



中国发展研究基金会
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2017

“构建21世纪金融体系”中美研讨会

**SYMPOSIUM ON BUILDING THE FINANCIAL SYSTEM OF
THE 21ST CENTURY: AN AGENDA FOR CHINA AND THE UNITED STATES**





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Impact of Leadership Transitions on Sino-US Economic Relations



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State of US-China Relations

- Relationship is close
 - Is impact of individual leaders diminishing?
 - Multi-faceted (business, strategic, individual)
 - But trust needs constant cultivation
- Is US ready to embrace shared global power?
 - Will political disagreements harm economic ties?
 - Public sentiment populism and 2018 election uncertainty



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US Transition

- Direction as yet undetermined
 - Staffing incomplete
 - Rhetoric \neq reality
- Priorities and agenda re: China have changed
 - Currency, AIIB, OBOR, etc
 - Will they change again?
- How will Trump White House react to crises?
- Should China be worried about US protectionism and deglobalization?



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US Transition

- Make America Great Again (#MAGA)
 - What is meaning of reciprocity?
 - Focus on deficits
 - Overall deficit will increase
 - Bilateral deficits not economically meaningful, but central to MAGA message
 - Will deficits reemerge as factor in US-China relations?



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US Economic Policies

- Financial regulation
 - Not expecting large scale legislation (repeal of Dodd-Frank, reinstate Glass-Steagall, etc)
 - Enforcement likely to loosen
 - Personnel is policy: watch for appointments
 - How will this affect Chinese foreign investment?
- Tax policy
 - Timing uncertain but not soon
 - Impact on fiscal and trade deficits
 - Corporate tax cut will make FDI into US more attractive



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China Leadership Impact

- Political continuity and but policy refinement
 - Renewed policy implementation push after NPC
 - Will financial super-regulator be established?
 - If so, how important and what is the impact to policy implementation?
 - Effects of anti-corruption drive on risk aversion by government officials
- Consumption growing quickly
 - No longer export driven
 - How sustainable is the change?
 - Debt levels, SOE role, etc
 - OBOR: addressing excess capacity and deploying excess savings



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Where Do We Go From Here?

- Opportunities for US-China relations
 - OBOR participation and impact on global growth
 - Chinese FDI in US as mutual benefit; restart BIT talks?
 - CFIUS transparency
 - Reconsider Chinese constraints on outward investment
- Technology trade and investment opportunities
 - Chinese IPR policy and enforcement
 - How to make MAGA and MIC 2025 non-discriminatory?
 - US export constraints on hi-tech
 - Possible reduction in bilateral deficit?



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Capital Markets Liberalization and Financial (De)Regulation in China and the U.S.



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Financial Regulation & Deregulation in China

- Current status
 - Bank-based system (SOE dominated)
 - Capital markets still need to develop further
 - FinTech as driver of financial inclusion
 - Culturally openness to new technologies?
 - Shadow banking
 - Large and growing rapidly
 - Often offered by banks, etc
 - Driven by lack of good alternatives
 - Shift toward re-regulation across multiple agencies



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Financial Regulation in China

- Challenges
 - Need to circulate savings through economy efficiently and safely
 - Tendency toward bubbles in equity and real estate
 - Consumer protection!!
 - Macroprudential supervision
 - Coordination among regulators



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Financial Regulation in China

- More Challenges
 - Capital flows
 - Banking & securities reform should precede KA liberalization
 - Capital account liberalization is important
 - Role of Stock and Bond Connects as intermediate step
 - Must maintain macroprudential mindset
 - Policy making process remains opaque
 - Should improve transparency and accountability
 - US offers clearer timeline and procedures
 - How should foreign FIs be consulted?



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Agenda for China Regulation

- Capital Markets
 - Disclosure & transparency and quality of data
 - Insider trading and rights of investors
- Banking sector
 - Excessive weight of SOE banks and relationship-based lending
 - Hidden risks, off-balance sheet items and the real NPL story
 - Do liberalization and disintermediation challenge stability?
- Shadow banking
 - Improve transparency and regulation
 - Expand alternatives



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Emerging Issues

- Internet Finance (FinTech)
 - China as global sandbox → shifting to regulation/consumer protection
 - FinTech penetration creates systemic risk: Alipay = FinTech SIFI?
- Cybersecurity
 - New threats to stability and investor protection
 - Is market disciplined or must regulators impose licensing requirement
- China Cybersecurity Law (effective June 1)
 - Markets data localization
 - Does it protect data?
 - Does it discriminate against foreigners?
 - Conflict with other jurisdictions' privacy laws?
 - Calls for international coordination



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US Regulatory Agenda

- Trump campaign promised change
 - Dodd-Frank repeal
 - Reimposition of Glass-Steagall
 - Limit Consumer Financial Protection Bureau
- Enforcement shifts more likely than major legislation
- Greater focus on cost-benefit in rulemaking
- Capital market structure
 - Minor tweaks to secondary markets
 - Greater focus on primary markets, especially issuers and costs
- FinTech as disruptor



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UPCOMING EVENTS

India-U.S. Symposium

New Delhi, India

September 27-29, 2017

Japan-U.S. Symposium

Odawara, Japan

October 21-22, 2017

Latin America-U.S. Symposium

Harvard Law School - Cambridge, MA

December 8-10, 2017

To receive an invitation to other PIFS Symposia,
or to recommend your colleagues for participation, please contact:

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