

NEW ZEALAND INTERNATIONAL CONFERENCE ON CONTEMPORARY CHINA

FINANCIAL LIBERALISATION AND THE RENMINBI: IMPLICATIONS FOR NEW ZEALAND



ORGANISER: New Zealand Contemporary China Research Centre

DATE: 25 October 2017 LOCATION: Fale Pasifika, University of Auckland



New Zealand Contemporary
China Research Centre



CONFERENCE NOTE

Experts from China, New Zealand and around the world meet in Auckland to assess Chinese financial liberalisation and the renminbi (RMB) and to ask what these efforts mean for New Zealand traders and investors.

China is the world's largest trader, has the world's second largest economy and is a major global investor. There are increasing calls for further liberalisation of the Chinese financial sector and deepening of financial reform as the Chinese economy integrates into the global economy. At the same time, there are questions about the possibility of greater use of the RMB in international trade and financial transactions with China, including in New Zealand where trade and investment relations have experienced major growth but are still mostly conducted in US\$. Will China's financial sector make the necessary reforms to allow the RMB to become a major currency for international transaction?

A first wave of RMB liberalisation occurred with the growth of currency swap lines with foreign central banks and the establishment of clearing banks in offshore RMB centres such as the Hong Kong offshore RMB market in 2009. On the back of this, and other efforts, average daily turnover of RMB almost doubled between April 2013 and April 2016, from \$120 billion to \$202 billion or from 2 percent to 4 percent of the US\$5 trillion daily global FX turnover. In 2015, the International Monetary Fund declared the RMB freely usable and included it in its special drawing rights basket. New Zealand has had direct convertibility between the NZ\$ and RMB since March 2014.

A second wave of RMB liberalisation is now being promoted through efforts to build RMB use for international investment and on the back of government and corporate 'go global' strategies. This is evident in the establishment of the Asia Infrastructure Investment Bank (AIIB) in 2015 and the rollout of the Belt and Road Initiative (BRI). The BRI's strong focus on building financial, and other, connectivity on the Eurasian continent and beyond, and in the financing of massive infrastructure development projects further drives calls for financial liberalisation and raises many questions for countries that have deep financial relations with China:

- What are the trends toward deep financial reform in China and in liberalisation of the Chinese currency?
- How would RMB liberalisation impact trade and investment in the region?
- What are the trends in direct convertibility, regionally and in New Zealand? What channels and conduits are available?
- How important is China's financial infrastructure and new financial technology for convertibility and trade with China?

This one-day conference analyses the latest trends in China's financial sector and efforts to liberalise the RMB as an international currency and draws out the implications of this for New Zealand. Sessions focus on state motivation and policies, the rise of the RMB in international trade and finance, trends and opportunities in NZ\$/RMB direct convertibility, financial innovation and future trends.

CONFERENCE SCHEDULE

8.30am

Registration

9am

Introductory remarks

Mr Tony Browne

Executive Chair, New Zealand Contemporary China Research Centre

Professor Stuart McCutcheon

Vice-Chancellor, University of Auckland

9.15am

Session 1: RENMINBI INTERNATIONALISATION

Chair: Associate Professor Peiming Wang

Associate Professor of Finance, Auckland University of Technology

Professor Xu Mingqi

*Executive Director, Shanghai Municipal Centre for International Finance,
Shanghai Academy of Social Sciences*

*'Internationalisation of RMB and the construction of Shanghai International
Financial Centre'*

Professor Kathleen Walsh

*Professor in the Finance Discipline Group, University of Technology, Sydney
'Renminbi trade settlement: Past, present and future'*

10.30am

Morning tea

10.50am

**Session 2: THE RISE OF RMB IN INTERNATIONAL
TRADE AND FINANCE**

Chair: Professor Neil Quigley

Vice-Chancellor, University of Waikato; Chair of the Reserve Bank of New Zealand

Professor Paul B. McGuinness

*Professor of Finance, Chinese University of Hong Kong
'Equity and other financial product developments arising from
RMB internationalisation'*

Dr Xiao Lisheng

*Deputy Director of International Finance Research Division, Institute of World
Economics and Politics, Chinese Academy of Social Science.*

'RMB exchange rate regime and RMB internationalisation'

12.15pm

Lunch

1.15

Session 3: AUSTRALIA AND NEW ZEALAND: TRADE AND FINANCE IN RMB

Chair: Professor Natasha Hamilton-Hart

Professor of Management and International Business at the University of Auckland and Director of the New Zealand Asia Institute.

Mr Vangelis Vitalis

Deputy Secretary, Trade and Economic, Ministry of Foreign Affairs and Trade

Ms Qian Hou

*Chief Executive Officer, Industrial Commercial Bank of China (ICBC) New Zealand
'RMB internationalisation and ICBC practice'*

Mr Daniel Everett

Global Head of RMB, Strategy and Execution at ANZ Bank

'The challenges and opportunities of NZ\$/RMB direct convertibility'

Mr Callan Windsor

Acting Manager, International Financial Markets, Reserve Bank of Australia

'Renminbi usage in Australia: Trends, new investment channels and challenges'

3pm

Afternoon tea

3.20pm

Session 4: WHERE TO FROM HERE?

Chair: Ms Mary Boyd

Director, Economist Corporate Network Shanghai, the Economist Group

Mr Rodney Jones

Principal of Wigram Capital Advisors Ltd

Professor Xu Mingqi

*Executive Director, Shanghai Municipal Center for International Finance,
Shanghai Academy of Social Sciences*

4.20pm

SUMMING UP

Dr Jason Young

Acting Director, New Zealand Contemporary China Research Centre

4.30–5.30pm ICBC NETWORKING EVENT

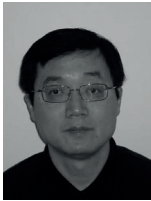
BIOGRAPHIES



Professor Stuart McCutcheon

Vice-Chancellor, University of Auckland

Professor Stuart McCutcheon completed a Bachelor's degree with First Class Honours at Massey University in 1976, and was appointed to the lecturing staff there while undertaking a PhD in Metabolic Physiology. From 1982 to 1984, he was a postdoctoral fellow at Cornell University, New York, and the recipient of a Harkness Fellowship. Professor McCutcheon has served in an advisory capacity to a number of government agencies and producer boards and been a director or board member of the New Zealand Dairy Research Institute, the Wellington Regional Economic Development Trust, the Wellington College of Education, the Malaghan Institute of Medical Research, Universitas 21, U21 Global and the Worldwide Universities Network, the University of Auckland Foundation, the UK and US Friends of the University of Auckland, Auckland Tourism, Events and Economic Development (ATEED), and the King's School Trustees Board. He is currently the chair of Universities New Zealand.



Associate Professor Peiming Wang

Dr Peiming Wang is an associate professor of Finance at the Auckland University of Technology. He received his PhD from the Sauder School of Business at the University of British Columbia, Canada. His research areas include asset pricing model, applied econometrics, monetary policy, foreign direct investment and merger and acquisition. Dr Wang has published in many leading journals, including the *Journal of Business and Economic Statistics*, *Journal of Empirical Finance*, *Macroeconomic Dynamics*, *International Review of Economics and Finance*, *Applied Economics*, *Biometrics* and *Statistica Sinica*.



Professor Xu Mingqi

Dr Xu Mingqi is a senior research professor of International Economics and serves as senior adviser of national top think tank at Shanghai Academy of Social Sciences. He is also the president of the Shanghai Institute for European Studies and secretary-general of Shanghai Coordination Center for FTZ Studies. His main research areas are in the theory of international economics, international finance, international political economy, European economy, monetary economics and monetary policy and China's economic system reforms. He obtained a Doctorate in International Economics at the Shanghai Academy of Social Sciences in 1994 and undertook postdoctoral research at Harvard University (1995–1996). He was a guest professor in the International Institute of Asian Studies at Leiden University in the Netherlands in 2001 and, in 2002, was a guest professor in the School of International and Area Studies at Seoul National University in South Korea, where he researched regional monetary cooperation. His other academic positions include vice-chairman of the China Society of European Studies, executive council member of the Chinese Association for European Studies and standing council member of the China Society for World Economics. Professor Xu also works as chief economist of the Shanghai Far East Credit Rating Corporation, where he served as president (2007–2013), executive director of the Municipal Research Center for International Finance and vice-chairman of the Shanghai Credit Service Industrial Union. He is also a guest professor of New York University (Shanghai), Fudan University, Shanghai University of Finance and Economics and academic adviser of Shanghai Institutes for International Studies.



Professor Kathleen Walsh

Professor Kathleen (Kathy) Walsh is a professor of Finance in the Business School at the University of Technology Sydney. Her research focus is on the development of Chinese capital markets and the impact on international financial markets. She has written several reports on the internationalisation of the RMB, the use of RMB as a trade-invoicing currency and the evolution of offshore RMB. She has done commissioned research for industry and government agencies, including the Centre for International Finance and Regulation, the New South Wales Department of Industry and the Sydney Business Chamber. Professor Walsh speaks regularly on the development of the Chinese economy at conferences, industry panels and official sector dialogues and is a member of the Sydney for RMB committee.



Professor Neil Quigley

Vice-Chancellor, University of Waikato

Professor Neil Quigley has a Bachelor of Arts and a Master of Arts with First Class Honours from the University of Canterbury, a PhD from the University of Toronto and an honorary doctorate from the University of Economics in Viet Nam. He is an economist of international standing with a long track record of academic and strategic leadership. He holds a number of board and expert advisory group memberships and is a director of the Reserve Bank of New Zealand and the New Zealand Qualifications Authority. Professor Quigley was appointed vice-chancellor of the University of Waikato in 2015 and is an *ex officio* member of its council.



Professor Paul B. McGuinness

Professor Paul B. McGuinness is a tenured professor in the Department of Finance at the Chinese University of Hong Kong (CUHK). He has also served as chairman of the Department for two extended terms (August 2000–July 2004 and August 2005–July 2009). Prior to his appointment at CUHK, he was a faculty member of the School of Industrial and Business Studies at the University of Warwick, United Kingdom.

He has also held, while on leave from CUHK, positions as the National Bank Chair of Finance at Victoria University of Wellington, New Zealand (January–December 1996), head of research at the Hong Kong securities regulator the Securities and Futures Commission (July–December 2000) and visiting professor in the Department of Economics at Macquarie University, Australia (February–June 2008). Professor McGuinness has taught widely in undergraduate, graduate and executive programmes in the United Kingdom, Hong Kong, Mainland China, New Zealand and Australia. His research activities are in financial markets, securities analysis and corporate finance. He has published widely, including a book entitled *A Guide to the Equity Markets of Hong Kong* (Oxford University Press, 1999), and has numerous published papers in internationally refereed journals, as well as several publications in professional and business-style journals.



Dr Xiao Lisheng

Dr Xiao Lisheng is a senior research fellow and deputy director of the International Finance Research Division, Institute of World Economics and Politics, Chinese Academy of Social Sciences. His main research fields are China's macro-economy and international finance. He serves as a consultant to the Ministry of Finance's International Economic Relations Division and is a researcher at the Pangu think tank at China Finance 40 Youth Forum and the international political and financial security think tank.



Professor Natasha Hamilton-Hart

Professor Natasha Hamilton-Hart is director of the New Zealand Asia Institute and professor in the Department of Management and International Business, University of Auckland Business School. Prior to joining the University of Auckland in 2011, she worked for 10 years at the National University of Singapore. She is the author of *Hard Interests, Soft Illusions: Southeast Asia and American Power*.



Mr Vangelis Vitalis

Mr Vangelis Vitalis returned to Wellington in 2017, having been New Zealand's ambassador to the World Trade Organisation in Geneva since August 2015. In addition to his role as deputy secretary, he is also the chief negotiator for the Trans Pacific Partnership Agreement. While in Geneva, he was elected in a personal capacity to chair the World Trade Organisation (WTO) agriculture negotiations, including to the Nairobi WTO Ministerial Conference, during which he helped draft the historic Ministerial Decision on Export Competition that eliminated agricultural export subsidies and established new disciplines on export credits. In his role as chair, he also helped draft the Ministerial Decision on Cotton that eliminated export subsidies for cotton.



Ms Qian Hou

Ms Qian Hou is the chief executive officer of Industrial and Commercial Bank of China (ICBC) New Zealand. She has been working in ICBC Group, the largest bank in the world, for more than 28 years. Ms Hou is an experienced banking senior executive with a proven record in leadership, governance and strategy development with comprehensive international insight. She is also an expert in banking businesses such as credit operation, guarantee business and international finance. Before coming to New Zealand, she was the director for multiple ICBC overseas institutions, which include ICBC Europe, ICBC Standard Bank Plc, ICBC Indonesia, ICBC Brazil, and ICBC Peru. Prior to this, she acted as a DGM in ICBC Seoul Branch for five years and held positions in information technology, human resources and the international banking department of ICBC's head office for 17 years. Ms Hou has a Master's degree in Economics, majoring in Currencies and Banking, from Renmin University of China.



Mr Daniel Everett

Mr Daniel Everett is the head of RMB, Strategy and Execution at ANZ Bank where his responsibility is to define and deliver ANZ's RMB strategy, value proposition and targets across the global institutional franchise and establishing and leading a RMB centre of expertise at ANZ. He has extensive experience in financial markets and, prior to being appointed to his current role in December 2014, he was ANZ's global head of equities for global markets. In that role, Mr Everett managed an equities business spanning Australia, New Zealand and Asia and operating across a number of activities, including equity derivatives sales, trading, equity capital markets and cash equities. Before joining ANZ in 2011, he was the joint regional head of Macquarie Securities Group in Australia and head of derivatives and delta one trading where he was responsible for developing and managing a full service and fully integrated equities platform. He also spent a number of years in Hong Kong overseeing Macquarie's Asian equity-derivative product offering. He is experienced in hedge funds structuring and risk management.



Mr Callan Windsor

Mr Callan Windsor is acting manager at the Reserve Bank of Australia, working within the Bank's International Department. In that role, he oversees the analysis and monitoring of Chinese financial markets, foreign exchange markets and the ongoing RMB internationalisation process. Prior to joining the International Department, Callan worked within the Bank's Economic Analysis and Research Departments, with published research focused on using unit-record data to empirically examine policy-relevant macroeconomic questions, focusing on the consumption and saving decisions of households, belief formation among households and the financial behaviour of firms. Callan holds a Bachelor of Economics with First Class Honours and a Bachelor of Journalism from the University of Queensland, Australia.



Ms Mary Boyd

Ms Mary Boyd is responsible for programme development and client servicing in Shanghai and provides research and conceptual support on China for Economist Corporate Network programmes. Before joining the Network, she was in the Canadian Department of Foreign Affairs, serving on assignment in Hong Kong, Thailand, Taiwan and China (in Shanghai, Guangzhou and Chongqing). Since leaving government service, Ms Boyd has researched and published on economic development and governance issues in China and has undertaken consultancy work for the World Bank and other international institutions, as well as multinational companies. She co-authored the Economist Intelligence Unit report 'Taking on the Competition: Domestic Companies in China'.

Mr Rodney Jones

Mr Rodney Jones is a principal of Wigram Capital Advisors, an Asian-based macro-advisory firm that provides economic analysis and advice to leading global investment funds on developments in Asia. He has been based in Beijing since 2010, where Wigram has a representative office, and has worked as an economist and analyst in Asia for the past 28 years. His focus has been on the interaction between banks, the financial system and real economies across Asia. Most recently, Wigram has been a leader in understanding changes in the Chinese banking system and how they have interacted with broader economic changes. Prior to establishing Wigram in Hong Kong in 2001, he was a managing director and partner with Soros Fund Management, heading up the research office in Hong Kong (1994–2000). During this time, Mr Jones was responsible for providing macro-analysis and advice on Japan, China and non-Japan Asia for the Quantum group of funds. Prior to joining Soros Fund, Mr Jones was an economist with Bankers Trust Company (1992–93), and Kim Eng Securities (1990–92), both in Singapore. He is a graduate of the University of Auckland, New Zealand, with a Bachelor of Commerce and a Master of Arts with Honours in Economics.



Mr Tony Browne

Mr Tony Browne is the executive chair of the New Zealand Contemporary China Research Centre. He has been the executive chair of the Centre and chair of the Victoria University of Wellington Confucius Institute since 2011 when he retired from the Ministry of Foreign Affairs and Trade after nearly 39 years as a New Zealand diplomat. He is a member of the executive board of the New Zealand China Council and chair of the Council's Education Working Group. He is also a senior consultant to Confucius Institute Headquarters in Beijing, one of 22 such appointees to this role in China and internationally. He filled senior roles in the management of New Zealand's relations with China from 1994 to 2011. He was New Zealand's ambassador to China (2004–2009) and deputy secretary of the Ministry of Foreign Affairs and Trade, with oversight of New Zealand's relations with Asia (2009–2011).



Dr Jason Young

Dr Jason Young is acting director of the New Zealand Contemporary China Research Centre, a senior lecturer in International Relations and Political Science at Victoria University of Wellington, New Zealand, and an adjunct research fellow for the Centre for Oceanian Studies at Sun Yat-sen University, China. His research interests focus on Chinese politico-economic reform, agricultural development and socio-economic change in rural China, Chinese foreign policy, East Asian regional integration and New Zealand–China relations. Jason is author of *China's Hukou System* (Palgrave, 2013) and a number of journal articles and chapters in both English and Chinese and is a frequent commentator in New Zealand and international media.



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