, Macro-Finance Salon (No. 205) and Lectures on "Millennium Commemoration of the Birth of Paper Currency" Series (No. 1) was held at Renmin University of China, co-hosted by the International Monetary Institute and the Department of Monetary and Finance at the School of Finance. The keynote speaker was Zhou Weirong, the curator of the China Numismatic Museum, who delivered a speech entitled "Overview of the Origin and Development Path of Chinese Currency". The salon was moderated by Professor He Ping, member of the Financial History Professional Committee of the China Finance Society.

Curator Zhou Weirong pointed out that historical research has an important

mission to apply the past to the present, to use history to understand the present. In studying monetary history, one must guard against the fallacy of presentism, that is, one should not simply project modern knowledge of money and finance onto ancient societies. China was one of the earliest countries to use money and to mint coins. Chinese currency has distinctive features, primarily consisting of copper coins, with other materials being used only as supplements. The coins were cast using bronze-casting technology and have a history spanning over 2000 years. Chinese currency spread to neighboring countries at an early stage, forming a unique currency culture, known as the Oriental Numismatic Culture.

Regarding the origin of Chinese currency, it is important to note the following points. First, one should not simply regard cowrie shells as the earliest form of money. If cowries are considered as "shell money", then they should be regarded as a kind of currency used in the context of ornaments and gifts (including sacrificial offerings), rather than as a general equivalent of goods used specifically for buying and selling. Second, one should not regard "imitation shells" as the earliest form of minted coins. Third, the origin of money lies in ornaments and gifts. Gold and silver were first used as ornaments because ancient people believed they were beautiful, pretty, and precious. Fourth, the original meaning of "currency" is "treasure and gift". In early societies, "currency" referred to treasures. Pearls, jade, tortoise shells, and cowrie shells were all considered valuable items. Fifth, the earliest form of minted coins was the "qian" coin, a bronze weighing currency from the Bronze Age.

Curator Zhou Weirong provided a concise overview of the development path of Chinese currency, clearly identifying the currency combinations and stage characteristics of each era. The invention of paper money was a major innovation in the history of Chinese and world currency development. Without paper money, there would not be a modern and developed monetary and financial system, nor would there be a prosperous world economy. The invention of paper money occurred during the peak of ancient China's commercial and economic growth, and its emergence promoted the prosperity of ancient China. The widespread use of paper money around the world facilitated economic development and laid the foundation for the creation of modern financial systems. In short, the improvement of Chinese currency forms not only facilitated economic development, but also directly drove the improvement of casting, papermaking, and printing technologies. China's innovative currency forms and significant contributions to world monetary civilization during historical periods will undoubtedly establish national confidence for China today, inspiring us to forge ahead towards a better future.

Macro-Finance Salon (No.206): China's Macroeconomic and Financial Outlook in the Second Half of the 14th Five-Year Plan



On April 20, Macro-Finance Salon (No.206), co-organized by Minmetals Institute of Industrial Finance and the International Monetary Institute (IMI) of Renmin University of China (RUC), was held in Beijing. Themed at “China's macroeconomic and financial outlook in the second half of the 14th Five-Year Plan”, the salon was joined by keynote speaker Xiong Yuan, Guosheng Securities Chief Economist and Macro Chief Analyst. Fellow participants of the salon include Guan Qingyou, Director and Chief Economist of Reality Institute of Advanced Finance, Wang Guogang, professor of the School of Finance of RUC and member of the Chinese Academy of Social Sciences, Xia Le, Chief Economist in Asian from the Banco Bilbao Vizcaya Argentaria (BBVA), and Zhu Tong, Director of Energy Economics Research Office of Institute of Industrial Economics of Chinese Academy of Social Sciences. The event was moderated by Qu Shuangshi, Executive Director of Minmetals Institute of Industrial Finance.

Xiong Yuan pointed out in the keynote report that the economy stabilized and rebounded in the first quarter, with GDP growth of 4.5% exceeding market expectations, mainly due to unexpected export growth in March and recovery in the real estate and service sectors. On this basis, the 5% GDP growth goal is likely to be achieved. In terms of structure, there are obvious divergences and potential worries: first, the problem of insufficient demand and confidence still exists, which is manifested by the significantly low CPI in the context of high increase of currency and social finance and economic recovery. Meanwhile, the confidence of private enterprises, the Internet and other economic agents has not been significantly restored and therefore needs further observation; Second, China's debt model has been in a bottleneck, and all parties are plagued by heavy debt pressure, especially plagued by the problem of local hidden debt; third, the structural employment of college students and young people is relatively severe. Based on these, the policy should be focused on promoting stable growth, confidence and expectations. On the one hand, development is the key. We need to find ways to attain a stable growth and a high-quality development while let the "stabilizer", namely, real estate and traditional infrastructure play their roles in the short term. Positive and expansive monetary and fiscal policies should be adopted, and the central government should make use of the leverage to resolve the debt dilemma; on the other hand, the government should timely introduce pragmatic and effective policies to boost confidence and improve expectations. "Visible and touchable" methods and policies should be resorted to help private enterprises. In addition, we should pay close attention to the changes in China's financial regulatory policies, which are likely to be tightened, and also keep an eye on changes overseas, including the evolution of the current overseas banking crisis and the change of Federal Reserve's monetary policy.

Macro-Finance Salon (No. 207) and Lectures on “Millennium Commemoration of the Birth of Paper Currency” Series (No. 2): The Trust Mechanism of the “Jiaozi” Currency Produced in Yizhou (Chengdu) in the Northern Song Dynasty and the Significance of the Issuance of “Official Jiaozi”

On the afternoon of May 22nd, the "Millennium Commemoration of the Birth of Paper Currency" series salon (Phase 2), organized by the School of Finance and Finance of Renmin University of China and hosted by the Institute of International Monetary Studies of Renmin University of China, was held at Renmin University of China. Professor He Ping from the School of Finance and Finance of Renmin University of China delivered a keynote speech titled "The Trust Mechanism of the 'Jiaozi' Currency Produced in Yizhou (Chengdu) in the Northern Song Dynasty and the Significance of the Issuance of 'Official Jiaozi'". The lecture was moderated by Associate Professor Li Lili from the School of Economics of Renmin University of China, with the participation of undergraduate and graduate students from the School of Finance and Finance of Renmin University of China.

Professor He Ping pointed out that Chinese characteristic finance has its inherent ideological origins. According to the thinking of Professor Huang Da, the pioneer of finance in New China, no matter what kind of theory is introduced from the West to China, it is the Chinese people who accept and put this theory into practice, so it will definitely bear the imprint of the Chinese. On the occasion of the millennium commemoration of the birth of paper currency, we should take a long-term perspective and use the history and ideological resources of Chinese monetary finance to promote the thinking on current monetary and financial issues and provide nourishment for the reconstruction of monetary and financial theory. Professor He Ping provided a comprehensive interpretation of questions such as the driving force behind the emergence of "Jiaozi," why "folk Jiaozi" inevitably transformed into "official Jiaozi," and the path traditional Chinese paper currency took. The lecture mainly included the following four parts:

First, "Jiaozi" as a revolutionary invention in the history of human monetary civilization, breaking away from the value entity of commodity money and metal money, first appeared in Yizhou.

Second, the birth of "Jiaozi" cannot be convincingly explained from the perspective of the development of credit relationships, but it can be approached from the perspective of sociological trust networks to reach a more accurate conclusion.

Third, the loss of public credibility of folk Jiaozi had an impact on order, leading to the inevitable emergence of official Jiaozi. The necessity of the transition from "folk Jiaozi" to "official Jiaozi" stems from the functional boundary differences between folk order and official order, as well as the inevitable requirement of "one



country, one currency."

Fourth, the long-term experiment of official paper currency from the Northern Song Dynasty to the Xianfeng period of the late Qing Dynasty shows that traditional Chinese paper currency primarily served as a means of circulation, acting as a "state-mandated paper currency." In contrast, Western European paper currency that emerged in the 1660s mainly functioned as "bank credit currency" for payment. Although both are "paper currencies," the divergent choices and directions of paper currency usage between China and the West reveal the division between national paper currency and credit currency, constituting the financial conditions of significant divergence between China and the West and having profound influences.

Macro-Finance Salon (No.208): Background, Path and Outlook of Yuan overtaking Dollar in China's Cross-Border Transactions for the First Time

On May 31, the Macro-Finance Salon (No.208), jointly organized by the International Monetary Institute (IMI) at Renmin University of China (RUC) and the Department of Monetary and Finance at the School of Finance was successfully held online. The salon focused on the theme of "Background, Path and Outlook of Yuan overtaking Dollar in China's Cross-Border Transactions for the First Time." Wang Bin, Research Director of the Center of Investment Banking, Industrial and Commercial Bank of China (ICBC), delivered a keynote speech. Fellow participants of the salon included E Zhihuan, Chief Economist of Bank of China (Hong Kong); Qu Fengjie, Researcher of the Academy of Macroeconomic Research, National Development and Reform Commission (NDRC) and Gao Haihong, Director of Research Centre for International Finance, Institute of World Economics and Politics (IWEP), Chinese Academy of Social Sciences (CASS). The salon was moderated by He Qing, professor of the School of Finance, RUC.

The attending guests engaged in extensive discussions on various topics, such as the main categories and reasons for the increase in RMB cross-border transaction settlements, RMB's cross-border transactions in commodities, RMB's potentials and energy transition, geopolitics and currency competition, international balance of payments and RMB exchange rate. Furthermore, the discussions provided valuable insights into the reasons behind the significant increase in the degree of RMB internationalization, its market foundations, regulatory development as well as the future paths and key factors.

Macro-Finance Salon (No. 211): Analysis on Recent Fluctuations in RMB Exchange Rate

On June 29th, Macro-Finance Salon (No. 211) was jointly organized by IMI and

the Money and Finance Department of the School of Finance of RUC. Speakers included Hong Hao, Chief Economist of Grow Investment Group; Tan Xiaofen, Professor at the School of Economics and Management of Beihang University; Xiao Lisheng, Director of the Global Macroeconomic Research Office at the Institute of World Economics and Politics, Chinese Academy of Social Sciences; and Pang Ming, Chief Economist and Head of Research for Greater China at JLL. They provided insights into the recent fluctuations in the Yuan's exchange rate.

During his keynote speech, Hong Hao emphasized that the current "shadow exchange rate" of the Yuan is weaker than before China's accession to the World Trade Organization in 2001. He also mentioned that the nominal exchange rate of the Yuan is weaker when measured against its long-term trend represented by the "850 cycle line." Furthermore, the real interest rate of the Yuan is currently facing the most significant pressure in the past two decades. Despite this, the real exchange rate of the Yuan has reached its cyclical low point of the past seven years. Nevertheless, reaching the cyclical low point does not necessarily imply that the Yuan will strengthen, but the scope for further substantial depreciation is limited.

The long-term trend of the Yuan's exchange rate is highly correlated with China's exports and the U.S. current account deficit. The latter two variables lead the Yuan's exchange rate trend. With the return of manufacturing to the U.S. and a reduction in the U.S. current account deficit, the market expects that the strong momentum in exports will be difficult to sustain in the coming months, which has already been reflected in the recent fluctuations in the Yuan's exchange rate.

The interest rate differential between China and the U.S. has reached one of the widest levels in nearly twenty years. Since the outbreak of the pandemic, China's monetary policy has consistently maintained a "self-reliance" approach. While the Federal Reserve has implemented historically significant interest rate hikes, the People's Bank of China has maintained loose macro liquidity. Moreover, data on foreign exchange settlements and sales and foreign exchange deposits indicate no clear signs of central bank intervention in the exchange rate. China's current monetary policy is independent, and exchange rate fluctuations are market-driven. Therefore, the recent movement of the Yuan should be more related to cross-border capital flows. Fundamentally, China's labor productivity has bottomed out and started to recover, which influences the exchange rate trend. Additionally, the non-deliverable forward price of the Yuan has also rebounded, indicating that the market's expectations for the Yuan's movement in the next twelve months have begun to improve.

Following the keynote speech, the participants engaged in in-depth discussions on the driving factors and future trends of the recent Yuan exchange rate fluctuations.



Huarui Fintech Salon

Huarui Fintech Salon (No. 8): Current Situation and Prospects of Cross-border Mobile Payments in China

On April 27, 2023, Huarui Fintech Salon (No.8): Current Situation and Prospects of Cross-border Mobile Payments in China was successfully held online, co-organized by Shanghai Huarui Bank, the International Monetary Institute (IMI) of Renmin University of China, and FinTech Institute of RUC, with the cooperation of the China Banking Research Center of RUC. Wang Zuogang, General Manager of the Cross-border Business Department at Ant Group, gave a keynote speech. Fang Xin, President of PBoC Haikou Central Sub-Branch, Dong Yun, Deputy Director of Fintech Research Center at Finance Institute, CASS, and Cheng Hua, Associate Professor, Executive Director of Digital Economy Research Center at RUC, participated in the seminar. The event was hosted by Wang Fang, Professor, Associate Dean, School of Finance, RUC, and Deputy Director of IMI.

Wang Zuogang introduced China's cross-border mobile payment from the perspective of cross-border business of payment institutions. He pointed out that the current cross-border business of payment institutions can be roughly divided into four aspects: inflow, outflow, type B (enterprises) and type C (consumers). Also, he stated that China's mobile payment has effectively solved the problems of cross-border payment: high price, delayed payment and narrow coverage. In recent years, the cross-border payment business of payment institutions has grown steadily and rapidly. However, compared to the domestic mobile payment market, there is still more room for growth in cross-border payment business. Facing international competition, Chinese payment institutions and fintech companies are under tremendous pressure. In recent years, U.S. Internet technology companies have involved themselves in this field and their core technology capabilities and the degree of internationalization are substantially ahead of Chinese counterparts.

In addition, he discussed three issues. First, China's cross-border e-commerce and RMB-denominated settlement. Digital payment fosters the development of China's cross-border e-commerce. In fact, the latter facilitates RMB-denominated settlement and the solid foundation laid by more than ten years of RMB internationalization also guarantees the rapid development of China's cross-border e-commerce and the going out of payment institutions. The three aspects are an organism. Second, digital currency and cross-border payment. International experiments with digital currencies for cross-border payments have begun. However, compared to traditional electronic currency, the exact advantages of digital currency

need to be further explored. The use of digital currencies for cross-border payments can be discussed from the perspectives of domestic and international influences, sovereign credit and commercial credit, currency issuance and payment networks. Third, the QR Code standard for mobile payment. Accompanied with the rapid development of China's mobile payment, the URL code standard has been upgraded and optimized according to merchants' needs for digital business, and finally summarized as fine industrial practice, which is not only the de facto technical standard commonly adopted by major domestic Internet companies, but also radiates overseas countries and regions along with China's mobile payment going abroad.

Huarui Fintech Salon (No. 9): Digital Transformation of Large Commercial Banks

On June 17th, the 9th Huarui Fintech Salon was successfully held online, jointly organized by Shanghai Huarui Bank, the International Monetary Institute (IMI) of Renmin University of China, and the Institute of Financial Technology. The event was co-hosted by the China Banking Research Center of Renmin University of China and the China Digital Financial Cooperation Forum. The theme of the salon was "Digital Transformation of Large Commercial Banks," and the keynote report was delivered by Mr. Lv Zhongtao, Chief Technology Officer of Industrial and Commercial Bank of China (ICBC). Other participants in the discussion included Mr. Zhang Jianhua, Secretary-General of the China Digital Financial Cooperation Forum and Director of the Institute of Financial Development and Regulatory Technology at Tsinghua University Wudaokou School of Finance, Ms. Xie Xuanli, Senior Research Fellow at the Digital Finance Research Center of Peking University and Associate Research Fellow at the National Development Institute of Peking University, Mr. Zhang Heng, Associate Research Fellow at the Institute of Finance of the Chinese Academy of Social Sciences, and Mr. Liu Liyuan, Co-founder of Ruilai Intelligence. The salon was moderated by Mr. Song Ke, Deputy Director of IMI and Executive Director of the Institute of Financial Technology at Renmin University of China.

In his keynote report, Mr. Lv Zhongtao discussed the background, essence, exploration, and practice, as well as the challenges and responses, regarding the digital transformation of large commercial banks.

Mr. Lv pointed out that in the current stage, the essence of digital transformation is driven by the "data and technology" dual factors, accelerating the innovation and reshaping of business and management models, effectively enhancing value creation capability, and achieving enterprise-level transformation and innovation. Each bank should develop a matching and differentiated digital transformation practice path based on its own business development strategy and resource endowment. The significant features of the digital transformation path for large commercial banks



include its large scale, comprehensive business scope, stability requirements, and ample resources. The overall strategy for the digital transformation of ICBC is to build the "Digital ICBC" brand, focusing on three objectives: improving user experience, business efficiency, and operational value. This is achieved through the implementation of the "digital ecology, digital assets, digital technology, digital infrastructure, and digital genes" five-dimensional layout. Key areas of digital technology focus on artificial intelligence, digital employees, and blockchain. Digital infrastructure emphasizes the acceleration of green data center construction, the promotion of intelligent transformation of operation and maintenance, and the establishment of an integrated security operation and maintenance system for the entire group. In terms of digital ecology, attention is given to digitizing operations, risk control, and office work internally, while externally empowering digital government affairs, digital industries, digital livelihoods, and digital interbank connections. As for digital genes, efforts include perfecting the layout of financial technology, establishing a sound system for technological innovation, and focusing on talent cultivation. The digital transformation also faces challenges from various aspects, including new technologies such as artificial intelligence, blockchain, and quantum technology, as well as data elements and security protection. In the future, ICBC will continue to accelerate the construction of "Digital ICBC," actively respond to risk challenges, leverage advantages, seize opportunities, strengthen cooperation with all sectors, jointly promote the digital transformation of the financial industry, and facilitate the high-quality development of China's financial sector.

Huarui Fintech Salon (No. 10) and BIMSA Digital Finance Lecture (No. 3): New Risks Arising from Fintech Innovation

On June 26th, Huarui FinTech Salon (No. 10) and BIMSA Digital Finance Lecture (No. 3), co-organized by Shanghai HuaRui Bank, Yanqi Lake Beijing Institute of Mathematical Sciences and Applications (BIMSA), the International Monetary Institute (IMI) of Renmin University of China (RUC) and RUC FinTech Institute, was held online. The salon cordially invites experts and scholars from various fields, including government, industry, academia, and research, to conduct discussions and research around "New Risks Arising from FinTech Innovation". During the salon, Zhu Shihu, Deputy General Manager of the Information Technology Department and General Manager of the Data Center at Everbright Trust, delivered a keynote speech. Fellow participants of the salon included Han Liyan, Research Fellow of the Yanqi Lake Beijing Institute of Mathematical Sciences and Applications and Professor of the School of Economics and Management of Beihang University, Liu Qingfu, Professor of the School of Economics at Fudan University and Professor of the Digital Economy Laboratory of Yanqi Lake Beijing Institute of Mathematical Sciences and Applications, Luo Yu, Deputy Secretary of the Party Committee and

Professor of the School of Finance, RUC and Shen Zhihua, Vice President of Prolos Financial Group and former Retail Risk Technology Director and General Manager of Big Data Decision Management Department of Ping An Bank. The salon was moderated by Long Fei, Director and Research Fellow of the Digital Economy Laboratory of Yanqi Lake Beijing Institute of Mathematical Sciences and Applications.

Zhu Shihu, Deputy General Manager of the Information Technology Department and General Manager of the Data Center at Everbright Trust, delivered a keynote speech on "New Risks Arising from FinTech Innovation", mainly focusing on the following five aspects:

First, he guided everyone to reexamine the definitions of data, labels, and features. He believed that data is an objective existence of facts. Labels are descriptions processed from data, and features are attributes processed for different purposes. These elements, when transferred to the human brain, form our information, or to say, our impressions. He provided detailed explanations and examples to illustrate the distinctions and connections between data, labels, and features, as well as concepts such as data value, data criteria, "data decentralization and centralized management."

Second, he elaborated on the connotations and extensions of FinTech from three aspects: technology, finance, and risk. "FinTech starts with data, thrives with technology, stabilizes with systems, and culminates with values." This statement not only reveals the laws of technological development but also highlights the relationship between productivity and production relations. He emphasized that FinTech is just a tool which can only change the form and expression of risk and finance, not the nature of them.

Third, regarding the risks brought about by new businesses, taking Internet loans as an example, he analyzed the process and reasons behind the development of data-driven businesses. He argued that Internet loans are not a business innovation but rather a dimension reduction strike of account-based credit cards on card-based credit cards. He distinguished two types of Internet loans: shallow (risk complexity) scenario and deep (risk complexity) scenario, and introduced the concept of a three-tier risk pyramid in deep scenario, including customer-level risk, in-scenario risk, and out-scenario risk. He emphasized the importance of identifying repayment willingness and the counter-intuitive phenomena that new businesses may bring. The risks of Internet loans mainly manifest on three levels: customer-level risk, in-scenario risk, and out-scenario risk. Customer-level risk mainly involves the credit status and repayment capacity of borrowers; in-scenario risk pertains to problems that may arise during the design and operation of loan products; out-scenario risk includes the impact that factors such as the macroeconomic environment, policies and regulations may have on the loan business.



Fourth, he discussed the risks brought about by new technologies. He believed that models are the core of technology, and their development has gone through four generations, namely rule-based models, rule+data models, big data models (deep learning models), and foundation models. He compared the advantages, disadvantages of these four generations of models and their applicable scenarios, and pointed out the issues of non-interpretability, black-box nature, and instability associated with foundation models. He advised financial institutions to have clear objectives, appropriate methods, comprehensive validation, and effective monitoring when using new technologies, to avoid blindly pursuing high numerical precision while neglecting actual risk control.

Fifth, unknown risks. First, there are unknown risks brought about by ChatGPT. If a technology is controlled too early for fear of adverse consequences, its potential for significant breakthroughs might be hindered. However, if it is controlled too late, then it may go out of control, and may become more difficult to control in the future. Second, the philosophical boundary between humans and AI remains uncertain. Third, the “subject-object” relationship between humans and AI is subtly evolving, for example, whether ChatGPT is augmenting human intelligence or using human to display its own intelligence.

Huarui Fintech Salon (No. 11): Opportunities and Challenges in Building Hong Kong as a Global Digital Financial Center

On July 5, 2023, the 11th Huarui Fintech Salon, themed "Opportunities and Challenges in Building Hong Kong as a Global Digital Financial Center " was successfully held online, co-hosted by Shanghai Huarui Bank, the International Monetary Institute (IMI) of Renmin University of China, and the Institute of Financial Technology of Renmin University of China. Xia Le, Chief Asia Economist of BBVA, delivered the keynote speech. The event also saw the participation of Xiao Geng, Director of the Institute of Policy and Practice of Shenzhen Fiance Institute of The Chinese University of Hong Kong (Shenzhen) and Chairman of the Hong Kong Institution for International Finance, E Zhihuan, Chief Economist of Bank of China Hong Kong, Zhou Chenggang, CEO of China Pacific Insurance Company (CPIC) Investment Management (Hong Kong), and Zheng Yushan, Founding Partner of Waterdrip Capital. The meeting was chaired by Zhao Xijun, Academic Committee Member of IMI and Co-Dean of the Capital Market Research Institute of Renmin University of China.

Xia Le, Chief Asia Economist of BBVA, presented on the topic "Hong Kong: Building an International Virtual Asset Center." He shared insights from several aspects, including the attributes and development of virtual assets, the reasons for

Hong Kong to build an international virtual asset center, and the conditions and government policy initiatives of Hong Kong. He first introduced the definition, attributes, and development of virtual assets, stating that the widespread application of virtual assets and the underlying technological concept have inherent value, but appropriate regulation is necessary to curb excessive speculation, thus safeguarding the market's healthy development and investor rights. Xia Le then analyzed the reasons for Hong Kong to build an international virtual asset center, pointing out that Hong Kong's status as a financial center is “threatened” by cities like Singapore and Shanghai. The Hong Kong government aims to optimize its innovative environment and strengthen the international competitiveness of its financial industry through the development of financial technology and the establishment of an international virtual asset center. In addition, Xia Le further evaluated the conditions and advantages of Hong Kong in building an international virtual asset center, emphasizing that talent is crucial for the development of financial technology and a significant advantage for Hong Kong in becoming an international virtual asset center. Hong Kong possesses abundant financial practitioners and talents from around the world in the field of financial technology, which helps to create an atmosphere conducive to rapid development in this area. Finally, he offered suggestions for further actions to build Hong Kong as an international virtual asset center, including policy regulation, legal improvement, talent cultivation, and popularization of knowledge about financial technology.



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Exchange

Launch of IMF World Economic Outlook 2023

On the morning of April 20th, the Launch of IMF World Economic Outlook 2023 was held in Beijing, which is organized by the International Monetary Fund Representative Office in China, the International Monetary Institute of Renmin University of China (IMI), and co-organized by the China International Finance Association and the Bank of China Research Institute.

Experts and scholars from financial management departments, research institutions, and financial institutions from all around the world attended the conference and gave speeches including Lin Shangli, President of Renmin University of China, Steven Barnett, Chief Resident Representative of the IMF China, Prachi Mishra, Director of the IMF Research Department's Systemic Issues Division, Ashique Habib, an economist with the IMF Research Department, Yu Yongding, a member of the Chinese Academy of Social Sciences, Zhang Zhixiang, former Director General of the International Department of the People's Bank of China and former Executive Director of IMF for China, Chen Weidong, Dean of the Bank of China Research Institute, and Tu Yonghong, Deputy Director of IMI and Dean of the Yangtze River Economic Belt Research Institute, and more than ten media outlets participated in the coverage. The conference was chaired by Zhuang Yumin, Dean of the School of Finance of Renmin University of China.



Professor Zhuang Yumin introduced the background of the conference and the basic information of the "IMF World Economic Outlook 2023". She pointed out that the report focused on topics such as inflation, public debt, geopolitical economic fragmentation, and foreign direct investment, to predict the development prospects of the world economy and different regions and economies around the world.



Professor Lin Shangli mentioned in his opening remarks that the report of the 20th National Congress of the Communist Party of China has pointed out the direction and provided the fundamental principle for promoting high-quality development and accelerating the construction of a new development pattern. High-quality development is the primary task of building a socialist modernization country in an all-round way, an important content of realizing the great rejuvenation of the Chinese nation, and also the overall grip to achieve the two centenary goals. We must adhere to a high- standard opening up, improve the macroeconomic governance system, continue to implement a prudent and well-targeted monetary policy, strengthen the coordination between fiscal and monetary policies, and enhance the fundamental role of consumption in economic development and the key role of investment in optimizing the supply structure. Against this backdrop, the release of the IMF World Economic Outlook 2023 is highly relevant.



Mr. Steven Barnett delivered the keynote speech. He put forward that the IMF's World Economic Outlook shows that global economic growth is expected to slow down, from 3.4% last year to 2.8% this year, and is expected to recover to 3.0% next year. One percentage point of global economic growth comes from China, accounting for one-third of the global economic growth. The report expects inflation to return to pre-pandemic levels as countries tighten their money supply to effectively curb inflation. The report believes that China will maintain a moderate level of inflation, fluctuating around 2.2%. Looking at future inflation expectations from bond prices, the US inflation expectation for the next 5 to 10 years is about 2.5%, and the market believes that the current high inflation is temporary. In terms of medium-term growth, the pandemic has had a serious scarring effect. China's economic growth is strong, and for every 1% increase in its growth rate, other economies may achieve 0.3% growth, which is known as the spillover effect.



Ms. Prachi Mishra was the second speaker to deliver a keynote speech, in which she explored two measures that helped to lower the public debt ratio: fiscal consolidation and debt restructuring. To improve the effectiveness of fiscal consolidation, there are three conditions: first, it should be carried out during a period of economic growth or recovery and when global uncertainty is low; second, the initial peak of debt is the most critical moment; and third, fiscal consolidation should be focused more on expenditure than revenue. Regarding debt restructuring, she highlighted three points: first, debt reduction can be achieved through debt write-offs, adjusting coupon rates, or extending the maturity, if the creditors agree; second, debt restructuring needs to be coordinated with a series of other works; third, regardless of the method used, it must be sufficiently deep and coordinated with other policies.



Mr. Ashique Habib was the third keynote speaker. He believes that the fragmentation of FDI may bring higher costs and risks to the global economy. Recent evidence shows that FDI has shifted between countries, especially in strategic areas such as semiconductors. Current geopolitical relations have had an impact on FDI flows, especially in emerging markets and strategic sectors. In this environment, all countries are vulnerable, with many emerging and developing economies being particularly so. Geopolitical fragmentation may bring higher economic costs, and even non-aligned countries may pay a high price due to the weakening of global economic activity and rising uncertainties. Therefore, he suggests establishing a strong mechanism to maintain global integration and prevent FDI fragmentation. Multilateral dialogue should be further promoted; international consultations should be conducted; the potential impact and spillover effects of geopolitical fragmentation should be explored; and policies should be adjusted and optimized. At the same time, private sector construction should be strengthened to reduce the vulnerability of foreign investment relocation. In addition, with the changes in global investment flows, greater efforts and institutional support will be needed to attract investment.



Professor Yu Yongding delivered a speech online. He pointed out that insufficient demand is currently the most prominent problem in China. In addition, the slowdown of China's economy is the result of various unfavorable factors. Compared with other major countries in the world, China's corporate sector does rely too much on debt financing, especially bank loans. However, the current Chinese banking system is still relatively sound, and the non-performing loan ratio is not high. China's debt-to-GDP ratio is relatively low. Even in term of local debt, China's fiscal situation is clearly much better than that of most developed countries. The sustainability of government finances depends on the growth rate of GDP and the level of interest rates. The current debt-to-GDP ratio is not a concern. As long as stable economic growth and a relatively low interest rate can be maintained, there will be no debt crisis. However, currently there are problems in both the structure and quantity of China's government debt. In 2023, China should do the following things: carry out the reform plan of the third plenary session of the 18th CPC Central Committee to boost market confidence, implement expansionary macroeconomic policies, boost the economy with investments in infrastructure, technological transformation and innovation, and the reshaping of industrial chains, and drive consumption growth to form a virtuous cycle of economic development.



During the discussion session, the guests explored the future of China's economy, government debt, the coordination of monetary and fiscal policies, and the spillover effects of policies of different countries.





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