



IMI Newsletter

International Monetary Institute
Renmin University of China

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Highlight

“Practicing Multilateralism and Promoting Global Financial Governance Reform” Forum Held

On October 19, the forum on “Practicing Multilateralism and Promoting Global Financial Governance Reform” was held.

This forum is one of the sub-forums of the Tongzhou Global Development Forum (2024) sponsored by Renmin University of China. It is co-hosted by the School of Finance of Renmin University of China and the China Financial Policy Research Center, and organized by the International Monetary Institute(IMI) of Renmin University of China.

Lin Shangli, president of Renmin University of China, gave an address. He pointed out that Renmin University of China founded the Tongzhou Global Development Forum in 2023. It aims to implement the Global Development Initiative, the Global Security Initiative and the Global Civilization Initiative put forward by General Secretary Xi Jinping. Focusing on global development, the forum is committed to building a high-end dialogue platform, and striving to provide theoretical guidance and intellectual support for the development of China and the world. This sub-forum focuses on the reform of global financial governance, which is crucial to maintaining the stability and fairness of the global financial order and monetary system and promoting the sustainable development of the global economy, trade, investment and other fields.

He said that finance, as the artery of the national economy, is a crucial factor of a country's core competitiveness. High-quality development of finance is an inherent requirement of Chinese modernization. Our economy and finance are facing major challenges, which call for discussions and solutions from scholars and people from all circles. Against this backdrop, this sub-forum was held with the theme of “Practicing Multilateralism and Promoting the Global Financial Governance Reform”. It is hoped that experts and scholars can exchange ideas and pool wisdom on the reform of financial governance, and seize opportunities and respond to challenges to promote the stable development of the global economy and finance.

Han Seung Soo, former Prime Minister of South Korea, President of the 56th United Nations General Assembly and Director of the International Committee of the International Monetary Institute of Renmin University of China, delivered a keynote

speech with the title of “Multilateralism and Promoting Global Financial Reform”. He said that multilateralism plays a key role in shaping the global economic landscape. China’s economic transformation is a typical case of the positive effects of multilateralism. However, multilateralism is facing major challenges, and the existing multilateral institutions have structural limitations. The structure has not developed in sync with the rise of emerging economies such as China and India, so a comprehensive reform is needed to rebuild international trust. I believe that through global cooperation, the world will move towards a fairer, more stable and prosperous international order.

Yu Yongding, member of the Chinese Academy of Social Sciences, delivered a keynote speech with the title of “Reserve Currency Accumulation, Financial Weaponization and Fragmentation of the International Monetary System”. He said that one of the focuses of the dollar-based international monetary system reform is to reduce the demands of non-international reserve currency issuers for accumulating reserve currencies. The fragmentation of the international monetary system has begun, and there may be a monetary group based on geopolitical factors in the future. China should continue to promote the internationalization of RMB, and safeguard the authority of the International Monetary Fund and other multilateral international organizations. China should be committed to promoting financial cooperation among countries.

Zhuang Yumin, dean of the School of Finance of Renmin University of China, presided over the sections of addresses and keynote speeches. She said that how to reform the dollar-based international monetary system is an important topic. China will promote the internationalization of RMB in the context of the dual circulation development pattern focusing on both the international cycle and the domestic cycle. It will strengthen regional cooperation with Southeast Asia, and practice multilateralism.

Chen Weidong, dean of the Research Institute of the Bank of China, Guo Jianwei, former editor-in-chief of China Financial Publishing House, Cao Tong, co-chairman of the International Monetary Institute of Renmin University of China and chairman of Shanghai Huarui Bank, Yang Changjiang, director of the International Financial Research Center of Fudan University, and Qian Zongxin, vice dean of the School of Finance of Renmin University of China, successively published keynote speeches.

Chen Weidong delivered a speech with the title of “Evolution and Governance Reform of the Global Economic and Financial Pattern”. He said that the current governance system faces multiple problems, including the conflict between unilateralism and multilateral cooperation, the inequality between the voices of emerging markets and Western countries, the contradiction between the public attributes of global governance and the hegemony of Western countries, and the



“institutional non-neutrality” of the monetary system dominated by the US dollar. Therefore, promoting the reform of the global financial governance system is of great significance.

Guo Jianwei delivered a speech with the title of “Building a New Mechanism for Diversified International Monetary and Financial Governance”. He said that the international monetary and financial system is developing towards diversification. BRICS countries need to improve the cross-border settlement system of their local currency, and the RMB has the potential to become a regional anchor currency. He recommended establishing a cross-border clearing platform for BRICS countries, forming a free exchange mechanism for local currency, and setting up a joint fund for BRICS countries, so as to promote the regionalization of the use of BRICS local currencies.

Cao Tong delivered a speech with the title of “Suggestions for the Overseas Development of Digital RMB: Seize the Historic Opportunity of RMB Internationalization”. He said that digitalization provides an important opportunity for the internationalization of RMB, and RMB should seize this opportunity to promote the process with digitalization as the driving force.

Yang Changjiang delivered a speech with the title of “Climate Change and Financial Disorder: ‘Double Deficit’ in Global Governance”. He said that global governance faces significant “governance deficit”. China should actively participate in global governance reform, promote the joint construction of the Belt and Road Initiative, the internationalization of RMB and the low-carbon transformation, and safeguard the interests of developing countries.

Qian Zongxin delivered a speech with the title of “Cross-border Risk Spread and Prevention”. He believed that a high level of financial opening-up can promote economic development. However, while financial opening-up promotes financial market integration and improves resource allocation efficiency, it also increases the channels of cross-border risk transmission. In order to improve global financial governance, it is necessary to grasp the time and degree of cross-border transmission of financial risks to ensure the supply chain and financial security.

The keynote speech section was presided over by Wang Fang, vice dean of the School of Finance of Renmin University of China. Ben Shenglin, co-president of the International Monetary Institute of Renmin University of China and dean of the International Business School of Zhejiang University, Tu Yonghong, deputy director of the International Monetary Institute of Renmin University of China and professor of the School of Finance, and Deng Hui, deputy secretary of the Party Committee of the School of Finance, attended the meeting.

2024 Tianfu Financial Index Launched in Beijing Experts Insight into Building a Technology and Financial Ecology for the Development of the Five Major Sectors

On October 23, 2024, 2024 Tianfu Financial Index press conference and the seminar on “Building Science and Technology Financial Ecology for the Development of the Five Major Sectors” were held in Beijing. This conference is hosted by Renmin University of China and jointly organized by the School of Finance of Renmin University of China, the National Academy of Financial Research of Renmin University of China, the International Monetary Institute of Renmin University of China (IMI), the Yangtze River Economic Zone Research Institution of Renmin University of China and Sichuan Bank.

Ouyang Zehua, Vice Chairman of the Sichuan Provincial Committee of the Chinese People’s Political Consultative Conference and former director of the Local Financial Regulatory Bureau of Sichuan Province, and Zheng Xinye, member of the Standing Committee of the Party Committee and vice president of Renmin University of China, delivered speeches. National first-class Professor Wu Xiaoqiu, former vice president of Renmin University of China and dean of the National Academy of Financial Research, delivered a keynote speech. The conference was chaired by Zhuang Yumin, dean of the School of Finance of Renmin University of China.

Ouyang Zehua delivered an online speech. He put forward three suggestions. First, the central financial regulatory department should continue to increase its support for the development of Sichuan’s financial industry. It should guide Sichuan to further improve the efficiency and capacity of financial resource allocation to expand financial opening up and enhance international competitiveness and influence, which can promote the construction of a western financial center in Chengdu and Chongqing. Second, relevant provincial departments and financial institutions in Sichuan should focus on matters of national significance and get united in implementing the policies of the Central Committee of CPC and provincial working plans. They should uphold the fundamental principle of finance serving the real economy, strengthen the commitment with a higher perspective, and coordinate development and security, so as to promote the development of the five major sectors including finance and technology. They should empower and cultivate new quality productive forces to inject stronger impetus into the construction of a strong financial sector in the province and even the whole country. Third, Renmin University of China should refer to this year’s Tianfu Financial Index Report, and provide theoretical and policy references to the financial system reform of Sichuan, building a modern financial system adapted to the development needs of the new era and the stage of



Sichuan's economic and social development.

Zheng Xinye pointed out in his speech that the Tianfu Financial Index is one of the important achievements in the construction of the think tank of Renmin University of China. Since 2017, eight issues have been compiled and released. The index provides a theoretical reference for central cities to deepen financial supply-side reform, fully implement the new development concept, optimize the allocation of financial resources, and develop new quality productive forces. The Tianfu financial index expert team will continue to follow up and study the cutting-edge financial issues, promote the result transformation of the index report, and better play the role of political consultation and advice provision. He mentioned that technology and finance is the first in the list of the five major sectors. The Third Plenary Session of the 20th Central Committee of the CPC pointed out that a technology and finance system suitable for technological innovation should be built. This meeting brought together experts from the political, industry and academic circles to exchange ideas on how to jointly build the technology and finance ecology and how to achieve good results in developing the five major sectors. He expressed his expectation to the experts to make suggestions for the high-quality development of finance.

Wu Xiaoqiu delivered a speech with the title of "Ecological Chain of China's Capital Market: Expansion from Quadrilateral to Pentagon". He pointed out that the stable and healthy development of China's capital market requires moderate policy guidance, and policy guidance needs to respect market laws and protect the market mechanism. Recently, the People's Bank of China launched a structured monetary policy tool for the capital market, marking the shift of the ecological chain of China's capital market from a quadrilateral to a pentagon. The introduction of this innovative tool is also a key step in the transformation of the People's Bank of China to a modern central bank, which is of historical significance to the development of the capital market. Under the current economic situation, fiscal policies should play a greater role in stabilizing economic expectations through cutting taxes and expanding expenditures. Compared with monetary policy, fiscal policies mainly focus on the improvement of the economic structure and long-term economic growth. Now it is a favorable timing for fiscal policy, and further in-depth research is needed on how to address local government debt, balance the financial and administrative power between the central and local governments, and optimize the fiscal system to facilitate local government economic construction.

Subsequently, Huang Jicheng, professor of the School of Finance of Renmin University of China, released the 2024 Tianfu Financial Index Report. He introduced that the 2024 Tianfu Financial Index (TFFI) jointly compiled by the School of Finance of Renmin University of China and the International Monetary Institute (IMI) was officially released with the support of the Sichuan Provincial Society of Finance and the Sichuan Bank. The 2024 Tianfu Financial Index adjusted the index system

according to the goal and direction of China's financial development. It retained the original traditional financial sub-index, and built a new financial sub-index including the "five major sectors" index and the cultural financial index. Index dimensions were expanded to ten, including the financial market, financial institutions, working environment human resources, technology and finance, green finance, inclusive finance, pension finance, digital finance and cultural finance. Central cities under tracking and evaluation, after adding Lhasa, were expanded to 36.

According to the 2024 Tianfu Financial Index, the top ten cities are Beijing, Shanghai, Shenzhen, Hangzhou, Chengdu, Guangzhou, Chongqing, Nanjing, Wuhan and Tianjin. Generally, the scores of the Index of 36 central cities show an overall upward trend, but the ranking has changed. Most cities enjoy steady financial development, and remarkable progress has been made in some specific fields. The status of National Financial Management Center in Beijing is stable, and the status of Shanghai's international financial center continues to be strengthened; the TFFI index scores of Shenzhen and Guangzhou continue to rise, where development opportunities and challenges of the financial industry coexist; Hangzhou has strengthened human resources to help financial development; Chengdu and Chongqing enjoy a stable financial development and strive for progress, with remarkable achievement being made in jointly building the western financial center; Wuhan and Tianjin have paid attention to key areas, and the quality and efficiency of financial services are improved; Jinan, Harbin and Taiyuan, based on their own advantages, have made great progress in financial development; Fuzhou, Nanchang and Guiyang have fostered strengths and offset weaknesses, and their financial strengths have been strengthened.

Mei Dongzhou, professor of the School of International Economics and Trade of the Central University of Finance and Economics, made a comment on the index, where he systematically explained its important role in measuring regional financial development. He said that the Tianfu Financial Index comprehensively evaluates the financial development level of 36 central cities across the country from ten dimensions such as the financial market, financial institutions, technology and finance and green finance, and conducts an in-depth analysis of the Beijing-Tianjin-Hebei area, the Yangtze River Economic Zone, the Greater Bay area and the Chengdu-Chongqing economic circle. While retaining the traditional financial sub-index, the 2024 index has innovatively introduced emerging dimensions such as technology and finance and inclusive finance to help build a powerful financial sector. He put forward three suggestions. First, reduce the weight of indicators related to the financial cycle and increase the weight of institutional indicators. Second, evaluate from the intensity of financial business transactions among cities in a region. Third, increase the classification indicators to measure the openness of the financial industry



to better reflect the international competitiveness of regional finance.

In the roundtable discussion session, Lei Yao, deputy director of the Institute of Finance of the People's Bank of China, Chen Weidong, dean of the Research Institute of the Bank of China, Zheng Ye, president of the Bank of Sichuan, Zhang Ming, deputy director of the Institute of Finance of the Chinese Academy of Social Sciences and deputy director of the National Laboratory of Finance and Development, and Tu Yonghong, dean of the Yangtze River Economic Zone Research Institution of Renmin University of China and deputy director of the International Monetary Institute held a discussion with the theme of "Building the Technology and Financial Ecology for the Development of Five Major Sectors".

Lei Yao analyzed three issues about technology and finance ecology. He pointed out that, under the financial system with indirect financing as the mainstay and the strict financial umbrella supervision framework, China's commercial banks have strengthened credit support for sci-tech enterprises under the guidance of policies to meet their different needs at various stages of the life cycle. State-owned capital has a good performance in the field of venture capital and venture capital, and relevant mechanism innovations including reducing return investment requirements and optimizing the assessment mode continue to be promoted. In addition, regarding the withdrawal from the capital market, Lei Yao believed that the merger and acquisitions have become a new development direction, and he was optimistic about incremental policies such as expanding the pilot scope of mergers and acquisitions equity loans and appropriately relaxing the amount and proportion threshold of equity investment.

Chen Weidong believed that the financial system plays an important role in supporting the development of new quality productive forces. The transformation of technological achievements needs to find a balance among technology development, commercial operation and government support. A complete and effective financial support system should include the investment of government, enterprises and social capital, as well as the patient capital of the capital market and the innovative support of the banking system. Sichuan has experience in technology and finance ecology, which is worth learning from. In order to promote the development of sci-tech enterprises, local governments should further stimulate the vitality of scientific research, establish a platform for the connection between technological achievements and capital, and strengthen support for specialized and sophisticated enterprises. Local governments need to formulate targeted and attractive policies and improve the fault-tolerant mechanism of state-owned venture capital. In addition, it is necessary to support banks to improve the efficiency of financing support for sci-tech innovative enterprises. Where market conditions are met, commercial banks can be encouraged to set up franchise institutions, formulate targeted credit risk management systems, and cooperate with local governments to strengthen support for strategic industries. Attentions should also be paid to improving the financing guarantee insurance policy

of sci-tech innovative enterprises and small and medium-sized enterprises, and establish a risk mitigation and non-performing asset disposal system to ensure the healthy development of financial ecology.

Zheng Ye shared insights on how local banks can support small and medium-sized enterprises and sci-tech innovative enterprises. He stressed that financial institutions should have a good understanding of the financial development with Chinese characteristics, build a division of labor and cooperation system, and cultivate financial culture. As a small and medium-sized bank, Sichuan Bank should promote an operation pattern based on local characteristics and a localized, characteristic and differentiated development to serve the regional economy. In terms of technology and finance, Zheng Ye believes that small and medium-sized banks should deeply understand the characteristics of regional industries, provide customized services, and pay attention to the construction of talent teams to achieve a balance between risks and benefits. In response to the boundary and differential competition between large banks and small banks in serving enterprises, he believed that there are differences between large banks and small banks in terms of economies of scale, market coverage and resource investment. Small and medium-sized banks should give full play to local advantages in affinity, human resources and geography to achieve business development and risk prevention and control.

Zhang Ming explained his understanding of how to promote the development of the technology and finance sector. He said that technology and finance is a new thing. Facing the unprecedented change in a century, it is important to make domestic financial resources better serve independent innovation. He summarized the seven methods to promote the technology and finance sector. First, the well-functioning broad equity market needs to address the decline in the inflow of foreign capital and private capital, and reform the performance evaluation mechanism of state-owned equity investment funds. Second, develop the junk debt market and improve the tolerance of default of corporate bond issuance. Third, commercial banks should strengthen cooperation with excellent VC and PE funds to do a good job in investment and loan linkage. Fourth, develop the merger and acquisition market and provide good exit channels for equity investors. Fifth, jointly build a technology finance ecological groups, and strengthen the technological innovation cooperation among different departments and subjects. Sixth, give full play to the important role of policy banks in the technology and finance sector. Seventh, build a technology guarantee system for government credit. Among them, policy banks and the technology guarantee system for building government credit are the unique advantages of China's technology and finance sector, so their roles should be given to full play. He hoped that through these seven methods, China's sci-tech innovative enterprises can successfully get through the two death valleys of invention-innovation



transition and innovation-innovation promotion transition, and contribute to domestic independent innovation and economic growth efficiency.

Tu Yonghong said that technological innovation is the top priority in China's modernization. Facing the high technological uncertainty, long investment cycle, high risk and strong spillover in the sci-tech innovative industry, it is necessary to deepen the financial supply-side reform and establish an all-round and multi-level technology and finance service system. She pointed out that China's financial system is dominated by banks. Large banks not only have capital, reputation, technologies and market advantages, but also have sound mechanisms of high-quality enterprise screening and fast funds allocation on a large scale, which is highly suitable for the scale and organizational characteristics of the technology and finance sector, and is the main force in the allocation of science and technology financial resources. Therefore, she put forward three suggestions for major banks to serve the technology and finance sector. First, deepen institutional and mechanism innovation, which is the mainstay of the technology and finance sector. Second, large banks should make full use of the advantages of financial groups and explore new technology and finance models. Third, give the role of the market to full play to create a good ecology for the development of the technology and finance sector.

Guo Biao, assistant of the dean of the National Academy of Financial Research of Renmin University of China, presided over the seminar and interacted with seminar guests.

Guests attending the meeting also include heads of relevant financial regulatory departments and financial institutions, heads of universities and financial societies, experts and scholars from the industry, academia and research circles, and representatives of financial media.

It is reported that the Tianfu Financial Index (TFFI Index) was compiled by a research group of Renmin University of China. Based on the dimension of "theory, policy and practice", it evaluates the comprehensive financial development level of 36 central cities in China, aiming to promote the mutual understanding among cities and realize misaligned competition and misaligned development. Guided by the existing financial theory, TFFI has built an excellent index system that takes into account traditional and emerging financial industries, and reflects the main focuses and breakthrough points of national financial development. The data source and compilation method are open to the public and replicable, and adhere to objectivity and fairness. It is committed to dynamically tracking and evaluating financial development. Eight issues have been compiled and released in a row.

Seminar on the Construction of Hainan Free Trade Port under the New Economic and Financial Situation Successfully Held Experts Insight into New Opportunities Brought by Hainan Free Trade Port

The Seminar on the Construction of Hainan Free Trade Port under the New Economic and Financial Situation was successfully held in Haikou, Hainan province on the morning of December 13, 2024, which was guided by the Office of the Financial Commission of the Hainan Provincial Committee of CPC, hosted by the Research Institute of the Bank of China and the School of Finance of Renmin University of China, co-organized by the International Monetary Institute of Renmin University of China, the National Academy of Financial Research of Renmin University of China and the Hainan Branch of the Bank of China, and undertaken by the Hainan Institute of Finance of the Bank of China.

Lu Wei, deputy director of the Office of Financial Committee of the Hainan Provincial Party Committee, Liu Xu, deputy director of the Political Research Office of the Provincial Party Committee, Liao Zengliang, deputy director of the Comprehensively Deepening Reforms Office of the Provincial Party Committee, Li Gang, secretary of the Party Committee of the Hainan Regulatory Bureau of the Securities Regulatory Commission attended the meeting and delivered speeches. Chen Weidong, Dean of the Research Institute of the Bank of China, Tu Yonghong, Professor of the School of Finance of Renmin University of China, Lin Guangming, Chief Planner of Yangpu Economic Development Zone, Pan Hongsheng, Chief Economist of the China Institute of Finance and Capital Markets, Dong Yan, Director and Researcher of the International Trade Office of the Institute of World Economy and Politics of the Chinese Academy of Social Sciences, Song Pengcheng, Chief Scientist of Hainan Yuhe Digital Holding Company and Professor of Xi'an Jiaotong University Then deliver keynote speeches and expressed opinions. Wang Fanghong, senior researcher at the Hainan Institute of Finance of the Bank of China, presided over the meeting. Participants come from the Hainan branch of the Bank of China and major financial institutions in Hainan Province.

Lu Wei was the first to deliver a speech, where he welcomed the experts, scholars and leaders who attended the meeting, and wished the seminar a complete success.

Chen Weidong delivered a keynote speech with the title of “Evolution Trend of the International Economic and Trade Pattern and Opportunities of Hainan Province”. He believes that, at present, the multilateral process of global trade is hindered; Regional trade agreements are emerging; The trend of trade fragmentation is



intensifying; Trade protectionism is on the rise; Tariff and non-tariff barriers are rising simultaneously; China's export trade faces increasing uncertainties. China is actively responding to the challenges through trade diversification. Trump's tariff policy increases global trade uncertainties. On the other hand, from the perspective of global FDI, international capital flows have shrunk significantly and the proportion of FDI has increased. FDI flowing into developing economies and manufacturing sectors shows resilience. China has become an important participant in the global ODI, and it is increasingly attractive to foreign investment in the field of high added value. The demand for strategic resources of key minerals has increased, and the FDI investment attraction capacity of some countries in the mining industry has increased. Trump's energy policy will affect global investment in traditional energy and new energy. The construction of Hainan Free Trade Port should adhere to a high level of opening up to the outside world and seize opportunities in trade and investment.

Tu Yonghong delivered a speech with the theme of "Cross-border RMB Observation and Opportunities in Hainan" and put forward views on the development potential of cross-border RMB in Hainan. At present, there are mainly the following highlights in the process of promoting cross-border RMB. State-owned enterprises play an important role in promoting the internationalization of RMB. RMB transaction increases fast between overseas enterprises and third-country enterprises in the Belt and Road region. Enterprises have a deeper understanding and more positive evaluation of the practicality and efficiency of RMB in cross-border transactions. The awareness of exchange rate risk management and the level of business operations have risen steadily among enterprises. There are still prominent shortcomings in the cross-border RMB: the long-standing problems of high complexity and poor continuity of policies have not been improved significantly; The international use of RMB is still at a relatively elementary stage in the European, American and Australian markets; The product scenarios and willingness of private enterprises and foreign enterprises to use RMB are still weak, and there is still room for increasing. Hainan province should take cross-border RMB as the driving force of financial opening up to promote the cross-border application of RMB.

Pan Hongsheng delivered a keynote speech with the title of "Supporting the Construction of Hainan Free Trade Port through Capital Markets". Pan Hongsheng pointed out that the current financial regulatory authorities have provided a large amount of financial policy support for the construction of Hainan Free Trade Port, but the capital market of Hainan Free Trade Port still needs time to pursue further development. Hainan province should focus on its own advantages, and make good use of its complete industrial structure, central top-level design and local government's business leadership, so as to stimulate market vitality and promote the concentration and flow of capital, personnel, information and industries. The financial support should achieve an organic combination of top-level design and practical

exploration. Under the guidance of developing the five major financial sectors, Hainan should explore the innovation of financial products and tools based on the characteristic industries including modern planting, medical and health care, and new energy, and transform the traditional thinking of construction through introduction. It should establish an international information exchange network with Hainan as the talent base, and establish a overseas investment network for enterprises with Hainan as a transit hub, so as to realize the “going out” of Hainan Free Trade Port.

Dongyan made an in-depth speech on the construction of Hainan Free Trade Port under the new international economic and trade situation. Dong Yan pointed out that the global trade system is facing major changes, and WTO, as the carrier of international trade rules, is facing the pressure of the sudden acceleration of transformation. In the past, countries sought to maximize the welfare of member countries through the trade system, but now the formulation of trade rules has begun to integrate geopolitical factors, paying more attention to hard power and soft power. Although the WTO faces challenges, it still plays an important role in promoting international trade liberalization and inclusiveness. In particular, in recent years, global trade issues have gradually expanded to the digital economy, climate change, and service industry, reflecting the changes in the pattern of industrial division. The new situation brings both challenges and opportunities to the innovative development of Hainan Free Trade Port, the highland of China’s opening up. Hainan should strengthen the innovation of the whole industrial chain, improve the level of opening up to the outside world, and promote the linkage and innovation of policies and industries. The success of Hainan Free Trade Port will not only be reflected in the inflow of foreign capital. It can promote industrial development through institutional innovation and high-quality economic transformation, and contributes to the adjustment of the global trade system.

Lin Guangming delivered a keynote speech with the title of “Promoting the Construction of Hainan Free Trade Port with Singapore as a Teacher and ASEAN as a Friend”. Lin Guangming pointed out that, in the context of counter-globalization, Hainan plays an important role as a bridge of regional trade between China and ASEAN countries. Hainan, as a free trade port, has a historical and cultural affinity and a complementary economic structure with Singapore. Therefore, it can introduce Singapore’s technology and capital, and explore the ASEAN market and even the global market with Singapore as an intermediary. Singapore’s development experience shows that lowering the threshold for talent introduction and strengthening English promotion can effectively improve the city’s openness to the global market. Building a stable and transparent policy environment and giving appropriate policy discretion can stabilize the investment expectations of foreign investors. Cultivating urban ecosystems and enhancing community governance can greatly enhance citizens’



sense of belonging. Hainan should take Singapore as a teacher to draw on its experience, create an overseas-like environment to increase its extroversion, and build a tropical “cool city” with high standards to embrace its history, nature and communities. Hainan and Singapore have a wide range of cooperation fields and great potential. Alternative, complementary, guaranteed, intermediary-style, investment-based, and resource-based patterns can be explored to deepen cooperation.

Song Pengcheng gave an in-depth speech on Hainan’s data cross-border flow policy and the construction of international data centers. He pointed out that Hainan is promoting digital trade and the cross-border exchange of data assets through policy innovation. It issues the Regulations on the Development of International Data Center of Hainan Free Trade Port to promote the construction of the international data center. Hainan’s policy allows the processing and integration of domestic and foreign data in specific regions, thus providing new possibilities for international digital trade and cross-border data flow. The role of digital RMB in the digital economy is not only a payment tool. The interaction between digital RMB and computing power and proof of work (POW) may provide a new value exchange model for the digital economy. The combination of digital RMB and digital trade is a major trend of future economic development.

Finally, Wang Fanghong made a concluding speech. After the meeting, experts, scholars and industry insiders had further discussions.

With the theme of “Construction of Hainan Free Trade Port under the New Economic and Financial Situation”, this conference gathered a number of experts and scholars to discuss in depth the opportunities and challenges facing Hainan Free Trade Port in the evolution of international economic and trade patterns, cross-border RMB use, capital market development, international cooperation and cross-border flow of data. The conference provided suggestions on how to use policy innovation, financial opening, and digital economic development to stimulate economic growth of Hainan Free Trade Port, and how to promote industrial development and high-quality economic transformation through institutional innovation to contribute to the development of Hainan Free Trade Port and the adjustment of the global trading system.

Finance Supporting High-Quality Development of Private Economy Roundtable on Money & Finance (Autumn 2024) Held

On November 16, the Roundtable on Money & Finance (Autumn 2024) and Seminar on Finance Supporting High-Quality Development of Private Economy was successfully held in Nanjing, Jiangsu province. The meeting implemented the decisions and plans of the CPC Central Committee and the State Council on supporting private economic development. With the theme of “Finance Supporting High-Quality Development of Private Economy”, the seminar brought together more than 100 guests in the fields of politics, industry, academia, research and finance. Through keynote speeches and roundtable discussions, they discussed the detailed implementation of macro policies and the innovative development of financial supply, and made suggestions for the high-quality development of the private economy.

The meeting was chaired by Ben Shenglin, co-director of the International Monetary Institute of Renmin University of China and dean of the International Business School of Zhejiang University. Zhang Jianming, former executive deputy secretary of the Party Committee of Renmin University of China and vice president of the Alumni Association, and Huang Jinlao, chairman of Suzhou Commercial Bank and president of Jiangsu Digital Finance Association, delivered speeches respectively. Wang Guogang, a national first-class professor, professor of the School of Finance of Renmin University of China, and member of the Chinese Academy of Social Sciences, Hu Ming, deputy secretary-general of the Jiangsu Provincial Committee of the Chinese People’s Political Consultative Conference and vice chairman of the Provincial Federation of Industry and Commerce, Cao Tong, co-chairman of the International Monetary Institute of Renmin University of China and chairman of Shanghai Huarui Bank, delivered keynote speeches respectively.

Zhang Jianming, former executive deputy secretary of the Party Committee of Renmin University of China and vice president of the Alumni Association, said in his speech that we should continuously strengthen financial services for private enterprises in the new era. The practice can promote high-quality financial development and improve the quality and efficiency of financial services for the private economy, which is of strategic significance for building a powerful socialist modern country in an all-round way.

Over the past 40 years of reform and opening up, China’s private economy has been playing an increasingly important role in the national economy, which is an important driving force for economic growth. At present, China’s state-owned enterprises are still facing problems such as difficult and expensive financing, and poor effectiveness and accuracy of financial support for the private economy. The



CPC Central Committee has made strategic planning of “promoting the development of the private economy” and continuously strengthened financial support for the high-quality development of the private economy. The measures not only affirm the important contribution of the financial system, but also put forward higher development requirements and provide action guidelines for the high-quality development of China’s finance.

Huang Jinlao, chairman of Suzhou Commercial Bank and president of Jiangsu Digital Finance Association, said in his speech that Suzhou Commercial Bank was built for small and medium-sized private enterprises and consumers. Digital technology is the key tool of Suzhou Commercial Bank in serving private small, medium and micro enterprises. It is cost-effective and highly efficient and can serve all purposes. As a TOP10 digital bank in the world, Suzhou Commercial Bank implemented the “Small and Micro Data Risk Control Bottleneck Technology Project” to realize the whole process of intelligent financial services for small and micro enterprises. Since its establishment 7 years ago, Suzhou Commercial Bank has served nearly 3 million private enterprise customers, and released more than RMB 400 billion in pure credit loans, with an average of RMB 90,000 per household. Thanks to the good business environment in Jiangsu province and the Yangtze River Economic Zone, the ROE of Suzhou Commercial Bank has always remained above 16%. He expressed his hope that the Law on the Promotion of Private Economy will further protect the fair and just market treatment of private enterprises, and list more clear and powerful quantitative standards for government and state-owned enterprises bidding and clearing arrears of large enterprises.

Wang Guogang, a national first-class professor, professor of the School of Finance of Renmin University of China, expressed that real enterprises are the main body for creating wealth and value, and the level of return on assets determines the interest rate level. When the interest rate declines, in-depth study should be carried out on the return on assets situation of real enterprises.

Improving quality and increasing efficiency are the inherent requirements and logical outcomes of high-quality economic development. It is necessary to thoroughly study General Secretary Xi Jinping’s expositions on accelerating the development of new quality productive forces. Through four major measures, namely, focusing on the development of venture capital, accelerating the development of commercial high-tech, establishing fault-tolerant mechanisms, and strengthening financial support, we can increase the modern technological content of products and wealth, and enhance the marginal return on assets of real enterprises, so that the interest rate can better play its role in adjusting the supply of tradable funds.

Hu Ming, deputy secretary-general of the Jiangsu Provincial Committee of the Chinese People’s Political Consultative Conference and vice chairman of the Provincial Federation of Industry and Commerce, said that in 2023, the total private

economy volume in Jiangsu province was RMB 7.42 trillion, ranking first in China, accounting for 57.8% of the province's GDP, with a tax contribution exceeding 1 trillion yuan. The private economy created more than 80% of the new jobs in the province, and the high-tech output value ratio of private enterprises reached 90%. The numbers showed that the private economy serves as a powerful engine for the province's economy, the main force of entrepreneurship and innovation, the main employment provider and the main creator of social wealth. Since this year, Jiangsu has successively issued the "20 Articles" to promote the development of the private economy, and policy documents focusing on further strengthening private investment, consolidating and enhancing the momentum of economic recovery, which aim to provide policy support for the high-quality development of the private economy.

He believed that providing stable, long-term and accurate financial services can promote the high-quality and innovative development of the private economy. It is necessary to match the financial support with the social contribution of the private economy, and to match the financial supply with the actual needs of private enterprises. We should continue to enhance the supply of high-quality financial services to private enterprises, broaden the direct financing channels of private enterprises, promote close cooperation between banks and government enterprises, and improve the sense of financial gain of private enterprises.

Cao Tong, co-chairman of the International Monetary Institute of Renmin University of China and chairman of Shanghai Huarui Bank, shared his views on the digitalization plan to help the private economy, specifically from the digital governance of listed companies without real controllers. In recent years, the number of uncontrolled private enterprises has increased. Take listed companies as an example, there are 323 uncontrolled listed enterprises, with a total market value of more than 10 trillion yuan, total assets of more than RMB 54 trillion, total liabilities of more than RMB 46 trillion, and total revenue of more than RMB 6 trillion. A considerable number of enterprises without real controllers have rich industry professional experience, industry connections, professional talents, industry or product approval qualifications, and trademark influence.

Cao Tong believes that there are three ways to transform private enterprises without real controllers. First, find a private controller, which requires controlling more equity and a board of directors with complex processes and high transaction costs. Second, look for a state-owned controller, which is a non-economic decision-making, with an occasionality and rare opportunities. Third, pursue a transformation through the Token mechanism into a social enterprise and form a self-allocation of social resources, which is a new path for the sustainable development of private enterprises.

The roundtable seminar was chaired by Song Ke, executive dean of the Higher



Institute of Social Sciences (Shenzhen) of Renmin University of China and deputy director of the International Monetary Institute. Yang Zaiping, founding secretary-general of the Asian Financial Cooperation Association and former vice president of the China Banking Association, and Zhou Daoxu, director of the Financial Security Research Center of PBC School of Finance of Tsinghua University, Yang Tao, deputy director of the National Laboratory of Finance and Development, Yu Honghai, dean of the School of Engineering Management of Nanjing University, Zhu Taihui, vice dean of JD Economic Development Research Institute, Zhou Xu, director of Nanjing Securities Research Institute, and Chu Bing, vice president of Suzhou Commercial Bank, respectively shared their views in the high-end dialogue on policy support, digital innovation, and enterprise sci-tech innovation evaluation to help the high-quality development of the private economy.

Yang Zaiping, founding secretary-general of the Asian Financial Cooperation Association and former vice president of the China Banking Association, pointed out that although China has successively issued a series of policy documents to support the private economy, “Glass doors”, “spring doors” and “revolving doors” still exist and hinder the inflow of private economy capital, as well as hidden barriers for private enterprises to enter some key areas.

To this end, financial support for the private economy needs to solve “ownership discrimination” from orientation, policy, law and theory. We should treat all kinds of market entities equally when carrying out business, and guide more financial resources to the private economy to add impetus to its development and growth.

Zhou Daoxu, director of the Financial Security Research Center of PBC School of Finance of Tsinghua University, shared his views on how finance supports the high-quality development of the private economy. From a macro perspective, we should make efforts to support multi-level capital markets, diversified financial institutions, and multi-channel international cooperation. From a micro perspective, we should make efforts to provide innovative credit products, innovative guarantee mechanisms, and innovative technological support. From the perspective of trends, we should make efforts to promote data assetization and intelligence popularization. Specifically, it is necessary not only to build a comprehensive and high-quality financial data ecosystem, but also to build an intelligent financial platform to support the private economy.

Yang Tao, deputy director of the National Laboratory of Finance and Development, said that from the perspective of improving the financial “effective demand” of the private economy, it is necessary to distinguish whether it is financial demand or non-financial demand, financial products or financial ecology, financing demand or non-financing demand, and scale demand or price demand. From the perspective of optimizing the “effective supply” of financial support for the private economy, entry points can be found in the “Five Major Sectors”. For example,

services can be provided to the enterprises focusing on technology, greenness, inclusive benefits and elderly care. Attention should also be paid to improving the financial ecology and financial infrastructure that serve the private economy, such as credit building, environment improvement, institutional guarantees, and data elements.

Yu Honghai, dean of the School of Engineering Management of Nanjing University, pointed out that the core focus in financial support for the high-quality development of the private economy is how to promote technological innovation, especially subversive technological innovation, and develop new quality productive forces. Judging from the evaluation of subversive technological innovation of existing domestic and foreign enterprises, existing problems include: there is a lack of subversive technology-oriented enterprise identification system; the existing text-based technology innovation index construction is too subjective; there is a lack of investment products to identify subversive technological innovation.

Yu Honghai gave an introduction of the evaluation of disruptive technological innovation of his team, which was objective, authoritative and replicable, referred to cutting-edge academic research achievements, and used natural language processing technology and enterprise patent information. He also gave some cases of the evaluation of subversive technological innovation ability of listed companies. He pointed out that later they will carry out the evaluation of subversive innovation ability of China's unlisted enterprises, and the evaluation of independent technological innovation in China. They will further explore subversive technological innovation companies, guide the allocation of financial resources, and help realize the independent financial empowerment of high-level technologies.

Zhu Taihui, vice dean of JD Economic Development Research Institute, said that the financial services of the private economy need to break the fixed pattern of thinking. First, it is necessary to clarify the dominating role of the private economy. Considering the great contribution of the private economy to economic and social development, the credit services of private enterprises and small and micro enterprises still have a lot of room for improvement. Second, it is necessary to give full play to the Catfish Effect of private financial institutions, coordinate and improve the supervision of institutional access, corporate governance and risk exit, and take the development of private financial institutions as a catalyst for financial support for high-quality economic and social development. We are in the new stage of accelerating the implementation of innovation-driven development strategies and actively creating new quality productive forces. Therefore, we should facilitate platform listing and boost venture capital confidence. It is necessary to support the listing of platform enterprises as a key method to promote the connection between equity financing and venture capital fund withdrawal of private enterprises.



Zhou Xu, director of Nanjing Securities Research Institute, said that there are two specific methods to further strengthen policy support to help the high-quality development of the private economy. First, optimize the assessment standards of equity investment funds; establish fault-tolerant and exemption mechanisms; open up the exit channels of equity investment; optimize the state-owned capital assessment system. Second, promote policies leaning towards people's livelihood and consumption, so as to facilitate the economic cycle through consumption; focus on ensuring employment.

Chu Bing, vice president of Suzhou Commercial Bank, said that Suzhou Commercial Bank, as the first digital bank in Jiangsu province, has established full-process data capabilities, and promoted the research and development of artificial intelligence technology. It has realized the full-process management of small and micro credit. He suggested that we should not only promote the growth of domestic demand, but also reduce the burden and taxes on private enterprises. It is also necessary to further increase preferential credit policy support for small and micro enterprises, further open up data, improve the depth of data risk control of banks, and encourage banks to innovate sci-tech innovative financial products, create patient capital, and develop new quality productive forces.

Roundtable on Money & Finance is a high-level quarterly forum created by the International Monetary Institute of Renmin University of China. It has been held for 17 years since it was first held in 2007. In the past 17 years, the forum has invited well-known financial experts at home and abroad to share insights into monetary and financial reform and development, aiming to provide reference for the formulation and implementation of China's international financial strategy. The forum has become an important international academic exchange platform in the field of monetary finance, and the theories and practices if put forwarded are widely acknowledged in the financial circle.

This conference is co-hosted by the School of Finance of Renmin University of China, the National Academy of Financial Research and the Suzhou Commercial Bank, co-organized by Jiangsu Digital Finance Association, the International Monetary Institute of Renmin University of China and the International Business School of Zhejiang University, and undertaken by Star Atlas Institute of Finance.

Research

Macro-Finance Salon

Editor's Note:

The Macro Finance Salon, co-hosted by the School of Finance and the National Academy of Financial Research at Renmin University of China and organized by the International Monetary Institute (IMI), serves as a high-level academic platform. It draws on China's practical experiences and keeps pace with global developments to promote the construction of the Macro Finance discipline and advance theoretical, policy, and strategic research in finance.

Professor Huang Da, the founder of the Macro Finance theoretical framework in China, initiated this discipline in response to the challenges of economic globalization. Over the years, successive generations of scholars have expanded this system, emphasizing the integration of finance with the real economy and macrofinance with microfinance. This framework, rooted in Renmin University's distinctive academic tradition, continues to inspire theoretical innovation and offers valuable guidance for addressing China's financial and economic challenges.

Macro-Finance Salon (No. 238): Breaking the Dilemma of Insufficient Demand: An Analysis of the Current Macroeconomic Situation

On October 20th, the 238th session of the Macro Finance Salon, hosted by the School of Global and Area Studies and the International Monetary Institute (IMI) of Renmin University of China, was successfully convened at Renmin University of China. The event's theme was "Breaking the Dilemma of Insufficient Demand: An Analysis of the Current Macroeconomic Situation."

Shi Fan, founder of Zhicheng Zhuoyuan Quantitative Private Equity and member of China Society for Futures Studies, delivered the keynote presentation. Distinguished speakers included Lei Chengyao, Director of the China Bond Research Institute and Professor at the School of Finance, Renmin University of China; Li Zhiqi, Deputy Director of the Economic Committee of the Beijing Municipal Committee of the CPPCC, Vice Chairman of the Beijing



Federation of Industry and Commerce, and Special Research Fellow at the Beijing Municipal Government Advisory Office; Wang Qi, Industry Mentor for Professional Master's Programs at the School of Finance, Renmin University; and Wu Kexian, Associate Professor at the School of Finance, Renmin University. The meeting was chaired by Zhai Dongsheng, IMI Research Fellow and Director of the Institute of Regional and Country Studies at Renmin University.

The salon revolved around the theme “Breaking the Dilemma of Insufficient Demand: An Analysis of the Current Macroeconomic Situation”, addressing the challenge of insufficient demand currently faced by both global and Chinese economies. Discussions analyzed the underlying economic, political, and structural causes, including the decline in capital returns caused by an excessive capital stock, and its subsequent impact on corporate investment decisions. Experts further explored potential policy instruments such as central bank and Ministry of Finance asset swaps, government bond issuance, and innovative public-private ownership models, aiming to stimulate economic growth while discussing their implementation challenges.

Shi Fan's keynote, titled “From Insufficient Demand to Declining Capital Returns: Economic Structural Adjustments and Policy Pathways,” offered a detailed analysis of the critical issue of insufficient demand in China. He argued that this issue has become increasingly acute in recent years due to a mismatch between capital and demand. Wealthy groups exhibit low consumption willingness, while the lower-income groups lack purchasing power, leaving the market unable to effectively absorb goods. Although policies have sought to boost the economy by encouraging investment, corporate expectations for low returns on investment have significantly dampened investment enthusiasm, failing to address the core problem of insufficient demand.

Shi highlighted that China's long-standing reliance on investment-driven growth has resulted in capital stock growth far outpacing economic growth, with capital returns steadily declining. In 2019, capital returns dropped to 4.8% and are expected to decline further through 2023 and 2024. While emerging industries may deliver higher returns, they cannot raise the overall return on capital across the economy. This imbalance exacerbates market pressure and limits sustainable structural development.

To counter these challenges, Shi emphasized the need for structural adjustments during this critical period. With declining capital returns, weakened corporate investment intentions risk leading the economy into low growth or stagnation. He proposed that the government could compensate for insufficient private consumption by increasing public consumption through fiscal deficits. Additionally, he underscored the importance of managing risk premiums to stabilize capital markets and support continued structural adjustment.

Shi introduced an innovative public-private ownership model known as “state equity, private management”. In this model, public capital would act as a minority shareholder participating in investment and profit distribution via the capital markets. It separates enterprise management from ownership and investment decisions from capital ownership, striving to balance interests between public capital and private enterprises. By improving resource allocation efficiency, this approach aims to overcome economic growth bottlenecks, build better corporate governance systems, and promote a more inclusive and equitable market economy.

Lei Chengyao emphasized the complexity and unpredictability of the economic system, describing it as an evolutionary and chaotic system, rather than the static equilibrium often portrayed in standard economic models. He cautioned that certain policy measures, including state equity, private management, might trigger unforeseen chain reactions, requiring further refinement and assessment. He also suggested that capital returns, divided into valuation gains and income-based yields, might be overestimated. Lei advocated for more rigorous methodologies to accurately compare capital and non-capital income returns.

Li Zhiqi observed that low corporate investment willingness stems from falling returns on investment. He proposed optimizing asset structures as a reform pathway and redefining the relationship between state-owned and private enterprises to foster closer cooperation and a more balanced distribution of benefits. On the household side, he emphasized the importance of increasing non-wage income levels to drive consumption. He highlighted recent stock market policies aimed at enhancing household income, but warned against excessive leverage and speculative behavior, which could lead to financial risks.

Wang Qi discussed the structural issues of China’s debt-dominated financial system, which has led to high leverage risks and a heavy debt burden. He advocated for a direct financing model dominated by equity financing, which promotes innovation and supports risk tolerance. He also noted challenges posed by highly concentrated shareholder structures and the lack of liquidity in long-term holdings, which hinder efficient resource allocation. Wang called for balancing market concentration and diversification to stabilize the capital market and maintain innovation capacity.

Wu Kexian argued for lowering capital’s demand for excessive returns by leveraging state ownership to bear higher risks. He suggested that state equity, private management could be an innovative approach to addressing insufficient investment, but warned of potential agency problems, such as reduced incentives for private entrepreneurs. Wu emphasized optimizing state ownership ratios to ensure a balance between encouraging innovation and addressing investment shortages. He also stressed the need for equitable distribution of capital and labor returns to avoid social inequalities.



The 238th session of the Macro Finance Salon brought together prominent experts and scholars to address the dual challenges of insufficient demand and declining capital returns. Discussions offered innovative insights into macroeconomic policies, such as the “state equity, private management” model, and broader strategies for stimulating growth. Participants also explored issues related to national welfare, risk premium management, and potential shifts in China’s macroeconomic policies.

These in-depth exchanges have contributed significant intellectual resources for exploring solutions to insufficient demand within the framework of China’s distinctive financial model. The expert insights and recommendations are expected to inform future policy formulation and practical implementation.

Macro-Finance Salon (No. 239): Macroeconomic Policy Lessons from Japan’s Era of Low Inflation and Low Growth

On October 24, 2024, the 239th Macro Finance Salon, hosted by the School of Finance and the National Academy of Financial Research at Renmin University of China, and organized by the International Monetary Institute (IMI), was successfully held in Beijing. The theme of the session was “Macroeconomic Policy Lessons from Japan’s Era of Low Inflation and Low Growth.”

The keynote speech was delivered by Professor Hibiki Ue from Keio University. Other prominent participants included Zhao Xijun, Co-Dean of the China Capital Market Research Institute at Renmin University; Fang Ming, Director and Chief Researcher of the Global Finance Strategy Laboratory at Southwestern University of Finance and Economics; Tu Yonghong, Deputy Director of IMI and Director of the Yangtze River Economic Belt Research Institute at Renmin University; and Liao Zhiming, a young member of the IMI Monetary and Financial Roundtable. The session was moderated by Zhang Zhixiang, former Director General of the International Department at the People’s Bank of China and former Executive Director for China at the IMF.

Professor Ue reviewed the development of Japan’s economy since the 1985 Plaza Accord, highlighting trends in GDP growth, asset price inflation, and subsequent stagnation. From 1980 to 1990, Japan’s real GDP growth slowed after an initial rapid increase, while asset prices—including residential land, commercial real estate, and equities—soared before collapsing, resulting in a prolonged period of stagnation that only recently began to reverse.

Key observations included:

Residential land prices peaked in 1990, having grown 2.5 times since 1985, before collapsing with the bursting of the bubble. It took until 2015—30 years—to return to 1985 levels.

Commercial real estate prices followed a similar trajectory, increasing fourfold during the bubble before a prolonged decline. These prices have only

recently returned to 1985 levels.

Stock prices tripled between 1985 and 1990 but fell sharply after the bubble burst, only beginning to recover around 2010. This recovery was largely driven by overseas investments by Japanese corporations and yen depreciation, rather than domestic economic growth.

Regarding exchange rates, Professor Ue noted that Japan's real effective exchange rate appreciated continuously from 1970 to 1995, after which it began to depreciate. The yen has now depreciated to approximately one-third of its 1995 peak. This depreciation was primarily driven by export-oriented or internationally operating Japanese companies transacting in yen. Over the past decade, export-driven growth has significantly influenced Japan's stock market performance.

Professor Zhao Xijun, Co-Dean, China Capital Market Research Institute, Renmin University of China, analyzed the effects of Japan's bubble burst, emphasizing the resulting "balance sheet recession." The deterioration of corporate balance sheets led to resources becoming trapped in "zombie enterprises", reducing new investment and prolonging economic stagnation.

He also highlighted demographic challenges as a critical factor in Japan's economic malaise. Aging populations and lifetime employment systems limited opportunities for younger workers, which in turn reduced consumption, savings, and the stability of social security systems. This created a vicious cycle. Even as Japan's economy has returned to pre-bubble levels, labor shortages have emerged as a new challenge, offering valuable lessons for China's policy responses.

Dr. Fang Ming, Director and Chief Researcher, Global Finance Strategy Laboratory, Southwestern University of Finance and Economics, attributed Japan's prolonged stagnation to insufficient economic and financial internationalization. He noted that while Japan achieved success in outward investments and partial yen internationalization following the Plaza Accord, its failure to fully globalize left it vulnerable to external shocks, such as the global dollar cycle, which contributed to the formation and collapse of Japan's economic bubble.

Fang suggested that China should:

1. Deepen cooperation with neighboring countries.
2. Actively participate in global economic governance.
3. Promote economic diversification and innovation through international collaboration to avoid the middle-income trap and foster sustainable growth.

Dr. Tu Yonghong, Deputy Director, IMI; Director, Yangtze River Economic Belt Research Institute, Renmin University of China, analyzed Japan's economic challenges from the perspective of the international monetary system, emphasizing the importance of reducing dependence on the U.S. dollar and advancing reforms in the global monetary framework to ensure long-term



economic stability.

For China, Dr. Tu recommended alleviating domestic aging-related pressures by increasing overseas investments. She also highlighted the comparative effectiveness of fiscal policy in overcoming economic stagnation. She contrasted Japan's limited reliance on fiscal measures with the U.S.'s recovery from the dot-com bubble and subprime mortgage crisis, which took approximately five years due to the effective use of fiscal policy.

Dr. Liao Zhiming, Young Member, IMI Monetary and Financial Roundtable, emphasized that China faces an even more severe demographic challenge than Japan, raising concerns about the long-term effectiveness of economic policies.

He noted that while China's recent interest rate cuts have lowered borrowing costs, structural challenges — such as overcapacity in certain industries and pressure on household income growth—limit the effectiveness of near-zero interest rates. These rates may fail to stimulate consumption and could reduce household income from deposit interest, further weakening consumer confidence.

Dr. Liao highlighted the risk of declining deposit rates prompting households to favor long-term savings over consumption, particularly in the context of continued rate cuts. Policymakers must account for these dynamics to avoid a prolonged period of low growth.

Macro-Finance Salon (No. 240): How the Wealth Management Industry Can Excel in the Digital Finance Era

The closed-door seminar “How the Wealth Management Industry Can Excel in the Digital Finance Era”, along with the launch event for the 2024 Mid-Year China Wealth Management Industry Trends Report, was recently held successfully in Beijing.

Keynote speeches were delivered by Zhang Xiaoyan, Vice Dean and Chair Professor of Finance at the Tsinghua University PBC School of Finance, as well as leaders from relevant regulatory bodies and industry associations. Song Ke, Deputy Director of the International Monetary Institute (IMI) at Renmin University of China, presented the report on behalf of the research team.

During the industry practice sharing session, representatives from leading institutions shared their insights, including:

Sun Na, General Manager of the Personal Finance Department at China Construction Bank; Li Li, General Manager of the Wealth Management Department at Industrial Bank; Chen Liyuan, Vice President of E Fund Management and Chair of the Financial Technology Executive Committee, and Wang Ling, Co-Head of the Information Technology Department and General Manager of the Digital Operations Department at Huatai Securities.

In the expert commentary session, prominent figures such as Xiao Gang, former Chairman of the China Securities Regulatory Commission (CSRC); Li

Dongrong, former Deputy Governor of the People's Bank of China (PBOC); Zhou Yanli, former Vice Chairman of the China Insurance Regulatory Commission; Li Lihui, former President of Bank of China; and Wang Chaodi, former Chief Inspector at the National Financial Regulatory Administration (NFRA), offered their remarks.

The roundtable discussion session featured industry representatives including:

Wang Yinchun, Head of the Data Center at China Asset Management Co., Ltd. (Hua Xia Fund); Yuan Dongning, Deputy General Manager of the Wealth Management Department at China CITIC Bank; Zheng Haiwei, President of Yonyou Financial; Chen Liyu, Senior Vice President of Ice Kredit Technology;; Wang Qiang, General Manager of the Wealth Management Department at Bank of Beijing, and Wang Jifan, General Manager of the Internet Finance Department II at Bosera Asset Management.

The meeting was moderated by Zhang Jianhua, Professor at the Tsinghua University PBC School of Finance.

Experts engaged in a comprehensive discussion on the emerging trends and characteristics of China's wealth management industry in recent years. They shared best practices and case studies from the digital wealth management sector, analyzed the challenges and difficulties faced in achieving success in digital finance, and proposed strategies for the next phase of digital transformation and high-quality development in the wealth management industry.

Macro-Finance Salon (No. 241): Post-Election U.S.-China Relations and Global Economic Transformation

On the evening of November 14, 2024, the 30th Renmin University Shenzhen Social Science Salon and the 241st Macro Finance Salon were successfully held online. Hosted by the Advanced Institute of Social Sciences (Shenzhen), this session was jointly organized by the Shenzhen Institute of Advanced Finance, the International Monetary Institute (IMI), and the Chenghai Institute for Global Development and Security (Shenzhen) at Renmin University of China. The event featured a keynote report by Professor Fan Jishe, Vice Dean of the Institute for International Strategic Studies at the Central Party School of the Communist Party of China (National Academy of Governance).

Panelists included: Zhang Falin, Vice Dean and Professor, Zhou Enlai School of Government, Nankai University; Xia Le, Chief Asia-Pacific Economist at BBVA Research; Zuo Xiying, Professor, School of International Studies, Renmin University of China; Wang Bin, Chief Macroeconomic Analyst at the Research Center of the Investment Banking Department, Industrial and Commercial Bank of China; and Qu Qiang, Vice Dean of the School of



Journalism and Communication at Minzu University of China and Research Fellow at the Belt and Road Initiative National and Regional Research Center under the National Ethnic Affairs Commission.

The session was moderated by Xing Yang, Research Fellow at the Advanced Institute of Social Sciences (Shenzhen), Renmin University of China.

Professor Fan Jishe, Vice Dean, Institute for International Strategic Studies, Central Party School of the CPC (National Academy of Governance), analyzed the profound shifts in U.S. foreign policy and their underlying causes. He noted that the U.S. is undergoing a fundamental adjustment in its diplomatic strategy. Historically, U.S. foreign policy was ambitious, aiming to “reshape the world” by promoting democracy and market economies. However, since Trump’s first term, U.S. policy has shifted toward an “America First” approach, prioritizing domestic interests over international responsibilities. This shift, Fan argued, stems from multiple domestic challenges.

Fan identified four key dilemmas driving this policy transformation:

1. The prolonged War on Terror, which drained U.S. resources and hindered its ability to focus on domestic economic and social development.
2. The unequal impact of globalization, which benefited large corporations but harmed the American middle and lower classes, widening income inequality and fueling public dissatisfaction.
3. The rapid rise of liberalism over the past three decades, which has led to social divisions within the U.S.
4. Increasing political polarization, which has obstructed solutions to pressing political, economic, and social issues.

These policy adjustments have had a profound impact on the international order. The U.S. has gradually withdrawn from its traditional role as a global leader, turning inward to focus on domestic economic recovery and strategic competition. This shift has escalated tensions among major powers, reducing opportunities for cooperation and reshaping the global political landscape.

Professor Zhang Falin, Vice Dean and Professor, Zhou Enlai School of Government, Nankai University, provided an overview of recent developments in U.S.-China relations, focusing on potential trends in financial relations. He observed that while the outcomes of Trump’s two election victories may appear similar, the processes and public expectations behind them differ significantly. Trump’s second victory reflects deep societal divisions and a strong desire for change among certain groups.

Regarding financial policies under a Trump administration, Zhang predicted that U.S. dollar hegemony would persist. The dollar and the U.S. financial system remain America’s “soft nuclear weapons,” and while the U.S. faces economic challenges, the dominance of the dollar is unlikely to waver in the short term. He also highlighted the rise of digital currencies, particularly the digital yuan, as a potential new arena for U.S.-China competition.

Zhang further noted that Trump’s trade war and the COVID-19 pandemic

have accelerated the retreat of globalization, exposing vulnerabilities in international economic dependencies. For China, identifying new growth drivers, particularly in high-tech and digital fields, will be critical for future development.

Dr. Xia Le, Chief Asia-Pacific Economist, BBVA Research, argued that while the U.S. economy rebounded significantly after the pandemic, inflation and stagnant real wage growth have fueled voter dissatisfaction, a key factor in Trump's potential return to the White House. Xia speculated that Trump might adopt harsher tariff policies against China, using tariffs as both a bargaining chip and an economic weapon.

To address external and internal challenges, Xia recommended a systematic approach for China:

Short-term: Protect employment and stimulate domestic demand.

Long-term: Drive structural economic adjustments.

Xia also suggested that China consider retaliatory tariff measures, such as imposing additional tariffs on U.S. goods and offering subsidies for export tax rebates. He emphasized the importance of expanding economic cooperation with friendly nations while carefully evaluating policies toward U.S. companies to safeguard China's interests in international trade.

Professor Zuo Xiyang, Professor, School of International Studies, Renmin University of China, argued that the 2008 financial crisis marked a turning point for the U.S., which has since evolved into a more "ordinary nation" in its domestic and foreign policies. The strategic dividends the U.S. enjoyed after the Cold War have diminished, while globalization has exacerbated domestic challenges, eroding the foundations of the liberal international order.

In this context, Zuo noted that globalization's losers within the U.S. have increasingly supported protectionist policies, including higher tariffs. Trump leveraged this sentiment by advocating for tariffs as a means to revive domestic manufacturing and "Make America Great Again."

Dr. Wang Bin, Chief Macroeconomic Analyst, Research Center of the Investment Banking Department, Industrial and Commercial Bank of China, highlighted the "information cocoon" phenomenon, where exposure to like-minded content creates biases, contributing to Trump's electoral success. This outcome reflects a disconnect between elite perspectives and broader public sentiment.

Regarding Trump's potential new policies, Wang anticipated bold measures, such as tax hikes and immigration restrictions, but noted that these would face significant implementation challenges, particularly from inflationary pressures. Wang emphasized that China should focus on expanding domestic demand to mitigate the impact of Trump's tariffs on exports. Stabilizing the real estate market would also be critical to easing overall economic pressures. Additionally, Wang urged China to shift its development focus to emerging markets, particularly in Africa, Asia, and Latin America, to



secure new growth opportunities.

Professor Qu Qiang, Vice Dean, School of Journalism and Communication, Minzu University of China; Research Fellow, Belt and Road Initiative National and Regional Research Center, argued that the U.S. election was relatively predictable. His team's quantitative analysis model for international public opinion has accurately forecasted U.S. election outcomes since 2016. Insights from conservative U.S. think tanks suggest that Trump's current priorities are primarily domestic, with limited focus on international issues such as China or Ukraine.

Qu noted that Marco Rubio's appointment as Secretary of State likely stemmed from his efforts to build political credentials for future ambitions, such as a presidential bid. Rubio's foreign policy priorities currently focus on Atlantic alliances and Middle East issues, with limited attention to China. However, Qu cautioned that Robert Lighthizer's trade policies, expected to play a significant role in the next administration, could pose real challenges for China.

This session brought together leading experts and scholars to explore the transformation of U.S. foreign policy, the future of U.S.-China relations post-election, and the challenges and opportunities facing the global economy. The discussions provided valuable perspectives on navigating the complexities of international relations and offered strategic guidance for China's policymaking and global positioning.

Macro-Finance Salon (No. 242): Cross-Border RMB Observation

On the morning of December 7, 2024, the 242nd Macro Finance Salon and the Third Quarter Report Presentation and Exchange Conference of the "Cross-Border RMB Observation" were successfully held. The event was co-hosted by the Bank of Communications and the School of Finance at Renmin University of China, and organized by the International Monetary Institute (IMI) and the Chongyang Institute for Financial Studies at Renmin University of China. The meeting aimed to showcase the third quarter findings of the "Cross-Border RMB Observation" survey, discuss the opportunities and challenges for cross-border RMB after the U.S. government transition, and provide a platform for exchange and collaboration among academics, financial institutions, and enterprises in this field.

The conference began with opening remarks by Zhuang Yumin, Dean of the School of Finance at Renmin University of China, and E Yongjian, Deputy General Manager of the Development Research Department at the Bank of Communications. He Qing, Deputy Dean of the National Academy of Financial Research and Professor at the School of Finance, Renmin University, moderated the event.

Zhuang Yumin emphasized the complexity and volatility of the current international economic environment. While China's overall economic outlook

remains positive, the world is grappling with challenges characterized by low growth, low trade, and low investment, coupled with high debt, high inflation, and high risks. The changing geopolitical landscape and the U.S. government transition add further uncertainties to the global monetary system.

Zhuang highlighted the growing potential of the digital RMB to address challenges in cross-border payments and accelerate the internationalization of the Chinese yuan. However, she noted that significant barriers to RMB internationalization remain, requiring market-driven innovation to bridge the gap between China's economic strength and its position in the global monetary system. Zhuang called for leveraging trade and economic cooperation as drivers to deepen high-standard institutional openness and promote RMB internationalization within the framework of China's high-quality development and the evolving global economic order.

E Yongjian noted that the global economic landscape is undergoing profound adjustments, presenting both challenges and opportunities for RMB internationalization. The instability and uncertainty in the world economy have put pressure on the process of RMB internationalization:

- 1.Global trade and economic growth prospects remain under pressure, especially with the potential return of a “Trump 2.0” administration.
- 2.The Federal Reserve is likely to slow its pace of rate cuts.
- 3.Emerging markets and developing countries are generally improving but still face risks.
- 4.Global supply chains are accelerating their restructuring, prompting China to diversify its trade and supply chain strategies.

Despite the challenges, E pointed out three key opportunities for RMB internationalization:

- 1.Rising global protectionism has driven deeper regional and bilateral economic cooperation, creating opportunities for RMB cross-border usage.
- 2.Persistently high U.S. interest rates have highlighted the advantage of the RMB as a low-cost financing currency.
- 3.The accelerated globalization of Chinese enterprises has generated growing demand for comprehensive RMB cross-border financial services.

Lu Liping, Associate Professor at the School of Finance, Renmin University of China, and IMI Research Fellow, presented the Third Quarter Report of the “Cross-Border RMB Observation”. Jointly compiled by IMI and the Bank of Communications, this report integrates extensive RMB internationalization practice with academic research. It serves as a critical reference for understanding and advancing RMB internationalization.

Key findings from the third quarter survey include:

- 1.The role of state-owned enterprises (SOEs): SOEs play a leading role in RMB internationalization, with diverse usage scenarios and high-frequency usage.
- 2.Expansion to third parties: Approximately 40% of surveyed companies



use RMB for transactions with third-country enterprises, marking steady progress in RMB internationalization.

3.Profitability motives: Enterprises increasingly recognize the practicality and cost-effectiveness of using RMB in cross-border transactions.

4.Enhanced risk management: Corporate willingness and capacity for managing exchange rate risks have steadily improved.

However, the report also identified significant challenges:

1.Persistent “stubborn barriers”: Low adoption of RMB in specific business scenarios, complex and inconsistent policies, counterparty reluctance, and capital flow restrictions remain unresolved.

2.Limited progress in Western markets: RMB usage in Europe, North America, and Australia remains at an early stage, with significantly lower adoption rates compared to other regions.

3.Private and foreign enterprises lagging: Private and foreign enterprises show lower willingness to use RMB for settlement compared to SOEs.

The report provided targeted recommendations at three levels:

Government Level:

1.Activate regional payment platforms to promote local currency settlement with emerging markets.

2.Develop green financial standards to position the RMB as a global green finance settlement currency.

3.Innovate cross-border RMB exchange mechanisms to support overseas RMB asset allocation

Financial Institutions Level:

1.Build RMB investment and financing platforms to support offshore RMB liquidity.

2.Establish a digital RMB backup network to mitigate extreme financial scenarios.

3.Promote cross-border applications of digital RMB to create new internationalization scenarios.

Enterprise Level:

1.Advance RMB supply chain finance to strengthen regional industrial chain integration.

2.Optimize cross-border capital management to expand RMB funding channels.

3.Utilize digital technologies to mitigate risks and enhance settlement security.

During the expert panel discussion, leading scholars and industry professionals offered insights on the opportunities and challenges for cross-border RMB after the U.S. government transition and shared perspectives on the “Cross-Border RMB Observation” report. Lei Yao, Deputy Director of the Financial Research Institute at the People’s Bank of China, emphasized the strategic importance of RMB internationalization in meeting the financial needs

of domestic and international markets. He called for a focus on strengthening financial services for the real economy, particularly in areas such as technology finance, while advancing institutional openness to enhance the competitiveness of China's financial system.

Zhao Xijun, Co-Dean of the China Capital Market Research Institute at Renmin University, stressed the importance of expanding usage scenarios, optimizing policies, and increasing support for small and medium-sized enterprises (SMEs). He highlighted the role of digital RMB in providing a technology-driven pathway for internationalization and urged greater policy transparency and efficiency to address structural constraints.

E Zhihuan, Deputy Director of the Bank of China Research Institute, pointed out that a potential return to "Trump 2.0" could lead to the weaponization of tariffs and the U.S. dollar, increasing risks for global trade and RMB internationalization.

Qu Fengjie, Research Fellow at the National Development and Reform Commission, argued that addressing RMB internationalization challenges requires systematic financial reforms and leveraging opportunities for institutional openness.

Wang Wen, Dean of the Chongyang Institute for Financial Studies, underscored the long-term and complex nature of RMB internationalization, emphasizing the need to address corporate concerns, optimize policy environments, and seize opportunities arising from shifting global economic dynamics.

This session of the Macro Finance Salon gathered experts from academia, financial institutions, and the corporate sector to discuss the opportunities and challenges for RMB internationalization. The "Cross-Border RMB Observation" report and the insightful discussions provided valuable perspectives for advancing RMB internationalization through policy optimization, financial innovation, and institutional reform. The outcomes of this event are expected to guide policymaking and industry practices, fostering a new phase of development for the global use of RMB.



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