



palgrave▶pivot

2023 Global Financial Turbulence and Economic Outlook Tsinghua PBCSF Chief Economists Forum

Edited by
Jiandong Ju

palgrave
macmillan

2023 Global Financial Turbulence and Economic Outlook

Jiandong Ju
Editor

2023 Global Financial Turbulence and Economic Outlook

Tsinghua PBCSF Chief Economists Forum

palgrave
macmillan

Editor

Jiandong Ju
PBC School of Finance
Tsinghua University
Beijing, China

ISBN 978-981-97-0205-3 ISBN 978-981-97-0206-0 (eBook)
<https://doi.org/10.1007/978-981-97-0206-0>

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer
Nature Singapore Pte Ltd. 2024

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors, and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Cover credit: © Melisa Hasan

This Palgrave Macmillan imprint is published by the registered company Springer Nature Singapore Pte Ltd.

The registered company address is: 152 Beach Road, #21-01/04 Gateway East, Singapore 189721, Singapore

Paper in this product is recyclable.

INTRODUCTION

Tsinghua PBCSF Chief Economist Forum is held annually in the PBC School of Finance at Tsinghua University, hosted by the Center for International Finance and Economics Research (CIFER). The 2023 forum was held on May 6, 2023, in Tsinghua University. Nineteen leading scholars and chief economists were invited to speak in the forum. Over 5 million audiences attended the forum online. The Forum remained to be the highest level of economic forum with the largest audience in China.

The main theme of the forum is **2023 Global Financial Turbulence and Economic Outlook**, including a keynote speech and dialogue focusing on the theme of **global financial turbulence and changes in the world order**, and three roundtables focusing on China Economic Outlook, Global Financial Turbulence and China's Financial Market, and Global Financial Turbulence and China's Economic Outlook, respectively.

This collection of speeches reflects views on the main economic and financial issues in China and the world from leading experts mainly inside China. Readers can see that these views are different, and some of them may be very different from the views outside China, especially from the United States and Europe. Readers can also see that experts have divergent opinions on many issues. Therefore, this book continues to play an important role in showing how leading experts inside China view the Chinese and global economy and finance.

I would like to thank Professor Liangfei Gu, Chairperson of the School Council of PBC School of Finance, Tsinghua University, for supporting this forum. I thank research fellows at CIFER, who helped me in editing this book: Chen HUANG and Yuankun LI helped edit Chapter 1. Lu FENG and Sijia LI helped edit Chapter 2. Mengyu WANG and Yujia YANG helped edit Chapter 3. Qingtao LI and Sijia LI helped edit Chapter 4. My thanks go to CIFER administration team, Ms. Ly Yuan YANG, Ms. Zhiwei XIA, and Ms. La WEI, who worked very hard and efficiently to help me organize the forum. Again, I thank Mr. Jacob DREYER from Palgrave who continues to support this book.

Jiandong Ju
Unigroup Chair Professor at PBC
School of Finance at Tsinghua
University
Director of Center for
International Finance
and Economics Research (CIFER)

CONTENTS

1	Keynote Speech and Dialogue: Global Financial Turbulence and Changes in the World Order	1
1.1	<i>Threading a Needle: Conflict Resolution Amid Recession Risks</i>	2
1.2	<i>2023: Global Financial Risks Are Rising</i>	8
1.3	<i>To Strive for Steady Economic Growth and Maintain Growth, the Government and the Market Should Make Efforts at the Same Time</i>	12
1.4	<i>Nine (Chinese) Words Strategy in Great Power Competitions: Not Seeking Hegemony, Stabilizing Asian Market, Sharing for All</i>	17
1.5	<i>Dialogue: Global Financial Turbulence and World Order Transformation</i>	23
2	Roundtable I: China Economic Outlook	29
2.1	<i>China's Economy Stabilizes and Looks Forward to a Bright Future</i>	30
2.2	<i>Dialogue with Qifan Huang</i>	36
2.3	<i>China's Economic Outlook</i>	37

3	Global Financial Turbulence and China's Financial Market	55
3.1	<i>Crisis, Not Turbulence</i>	56
3.2	<i>The Impact of the Federal Reserve's Continued Interest Rate Hike and China's Response</i>	58
3.3	<i>Prepare for Global Downside Risks, Set Goals, and Establish Reasonable Economic Expectations</i>	61
3.4	<i>Challenges and Reflections on the Banking Crisis in the United States</i>	64
3.5	<i>The Government's Support for Financial Institutions Continues to Strengthen</i>	67
3.6	<i>Discussion: Global Financial Turbulence and China's Financial Market</i>	70
4	Global Financial Turbulence and China's Economic Outlook	83
4.1	<i>Global Financial Situation and Market Opportunities</i>	84
4.2	<i>Five Measures to Reduce Local Debt Risk</i>	89
4.3	<i>The Real Estate Market Has Stabilized at a Low Level, With Obvious Market Differentiation and a Structural Downward Trend</i>	93
4.4	<i>The Economic Recovery Environment Is Complex, and Confidence Needs to be Boosted Through Structural Reforms</i>	97
4.5	<i>Achieve Rapid Economic Growth by Reducing Policy Interest Rates</i>	102
4.6	<i>Discussion: Global Financial Turmoil and China's Economic Outlook</i>	106
	Index	117

LIST OF CONTRIBUTORS

Tao Guan Global Chief Economist at BOC International (China) CO., LTD

Qifan Huang Former Mayor of Chongqing Municipality

Haizhou Huang Managing Director and Chairman of Capital Market Committee China International Capital Corporation

Jiandong Ju Unigroup Chair Professor at PBC School of Finance in Tsinghua University, Director of Center for International Finance and Economics Research, PBC School of Finance, Tsinghua University

David Daokui Li Director of the Academic Center for Chinese Economic Practice and Thinking (ACCEPT)

Xunlei Li Chief Economist at Zhongtai Securities

Yuanchun Liu President of Shanghai University of Finance and Economics, former Vice President of Renmin University of China, and co-founder of China Macroeconomy Forum

Ting Lu Chief China Economist at Nomura

Wensheng Peng Chief Economist at China International Capital Corporation (CICC)

Stephen Roach Former Chairman of Morgan Stanley Asia, Senior Fellow, Paul Tsai China Center, Yale Law School

Jianguang Shen Chief Economist at JD.com

Xuan Tian Associate Dean and Chair Professor of Finance at PBC School of Finance, Tsinghua University, NPC deputy

Ge Wu Chief Economist at Changjiang Securities

Yang Yao Dean of The National School of Development, Director of China Center for Economic Research, Peking University

Bin Zhang Senior Fellow, Deputy Director at the Institute of World Economics and Politics Chinese Academy of Social Sciences

Xiaoyan Zhang The Xinyuan Chair Professor of Finance and Associate Dean at PBC School of Finance, Tsinghua University

Yandong Zhang The President of CAIJING Think Tank, Managing Editor of CAIJING Magazine

Haibin Zhu Chief China Economist at J.P. Morgan

Min Zhu Vice-Chairman of the China Center for International Economic Exchanges, Former Vice President of the International Monetary Fund



Keynote Speech and Dialogue: Global Financial Turbulence and Changes in the World Order

Abstract In view of the current bilateral economic and trade relations between China and the United States, Stephen Roach believes it is necessary to enhance Sino-US bilateral communication and mutual trust, and jointly address the risk of global recession. Firstly, China and the United States need to rebuild trust, such as by reopening consulates, relaxing visa restrictions, and easing restrictions on non-governmental organizations; secondly, it is important to lower investment barriers between the two countries and reach a consensus on investment protection agreements. Lastly, Roach suggests the establishment of a Sino-US Secretariat, serving as the core of the new diplomatic framework between the two countries, playing a proactive role in the communication and coordination of national affairs. In response to the issue of global financial instability, Min Zhu believes that the banking industry is facing systemic mismatches and the global liquidity crisis will continue to spread. DaoKui Li believes that to maintain and ensure growth, the Chinese government and the market must act simultaneously, and the regulation of artificial intelligence must depend on the coordination and cooperation between China and the United States. Finally, given the backdrop of the current world economic turbulence, Jiandong Ju believes that China should adhere to a nine-(Chinese) character strategy in the competition of great powers: not seeking hegemony, stabilizing the Asian market, and sharing benefits for all.

Keywords Economic growth · Sino-US conflict · US monetary policy · Asian community · Artificial intelligence

1.1 THREADING A NEEDLE: CONFLICT RESOLUTION AMID RECESSION RISKS

Stephen Roach, Former Chairman of Morgan Stanley Asia, Senior Fellow, Paul Tsai China Center, Yale Law School

It is a great honor for me to join this high-level forum. Now, it is Friday evening in Connecticut, and Saturday morning for everyone else. I am a professor at Yale University and a former Chairman of the Asia-Pacific region, and I was also the Chief Economist of Morgan Stanley for 30 years. I think joining the Tsinghua PBCSF Chief Economist Forum is very important, and the discussions on related topics, especially with Chinese experts, American experts, and global experts, are very important.

Today, I would like to talk about the background of global economic challenges, especially the challenges for China and the United States, as well as the conflicts between the two countries.

The convergence of these forces will be very difficult, bringing huge challenges that are hard to cope with for both countries, and at the same time, will have a profound impact on the global economy. Today, I would like to briefly introduce the challenging global macro environment and its impact on the turbulent global financial markets.

First, let's comment on the fragile state of global economic growth. I want to make an important point about the direction of interest rates, and at the same time, I also want to talk about the role of monetary policy in the current environment, as well as a series of unfortunate mistakes made by central bank governors in recent years. This is also a lead-in because I will then talk about the prospects for China's economic growth and its impact on the global economy. The conclusion is to share with you some of my analysis and outlook on the Sino-US conflict, as much of the content is from my newly published book, shown on the right side of the screen, called "Unintended Conflict." Let's start with global economic growth.