



Shanghai Forum 2017 Perspective Highlights

Central Bank Roundtable: The Change of International Monetary System and its Impact on Sino-European Economic and Trade Development

SHANGHAI FORUM 2017 ROUNDTABLES 02 Session One
13:30-15:30, May 27

Chair: Daniel Palotai : Executive Director, Magyar Nemzeti Bank
Sun Lijian: Director, Financial Research Center, Fudan University

Sun Guofeng
Director General,
Research Institute,
The People's Bank
of China

The impact of changes in the international monetary system on China EU economic and trade relations.

After the international financial crisis, the international monetary system reform has made some progress, but also face some problems: one is the Tryphon problem is not resolved; two, there is a lack of balance of payments mechanism. The current international monetary system presents a trend of diversification. For the economic entity, the international currency is widely used in international trade valuation and settlement, It is helpful to reduce exchange rate cost, avoid exchange rate risk and reduce the cost of trade financing. Under the background of diversification of the international monetary system, we can take the following five measures to promote China EU economic and trade exchanges: first, we should promote RMB direct listing of European currencies, reduce exchange costs and increase price transparency; second, we should steadily promote bilateral currency swap, to promote trade and investment facilitation; third, we should facilitate the development of Sino European trade and investment by means of development finance; Fourth, we should promote the development of foreign exchange derivatives market, and to provide more options for enterprises to avoid currency mismatches and exchange rate fluctuations risk; fifth, we should encourage financial institutions to "go out" and improve foreign enterprises cross-border trade, provide better services to investment.

Abdullah Gul
Former President
of Turkey

The influence of RMB internationalization.

The establishment of Asia Investment bank, RMB into SDI, that is, RMB internationalization. Will promote the balance and development of the international monetary system. It is help to build a more effective monetary system and support global economic development. The Internationalization of RMB in china, the "16+1" cooperation and "One belt and one road" and so on have great achievements. This means that China needs to shoulder more responsibility. Regional cooperation is very important. Turkey supports the internationalization of RMB. At the same time, China will strengthen its cooperation with China, and Turkey expects more bilateral and multilateral cooperation.



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Livio Stracca
Head of Division,
International
Policy Analysis
Division,
European Central
Bank

Multipolar world, unipolar international monetary system.

International monetary system still centered on the USD. Drivers of the international role of currencies: size; internal and external; deep, liquid and broad financial markets; financial openness; rule of law, property rights. There is further room for internationalization in China's very large bond market. Although the market is de facto open to foreign institutional investors, foreign participation remains very low due to other barriers. A strong internationalization of the bond market will significantly contribute to strengthening the international role of the RMB. In the short term: stability of the RMB and of the Chinese financial system. In the medium term: institutional development in China sustain the creation of safe assets. And there are important questions which go well beyond ,and should perhaps precede ,a strong international role of the RMB.

Kawai Masahiro
Advisor, Bank of
Japan

Compared with yen, some thoughts on RMB internalization

Emergence of a RMB bloc in Asia. East Asia is still a US dollar bloc. Lessons for the RMB: China's presence as a large trading nation and its rising per capita income are positive contributors to RMB invoicing; continuous effects at liberalizing and opening its financial market will be critical to support greater use of RMB. A high share of China's trade with US dollar zone economies, particularly in Asia-Oceania will likely be a hurdle for greater use of RMB. Avoiding long-time economic stagnation (possibly resulting from the bursting of asset price bubbles)is vital in further promoting the use of RMB for invoicing trade.

Zhang Chun
Executive Dean,
Shanghai
Advanced Institute
of Finance

RMB internationalization can change the dollar-based international monetary system and have an effect on the devaluation of the RMB.

However, it is hard to truly decouple from the dollar. At the same time, the internationalization of RMB faces many problems: on the one hand, the United States and Japan have a transparent and complete monetary system, while China does not; on the other hand, the United States and Japan have some non-traditional ones, but it is difficult to implement in China. In the future, China must establish a complete monetary system to create simplified and transparent rules. China needs to strengthen its cooperation with the international monetary system. Countries need to form a consensus of cooperation, and to determine monetary rules is essential for cooperation among countries.



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Miguel Otero-Iglesias
Senior Analyst,
Elcano Royal
Institute

RMB internationalization is a long march.

On one side, RMB internationalization is the general trend. The establishment of Asia Investment Bank and the implementation of One Belt and One Road show that China has a major positive role in the international community and multilateral organizations. Although the United States remains the dominant currency in the world, but the financial crisis has a lot of impact on the dollar dominated international monetary system. On the other hand, Trump implement a series of anti globalization policies and his follow-up policy is not clear, This give obstacles to internationalization of RMB. There is still a lot to go about the internationalization of the RMB. It depends on the existing framework of international cooperation, The need to ensure transparency in the international monetary system in order to promote the effective development of the global currency. Our vision should not limited to the international monetary system itself, rather than political policy. In the future, a situation of tripartite confrontation of the Euro, the Dollar and the RMB are more conducive to the stability of the international monetary systems.

CONCLUSION

1. RMB internationalization can change the dollar-based international monetary system. It will promote the balance and development of the international monetary system. It helps to build a more effective monetary system and support the global economic development,
2. At the same time, the internationalization of RMB faces many problems. It is a long process. China needs to establish a sound monetary system and strengthen international cooperation.



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SHANGHAI FORUM 2017 ROUNDTABLES 02

Session Two

15:45-17:30, May 27

Chair: Daniel Palotai: Executive Director, Magyar Nemzeti Bank.

Sun Lijian: Director, Financial Research Center, Fudan University.

Peter Mooslechner **Areas for economic and financial cooperation in Sino-European Executive Director, relations.**

Oesterreichische National Bank As a starting point: China and Europe-many centuries of common “Silk Road history”. Emerging de-globalization tendencies underline the importance of other forms of international cooperation. The New Silk Road Initiative offers a mutual opportunity to work on this regarding the China-EU are already well established and are deepening to the benefit of both sides. Most importantly, successful cooperation should be designed much broader than with a narrow focus on economics only. There are many areas beyond narrow economics-from energy to research and culture-where a long-term “win-win” cooperation along the Silk Road blueprint makes sense.

Liu Ligang **China’s RMB Stabilization and Bond Market Opening for Foreign Chief Economist, Participation.**

Citibank The relationship between a strong RMB and export competitiveness is not clear. The currency basket approach to managing the RMB’s valuation in a strong dollar environment indicates there is only a one-way depreciation path for the RMB exchange rate. One-way depreciation path for the MBA exchange rate can be expected in a strong dollar environment. Capital outflow slowed when RMB remained broadly stable. BOP statistics indicate that China’s capital flight remained large as shown by errors and omissions. Tightened capital control to curb outflows has been strengthened.