

Four Proposals to Strengthen the EU-China Financial Cooperation

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Recently, the accelerations of both economic integration in Europe and the RMB internationalization create a huge opportunity for financial cooperation between China and Europe.

First of all, we should strengthen monetary cooperation between China and Europe, which includes four specific aspects. Firstly and most importantly, promote RMB becoming one of the currency of settlement in Euro zone by allowing direct transaction of RMB/Euro in order to decrease trade cost and exchange risk in bilateral trade and investment. Secondly, increase the proportion of Euro in Chinese foreign exchange reserve by holding the high quality public bond of Euro countries, such as Germany, France, Finland and Netherlands, and advance RMB to become reserve money of EU. Thirdly, expand the scope of RMB pricing and encourage Germany and France to use RMB as their money of account and payment, which will have a strong demonstration effect and could be spread in the EU. Fourthly, the EU supports IMF to incorporate RMB into SDRs currency basket in 2015.

Next, we should expand financial opening of two sides. On one hand, China should expand financial opening to financial institutions in Europe and allow them to play more important roles in RMB exchange rate and interest rate marketization. On the other hand, the EU should expand financial opening to Chinese financial institutions. Chinese commercial banks should explore capital markets business, in addition to those traditional businesses, such as trade settlement, financing, and foreign exchange, in order to achieve the universal banking, and thus, it is necessary to establish RMB agent settlement network in EU.

Moreover, we should encourage capital market cooperation, which includes three aspects. First, encourage Chinese company to be listed in Europe, and especially those small and medium-sized enterprises should be listed in Frankfurt Stock Exchanges. Second, China should establish international board market in Shanghai Stock Exchanges and allow European financial institutions and companies to issue stocks denominated in RMB in China. The foreign proportion of the total shares in Chinese securities companies could be raised from 1/3 to 49%, and allow the eligible joint venture of securities company to expand its business, such as broker and dealer related to China's A share market. Third, encourage the EU member's governments, financial institutions and companies to issue bonds denominated in RMB in Europe and in China. Welcome their investment in China's interbank-bond market.

Lastly, enhance the strategic cooperation between China and financial centers among European countries, which includes four points. First, build RMB offshore centers in London and Frankfurt, and developing cross border RMB business, such as settle accounts, loan transaction, trade, financing, bond and stock, in order to enrich RMB financial products and build RMB backflow channels. Second, promote cooperation between small and medium-sized financial companies in China and Europe. Third, expand business cooperation with Private Banking in Swiss. Fourth, strengthen cooperation with assets management in Luxembourg.