

Asian Financial Forum 2018

Policy Dialogue - Impact of China Policies on Global Economic Development

Synopsis

As the world's second largest economy and its growth engine, China will play a crucial role in shaping global economic dynamics. This policy dialogue looked into how China's policies, including RMB internationalisation and the Belt and Road Initiative, will impact global economic and market developments.

Panel Chair

- **Mr Norman T. L. Chan, GBS, JP**
Chief Executive, Hong Kong Monetary Authority

Speakers

- **Dr Andreas Dombret**
Member of the Executive Board, Deutsche Bundesbank
- **Mr Stuart T Gulliver**
Group Chief Executive, HSBC Holdings plc
- **Mr Hu Huaibang**
Chairman, China Development Bank
- **Mr Jin Liqun**
President and Chairman, Asian Infrastructure Investment Bank
- **Mr David Lipton**
First Deputy Managing Director, International Monetary Fund

In opening the session, Norman Chan said that first he wanted to ask the question he thought everyone in the room should be asking: “Why does China matter?” The simple numbers tell the story, he said, pointing out that, in terms of increments, the Chinese economy’s annual growth of around 6.5 per cent is in real terms equivalent to the introduction of a whole new economy the size of Turkey’s – each year – while every three years it is the equivalent of the Russian economy. “It’s the global growth story we need to understand and be part of,” said Chan.

David Lipton, who had opened the Asian Financial Forum earlier in the morning, picked up on the theme, explaining that, for about 100 countries, trade with China accounts for around 80 per cent of GDP. “[So] it matters to everyone.”

Thus Lipton suggested it is time for the world to consider the “spill-over effect” of Chinese policymaking – as the world has previously done with both US and Japanese policymaking. China’s global impact brings positives – but challenges and opportunities too. Looking ahead, he referred to a quote from IMF Managing Director Christine Lagarde, who recently said now is the time for the world to “fix the roof while the sun is shining”, due to the positive state of the global economy.

Referring to President Xi Jinping's firm stance on globalisation, Lipton said it is a firm sign of leadership in that area but stressed that the IMF continues to believe China could "do more" in terms of ensuring its rules and practices keep up with those required in a "modern economy".

To end his address, Lipton turned his attention to China's Belt and Road Initiative, saying he thinks it will see the nation playing an increasingly important role in global affairs.

Jin Liqun then used the occasion to examine the role the Asian Infrastructure Investment Bank (AIIB) is playing both in terms of China's growth and the Belt and Road Initiative.

"We have a willingness to engage with the rest of the world for the common good which is vitally important," he said. "It's a big mistake to think it's a Chinese bank. It's an international development institution to complement existing institutions such as the World Bank."

Jin then took the time to explain how the AIIB's relationship with Belt and Road projects works, saying the bank would support projects that could show that they were financially sustainable, environmentally friendly, and acceptable and would bring benefits to local people.

Hu Huaibang picked up on the impact the Belt and Road Initiative was poised to have on the global economy, saying that the concept aims to integrate development globally, while "sharing the benefits".

He pointed out that about 140 countries and 80 international institutions are currently involved in the initiative in some form as a "win-win scenario" for the global economy. "It is a driving force for infrastructure, which boosts economic development in developed and developing nations," he said.

Hu then explained the China Development Bank's own initiatives, including scholarships in China for students from countries along the Belt and Road – and explained how their office in Hong Kong was established to help promote "fruitful results".

Part of Hong Kong's role in the Belt and Road Initiative would be to help with RMB conversion, Hu said – and Andreas Dombret said he saw an expansion of Hong Kong's importance in terms of China's policies reaching out to the world.

First, he said, he hopes the RMB can become more "flexible and convertible," but more transparency in currency exchanges is needed to increase global trust in the RMB as a reserve currency.

Dombret then turned his attention to “green finance” and China’s important role in its development as part of the Belt and Road Initiative.

Stuart Gulliver agreed, revealing that HSBC Holdings investigated “megatrends” and found that – led by the Chinese Government – “green finance” is, through the Belt and Road Initiative, a major opportunity.

Hong Kong’s role as the “dominant capital market centre for China” should continue to expand the city’s role in and importance to the initiative. “The skillset for all aspects of Belt and Road sits in Hong Kong,” he said. “As the Belt and Road expands, so will use of the RMB, while another important opportunity for investment and expansion is presented by the expansion of the Greater Bay Area around the Pearl River Delta.

“The opportunities here in Hong Kong are significant” on a global scale, he concluded.

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