

BOYUAN FOUNDATION
博源基金会

The Economics and Politics of Regional Rebalancing – An RMB Perspective

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School of International Relations and Pacific Studies
University of California, San Diego

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Section I

RMB Regionalization in Asia, A Process Driven by Market Forces

RMB Regionalization in Asia is Driven by Market Forces

Trade Flow

Investment Flow

Reserve Currency

The Regional Dynamics

- Starting with border trade, increasing China demand for Asia products and services drive RMB regionalization

Asian Infrastructure

- Asian infrastructure needs total more than 140 billion USD¹ for 2010-2020

A Few Asian/Overseas Central Banks

- A few Asian/overseas Central Banks initiated the dialogue on including RMB as part of their reserve management

China Response

- Only after the 2007 subprime crisis has China started to put in place more facilitation mechanisms in order to mitigate trade risks

China Direct Investment

- In 2010, China direct outward investment reached 69 billion USD²

PBOC's Reserve Management

- PBOC took incremental steps to respond to overseas Central Banks' requests

Source 1: CEC Database
Source 2: Asian Development Bank and the Asian Development Bank Institute

The Border Trade – A Humble Start

Network Centrality Index of Intl. Trade by Country (1 = Most Central in the International Trade Network)

2012 Estimated Percentage of Border Trade Settled in RMB

China-Vietnam	80%
China-South Korea	50%
China-Mongolia	90%
China-Russia	15%

Source: DOTs, BIS and IMF
Source: Press Cutting, Boyuan Foundation

The Service Trade I - The Hunger for Asian Travel

2011 China Outbound Tourists

2011 China Outbound Tourist Volume and Growth

Country	Outbound Tourists ('000)	YoY Growth (%)
Cambodia	952	267.6
Malaysia	1470	91.3
Thailand	1388	79.1
Singapore	852	21.9
Indonesia	478	20.1
Philippines	222	18.5
Vietnam	933	-8.4

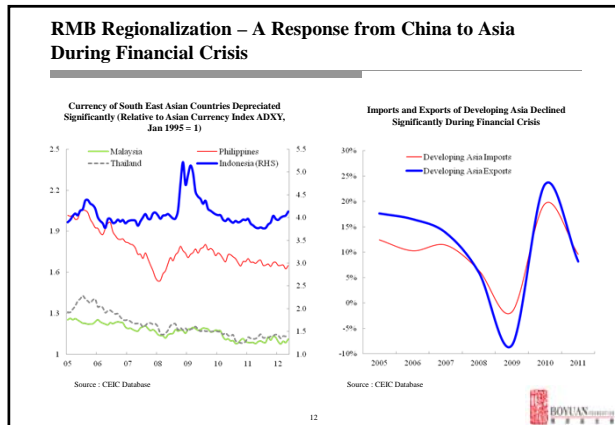
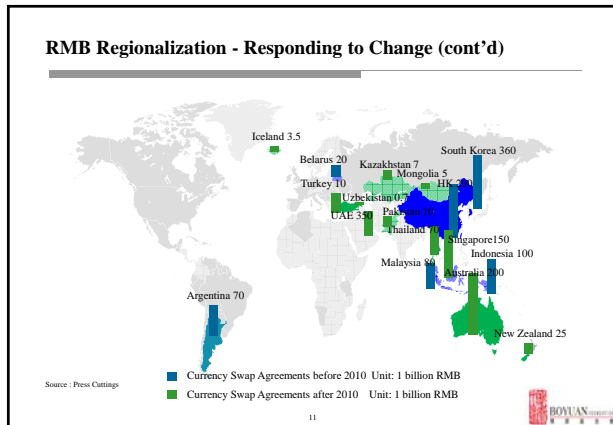
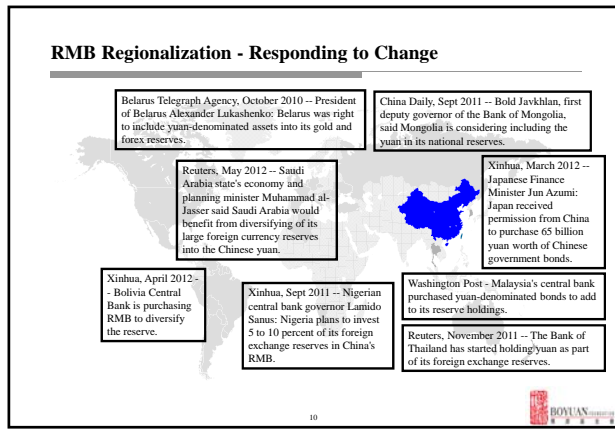
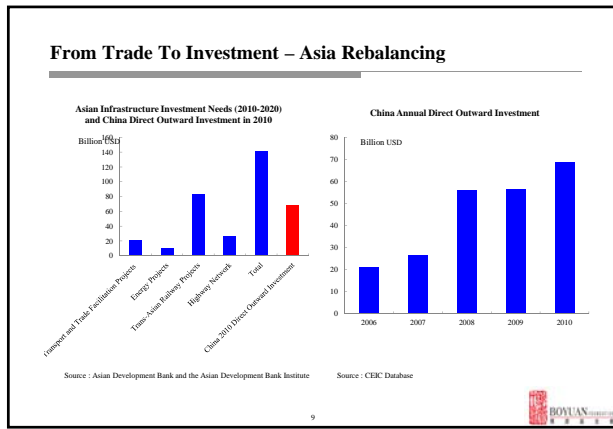
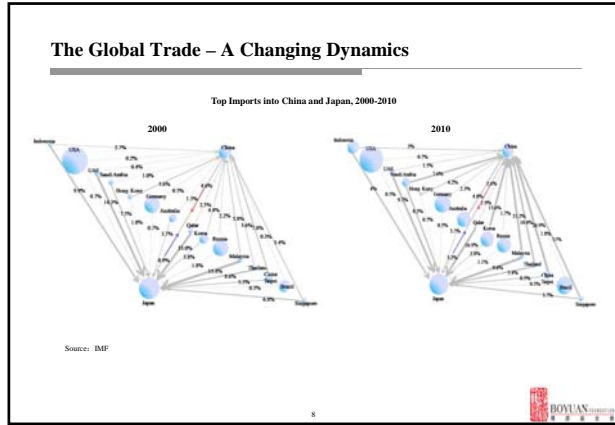
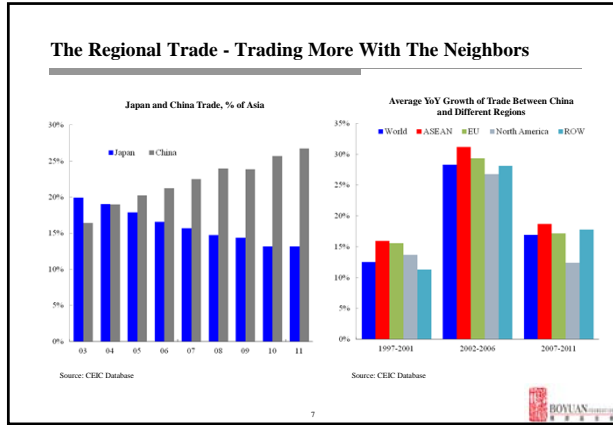
Source: China National Tourism Administration

The Service Trade II - The Hunger for Asian Education

Ratio of Chinese Students to Total International Students in Asian Countries/Regions

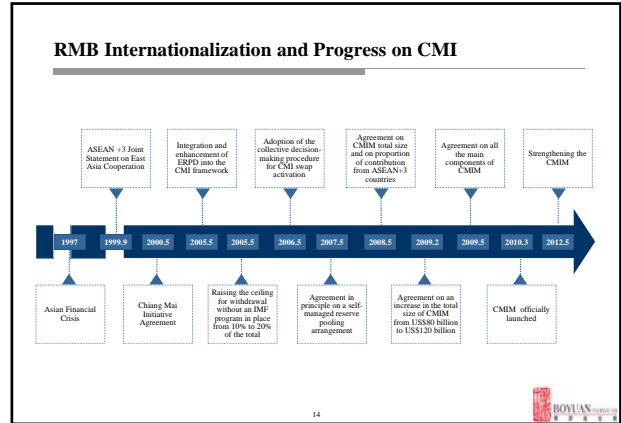
Ratio of Chinese Students to Total International Students in Asian Countries, US and UK

Source: UNESCO



Section II

RMB Regionalization, Under the Joint Framework of Domestic Capital Market Reform and CMI



ASEAN+3 Finance Ministers & Central Bank Governors' Meeting

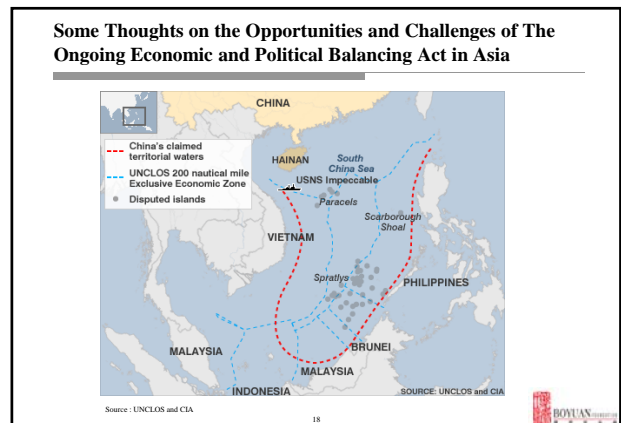
Strengthening the CMIM: Strengthening Crisis Resolution Mechanism(CRM)	Strengthening the CMIM: Introducing Crisis Prevention Function(CPF)	Adopting ABMI 'New Roadmap+'
<ul style="list-style-type: none"> To double the total size of CMIM from the current US\$120bn to US\$240bn while keeping the current share of financial contributions and voting power among the member countries the same To increase the IMF de-linked portion to 30% in 2012 with a view to increasing it to 40% in 2014 subject to review should conditions warrant 	<ul style="list-style-type: none"> To introduce one simplified crisis prevention facility To allow Executive Level Decision Making Body to flexibly apply the five qualifications criteria as ex-ante conditionality after considering the economic reports by the requesting country and analyses by AMRO/ADB/IMF as the basis for the decision 	<ul style="list-style-type: none"> Developing infrastructure-financing schemes Fostering an investment-friendly environment for institutional investors Facilitating the establishment of the RSI Further developing the government bond markets Enhancing financial access to consumers and SMEs Strengthening the foundation for a regional credit rating system

Domestic Rules and Regulation on RMB Outward Investment

Establishing Outward Investment Fund	Outward Investment Approval and Registration	Outward Investment Capital Inflow and Outflow
<ul style="list-style-type: none"> Notification on company registration issues for equity investment firms; 2011, Shanghai Proposed regulation for equity investment funds and equity investment fund management company registration; 2008, Tianjin Regulations on promoting equity investment fund development; 2010, Shenzhen Views on promoting the development of equity investment fund industry, Beijing 	<ul style="list-style-type: none"> Regulation on Outward Investment; 2009, Ministry of Commerce 	<ul style="list-style-type: none"> Regulations on RMB-settled foreign direct investment pilot projects; 2011, PBoC RMB funds outflow regulation RMB funds inflow regulation

Section III

Disconnection in the Twin Rebalancing



Thank You !



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