



IMI Newsletter

International Monetary Institute
Renmin University of China

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Highlight

The First Presentation On the Latest IMF World Economic Outlook Report in Asia Successfully Held in Beijing

On April 24th, the presentation of IMF World Economic Outlook Report for the first Half of 2024 was held in Beijing. The event is co-hosted by the IMF China Office and the International Monetary Institute (IMI) of Renmin University of China and co-organized by the Forum for International Financial and Industrial Cooperation (IFIC).

Zhang Jianming, Executive Vice President of the Alumni Association of Renmin University of China, Steven Barnett, IMF Chief Representative in China, Mehdi Benatiya Andaloussi and Nicolas Fernandez-Arias, IMF Research Department economists, Zhao Xijun, Co-Dean of Capital Market Research Institute, RUC, Wang Fang, Deputy Dean of the School of Finance and Deputy Director of the IMI, RUC, Guo Biao, Assistant Dean of the National Academy of Financial Research, RUC, Liu Hongwei, Secretary-General of the International Finance and Industry Cooperation Forum (IFIC), and other experts and scholars from financial management departments, research institutes and financial institutions from many countries and regions attended the conference, delivered speeches and participated in the discussion, and dozens of media covered the event. The meeting was chaired by Zhang Zhixiang, former director general of the International Department of the People's Bank of China and former executive director of China to the IMF.

On behalf of the conference organizers, Zhang Jianming first expressed warm welcome and heartfelt thanks to the guests attending the lecture, pointing out that the Chinese economy and the world economy are entering a new period of development, with many unpredictable factors, the geopolitical situation is grim, and the downward pressure on the world economy is increasing. The World Economic Outlook Report, published regularly by the IMF, analyzes the world macroeconomic situation and forecasts the economic prospects, providing important intellectual support for the prosperity of the world economy and the high-quality development of the Chinese economy. I look forward to full exchanges and discussions among the distinguished guests at this information session, building more consensus on openness and contributing to the prosperity of the world economy.

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In his keynote address, Steven Barnett pointed out the priorities of the world economy in transition. He said that the global economy is in transition and the coronavirus pandemic has had a persistent scar effect on the global economy, and although it has experienced a post-pandemic rebound, the economic growth rate is still lower than before the epidemic. China's rapid economic recovery has produced positive spillover effects on other countries and made important contributions to global economic growth. The international community should focus on three aspects in the transition: first, curb inflation and build a fiscal policy buffer to support it; Second, improve production efficiency; Third, strengthen global cooperation, attach importance to trade, promote investment, and develop green economy and e-commerce.

Mehdi Benatiya Andaloussi analyzed the real estate market in his keynote speech. He said that monetary policy is transmitted to the real estate market through three main channels: first, the increase in policy interest rates directly increases household interest expenses and inhibits consumption; Second, it indirectly affects housing demand and household consumption by influencing housing price expectation and risk premium. Third, changes in policy interest rates directly affect mortgage interest



rates, thereby affecting credit demand and supply. The policy response of housing markets in different countries varies, mainly due to the structural characteristics of the mortgage market. Therefore, the central bank needs to take the characteristics of the real estate market into more consideration when formulating policies, reasonably understand and predict the transmission mechanism of monetary policy in the real estate market in different countries, pay close attention to changes in the mortgage market, and timely adjust policies to meet the new challenges that may be brought about by future market changes.

Nicolas Fernandez-Arias focused on emerging economies in his keynote address. He said that emerging market countries have grown very fast in the past two decades, accounting for one third of global GDP, and have been more deeply integrated into the global market through trade, industrial chain and so on. At the same time, however, growth expectations in some emerging market countries have declined, and this could have spillover effects on other economies that affect different sectors differently, leading to a large redistribution of economic activity and employment across sectors. Here are some policy recommendations: first, structural reforms, especially in labor markets and business regulation; second, implement targeted financial support to mitigate the adverse effects of spillovers on distribution; third, carry out effective multilateral cooperation and international policy coordination to minimize the risk of market segmentation.

In the keynote speech, Zhao Xijun analyzed the development of China's economy and put forward policy recommendations. He pointed out that on the international front, global economic growth has shown resilience and high inflation has shown an easing trend. Domestically, the national economy continued to rebound in the first quarter, started steadily, made progress in stability, and got off to a good start. The operation of the foreign exchange market showed strong resilience, cross-border capital flows were generally balanced, market expectations remain rational, and transactions remained orderly. The growth rate of private and small and micro loans was significantly higher than the average growth rate of all loans. The scale of corporate credit bond issuance has increased, and instruments to support private enterprise bond financing have also been promoted. In terms of macroeconomic policy guidance, we will strengthen counter-cyclical and cross-cyclical adjustment of macroeconomic policies, and continue to implement a proactive fiscal policy and a prudent monetary policy. All regions and departments should adopt more policies that help stabilize expectations, growth, and employment, and prudently introduce contractionary and inhibitory measures. At the same time, we need to strengthen innovation and coordination of policy tools to ensure consistency in policy orientation. The fiscal policy should be more proactive and efficient, make good use of fiscal policy space, and optimize the mix of policy tools. On the whole, the international economic situation has shown resilience, and domestic economic

policies have been positive, which is conducive to promoting economic growth and stability.

The following guest discussion session was moderated by Guo Biao. Steven Barnett, Xijun Zhao, Mehdi Benatiya Andaloussi, Nicolas Fernandez-Arias, and Hongwei Liu participated in the discussion. Experts and scholars have discussed the challenges of economic recovery, rising geopolitical risks, inflation, the response to climate change, and the narrowing of income inequality.



Research

Report on RMB Internationalization 2023: Broadening and Deepening Economic and Trade Cooperation

The "Report on RMB Internationalization 2023: Broadening and Deepening Economic and Trade Cooperation" is the 12th annual report from the research team at Renmin University of China.

Starting from the sources of market confidence and faith in fiat money and following a general-to-specific analytical approach, this report systematically demonstrates the significance and mechanism of constructing a comprehensive global economic and trade cooperation network in high-quality development and RMB internationalization, based on literature review, comparative studies and empirical analysis.

The report discusses the opportunities and challenges of RMB internationalization according to its priorities and development paths in difference phases, focusing on three international cooperation agreements that target different levels and areas, including the Regional Comprehensive Economic Partnership (RCEP), the China-EU Comprehensive Agreement on Investment (CAI), and the Digital Economic Partnership Agreement (DEPA).

The report emphasizes that RMB internationalization needs to maintain its strategic stability and adhere to an orderly plan, as international currency competition has entered a strategic stalemate stage. Internally, RMB internationalization should accumulate strength and address its weaknesses promptly. Externally, RMB internationalization should engage in extensive cooperation and prioritize risk prevention. The convenience and security of the international use of RMB should be continuously improved. Application scenarios should be further expanded to create conditions for the formation of a RMB currency area.

Macro-Finance Salon

Editor's Note:

The Macro-Finance Salon is a high-level academic salon initiated by the International Monetary Institute of Renmin University of China. Based on China's practice and closely following the international frontier, the salon has built a high-level, professional and open academic exchange platform to promote the construction of the discipline of "Macro-Finance" in the new era and carry out in-depth research on theories, policies and strategies of "Macro-Finance".

Professor Huang Da is the initiator of the "Macro-Finance" system. At the turn of the century, in response to the new challenges and requirements posed by economic and financial globalization, he reconstructed the financial discipline framework based on China's conditions, and initiated the discipline system of "Macro-Finance". Generations of scholars have continued to carry forward on this basis, advocating the combination of finance and the real economy, macro- and micro-finance. A major theoretical innovation system with distinctive characteristics of the school of Renmin University is gradually taking shape.

Macro-Finance Salon (No. 229): The Path of Monetary Policy to Promote High-Quality Economic and Social Development under the Current Situation

On April 17th, 2024, the Macro-Finance Salon (No.229) was successfully held online, jointly organized by the School of Finance and the National Finance Academy of Renmin University of China (RUC), and hosted by the International Monetary Institute (IMI), RUC. The salon focused on the theme of “The Path of Monetary Policy to Promote High-Quality Economic and Social Development under the Current Situation”.

Liu Zehao, Associate Professor of Department of Monetary and Finance at School of Finance, RUC delivered a keynote speech. Guo Jianwei, former Chief Editor of China Financial Publishing House; Pan Hongsheng, Chief Economist at China Institute of Finance and Capital Markets; E Zhihuan, Deputy Director at Bank of China (BOC) Research Institute; and Zhang Bin, Deputy Director at Institute of



World Economics and Politics, Chinese Academy of Social Sciences, among other guests, participated in the discussion. The salon was presided over by Qu Qiang, Assistant Director of the International Monetary Institute, RUC.

First of all, Liu Zehao shared his insights on the path of monetary policy to promote high-quality economic development. He emphasized that the focus of the present monetary policy is to assess the current economic situation. He then offered further explanation from the following aspects: After the COVID-19 pandemic, China's economic growth still remains at a relatively low level, with a slow pace of recovery and persistent output gaps. Besides, with insufficient effective demand of residents and weak societal expectations, the downward trend in prices has not been reversed, and deflation risks still persist. Pressure on local governments is intense, as is the severity of corporate debt default issues. Moreover, China now is also experiencing accelerated capital flight and brain drain. In response, Professor Liu analyzed the reasons why current monetary policy failed to stimulate the economy from four perspectives. First, insufficient money supply. Second, the current monetary policy transmission mechanism relies too much on administrative guidance. Third, coordination between monetary and fiscal policies. Fourth, the key to reversing market expectations lies in increasing effective demand. Professor Liu's speech provided a clear and insightful introduction to his thoughts on how monetary policy can promote economic development.

After Liu Zehao's speech, other attendees shared their in-depth thoughts regarding the path of monetary policy to promote high-quality economic and social development.

Guo Jianwei supplemented his insights from the perspective of banking. He stated that the current economic situation is complex, with insufficient effective demand and overcapacity and supply chain disruption in certain industries. Therefore, monetary policy should remain loose to coordinate economic transformation and capacity adjustment. Additionally, the monetary policy transmission mechanism is crucial. In the credit channel of monetary policy transmission, commercial banks may not allocate funds to certain areas due to asymmetric information, thus making it difficult to implement specific industrial policies or achieve structural adjustment goals through quantity control and market price regulation. Regarding the issue of how monetary policy and fiscal policy can complement each other, Guo Jianwei proposed that government bonds play an important role. Commercial banks can use government bonds as collateral for financing from the central bank, which is equivalent to government bonds circulating in the secondary market. Although the central bank cannot directly purchase government bonds when issued by the Ministry of Finance, it indirectly supports the issuance of government bonds by maintaining a low-interest rate and loose liquidity environment.

Pan Hongsheng stated that the ongoing discussions reflect our desire for

monetary policy to play a greater role in the economy. However, monetary policy is just a short-term policy tool. As China's economy progressing to high-quality development, the cyclical, structural, and institutional issues should all be considered to analyze and assess the implementation and effects of monetary policy. Mr. Pan stated that the effectiveness of monetary policy is directly related to the changes in the transmission mechanism and in the financial market. Fiscal policy and monetary policy have different duties, objectives, tools, transmission mechanisms, and constraints. Therefore, their policy stances, orientations, and operational directions for macroeconomic regulation may not necessarily align: they are more aligned when the economy is in recession, but differences will arise when the economic slowdown is not significant. At present, Pan Hongsheng emphasized that it is crucial to strengthen the coordination between fiscal and monetary policies, clarify their policy orientations and responsibilities, and fully leverage the effectiveness of their tools.

E Zhihuan emphasized that in recent years, the coordination between fiscal and monetary policies in China has been an important challenge of great concern. Through her career journey in BOC (Hong Kong), she recognized that as a relief measure, consumption vouchers have been playing a vital role in economic recovery. Regarding strategies for short-term crisis, she emphasized the importance of taking early action and timely intervention. Additionally, it is necessary to design the operational framework of fiscal and monetary policies that are in line with China's current situation. She suggested that more efforts should be placed on the construction of the national debt market. Finally, E Zhihuan mentioned that attention should be paid to the impact of the downturn in the real estate market on the economy, especially its impact on consumption expectations from the reverse wealth effect perspective.

Zhang Bin stated that the most prominent challenge facing the economy is insufficient demand, the core of which lies in the price issue. Therefore, he advocated that monetary policy, especially interest rate policy, should be the main tool to address this challenge. He pointed out that lowering the interest rate can enhance economic vitality, thereby providing fundamental support for the exchange rate. Meanwhile, lowering the interest rate also helps to reduce non-performing assets, improve the quality of financial assets, and ensure stable profitability of financial institutions. Monetary policy should focus more on stimulating effective demand rather than having excessive concerns about excess liquidity. Given that this year's fiscal budget has already been determined, monetary policy should play a greater role in stimulating the economy. In this regard, Zhang Bin suggested that we should reduce the policy rate to lower the real interest rate. By doing so, consumption and investment in the private sector will be stimulated, thus providing necessary support for economic growth.



Macro-Finance Salon (No. 231): Conference Brief: Unleashing New Quality Productive Forces and Building an International Innovation Center in the Greater Bay Area

On June 22, 2024, the Macro-Finance Salon (No. 231) was successfully held in Beijing, co-hosted by the Institute of Advanced Social Sciences (Shenzhen) of Renmin University of China and the Party School of the CPC Bao'an District Committee of Shenzhen, and co-organized by the International Monetary Institute (IMI) of RUC and the Institute of Advanced Financial Studies (Shenzhen) of Renmin University of China. This event also marked the first lecture in the Social Science Salon Series of Ten Lectures on "New Quality Productive Forces and High-Quality Development in the Greater Bay Area" of Shenzhen Research Institute of RUC. The theme of this session focused on "Unleashing New Quality Productive Forces and Building an International Innovation Center in the Greater Bay Area."

Le Xia, Chief Economist for Asia-Pacific at BBVA, delivered a keynote speech. Zaiping Yang, Secretary-General of the Asian Financial Cooperation Association and Former Executive Vice President of the China Banking Association, Qing He, Deputy Director of Monetary Finance Department of RUC, Taihui Zhu, deputy director of the Institute of Economic Development at JD.com, and Yongjia Lin, Department Head in Accounting & Finance/ Macao University of Science and Technology, attended and participated in discussions at this salon. Ke Song, Executive Vice President of the Shenzhen Research Institute at Renmin University of China and Executive Dean of the Institute of Advanced Social Sciences (Shenzhen) of Renmin University of China, presided over the meeting.

The conference centered on the theme "Unleashing New Quality Productive Forces and Building an International Innovation Center in the Greater Bay Area", focusing on key areas such as technological innovation, industrial transformation and upgrading, and financial support. Attendees emphasized the importance of new quality productive forces, highlighting that its core lies in technological breakthroughs, innovative allocation, and industrial upgrading. The crucial role of finance in supporting new quality productivity was stressed, calling for the promotion of the commercialization of technological achievements and the resolution of financing issues for technology enterprises. Strategies for achieving a high-level cycle of "technology-industry-finance" were proposed. This salon provided new ideas and implementation paths for the high-quality development of the Greater Bay Area and is expected to have a profound impact on related policies and practical operations.

Key viewpoints of the attendees are as follows:

Keynote Speech

Le Xia, Chief Economist for Asia-Pacific at BBVA

Comprehensive Analysis of New Quality Productive Forces

First, the definition and importance of New Quality Productive Forces. Le Xia first emphasized the concept of new quality productive forces, pointing out that it is an advanced productivity driven by innovation, breaking away from traditional economic growth methods, and characterized by high technology, high efficiency, and high quality. He further emphasized that the future growth of China's economy will largely depend on the development of new quality productive forces.

Second, the core elements of new quality productive forces. He provided a detailed explanation of the core elements of new quality productive forces, including revolutionary technological breakthroughs, innovative allocation of factors of production and deep industrial transformation and upgrading. He particularly noted that the combination of innovation and total factor productivity is key to the development of new quality productive forces.

Third, strategies to promote the development of new quality productive forces. Five strategies were proposed to accelerate the development of new quality productive forces, including vigorously promoting technological innovation, using technological innovation to drive industrial innovation, focusing on promoting innovation in development methods, solidly advancing institutional and mechanism innovation and deepening the innovation of talent work mechanisms. These strategies aim to comprehensively enhance new quality productive forces.

Fourth, the relationship between technological innovation and total factor productivity (TFP). He explored the relationship between technological innovation and TFP, noting that though technological innovation is crucial for enhancing total factor productivity, micro-level innovation activities do not necessarily translate automatically into macro-level total factor productivity improvements. He emphasized that while promoting technological innovation, it is also necessary to pay attention to the macro-level changes in total factor productivity.

Fifth, the trends in China's total factor productivity. By citing Professor Xiaodong Zhu's research, he demonstrated the trends in China's total factor productivity and pointed out that China's economic growth largely depends on the improvement of total factor productivity. He also specifically mentioned the recent slowdown in China's total factor productivity and analyzed the underlying reasons.

Guest Panel Discussion

Zaiping Yang, Secretary-General of the Asian Financial Cooperation Association and Former Executive Vice President of the China Banking Association
The Dual Dimensions of New Quality Productive Forces and Technological Content

Zaiping Yang pointed out that conceptually, explaining new quality productive forces needs to be based on the three elements of productivity and should not be generalized or trivialized. He believes that new quality productive forces can be



understood from two dimensions: quantitative state and qualitative state. The “quantitative state” refers to the three elements of productivity and their technological content. When the technological content reaches a certain level, quantitative changes cause qualitative changes, forming new quality productive forces. The technological contribution rate to GDP can be used as a reference. The “qualitative state” refers to new forms such as information, data, and even programming code. These new forms are either embedded in the three elements of productivity or exist independently, increasingly becoming a part of new quality productive forces.

He emphasized that science and technology, as the potential primary productive forces, can only become a quantitative state indicator of new quality productive forces when transformed into actual productive forces. Therefore, attention should be paid not only to the supply of basic to applied science and technology but also to the transformation of scientific and technological achievements into actual productive forces. Yang cited the “Needham Question”, pointing out that although ancient China made significant contributions to technological development, the efficiency of transforming scientific and technological achievements into actual productive forces was low, which remains an issue today. He believes that solving this problem relies on the entrepreneurial community to discover and realize market opportunities and the financial system’s role in allocating resources across time and space. Both aspects are anticipated to be pioneered in the Greater Bay Area.

He also mentioned that Total Factor Productivity (TFP), as a macro quantitative indicator of new quality productive forces, deserves attention. Over the past forty years of reform and opening up, China’s rapid economic growth has been driven by the dual engines of capital accumulation and TFP growth, with an average annual TFP growth rate of 4.35% and a contribution rate of 42.67% to economic growth. However, since 2009, the average annual growth rate of TFP has fallen below 2%, and its contribution to economic growth has dropped below 30%. This serves as a warning that it is necessary to vigorously develop new quality productive forces to reverse the downward trend and ensure that the TFP growth rate reaches 2.5% to 3% to achieve a high-quality growth rate of around 5%.

Finally, he emphasized that the new quality production relations corresponding to new quality productive forces also need to be taken into account. With a significant increase in the organic composition of capital, the variable capital of individual capital (capital used to purchase the living labor of workers) is nearing zero, while the constant capital (capital used to purchase accumulated past labor) is maximized, and its technological content is also maximized. This requires a reassessment of political economics issues such as the labor theory of value and the theory of surplus value. He believes that new quality productive forces is closely related to constant capital with increasing technological content, and capital cannot be simply demonized. Especially at the primary stage of socialism, capital still plays an important role.

Qing He, Deputy Director of Monetary Finance Department of RUC
The Core of New Quality Productive Forces and Financial Support

Qing He believes that new quality productive forces needs further theoretical elucidation. Its core consists of three parts: first, innovative breakthroughs; second, the recombination of traditional production factors to enhance efficiency; and third, alignment with the country's new development concepts, including green development and common prosperity. New quality productive forces involves not only the improvement of TFP but also deeper connotations, such as the development requirements of green growth and common prosperity. Traditional production factors, through the combination of digitalization and new technologies, achieve significant improvements in production efficiency, which is also an important manifestation of new quality productive forces.

The role of finance in new quality productive forces is particularly important. Looking back at the industrial revolutions in history, each significant improvement in productivity was accompanied by transformations in the financial markets. From the evolution of hard technology to soft technology, the financial market needs to develop at multiple levels to support different types of innovation. The banking system should support hard technologies such as high-end manufacturing, while the capital markets and PE/VC should support highly innovative soft technologies. China needs to balance the development of both soft and hard technologies, establish a multi-level capital market and promote the transformation of technological achievements into productivity.

At the same time, the development of new quality productive forces requires strengthened financial regulation to avoid systemic risks and achieve an ideal productivity environment. Financial support for the innovation process should avoid a one-size-fits-all approach and ensure that financial capital can effectively drive the development of new quality productive forces through a multi-level financial market. The enhancement of new quality productivity involves not only improvements in technology and efficiency but also the overall advancement aligned with the country's new development philosophy.

Taihui Zhu, deputy director of the Institute of Economic Development at JD.com
Promoting High-Level Cycles of “Technology-Industry-Finance” for the Development of New Quality Productive Forces

Taihui Zhu believes that promoting the development of new quality productive forces hinges on achieving high-level cycles of “technology-industry-finance”, which is reflected in four main aspects:

Firstly, the development of new quality productive forces ultimately aims to improve TFP. This should be understood through three driving factors including technological innovation breakthroughs, innovative allocation of factors and industrial



transformation and upgrading, three main characteristics including high-tech, high-quality and high-efficiency, three implementation paths including upgrading traditional industries, developing new future industries and advancing the digital economy, three transformation targets including workers, means of labor and objects of labor, and three supporting elements including education, technology, and talent.

Secondly, the development of new quality productive forces is in line with the digital and intelligent transformation, requiring an accelerated integration of digital and real economies. The development of new quality productive forces should drive industrial innovation through technological innovation, particularly by fostering new industries, models, and products with revolutionizing and cutting-edge technologies. The focus is on accelerating strategic emerging industries and future industries, which need the support of digital and intelligent transformation, as this integration has an inherent consistency.

Thirdly, the key to the development of new quality productive forces lies in promoting technological innovation, which requires accelerating the integrated development of large, medium and small enterprises. It is particularly important to leverage the leading role of large enterprises, technology companies, and platform enterprises in driving the digital transformation of a broad range of small and medium-sized enterprises. This, in turn, promotes “integrated innovation” in innovation chains, industrial chains, supply chains, data chains, capital chains, service chains and talent chains.

Fourthly, the development of new quality productive forces cannot be achieved without financial support. This necessitates optimizing the financing structure and developing digital finance. On one hand, efforts should be made to significantly increase the proportion of direct financing, especially equity financing, to address the issues of mismatched financing models and terms that technology innovation faces. On the other hand, the use of digital technology to innovate financial service models should be promoted to facilitate the integrated development of financial services with technological and industrial innovation.

Yongjia Lin, Department Head in Accounting & Finance/ Macao University of Science and Technology

Synergistic Promotion of Macao’s New Quality Productive Forces and Diversification Policies

Yongjia Lin pointed out that in Macao, the mention of new quality productive forces is primarily to align with the government’s policy of moderate diversification. The Macao government has proposed a policy of moderate diversification known as “1+4” policy, focusing on developing the world tourism and leisure center while enhancing four emerging industries: healthcare, modern finance, high-tech, and convention and exhibition trade, as well as cultural and sports activities.

In Macao, new quality productive forces is primarily applied within the framework of diversification policies, focusing on two dimensions. From a financial perspective, addressing financing issues is crucial in developing new quality productive forces. When providing financing functions, financial institutions not only provide financial support for technological innovation but also offer feasible solutions for research and development investment and market promotion for technology enterprises, including the establishment of special funds, particularly aimed at financing intellectual property or funding for research and development projects.

Another dimension involves enhancing the monitoring of commercial banks' credit service capabilities for science and technology enterprises, emphasizing on refining the criteria for identifying science and technology enterprises and categorizing them accordingly. Once these criteria are detailed, unified and operational standards can be provided for policy support. This includes promoting project pre-loans, intellectual property pledge loans, loans for technological innovation research and development, loans for industrial park development, and loans for technology transfer. The goal is to guide more financial resources towards innovative enterprises, meeting their diversified needs.

Currently in Macao, there are issues of insufficient quality and challenges in technology transfer regarding new quality productive forces. Suggestions have been made for entrepreneurs to assist in transformation and advocate for improving the feasibility of policies and regulations.

The themed salon "Unleashing New Quality Productive Forces and Building an International Innovation Center in the Greater Bay Area" brought together experts and scholars to deeply explore key issues related to the construction of the Greater Bay Area and the unleashing of new quality productive forces. Participants engaged in extensive discussions and exchanges on the role of the Greater Bay Area in promoting innovation and industrial upgrading, the necessity of policy support and strategic directions for future development. The outcomes and discussions of the salon provide new insights and implementation pathways for promoting high-quality development in the Greater Bay Area and the implementation of new quality productive forces. They are expected to have profound and positive impacts on policy formulation and practical operations in related fields.



International Monetary
Institute of RUC

The "Cross-border RMB Observation" questionnaire results presentation and exchange conference was successfully held, with experts and scholars exploring the prospects of RMB internationalization

Jointly organized by Renmin University of China (RUC) and Bank of Communications, the **"Cross-border RMB Observation" questionnaire results presentation and exchange conference** took place on the morning of May 27, 2024. Hosted by the International Monetary Institute (IMI) and the Chongyang Institute for Financial Studies at RUC, the conference aimed to showcase the findings of the "Cross-border RMB Observation" questionnaire, discuss the current status and prospects of cross-border RMB usage, and provide a platform for scholars, experts, financial institutions, and enterprises to exchange ideas and foster cooperation.

Zhao Xijun, Co-Dean of the China Capital Market Research Institute at RUC, and **Tang Jianwei, Deputy Managing Director of the Development Research Department at Bank of Communications**, delivered welcoming remarks. The conference was chaired by **He Qing, Executive Associate Dean of the National Academy of Financial Research and Professor of the School of Finance at RUC**.

(He Qing, Executive Associate Dean of the National Academy of Financial Research and professor of the School of Finance at RUC)

Zhao Xijun emphasized the orderly advancement of RMB internationalization as outlined in the Report to the 20th National Congress of CPC, aiming to narrow the gap between its international currency status and economic role. RUC has long been committed to serving national development, annually releasing the "RMB Internationalization Report," which has become a leading window for academic and practical attention. Adapting to new circumstances, the IMI at RUC and Bank of Communications jointly launched the quarterly "Cross-border RMB Observation" report, reflecting cross-border RMB usage through questionnaire to provide information support to financial institutions, enterprises, and policy sectors. Promoting RMB internationalization through economic and trade cooperation and high-quality development to aid in achieving Chinese modernization remains a significant and current topic of concern.

(Zhao Xijun, Co-Dean of the China Capital Market Research Institute at RUC)

Tang Jianwei of Bank of Communications highlighted recent trends in China's import-export trade and overseas corporate activities, suggesting new opportunities for RMB internationalization through these trends. Bank of Communications has been distinctive in its international and comprehensive efforts and will prioritize supporting RMB internationalization as a key task in the "14th Five-Year Plan". The first-quarter

report provided a micro-analysis perspective through a survey of over 1,600 enterprises, characterized by practicality, diversity, and broadness.

(Tang Jianwei, Deputy Managing Director of the Development Research Department at Bank of Communications)

Tu Yonghong, Deputy Director of IMI and Dean of the Yangtze River Economic Zone Research Institution of RUC, introduced that the IMI of RUC and Bank of Communications jointly initiated the compilation of the **"Cross-Border RMB Observation"** quarterly report, and the first quarter report of 2024 has been officially released.

This round of surveys found several notable highlights in cross-border RMB usage:

1. The continuous advancement of RMB internationalization has a solid foundation. As a major economy in the East Asian region, China has a natural advantage in the circulation and use of RMB within the region.

2. Enterprises' initiative in using cross-border RMB for settlement has increased, with over 70% of enterprises using RMB for cross-border trade settlement. Enterprises are not only using RMB for transactions but also seeking more comprehensive financial service solutions related to RMB.

3. The application scenarios of RMB internationalization are becoming more diverse. From the perspective of usage scenarios, enterprises widely use RMB not only in daily cross-border trade settlements (72.98%) and foreign exchange transactions (57.13%) but also in other financial activities.

4. The motivations for using cross-border RMB are healthier, covering asset safety, risk allocation, cash management, and significant returns.

However, the report also pointed out several shortcomings in cross-border RMB business that need to be addressed:

1. The participation rate in specific businesses is low, such as only 19.18% of enterprises engaged in RMB trade financing and 16.18% used cross-border RMB cash management. The application rates of various offshore RMB-related businesses are also generally low.

2. Policies are too complex, with poor consistency and compatibility. The laws and regulations involving cross-border RMB usage may contain numerous clauses and details, which can vary across different economic fields and transaction types, making it difficult for enterprises to fully understand and grasp.

3. The acceptance of RMB by counterparties is relatively low, indicating that the acceptance of RMB in the international market needs to be improved. This also reflects concerns about RMB exchange rate fluctuations, uncertainties about RMB-related policies, limited usage scenarios of RMB abroad, and unfamiliarity with RMB-related business processes.



4. There are obstacles to capital flow and difficulties in risk hedging. About 45.78% of enterprises consider capital flow obstacles as one of the main problems faced by cross-border RMB settlement, and 20.07% of enterprises report insufficient risk hedging derivatives. Approximately 30% of enterprises regard the exchange rate fluctuation of RMB as the main risk in using RMB for cross-border settlement and cross-border direct investment.

5. The coverage and depth of the financial service network are insufficient. While domestic financial institutions have played an important role in promoting RMB internationalization, they have not attracted enough international financial institutions to participate in the market for providing RMB financial services.

The "Cross-Border RMB Observation" report emphasizes that for enterprises, using RMB for cross-border settlement is a fundamental way to reduce asset risk, exchange rate risk, and costs. It requires joint efforts from the government, financial institutions, and enterprises to achieve greater results by solidly advancing the following tasks.

Government Level:

1. Optimize cross-border RMB business policies and promote trade and investment facilitation.

2. Improve laws and regulations, strengthen policy interpretation, and provide a clear and stable legal environment for enterprises.

3. Promote two-way opening of the financial market, enhance international cooperation, provide more overseas investment opportunities for domestic investors, and expand the scenarios and scope of cross-border RMB usage.

4. Enhance the financing currency function of RMB, encourage financial institutions to actively carry out RMB cross-border trade financing and overseas loan business, support foreign central banks, international development institutions, multinational corporate groups, etc., to issue Panda bonds in China, and support policy financial institutions to issue RMB-denominated securities abroad.

5. Create a good ecosystem for the international use of RMB, ensuring that the internationalization process of RMB advances steadily in a safe and stable environment.

6. Support new forms of foreign trade in cross-border RMB settlement and improve financial service levels.

7. Optimize financial market infrastructure, promote digital RMB, and improve the cross-border payment system.

Financial Institutions Level:

1. Innovate financial products to solve the pain points and blockages in cross-border trade settlement and improve financial service levels.

2. Strengthen cross-border cooperation, expand the participant scope of the CIPS, making it a more widely recognized main channel for RMB cross-border payment and

clearing, and enhance the efficiency and security of RMB clearing.

Enterprises Level:

1. Improve exchange rate risk management capabilities, strengthen risk management training, use financial tools such as options and futures to lock in exchange rates, and reduce the impact of future exchange rate fluctuations.

2. Actively utilize policies that facilitate cross-border RMB business, such as tax incentives and settlement facilitation, to increase the usage scenarios of RMB in trade with countries along the "Belt and Road" initiative.

(Tu Yonghong, Deputy Director of IMI and Dean of the Yangtze River Economic Zone Research Institution of RUC)

In the expert discussion session, Li Jianjun, Vice Principle of the Central University of Finance and Economics; Liu Jiefeng, Division Director of the Comprehensive Division of the Department of Finance of the Ministry of Commerce; E Zhihuan, Associate Dean of the Research Institute of the Bank of China; Zhang Jie, Vice Chairman of the China Chamber of Commerce for Import and Export of Light Industrial Products and Arts-Crafts; Qu Fengjie, Research Fellow of the Foreign Economic Research Institute of the National Development and Reform Commission; Ma Fangfang, Deputy Dean of the School of International Relations of Beijing Language and Culture University; Cui Ying, Senior Economist of the Research Institute of the People's Bank of China; and Xu Da, International Business Expert of the International Department/Offshore Financial Center of Bank of Communications, shared their views on the current status and prospects of RMB cross-border usage and the content and significance of the "Cross-Border RMB Observation" report. **Lu Liping, Associate Professor of the School of Finance of RUC**, chaired the discussion. The in-depth discussion among experts provided new wisdom and inspiration for RMB internationalization, with valuable insights and opinions expressed by the guests.

Li Jianjun pointed out that in recent years, cross-border RMB business has developed rapidly. In an international monetary system still dominated by the US dollar, the international functions of the RMB are increasingly evident. Geopolitical conflicts, global supply chain restructuring, and policy uncertainties have profoundly affected the cross-border usage of RMB. Although the volume of RMB transactions abroad is large, it is mainly concentrated in Hong Kong and Singapore, focusing on trade, while the proportion of investment and financing remains small. The "Cross-Border RMB Observation Report" should continue to advance, with future questionnaire designs more oriented towards the perspectives of enterprises and counterparties, and more targeted policy suggestions, studying digital RMB and the "Belt and Road" project.

(Li Jianjun, Vice Principle of the Central University of Finance and



Economics)

Liu Jiefeng pointed out that the development of foreign trade and the internationalization of the RMB are complementary to each other. China is continuously optimizing foreign exchange management and cross-border RMB policies, laying a foundation for enhancing the international currency function of the RMB. Although the scale of cross-border RMB usage has expanded, further improvements are needed to meet actual demand. In the future, relevant departments will continue to optimize the policy environment, financial institutions will innovate cross-border RMB products, and facilitate enterprises' cross-border transactions to achieve quality and efficiency improvements in financial services for the real economy.

(Liu Jiefeng, Division Director of the Comprehensive Division of the Department of Finance of the Ministry of Commerce)

E Zhihuan stated that the "Cross-Border RMB Observation" report has two features: it includes quarterly reports to more clearly grasp the progress of RMB internationalization, and it provides micro-level observations within the existing policy-to-market analysis framework. This approach is closer to reality and helps to promote RMB internationalization from the bottom up. She believes that a strong currency needs to enhance domestic financial functions and the international monetary role of the RMB. She suggested that the report include practical cases to demonstrate the application of RMB internationalization.

(E Zhihuan, Associate Dean of the Research Institute of the Bank of China Deputy Director of the Research Institute of the Bank of China)

Zhang Jie believed that the "Cross-Border RMB Observation" report has analyzed the situation of cross-border RMB settlement from an international perspective with a high level of professionalism and forward-looking insights, which is of positive significance for foreign trade development. The light industry actively participated in the compilation of the report, and the survey shows that enterprises have a strong demand for cross-border RMB settlement. Especially under the current complex international situation, cross-border RMB settlement is particularly important for the high-quality development of foreign trade. It is hoped that the government, think tanks, industries, and enterprises will work together to further promote cross-border RMB settlement and make further contributions to the development of foreign trade and the light industry.

(Zhang Jie, Vice Chairman of the China Chamber of Commerce for Import and Export of Light Industrial Products and Arts-Crafts)

Qu Fengjie thought that micro-level observations are crucial for the internationalization of the RMB, as they help identify constraining factors and provide references for macro-level decision-making. Amid external challenges, China-US trade friction poses challenges to the internationalization of the RMB, necessitating

attention to export pressures and technological gaps. Achieving RMB internationalization requires a genuinely open economic system and structural reforms to enhance an outward-oriented economy and the system of reform and opening up.

(Qu Fengjie, Research Fellow of the Foreign Economic Research Institute of the National Development and Reform Commission)

Ma Fangfang stated that the importance of RMB internationalization cannot be ignored, as promoting RMB internationalization is a crucial step in enhancing China's international financial discourse power. To this end, she proposed three international communication strategies: organizational communication, media communication, and interpersonal communication. With the refinement of country-specific and regional studies, it will be possible to observe and promote RMB internationalization more accurately. Researchers should be able to combine theoretical research and practice to provide concrete solutions to advance RMB internationalization and address challenges encountered in the promotion process.

(Ma Fangfang, Deputy Dean of the School of International Relations of Beijing Language and Culture University)

Cui Ying noted that reviewing the development process of RMB internationalization reveals that it has been market-driven. Policymaking bodies have focused on serving the real economy, establishing and improving a policy framework for cross-border RMB business, facilitating trade and investment, opening domestic financial markets, developing overseas RMB markets, building financial infrastructure, and fostering international cooperation. Promoting RMB internationalization prudently requires respecting market forces and being problem-oriented. The "Cross-Border RMB Observation" report, primarily based on enterprise surveys, objectively presents market demand. Future reports could delve deeper and provide specific recommendations, serving as valuable references for policymakers.

(Cui Ying, Senior Economist of the Research Institute of the People's Bank of China)

Xu Da pointed out that the survey result in the report showing that "nearly 70% of enterprises choose RMB settlement for asset safety considerations" was very enlightening. Bank of Communications can offer the most comprehensive non-resident account system in the market, including NRA, FTN, EFN, OSA, and innovative offshore RMB accounts, which can serve as a crucial risk management platform for enterprises' cross-border financial activities. The report indicates that enterprises still have strong demands for cross-border RMB policies. Although there are currently no RMB foreign exchange futures products in the domestic market, similar products have been launched in major global financial markets and could serve as references for future policy directions. This report reflects actual market



needs and provides significant practical references for commercial banks and policymakers.

(Xu Da, International Business Expert of the International Department/Offshore Financial Center of Bank of Communications)

The presentation and exchange conference of the "Cross-Border RMB Observation" survey results brought together experts and scholars from academia, financial institutions, and enterprises to deeply discuss RMB internationalization issues. There were heated discussions and exchanges on the importance of cross-border RMB usage, the necessity of policy support, and future development directions. The "Cross-Border RMB Observation" report and this exchange conference have provided new ideas and directions for promoting RMB internationalization, which will have a profound and positive impact on policy formulation and practical operations in relevant fields.



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