



北京大学国家发展研究院
National School of Development



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New Phase of China's Financial Opening

(The 2017 Jingshan Report)

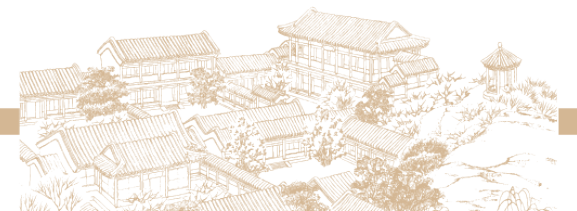
Yiping Huang

January 11, 2018, Washington DC



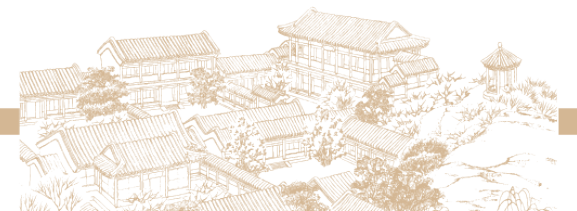
2017 • *The Jingshan Report*

- An annual research project focusing on financial reform issues. The 2017 report: “China’s financial opening during the time of de-globalization”
- Members of the Project:
 - Min Zhu (former DMD, IMF)
 - Yuyan Zhang (Director, CASS IWEPI)
 - Tao Guan (former DG, SAFE)
 - Bin Zhang (Senior Fellow, CF40)
 - Zhong Xu (DG, PBC Research)
 - Jun Zhu (DG, PBC International)
 - Yiping Huang (Professor, PKU)



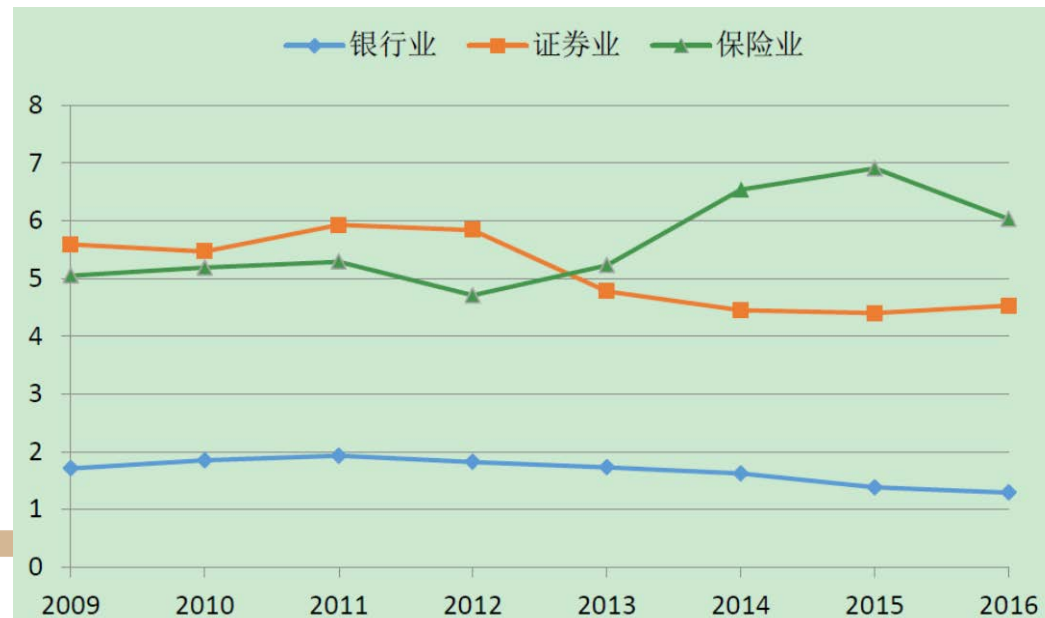
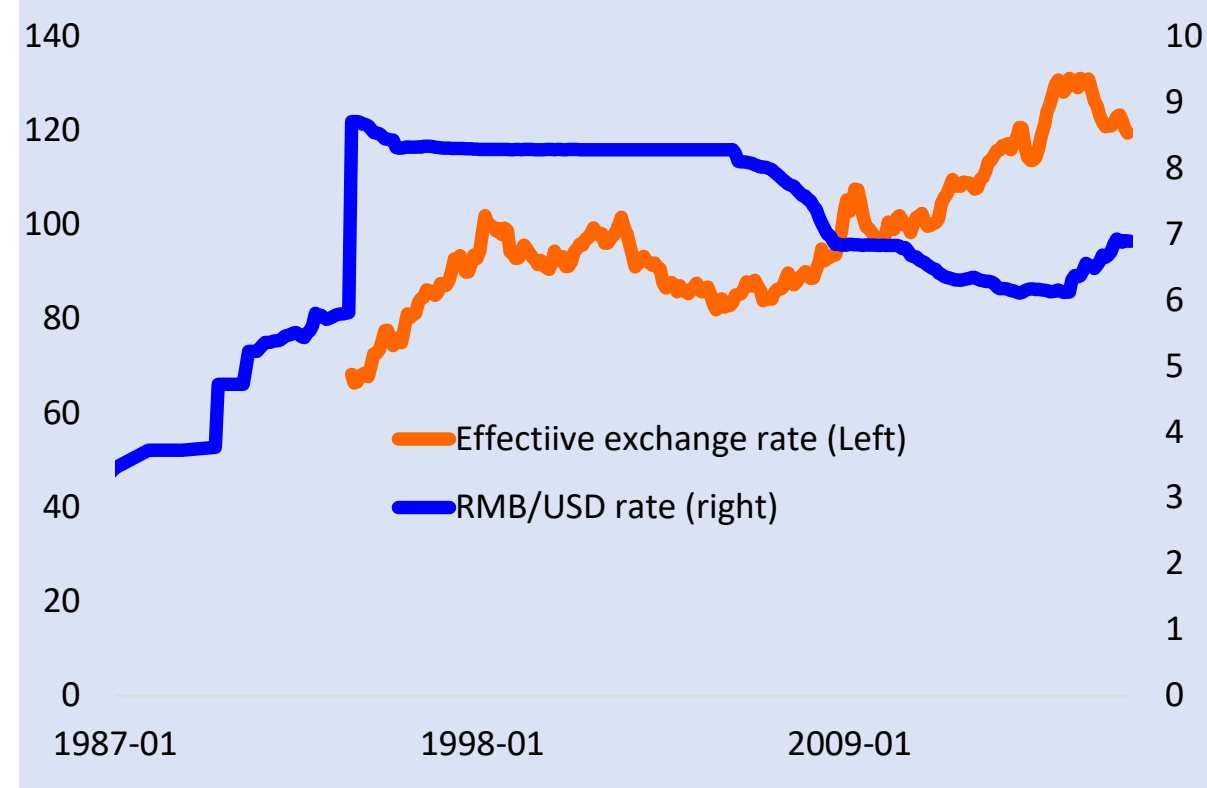
Should China continue financial opening?

- It was not an issue before, but now it looks like one.
- Many emerging market economies experienced financial crises right after financial opening
- The role models of China's financial reform, the US and western Europe also experienced severe financial crises lately
- Even the IMF adjusted its policy stance on temporary restrictions on short-term cross-border capital flows

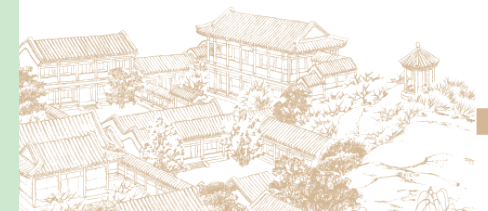


Past experiences

- Slow and back-and-forth (exchange rate policy)
- Ambitious commitments, limited progresses (opening to foreign financial institutions)
- Lack of policy coordination (opening of domestic financial markets)

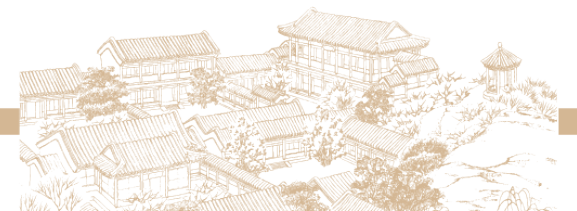


Shares of foreign institutions in total industrial assets (%)



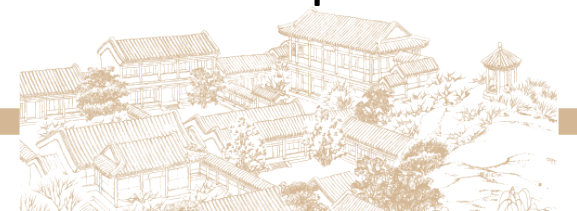
New opening requires new policy thinking

- From partial, industry-specific and tunnel-type opening style to top level design and comprehensive opening model
- Limited and temporary restrictions on short-term cross-border capital flows for the purpose of financial stability and monetary policy independence
- Coordination between “promoting reform through opening” and “facilitating opening through reform”



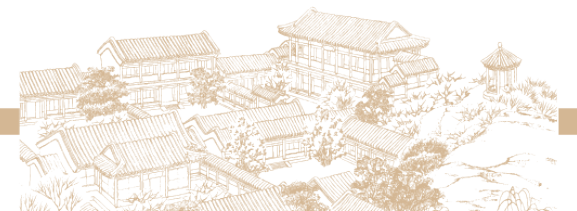
Policy recommendations

- The State Council Financial Stability and Development Commission to coordinate financial reform and opening policies
- Macroprudential regulation for financial stability
- Greater exchange rate flexibility to allowing greater role for market forces
- Relaxation of restrictions on foreign share holding in financial institutions
- Convergence between domestic and foreign market rules and regulations
- Improving external financing cooperation
- Management frameworks at the micro and macro levels for cross-border capital flows and resumption of RMB internationalization



What to expect in 2018?

- Already announced
 - Lifting of equity limits for foreign institutions
 - Rollback of temporary capital flow management measures
- High probability events
 - Reacceleration of RMB internationalization
 - Increase in exchange rate flexibility
 - Further opening of the domestic financial markets





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Thanks 感谢

