



上海论坛 2012 学术简报

Academic Bulletin of Shanghai Forum 2012

World Economic Development with the Intensifying of

Economic Crisis and the Choice of China (I)

May 26, 2012

Professor Zhang Liqing from Central University of Finance and Economics gave his speech on the topic “Reforming Global Monetary System and Internationalization of RMB”. He began his speech with explaining the reasons why the global monetary system needs reform. Then, he continued his speech with an introduction of the content and feasibility of the global monetary reform. Afterwards, he discussed what kind of policy debate we should have in the progress of reform. Finally, he concluded with the globalization of RMB.

An ideal global monetary system shall be able to avoid the volatility of the exchange rate, adjust the balance of international payment, and provide enough liquidity for the development of international economy and a complete international financial market encouraging the development of international trade and investment. However, the current global monetary system has a lot of problems: First, because of the “Triffin Dilemma”, the U.S. dollar centralized monetary system is unstable. At the same time, the U.S. uses too much privilege which is unfair to the other countries. Besides, the U.S. dollar centralized monetary system has caused the transition of massive capital from poor countries to rich countries in order to avoid the risk. What’s more, the volatility of the exchange rates of major countries shows that the current global monetary system has a crucial defect.

There are mainly five solutions to the reform of the global monetary system. They are returning to the gold standard, establishing a unique global currency, establishing the SDR reserve system, establishing a multi currency reserve system and improving the U.S. dollar standard. It is difficult to execute any of them. The most ideal solution is to establish a unique global currency or to a SDR reserve system, both of which

经济全球化与亚洲的选择

ECONOMIC GLOBALIZATION AND THE CHOICE OF ASIA

未来十年的战略

STRATEGIES FOR 2011-2020

require long term work. Otherwise, the U.S. government shall limit its privilege and improve the U.S. dollar standard, which is also a good option for the global monetary system. But the U.S. government hardly will do this. On the other hand, a multi currency reserve system is more reasonable and feasible

Cooperation is required no matter what solution is taken. Globally, IMF should speed up its reform, raise the importance of the SDR reserve system, and enforce its supervision ability. In areas, the E.U. need to improve its coordination of macroeconomic policy making and Asia should encourage the unification progress of currencies and financial markets. From the perspectives of countries, each country should actively adjust their economic policy to achieve the better international coordination.

The globalization of the RMB is also important to the global monetary system. It can reduce the effect of the volatility of U.S. dollar towards Asian economy and improve the stability of international financial market through currency competition. Currently, RMB is mainly stable with a little appreciation. China's trade deficit towards Asian countries, the rapid growth of China's FDI to other countries and other facts are advantages to the globalization of RMB. However, the globalization of RMB should be improved gradually, instead of a dramatic change. In this progress, China should enhance the reform of its financial market and encourage the open of capital accounts.

Professor Mac Destler from the University of Maryland gave a speech on "American Trade Policy Making with a Rising China". American policy-making has four features: (1) an independently elected Congress with constitutional authority over "commerce with foreign nations"; (2) recurrent congressional delegation of trade-negotiating authority to the President, with specified limits and a congressionally-responsive institution (United States Trade Representative) to lead in trade policy negotiations and management; (3) broadly shared goals of reducing trade barriers around the world, limited by specific legal procedures to grant trade protection to producers injured by imports or suffering "unfair" competition (i.e., government subsidies, dumping); (4) periodic congressional threats of action when other nations appear to be taking undue



上海论坛 2012 学术简报

Academic Bulletin of Shanghai Forum 2012

advantage and the administration seems insufficiently aggressive in response.

President Obama raised trade frictions with China by imposing high tariffs on a relatively minor product in bilateral trade, imports of tires for cars and trucks. He did so though the impact on the overall US economy was miniscule, and he took this protectionist action two weeks before he would host a global economic summit whose goal was to prevent such responses to the Great Recession.

Such action or inaction is important because the US-China trade relationship is important—arguably the most important in today's world. US and China are world's two largest economies and also world's two leading powers. Their capacity or incapacity to cooperate has global implications—for world economic order and beyond. Their economic and broader relations play out in the context of rapidly rising trade, and rapidly rising deficit.