



Activity Title and Number: EU-China Seminar on Capital Account Convertibility; A327-C1

Beneficiary: People's Bank of China (PBOC)

Location and Date: Dalian and Beijing; 13-16 October 2014

Stakeholders: DG ECFIN, DG MARKT, European Central Bank
Central banks of Germany, Bruegel, Bank of International Settlement, International Monetary Fund

Brief Activity Report

Relevance and Impact

Since 2009, three areas have been considered priority on the Chinese government's financial reform agenda: RMB internationalisation, gradual convertibility of capital accounts and liberalisation of domestic interest rates. The convertibility of capital accounts is considered to be one of the main features of a developed economy as it helps to attract foreign investment, enables foreign investors to re-convert local currency into foreign currency and facilitates local companies to invest in foreign markets. In order to accelerate the liberalisation of capital accounts, China established a two-track capital flow regulation structure in 2009. At the 18th Party Congress in 2013, China's top leaders highlighted the need to "accelerate the realisation of the convertibility of renminbi capital accounts". At the request of People's Bank of China's Monetary Policy II Department – responsible for designing the framework for capital account liberalisation – EUCTPII organised a seminar to inform Central bank officials on the essential steps to undertake if China's wishes to liberalise its capital account, drawing on the EU's experience of establishing a codified capital account liberalisation framework.

Activity Description

Around 50 participants from People's Bank of China's Monetary Policy II department, research bureau and local branches of China's central bank attended this three-day training.

The transition to a liberalised capital account requires the consideration of important questions such as: preconditions and sequencing, financial openness and possible restriction mechanisms, adaptation of macro-policies. All these questions were answered in-depth by experienced speakers from the European Commission, think tank (Bruegel), Deutsche Bundesbank, International Monetary Fund and the Bank for International Settlements. All presentations were followed by extensive Q&As between the Chinese delegates and the speakers.

Results and Dissemination

- The presentations and exchanges provided PBOC officials with a better understanding of the essential steps to move towards capital account liberalization.
- Provided China's central bank with a reference framework on the link between capital account convertibility, currency internationalisation and reserve currency status, which could prove useful if China decides to use capital account liberalisation to accelerate domestic reforms.