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Economist Robert Mundell: Add Renminbi to IMF Reserve Nobel Laureate to Speak at January Asian Financial Forum

19 November 2010 – Nobel Prize-winning economist Robert Mundell says China's currency has strengthened to the stage where it is "almost de facto convertible" and should be included in the international reserve basket held by the International Monetary Fund (IMF).

"The world's theoretical currency is the Special Drawing Rights (SDR) of the IMF, a basket of major currencies that includes the US dollar, the euro, the pound sterling and the yen. China has not been in this and should be," said Professor Mundell, predicting that the renminbi is likely to be central to the IMF SDR review in 2011.

"Because of its great strength and because China is the biggest exporter in the world and number-two power in the world by country, the Chinese currency can't be excluded," he said in an exclusive interview with the Hong Kong Trade Development Council (HKTDC).

The interview took place in advance of Professor Mundell's trip to Hong Kong for the Asian Financial Forum (AFF). AFF 2011 is organised by the HKTDC and the Hong Kong Special Administrative Region (SAR) Government. The event, 17-18 January 2011, will address Asia's expanding role in the global economy under the theme "Asia: Reshaping the Global Agenda."

Nobel Prize Winner

Professor Mundell won the Nobel Prize in 1999 for his work in monetary dynamics and optimum currency areas, which laid the groundwork for the introduction of the euro. He told the HKTDC that he believes the current problems facing the Eurozone are related to fiscal issues within relatively poor nations in southern Europe.

"I think there's a lack of emphasis and stress on the importance of budget balance for countries," he said. "It may be possible in the future for one, two or three of those countries to have some sort of restructuring, but I think that will take place within the context of the euro itself."

Asked whether the Hong Kong currency's peg to the US dollar will remain, Professor Mundell said there is no cause for removing the link unless real monetary instability developed in the United States. He said the other case for de-linking "would be if the Chinese mainland moved toward complete convertibility, in which case there would not be any problem for the Hong Kong dollar if it was fixed to the US dollar or the renminbi."

AFF 2011 Speakers, Workshops

Professor Mundell will be among the distinguished speakers at AFF 2011, which will focus on major issues, challenges and opportunities facing Asia and the mainland in particular.

The forum will offer market intelligence and insights along with networking for a wide range of professionals, including bankers, institutional investors, fund managers, business leaders, senior executives and regional policymakers. In addition to discussions about the renminbi as the next global currency, the forum will address such topical issues as how the renminbi could become the next global currency and green concepts as an engine for growth.

AFF 2011 has already confirmed several prominent speakers, including Anthony Bolton, President of Investment with Fidelity International; Wang Jianzhou, Executive Director and Chairman of the China Mobile Communications Corporation; Xiao Gang, Chairman of the Bank of China Ltd; Liu Chuanzhi, Chairman of Legend Holdings Ltd; Victor Chu, Chairman of the First Eastern Investment Group; and Perry Kaufman, Director of Research, Kaufman, Diamong and Yeong.

A series of thematic workshops covering such issues as Greater China financial cooperation, the latest European regulatory framework and investment opportunities in emerging markets, will be organised at AFF 2011.

The 2011 forum will also include DealFlow, a half-day, deal-making session featuring one-on-one meetings between companies and potential investors.

The January 2010 AFF drew more than 1,500 participants, a new forum record, including more than 60 high-profile speakers. Nearly 50 per cent of those who attended AFF 2010 were from outside Hong Kong, and attendance was up 37 per cent over the previous year. More than 370 journalists from 31 countries and regions covered AFF 2010.

HKTDC Webcasts:

<http://www.youtube.com/watch?v=LkvxvFouJK0> or
<http://www.hktdc.com/info/webcast/en/webcast.htm>

AFF 2011 Website: www.asianfinancialforum.com

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Media Enquiries

Please contact the HKTDC's Corporate Communication Department

Joe Kainz

Tel: (852) 2584 4216

Email: joe.kainz@hktdc.org

About the HKTDC

A statutory body established in 1966, the Hong Kong Trade Development Council (HKTDC) is the international marketing arm for Hong Kong-based traders, manufacturers and service providers. With more than 40 global offices, including 11 on the Chinese mainland, the HKTDC promotes Hong Kong as a platform for doing business with China and throughout Asia. The HKTDC also organises trade fairs and business missions to connect companies with opportunities in Hong Kong and on the mainland, while providing information via trade publications, research reports and online. For more, please visit www.hktdc.com.