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Highlight

Major Achievements! Release of the "Cross-Border Renminbi Observation Report (Q2 2024)" and Other Reports

On the afternoon of July 28, 2024, the "Second Public Policy and Institutional Innovation Achievements Release Conference" was grandly held, co-hosted by Qianhai Financial Holdings Co., Ltd., Bank of Communications Co., Ltd., and the Advanced Institute of Social Sciences at Renmin University of China (Shenzhen), with Nanyang Commercial Bank Ltd. as a co-organizer. The conference, organized by the Shenzhen Financial Institute of Renmin University and the International Monetary Institute of Renmin University, aimed to showcase the achievements of the second phase of public policy and institutional innovation, including the Q2 report of the "Cross-Border Renminbi Observation Report" and the report on "Trends in Renminbi Internationalization and Opportunities and Challenges for Hong Kong as an International Financial Center." It also sought to explore financial openness in the Greater Bay Area and the development of a strong currency, providing a platform for communication and collaboration among scholars, experts, financial institutions, and enterprises in relevant fields.

Zhang Ping, Deputy Secretary of the Party Committee and General Manager of Qianhai Financial Holdings, Ye Yongjian, Senior Manager of the Development Research Department of Bank of Communications, and Ding Xueqing, President of the Shenzhen Branch of Nanyang Commercial Bank (China), each delivered welcoming remarks. The meeting was chaired by He Qing, Vice Dean of the National Financial Research Institute at Renmin University and a professor at the School of Finance.

In his speech, Zhang Ping emphasized the significant role of Renminbi internationalization in achieving high-quality economic development and ensuring economic and financial security in China. A more internationalized Renminbi is essential for China to accelerate the construction of a strong financial nation, realize high-quality financial development, and forge a path of financial development with Chinese characteristics. Qianhai serves as a demonstration window for the nation’s financial industry’s opening-up and as an experimental zone for cross-border Renminbi business innovation, consistently leading the way in financial openness and cross-border Renminbi initiatives.

Since its establishment, Qianhai Financial Holdings, as a state-owned comprehensive financial investment platform initiated by the Qianhai Authority, has effectively leveraged its policy advantages in pioneering and deepening Hong Kong cooperation to actively promote the implementation of national financial innovation policies. It continues to explore key areas such as cross-border circulation of the Renminbi, opening of capital accounts, and financial cooperation between Shenzhen and Hong Kong. Looking ahead, we will further explore financial innovation, enhance the level of financial services, and uphold our commitment to contribute to Qianhai's role as a "national demonstration window for the financial industry's opening-up and an experimental zone for cross-border Renminbi business innovation." We hope the upcoming report releases and expert exchanges will help us better understand the current state of cross-border Renminbi usage, gain insights into the trends of Renminbi internationalization, and uncover potential business development opportunities. The valuable ideas and suggestions from experts and scholars will assist us in accomplishing our objectives more effectively.

Speech by Ye Yongjian, Senior Manager of the Development Research Department of Bank of Communications

Ye Yongjian highlighted that the Guangdong-Hong Kong-Macau Greater Bay Area is a crucial regional growth hub in China, characterized by high levels of openness and economic vitality, holding significant strategic importance in the national development framework. The area's diverse institutional framework and strong economic dynamism uniquely position it to promote the cross-border use of the Renminbi.

First, Guangdong province demonstrates significant scale effects in cross-border Renminbi settlement. Second, the Greater Bay Area leads in the facilitation of cross-border trade and investment innovations, creating multiple pioneering cases that balance bold innovation with risk management, showcasing its strong pilot and demonstration effects. Third, the interconnectivity of financial markets and infrastructure continues to expand. Fourth, Hong Kong as an international financial center and Macau as a platform for cooperation with Portuguese-speaking countries have unique advantages. Fifth, the prospects for cross-border payments using digital Renminbi are promising.

Looking ahead, the 20th National Congress of the Communist Party proposed to "steadily and prudently advance Renminbi internationalization." Ye expressed hope that the Greater Bay Area will leverage its resource endowments and advantages in open innovation to actively and prudently expand cross-border Renminbi use, focusing on enhancing institutional openness, developing digital trade, improving service trade, and accelerating offshore trade.

Ye also introduced the key highlights of the Q2 "Cross-Border Renminbi Observation Report": first, the addition of corporate profit margin statistics, reflecting structural characteristics of the current macroeconomic landscape; second, the introduction of statistics on corporate exchange rate risk management; and third, the overall indicators for the first two quarters showed minimal changes. Finally, he briefly discussed Bank of Communications' operational developments in the Greater Bay Area, emphasizing its solid foundation in supporting regional growth. The bank will continue to leverage its international and comprehensive strengths to create a connected financial service network across the three regions, fully supporting the development of industries in the Greater Bay Area and facilitating Renminbi internationalization.

Speech by Ding Xueqing, President of Nanyang Commercial Bank (China) Shenzhen Branch

Ding Xueqing pointed out that General Secretary Xi Jinping, at the Central Financial Work Conference, set forth the goal of accelerating the construction of a strong financial nation as part of the strategic deployment for China's modernization. Renminbi internationalization is a key strategic choice aimed at responding to global changes and seizing development opportunities. The 20th National Congress reiterated the importance of financial openness and Renminbi internationalization, as well as the necessity of consolidating Hong Kong's status as an international financial center.

The advancement of Renminbi internationalization benefits from China's economic growth, the enhancement of comprehensive national power, gradual capital account openness, the expansion of bilateral currency swap agreements, the development of offshore Renminbi financial centers, and emerging cross-border payment systems. Hong Kong, with its unique advantages, plays a central role in this process. The offshore Renminbi market in Hong Kong has substantial deposits and leads in cross-border payment volumes, boasting the world's largest offshore Renminbi fund pool and active investment and financing activities.

As the first foreign bank operating in mainland China after the founding of the People's Republic, Nanyang Commercial Bank has deepened integrated operations in recent years, creating specialized advantages in cross-border Renminbi business. The bank contributes to supporting enterprises involved in the Belt and Road Initiative and helps Hong Kong strengthen its position as an international financial center.

Looking to the future, the process of Renminbi internationalization presents both opportunities and challenges for Hong Kong. On one hand, Hong Kong can leverage its status as an international financial center and the largest offshore Renminbi market to further expand its offshore business and enhance its influence in global financial markets. On the other hand, it faces competition from other financial centers, political and economic uncertainties, and the challenge of balancing financial innovation with regulation.

Speech by Tu Yonghong, Deputy Director of the International Monetary Institute at Renmin University and Director of the Yangtze River Economic Belt Research Institute

Tu Yonghong announced the release of the Q2 report of the "Cross-Border Renminbi Observation Report." He explained that the International Monetary Institute at Renmin University and Bank of Communications jointly initiated the compilation of the quarterly report, with the Q2 2024 report now officially published.

The survey results reveal several highlights and shortcomings of Renminbi internationalization, illustrating both progress and challenges in its global promotion. Key highlights include:

1. Solid Foundation for Renminbi Internationalization: Approximately 65% of enterprises are engaged in Renminbi cross-border trade settlements, and 46% participate in foreign exchange trading. The diverse motivations for using Renminbi among enterprises are enhancing its status in international trade and financial systems.

2. Significant Advantages Over Non-Dollar Currencies: About 30% of enterprises report that their Renminbi settlement share exceeds 50%, while over 62% of enterprises state that their Renminbi settlement share surpasses 10%, demonstrating the currency's competitiveness in international trade.

3. Improvement in Risks and Challenges of Cross-Border Renminbi Trade Settlement: In Q2, the risks and difficulties faced by Renminbi cross-border trade settlements showed improvement, with increased corporate profitability and reduced exchange rate fluctuation risks, thereby bolstering enterprise confidence.

4. Enhanced Corporate Exchange Rate Risk Management: There has been a notable increase in both the level and willingness of enterprises to manage exchange rate risks compared to Q1, with more companies adopting hedging measures and developing internal risk management strategies.

However, there are also several shortcomings:

1. Low Participation in Specific Business Areas: The usage of Renminbi remains low in specific sectors like trade financing, cash management, and offshore Renminbi operations, reflecting the impact of market conditions and credit policies.

2. Complex Policies with Poor Consistency and Compatibility: Enterprises desire a better policy environment to facilitate cross-border Renminbi use, which can be achieved through clearer policy guidance and effective feedback mechanisms.

3. High Sensitivity to External Factors: Concerns about Renminbi exchange rate fluctuations, policy risks, and limited scenarios for offshore usage present ongoing obstacles. Sanctions related to Russia and the US-China decoupling context also negatively affect the willingness of counterparts to use Renminbi.

4. Room for Improvement in Corporate Risk Management: Many enterprises engage minimally in exchange rate risk management, with cost and awareness as primary barriers. Effectively managing exchange rate risks is crucial for the stable development of Renminbi internationalization.

To further promote the internationalization of the Renminbi and enhance its position and influence in international markets, collaborative efforts are required from the government, financial institutions, and enterprises:

Government Level:
1. Expand bilateral currency settlement agreements and continue to sign agreements with more countries to reduce reliance on third-party currencies like the US dollar.
2. Strengthen the Renminbi clearing network by establishing more clearing centers in major trading partner countries and financial centers, enhancing the infrastructure for Renminbi internationalization.
3. Simplify cross-border settlement processes to reduce transaction costs, provide clear policy guidance, and encourage enterprises to use Renminbi for cross-border transactions.
4. Promote digital Renminbi to improve the efficiency and security of cross-border payments, increasing the attractiveness of Renminbi in international transactions.

Financial Institutions Level:
1. Introduce more Renminbi derivatives and risk management tools to help enterprises manage exchange rate risks more effectively.
2. Enhance the quality of cross-border Renminbi business services to address challenges faced by enterprises in trade settlements.
3. Strengthen cooperation with international financial institutions to promote the acceptance of Renminbi in more countries and regions.
4. Support small and medium-sized enterprises in their cross-border Renminbi operations by providing tailored settlement and financing solutions.

Enterprise Level:
1. Raise awareness about the use of Renminbi and actively learn about policies and

tools for cross-border settlements to improve understanding of using Renminbi for international trade and investment.
2. Optimize cash management practices by utilizing Renminbi for cross-border cash management to enhance capital efficiency.
3. Leverage cross-border e-commerce platforms and digital payment tools to increase the convenience and efficiency of Renminbi settlements.
4. Actively employ hedging tools, such as forward contracts and options, to manage risks associated with Renminbi exchange rate fluctuations.

Report on "Trends in Renminbi Internationalization and Opportunities and Challenges for Hong Kong as an International Financial Center" by Chen Zhaojing, Assistant Professor at the School of Finance, Renmin University

Chen Zhaojing presented the report, highlighting the steady progress of Renminbi internationalization. Key findings include:

1. Renminbi Internationalization Index (RII): The index rose from 0.02 in 2009 to 6.32 in 2023, with a compound annual growth rate of 16.56% over the past five years.

2. Cross-Border Trade and Direct Investment: These are foundational elements for Renminbi internationalization. The growth in the RII in 2023 was primarily driven by cross-border trade settlements and direct investment transactions.

3. Expansion of the Renminbi Clearing Bank Network: By the end of 2023, the People's Bank of China had authorized 33 Renminbi clearing banks across 31 countries and regions, covering major international financial centers.

4. Challenges Ahead: Despite these advancements, the RII remains significantly lower than China's share in global trade and finance. To achieve a currency status that matches its economic standing, the Renminbi needs to make breakthrough progress.

The process of Renminbi internationalization can be divided into three phases:

1. 2009-2015: Rapid Breakthrough Phase: Notable events include the issuance of Renminbi-denominated bonds in Hong Kong in September 2009 and the inclusion of Renminbi in the IMF’s Special Drawing Rights (SDR) basket in November 2015.

2. 2016-2020: Volatility and Adjustment Phase: This period saw significant events like the inclusion of Chinese A-shares in the MSCI index in June 2018.

3. 2021-Present: Steady Recovery Phase: Key events include the signing of a Renminbi/Hong Kong dollar currency swap agreement between the People’s Bank of China and the Hong Kong Monetary Authority in July 2022, and a bilateral currency

swap agreement between China and Saudi Arabia in November 2023.

Financial Institutions as Driving Forces for Cross-Border Renminbi Business

Financial institutions have become the main drivers of cross-border Renminbi business through several key initiatives:

1. Establishing Overseas Branches: Institutions are actively setting up branches abroad to accelerate their international business expansion.

2. Product Innovation: By innovating financial products, they aim to create a comprehensive ecosystem for cross-border Renminbi operations.

3. Strengthening Domestic and International Linkages: Institutions are deepening their engagement in the Belt and Road Initiative to foster cross-border business.

4. Role of Hong Kong Financial Institutions: Hong Kong plays a crucial role by further developing the offshore Renminbi market.

Hong Kong's status as an offshore Renminbi center remains robust, showcasing strong advantages in Renminbi deposits, cross-border payments, offshore financing, foreign exchange trading and clearing, and connectivity mechanisms. It plays an important role in the internationalization of the Renminbi and faces four significant opportunities:

1. Greater Bay Area Development: The Bay Area is creating a world-class market cluster, fostering a positive cycle among technology, industry, and finance.

2. Renminbi as a Low-Interest Currency: The currency's financing capabilities are becoming more pronounced.

3. Increased Geopolitical Tensions: The Renminbi is emerging as a new safe-haven currency amid geopolitical conflicts.

4. Launch of Multilateral Central Bank Digital Currency Bridge Platforms: This initiative opens new pathways in the digital era.

Despite these advancements, Hong Kong faces numerous challenges in the Renminbi internationalization process. The report notes that Hong Kong must contend with competitive pressures from other financial centers like London and Singapore, as well as uncertainties arising from divergent U.S. and Chinese monetary policies and geopolitical tensions. Additionally, the offshore market's liquidity demands and exchange rate risks present new challenges for managing the size of funding pools.

The facilitation of cross-border capital flows brings both market vitality and systemic risks.

Policy Recommendations to Address Challenges

The report proposes the following policy recommendations:

1. Develop Commodity Pricing Functions: Increase the proportion of Renminbi settlements and promote interaction between futures and spot markets. Advance high-level financial openness to boost the Renminbi's share in investment and financing markets. Expand the scale of bilateral currency swap agreements to enhance the international liquidity of the Renminbi.

2. Diversify Renminbi Usage Scenarios: Maintain stable economic growth to solidify the foundation for Renminbi internationalization. Seize the opportunity for "de-dollarization" to increase the share of Renminbi in cross-border trade settlements. Deepen capital market reforms to enhance the ability of capital markets to optimize resource allocation.

3. Promote Integrated Development of the Greater Bay Area: Strengthen financial cooperation within the Greater Bay Area and support Hong Kong in developing its offshore Renminbi market. Encourage financial innovation while balancing financial development with risk management.

4. Enhance Cross-Border Renminbi Business: Utilize regional free trade agreements to increase scenarios for cross-border Renminbi transactions. Commercial banks should actively promote Renminbi internationalization and improve their comprehensive service capabilities. Provide integrated financial service solutions to guide enterprises in effectively using Renminbi for cross-border transactions.

Expert Discussion Panel

During the expert discussion panel, key insights were shared by:

Xiao Geng, Director of the Policy and Practice Research Institute at the Chinese University of Hong Kong (Shenzhen) and President of the Hong Kong International Financial Society.
Zhong Hong, Chief Economist at Bank of China Hong Kong.
Xia Le, Chief Economist for Asia at Banco Sabadell.
Wang Jingye, Researcher at the International Monetary Institute of Renmin University.

They discussed the content and significance of the two reports, the current status and prospects of Renminbi cross-border use, and the opportunities and challenges faced by the Greater Bay Area. The discussion was moderated by Lu Liping, a researcher at the International Monetary Institute of Renmin University.

This in-depth exchange provided new insights and inspiration for Renminbi internationalization, with the guests offering valuable perspectives and opinions.

Insights from Xiao Geng

Xiao Geng, Director of the Policy and Practice Research Institute at the Chinese University of Hong Kong (Shenzhen) and President of the Hong Kong International Financial Society, highlighted that strong export growth has increased Renminbi settlements. However, given high U.S. inflation, the Renminbi should not depreciate based on "purchasing power" standards. The primary reasons for the Renminbi's depreciation are geopolitical conflicts and the Federal Reserve's hesitance to lower interest rates, which negatively impacts foreign investment.

In the long term, Renminbi liquidity can be supported through adjustments in trade structure and trade deficits. The report notes a low willingness to use Renminbi. Therefore, the principle of prioritizing Renminbi usage should be advocated. For instance, when export enterprises have significant pricing power, they could require buyers of Chinese products to use more Renminbi.

Xiao emphasized leveraging Hong Kong's advantages by encouraging banks to establish branches in the Greater Bay Area and free trade zones. Through a dual-headquarters mechanism, many Chinese and foreign banks in Hong Kong can open branches in Qianhai for offshore and cross-border operations. With branches in the mainland and headquarters in Hong Kong, they could delegate regulatory oversight to the Hong Kong headquarters, facilitating reduced transaction and operational costs through collaboration with local governments and institutions in mainland China.

Insights from Zhong Hong

Zhong Hong, Chief Economist at Bank of China Hong Kong, emphasized the practical significance of the two reports and provided relevant recommendations. She discussed Hong Kong's role in building a financial superpower, highlighting its advantages in geography, institutional framework, professional services, infrastructure, and financial market transactions.

Regarding the development of Hong Kong's offshore Renminbi business, she identified three phases: the pioneering period of Renminbi operations, the establishment of Hong Kong as an offshore Renminbi center, and the formation of

Hong Kong as a Renminbi hub. Today, Hong Kong is the world's largest offshore Renminbi market and a vital center for Renminbi investment and financing.

For future development, Zhong proposed three key suggestions:

1. Leverage Hong Kong's Unique Role: Hong Kong should act as a "super connector," bringing together domestic and international Renminbi users to invigorate Renminbi activity and further refine its internationalization ecosystem.

2. Expand Renminbi Use in Southeast Asia: There should be proactive efforts to broaden the scope of Renminbi usage in Southeast Asian countries and regions.

3. Enhance Renminbi Internationalization: Focus on deepening the Renminbi's internationalization process in both domestic and international circulation, especially in facilitating regional trade agreements.

On how Chinese financial institutions in Hong Kong can leverage these advantages for better global engagement, Zhong highlighted:

1. Comprehensive Financial Services: Institutions should provide tailored financial services to support enterprises.

2. Value-Added Services: Financial institutions can offer additional services, leveraging Hong Kong's strengths in legal consultation and third-party mediation.

3. Renminbi-Related Investment Services: Actively provide financing services related to the Renminbi and complementary financial solutions.

Insights from Xia Le

Xia Le, Chief Economist for Asia at Banco Sabadell, focused on the regulatory uncertainty that enterprises face when using the Renminbi. He noted that many businesses believe this uncertainty directly impacts their operations. For instance, while the free trade account system is innovative, it is often affected by policy adjustments.

The Cross-Border Renminbi Observation Report indicates that offshore Renminbi market activities, including financing and wealth management, remain relatively low. This is primarily due to high and volatile interbank Renminbi lending rates in Hong Kong, which increases the risk associated with holding Renminbi assets and somewhat diminishes the willingness to hold offshore Renminbi.

Nevertheless, there has been significant growth in the offshore Renminbi market, particularly in the development of Panda bonds and Dim Sum bonds. In recent years, the relatively lower interest rates of the Renminbi compared to the U.S. dollar have led many companies to choose Renminbi for financing, further boosting its international use.

Xia cautioned that the narrowing interest rate differential between the U.S. dollar and the Renminbi, along with global geopolitical instability—such as the upcoming U.S. elections and the Russia-Ukraine conflict—could adversely affect Renminbi internationalization.

Insights from Wang Jingye

Wang Jingye, a researcher at the International Monetary Institute of Renmin University, highlighted the unique advantages of quarterly observations for the report. He outlined two comparative dimensions:

1. Temporal Comparison: By examining the same set of enterprises across different quarters, subtle changes can be identified, which, while small, hold significant importance.

2. Cross-Sectional Comparison: Comparing different samples of enterprises across quarters revealed a consistent distribution in ownership and types of businesses, confirming the representativeness of the survey results.

He noted that although awareness of risk management among enterprises has improved, the overall level remains low. Many businesses may find that engaging in risk management does not yield profitability, which correlates with their understanding of risk management. Additionally, low profit margins make the costs associated with risk management a significant consideration.

The high-frequency monitoring advantage of quarterly observations allows for the capture of subtle changes that annual observations may miss, such as the impact of Renminbi exchange rate fluctuations on enterprises. This provides rich information for understanding the complexities of Renminbi internationalization.

Regarding opportunities and challenges in Hong Kong, while many perceive that the challenges outweigh the opportunities, Wang argued that Hong Kong possesses unique advantages. These include its Renminbi liquidity pool, status as an investment and financing center, and its role as a key export window for mainland enterprises.

The "Second Public Policy and Institutional Innovation Achievements Release Conference" brought together experts and scholars from academia, financial institutions, and the business sector to explore issues related to financial openness in the Greater Bay Area and the development of a robust currency. They engaged in lively discussions on the importance of cross-border Renminbi usage, the necessity of policy support, and future development directions, as well as the financial openness and Renminbi internationalization in the Greater Bay Area.

The second quarter of the "Cross-Border Renminbi Observation Report" and the report on "Trends in Renminbi Internationalization and the Opportunities and Challenges for Hong Kong as an International Financial Center," along with the discussions from this conference, provide new ideas and directions for promoting financial openness and building a strong currency in the Greater Bay Area. These insights are expected to have a profound and positive impact on policy formulation and practical operations in related fields.

Research

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 keeping up with international frontiers, the salon builds a high-level, specialized and open academic exchange platform for promoting the discipline construction of Macro-Finance in the new period, and carrying out in-depth research on Macro-Finance theories, policies, and strategies. Prof. Huang Da is the initiator and designer of Macro-Finance system in China. At the turn of the century, in response to the new challenges brought by economic globalization on the construction of financial disciplines in China, he reconstructed the framework of financial disciplines based on China's realities, initiated and designed the Macro Finance disciplinary system. Several generations of scholars have inherited and carried forward the system, advocating the combination of finance and the real economy, and the combination of macro-finance and micro-finance. The innovative financial theory system with the characteristics of RUC has thus been established.

Macro-Finance Salon (No. 233): Experts Discuss "Developing New Quality Productivity Based on Local Conditions to Support Financial Opening in the Greater Bay Area"

On July 20, the 233rd session of the Renmin University of China Shenzhen Social Science Salon series, titled "New Quality Productivity and High-Quality Development in the Greater Bay Area," was successfully held online. This event was co-hosted by the Institute of Advanced Social Sciences at Renmin University (Shenzhen) and the Party School of the Bao'an District Committee of the Communist Party of China, with the International Monetary Institute (IMI) and the Shenzhen Graduate School of Finance at Renmin University as the organizing institutions. The seminar's theme was "Developing New Quality Productivity Based on Local Conditions to Support Financial Opening in the Greater Bay Area."

Tu Yonghong, Deputy Director of IMI and Director of the Yangtze River Economic

Belt Research Institute at Renmin University, delivered the keynote speech. Other speakers included E Zhihuan, Vice President of the Bank of China Research Institute; Lu Ting, Chief Economist at Nomura Securities China; Xiao Geng, President of the Hong Kong International Financial Society, Practice Professor at the Chinese University of Hong Kong (Shenzhen), and Director of the Policy and Practice Research Institute; and Zhang Ming, Deputy Director of the Financial Research Institute at the Chinese Academy of Social Sciences and Deputy Director of the National Financial and Development Laboratory. The session was moderated by Zhao Xijun, Academic Committee Member of IMI and Co-Dean of the China Capital Market Research Institute at Renmin University.

The discussion focused on "Developing New Quality Productivity Based on Local Conditions to Support Financial Opening in the Greater Bay Area," exploring the connotations and significance of new quality productivity within the context of socialism with Chinese characteristics. Participants emphasized that the Greater Bay Area, with its geographical advantages, can leverage unique strengths in technological innovation, digital economy, green finance, technology-driven finance, and industrial upgrading to foster new quality productivity.

In her keynote address, Tu Yonghong outlined her insights on developing new quality productivity from four perspectives: first, analyzing the background behind the emergence of new quality productivity; second, understanding its connotations and essential characteristics; third, discussing key focus areas and pathways for its development based on practices in the Yangtze River Economic Belt; and fourth, highlighting common misconceptions to avoid when adapting strategies to local conditions.

She identified two major backgrounds for new quality productivity: domestically, there is a pressing need for a new theoretical framework to guide the practice of modernization in the new era; internationally, a new wave of technological revolution and unprecedented changes require us to liberate productivity to address complex global challenges, thus ensuring higher growth rates and better economic outcomes, which will solidify the foundation for the great rejuvenation of the Chinese nation.

The characteristics of new quality productivity include innovation, a focus on quality, and its essence as advanced productive forces. Understanding and grasping new quality productivity can be approached from three angles: first, innovation as the defining characteristic and driving force; second, adherence to new development concepts as a fundamental principle; and third, enhancing the quality of production factors through innovative and optimized combinations as the primary pathway for development. The development of new quality productivity does not follow a uniform path or model; it must be tailored to local conditions, yet it is measured against a common standard of significantly improved total factor productivity.

Tu Yonghong highlighted three key focus areas for the formation and development of new quality productivity: first, technological innovation; second, a modern industrial system; and third, talent cultivation. The essential aim is to establish a virtuous cycle integrating innovation, industry, and talent. Specifically, efforts should be directed toward enhancing innovation capabilities to foster new drivers of growth, strengthening the construction of a modern industrial system to create new competitive advantages, and cultivating a rich talent ecosystem to lay a solid foundation for development.

She concluded by emphasizing the need to avoid common pitfalls in developing new quality productivity, such as rushing into initiatives without careful consideration. It is crucial to balance traditional and emerging industries, harmonize standards with localized strategies, and align production development with institutional reforms.

During the discussion segment, participants engaged in an extensive and lively exchange on the topic.

E Zhihuan pointed out that developing new quality productivity is a key initiative for achieving high-quality economic growth in China. He stressed the importance of establishing localized mechanisms that facilitate the deep integration of the real economy with the digital economy. The Greater Bay Area, with its robust industrial foundation, continuously optimized industrial structure, and vibrant digital economy, provides a solid basis for developing new quality productivity. High-value, technology-intensive, and knowledge-driven industries have become dominant forces in economic development, and the close integration of the digital economy with advanced manufacturing offers vast opportunities for growth.

Regarding financial support for the development of new quality productivity, E suggested broadening the framework of thought. It is essential to construct a system and structure that supports new quality productivity from the perspective of financial services to the real economy.

In the financial sector, focusing on key areas such as technology finance, green finance, and digital finance can provide diversified financial products and comprehensive services for new quality productivity. Specifically, technology finance should increase credit support for high-tech and emerging industries, enhance client outreach, and deepen collaboration in industrial funds and capital markets. Green finance should align with global trends in sustainable finance by offering transformative green financial products to support the promotion and application of advanced green technologies. In digital finance, there should be a focus on strengthening top-level design and exploring new technological means to support the enhancement of new quality productivity.

At the level of commercial banks, it is crucial to closely follow the actual needs of industries related to new quality productivity, proactively enhancing services to the real economy through product innovation, mechanism innovation, and collaborative services between investment banks and commercial banks. Additionally, utilizing financial technology to create an integrated digital platform can provide supporting financial services for advanced industrial parks, facilitating the digital and intelligent transformation of industries. The Greater Bay Area has significant advantages in developing new quality productivity and is continuously improving its capacity to support it financially, making the future development of new quality productivity in the region and its economic impact highly promising.

Lu Ting emphasized that effectively developing new quality productivity hinges on local adaptation, discussing three areas: benchmarking targets, existing advantages, and future strategies. He noted that the Greater Bay Area is a crucial tech and industrial hub in China, capable of leveraging technological advancements to enhance global competitiveness by learning from the successes of Silicon Valley and Boston, particularly in education, industrial policy, financial support, and creating positive agglomeration effects.

Regarding existing advantages, he highlighted the notable development of universities in Shenzhen and other cities, the strong financial systems in Guangzhou, Shenzhen, and Hong Kong, and a solid industrial foundation. However, he stressed the need to attract high-quality universities and international talent, leveraging Hong Kong's financial center status while addressing land and institutional challenges, especially in the northern metropolitan area.

Xiao Geng viewed new quality productivity as a systemic concept linked to national competitiveness, requiring substantial breakthroughs across governance, macroeconomic policy, market regulation, and various regions and industries. He underscored Hong Kong's dual advantages in attracting global entrepreneurs and managing risks through its institutional framework. For new quality productivity to thrive, he advocated for a collaborative innovation ecosystem between Hong Kong and Shenzhen, integrating their respective strengths to create a world-class tech innovation hub.

Zhang Ming pointed out the critical role of private enterprises in developing new quality productivity, noting their impact on employment and technological innovation. He stressed the importance of tailored development strategies that avoid redundancy and competition, emphasizing that while advancing new quality productivity is vital, developing traditional industries, particularly services, is equally important for addressing current economic challenges.

In conclusion, Zhao Xijun summarized that "new quality productivity" encompasses both theoretical and practical dimensions, necessitating ongoing theoretical exploration and practical applications that reflect regional capabilities and conditions. He highlighted the essential role of finance in supporting new quality productivity, urging a diverse financial system to provide tailored services and products to ensure sustainable development.

The seminar gathered numerous experts to deeply explore the current state of new quality productivity and its implications for the Greater Bay Area's future development. The discussions provided innovative insights and specific strategies for stimulating new quality productivity, with expected long-term impacts on relevant policy formulation and implementation.

The "Renmin University Shenzhen Social Science Salon," initiated in June 2024, serves as a high-level, international platform for interdisciplinary exchanges focusing on key areas such as economics, finance, public policy, and governance, aimed at supporting the strategic needs of the nation and the development of the Greater Bay Area.

The Big Finance Think Tank, co-hosted by the School of Finance and the National Finance Research Institute of Renmin University, provides a specialized platform for high-level academic exchanges to promote research on the evolving discipline of "Big Finance" and its integration with real economic practices.

Macro-Finance Salon (No. 234): Learning and Implementing the Spirit of the Third Plenary Session of the 20th CPC Central Committee --- Expert Discussion on Improving the Government Debt Management System

On August 3, 2024, the 2nd issue of RUC Shenzhen Social Science Salon --- "Learning and Implementing the Spirit of the Third Plenary Session of the 20th CPC Central Committee"series, or the 234th issue of the Macro-Finance Salon was held online by live broadcasting, which was hosted by the Institute of Advanced Social Sciences (Shenzhen) of Renmin University of China (RUC), and organized by the International Monetary Studies Institute (IMI) of Renmin University of China (RUC) and the Institute of Advanced Finance (Shenzhen) of RUC. The theme of this salon was "Improving the Government Debt Management System: Insight and Vision".

A keynote report was given by **Prof. Li Rong from School of Finance of RUC**, with the attendance of **An Xinhua, Research Fellow of the Research Center for Government Debt Governance of RUC and Chairman of Beijing Zhonghui Law Firm**, **Mao Jie, Dean of the Academic Affairs Office and professor of the School of International Trade and Economics of the University of International Business and Economics, Wen Laicheng, Executive Director of CUFE-Anrong**

Institute of Local Finance, Investment and Financing of the Central University of Finance and Economics, and **Zhu Jun, Director of the Publicity Department of the Nanjing University of Finance and Economics and Dean of the China Institute of Finance and Taxation Governance**. **Ma Guangrong, Vice Dean of School of Finance of RUC**, presided over the discussion.

Professor Li Rong, from the School of Finance of RUC, pointed out in his keynote report that improving the government debt management system is a highlight in the *Resolution of the Third Plenary Session of the 20th CPC Central Committee*. From the perspective of the history of local government debt governance, Year 2014 was in the period of local government debt risk management. In 2014, China piloted the "self-issuance and self-repayment" model of local government debt. In 2015, the *Budget Law* was revised, marking China's comprehensive liberalization of on-balance-sheet debt raising of local governments, that is, "open the front door, block the back door". In 2018, commercial banks started a new round of hidden debt replacement to relieve the debt service pressure of local governments by rollover, debt restructuring and other methods, but with the balance of hidden debt remaining unchanged. At the end of 2020,they further launched special refinancing bonds. In July 24, 2023, the Central Political Bureau meeting put forward a package plan to resolve debts.At the beginning of 2024, Premier Li Keqiang recognized that progress had been made in preventing and resolving the risk of local debts. From 2014 to the Third Plenary Session of the Central Committee in 2024, China has made a-decade-long effort in risk management of local government debts.

The government debt management system reform faces several hurdles. First, the fundamental contradiction in the financial system still exists, and the fiscal and administrative powers of local governments are mismatched. Second, local governments has not transformed their thinking and model of seeking development through debt raising. Third, the explicit debt management system is not sound, that is, “front door” is “open” but the “back door” is not completely “blocked”. Fourth, there is a lack of long-term mechanism, resulting in the piling hidden debt in some areas.

There are three methods to improve the government debt management system. First, establish a full-caliber local debt monitoring and supervision system and a long-term mechanism for preventing and resolving hidden debt risks. Second, accelerate the reform and transformation of local financing platforms. Third, strengthen the management of local government special bonds.

During the keynote discussion, Wen Laicheng, Executive Director of CUFE-Anrong Institute of Local Finance, Investment and Financing of the Central University of Finance and Economics, pointed out that the core problem of local governments is the mismatch of fiscal power and administrative power. Local governments have taken on more economic and social affairs than their financial resources allow that to, so that have to raise debts to narrow the gap. The fiscal difficulty was even more prominent in the western and central areas after the reform of the fiscal and tax system in 1994. He further made several suggestions to help resolve the problem. First, focus on the government function and central-local relation, reform the function of local government, and clarify the scope of government activities in the market economy, especially reducing the government's intervention in non-market failures. In the field of infrastructure construction, introduce more social capital to balance the development of state-owned and private economies. Second, considering that too-fast growing special debts brings huge pressure to debt repayment and more risks, the issuance speed and term of special bonds should be strictly controlled, and the quality of project implementation programs should be improved to avoid idle and wasted funds caused by preliminary approval problems. Third, promote transformation of local government investment and financing platforms by classification; cut off the link between their debt and local finance, and manage the behaviors of the platforms and local governments; establish independent corporate governance structures. By independent operation and risk management,they can reduce dependence on financial support, thus relieving local debt pressure and preventing systemic risks. At the same time, debt funds can promote local economic development.

According to **Mao Jie, Dean of the Academic Affairs Office and professor of the School of International Trade and Economics of the University of International Business and Economics**, the Third Plenary Session of the 20th CPC Central Committee proposed to improve the government debt management system, aiming at clear the hurdles in local government debt management: irrational structure, increasing scale, complex composition and improper use. The core lies in the mismatch between local fiscal responsibility and capacity, resulting in that local governments use debt as a fiscal tool and rely on centralized credit. To improve the government debt management system, we must optimize the fiscal relation between the central government and local governments. In recent years, the central government has assumed more fiscal responsibility, regulated the common administrative power, and strengthened the local autonomous fiscal power to correct the mismatch between fiscal and administrative power. This provides a good foundation for improving government debt management. He argued that we should: optimize the government debt management model, compressing the proportion of local debt, developing and expanding the national debt market, and appropriately increasing the proportion of general debts; strengthen government debt performance management and focusing on the effects of debt use; strengthen government debt supervision, upgrading capital supervision and performance assessment, and improving the quality of data disclosure. In addition, promote market-oriented reform of financing platforms, implementing them in stages and in categories, eliminating shell platform companies, improving marketization, in order to ensure the operational capacity of platforms as normal enterprises. These measures will help to establish efficient government debt management system that can both prevent debt risks and utilize debt funds to promote economic development.

Zhu Jun, Director of the Publicity Department of the Nanjing University of Finance and Economics and Dean of the China Institute of Finance and Taxation Governance, made several points. First, the debt problem is essentially about "the relation between finance and growth" and "the division of government functions". Except for the existing growth models, the ever growing implicit debt is, first of all, caused by financial tool innovation to serve local demand; another reason is that, industrial projects invested by fiscal funds are naturally risk investment programs, and thus their failure would result in hidden debt of local governments; and finally, non-platform state-owned enterprises established by local governments to facilitate financing and avoid the strict management of funds, are not in the regulatory catalog of financing platforms, and thus form new hidden debts.

Second, to relive government debt pressure, the key is increasing local revenues and consolidating local financial strength. In addition to the redistribution and optimization of central and local financial revenue, improving the ability of local governments to coordinate local public resources is also an important work. Third, the transformation of local government financing platforms should mainly focus on liquidating and writing off platforms with poor performances; transform those necessary into industrial groups by type; transform into public service enterprises to realize market-oriented operation of infrastructure, public utilities and urban operations; transform into state-owned enterprises granted with franchise rights. In addition, the use of debt resources should be optimized, especially for the purpose of debt use.

An Xinhua, Research Fellow of the Research Center for Government Debt Governance of RUC and Chairman of Beijing Zhonghui Law Firm, believed that the Third Plenary Session of the CPC Central Committee, from the perspective of the national governance system, emphasizes the modernization of the national governance system and governance capacity, highlighting systematic integration and key points and ensuring the effect of the reform. Considering China's governance structure is a top-level design, the Third Plenary Session further proposed that national governance should pursue a top-down systematic reform in China's modernization. This method would help accelerate national governance construction, and the reasons are as below. First, the ability of institutional innovation manifests a country’s competitiveness, and it is a focus of the overall goal of the Third Plenary Session. Second, the Third Plenary Session made a good institutional foundation for the overall national governance, which is a highlight of the session. Debt management system as an important part of national governance brings more resources than risks, therefore, improving debt management system may be conducive to the construction of China's governance system. Third, according to the Third Plenary Session’s instruction, we should develop effective systems from the perspective of systematization and rule of law, and the purpose of system supply is to decrease uncertainties and increase stability in economic and social development. On how to put the system of national debt governance in place, we should focus on three levels: at the macro, or national level, debts are managed according to law; at the provincial level, governments should establish laws and regulations on the management of debt, assets, state-owned enterprises and platform companies; at the micro, or local level, the authorization of debt, asset management, performance management, and full life-cycle management should be regulated by related systems. Fourth, a good government debt system could provide a structural support for China's governance system.

Macro-Finance Salon (No. 236): Professor Xiong Yuanbao Discusses the Import of Raw Materials for Copper Coin Minting and Nagasaki Trade during the Qing Dynasty

On the morning of September 12, 2024, the 236th session of the "Macro Finance Salon," jointly organized by the School of Finance and the National Institute of Financial Research at Renmin University of China, was held with the theme "Import of Raw Materials for Copper Coin Minting and Qing Dynasty Nagasaki Trade." Professor Xiong Yuanbao, a prominent scholar in Chinese socioeconomic history from Waseda University and a former special researcher for the Japan Society for the Promotion of Science, attended the salon and delivered a keynote speech. Through detailed historical data, Professor Xiong analyzed the trade centered on copper between China and Japan during the Ming and Qing dynasties, illustrating the impact of "Nagasaki trade" on both nations.

Professor Xiong's keynote speech was titled "Import of Raw Materials for Copper Coin Minting and Qing Dynasty Nagasaki Trade—Focusing on Japanese Statistics." He summarized the Nagasaki trade as being primarily centered around copper. Highlighting historical data from Japan, he noted that Japan was the world's largest producer and exporter of copper during the early globalization period, emphasizing its significant historical implications. The Japanese government, through large-scale production and export of inexpensive copper, established stable trade relations with China and the Netherlands in exchange for essential goods, medicinal materials, and advanced knowledge and technology, which laid the groundwork for Japan's subsequent heavy industry development.

Moreover, Professor Xiong pointed out that the copper imported by the Qing Dynasty from Japan was mainly used for minting coins. The technology for coin minting had been well established for over two thousand years, indicating that the metal materials obtained from production and trade in Jiangnan did not significantly contribute to technological advancements or the establishment of a manufacturing system. The long-term import of high-quality copper for coinage, even in the context of emerging paper currency, suggests that the Qing government did not pursue monetary reform despite the advantages of paper money. These phenomena warrant further contemplation and research.

In addition, Professor Xiong showcased various historical materials and images related to Sino-Japanese copper trade during his speech, detailing the trading range of Chinese merchant ships, procedural documentation, trading locations, commodity data, profit margins, as well as Japan's trade restrictions and the implementation of the Nagasaki trade system. He vividly portrayed the trading scenarios and details of Chinese merchant ships traveling to Japan during the Ming and Qing periods.

Following the keynote speech, attendees engaged in an in-depth discussion from various perspectives, including comparisons between Japanese and Yunnan mineral labor organizations, comparisons with South American silver mines, and the relationship between copper trade and reforms in the Qing monetary system, providing new insights and possibilities for future research.

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