

# **CAPITAL FLOWS, OVERHEATING, AND THE NOMINAL EXCHANGE RATE REGIME IN CHINA**

*Fred Hu*

*Goldman Sachs and Tsinghua University, Hong Kong*

Prepared for “A Liberal Agenda for the New Century: A Global Perspective,” a Conference cosponsored by the Cato Institute, the Institute of Economic Analysis and the Russian Union of Industrialists and Entrepreneurs, April 8-9, 2004, Moscow, Russian Federation.

## **Abstract**

The successful launch of the “QFII (Qualified Foreign Institutional Investor)” scheme is a milestone in China’s financial sector reform and opening up, likely to herald broader capital account liberalization ahead. However, the recent surge in capital inflows has contributed to a credit boom, giving rise to concerns about overheating and shedding spotlight on China’s de facto currency peg. The evidence of “hot money” inflows further discredits the effectiveness of China’s existing system of capital control. Instead of moving towards greater exchange rate flexibility, the Chinese authorities have responded by stepping up sterilized intervention, easing restrictions on selected capital outflows, and tightening inward portfolio investment. Going forward the greater openness of China’s economy will almost certainly generate increased tensions with the country’s closed capital account. Provided China can make meaningful progress in banking reform in the next 3 to 5 years, full currency convertibility remains a highly worthwhile and realistic medium-term policy goal.

## **I. Introduction**

Since her historic entry into the World Trade Organization in 2001, China has continued to move forward rapidly on the path of reform and opening up and the Chinese economy has gathered further momentum with real GDP growth reaching a phenomenal 9.1% in 2003. China's spectacular growth performance and her status as a "world factory" have led to massive capital inflows into the country, pushing up official foreign exchange reserves to 415 billion US dollars, the world's second largest, by end of 2003. While there is much to be celebrated, there is also cause for concern. The Chinese economy is showing signs of overheating and inflation, long dormant, is picking up at an alarming pace. At the same time, the massive capital inflows and reserve build-up have put new spotlight on the country's de facto currency peg, a source of friction with leading trading partners such as US and Japan. Instead of moving towards greater exchange rate flexibility, the Chinese authorities have responded by stepping up sterilized intervention, easing restrictions on selected capital outflows, and tightening inward portfolio investment. Despite the success of the Qualified Foreign Institutional Investor (QFII) program introduced in late 2002, the authorities have temporarily stopped approving new applications for the program mainly to restrain portfolio investment inflows. The evidence of "hot money" clearly shows that China's cumbersome system of capital control is not as effective as officially billed. Going forward the greater openness of China's economy will almost certainly generate increased tensions with the country's closed capital account. China must put in place a sound institutional framework and financial infrastructure to accommodate growing freedom of cross-border capital flows. Provided China can make meaningful progress in banking reform in the next 3 to 5 years, full currency convertibility remains a highly worthwhile and realistic medium-term policy goal.

## II. Unprecedented Openness Increasingly at Odds with Closed Capital Account

Following a quarter of century's economic reforms and opening up, China has emerged from economic isolation and quickly established itself as a major participant in the world economy. It has completely abandoned its traditional "import substitution" and "self sufficiency" development model in the central planning era and embraced an outward-oriented new development strategy.

Foreign trade soared to 851 billion US dollars in 2003 from a meager of 25 billion US dollars in 1978. China is now the world's 4<sup>th</sup> largest exporter and more stunningly, the 3<sup>rd</sup> largest importer. China's external trade has been growing at a much faster rate than the world trade on average for over two decades (see Exhibit 1).

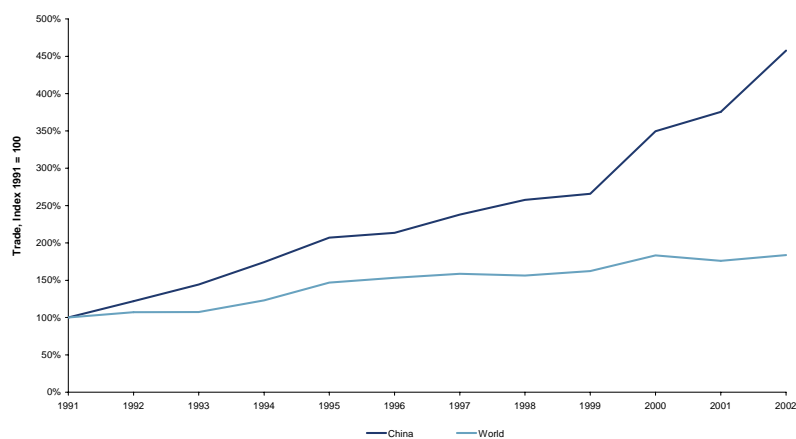
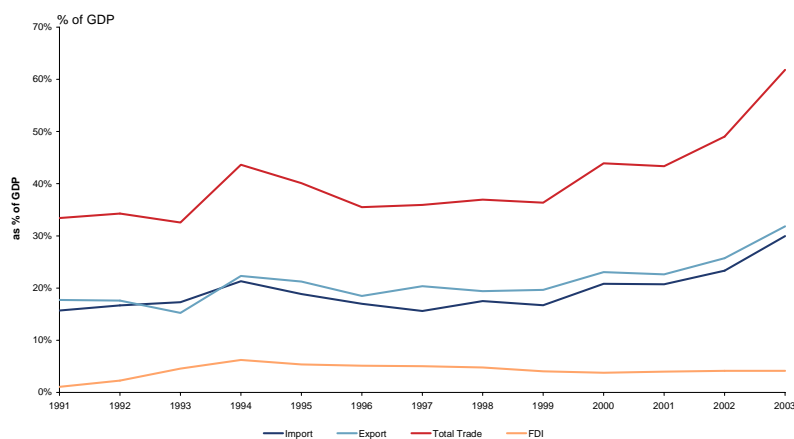


Exhibit 1. China's Foreign Trade has been growing faster than world trade

Source: WTO, China Statistical Year Book 2003.

Fast economic growth and market opening have made China a magnate for foreign investment. In recent years China has become a leading destination of foreign direct investment (FDI). Inward FDI reached more than 50 billion US dollars in 2002 and 2003, ranking among the world's largest recipients. Based on standard measures of economic "openness", such as trade/GDP and FDI/GDP, China ranks one of the most open among the world's large economies (see Exhibit 2).

Exhibit 2. Openness Indicators



US\$ bn	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Import	64	81	104	116	132	139	140	166	166	225	244	295	413
Export	72	85	92	121	149	151	183	184	195	249	266	326	438
Total Trade	136	166	196	237	281	290	323	349	361	474	510	621	851
FDI	4	11	28	34	38	42	45	45	40	41	47	53	57
GDP	406	483	601	543	700	816	898	946	991	1,081	1,176	1,266	1,377

Source: China Statistical Year Book 2003.

Since China's historic accession into the World Trade Organization (WTO) in 2002, China has been undertaken sweeping trade reforms. Average tariff rates for industrial products and agricultural produces have been reduced to 11%, and 17% respectively, among the lowest in

developing countries. A wide range of non-tariff protection measures, such as import permits, licensing requirements, and quotas have been eased or eliminated altogether. In addition, China has been reducing entry barriers in the service sectors, allowing foreign participation in telecom, transportation, and retail and wholesale commerce. Significantly, WTO entry has also boosted foreign access to financial services such as commercial banking, insurance, fund management, and securities underwriting.

While China formally accepted the obligations of the IMF Article III Agreements, Sections 2, 3 and 4 in 1996, that is, achieved current account convertibility for its currency, it continues to maintain extensive exchange and capital control over many types of capital account transactions. Despite the official reluctance to relax exchange and capital control, China's own experience in recent years has shown that the effectiveness of capital control has, over time, diminished and the system has become difficult to sustain, especially given the fact that current account convertibility, while bringing about massive efficiency gains, has also created numerous leakage and loopholes for illicit capital flows. The economic and social costs associated with continued draconian control over capital movement have become ever larger and better recognized. In addition to imposing heavy administrative burden for the government, capital control has caused distortion in investment decisions by Chinese enterprises and households, led to mis-allocation of capital, rampant corruption, and financial fraud.

In most aspects China is now a full-fledged member of the global economy with substantial cross-border flow of goods, services and capital. Out of the world's ten largest trading nations, however, only China continues to maintain extensive restrictions on the cross-border movement of capital (see Exhibit 3). China's closed capital account is clearly incompatible with the

country's high degree of economic openness. Further trade reforms and market opening post WTO accession will provide a strong impetus to capital account liberalization (See Hu 2001).

Exhibit 3. Top Ten Global Trading Nations<sup>1</sup>

<b>US\$ bn</b>	<b>Trade</b>	<b>GDP</b>	<b>Trade/GDP</b>	<b>Capital Control</b>
United States	1,896	10,083	18.8%	No
Germany	1,107	2,088	53.0%	No
China	851	1,377	61.8%	Yes
Japan	754	4,491	16.8%	No
France	661	1,472	44.9%	No
United Kingdom	625	1,590	39.3%	No
Italy	494	1,088	45.4%	No
Canada	480	680	70.6%	No
Netherlands	464	387	120.1%	No
Belgium	411	263	156.1%	No

Source: WTO, EIU

### **III. QFII as a major Step towards Capital Account Liberalization**

On a practical level, China has taken a highly selective approach to its treatment of various capital account transactions. It has abolished most restrictions on inward foreign direct investment, except the handful of limitations related to national security. As far as direct investment is concerned, foreign investors are largely free to repatriate profits, interest income, dividends as well as principal capital. China's relatively liberal regime towards FDI has produced widely noted success, with the country being now the single largest recipient of FDI in the developing world.

But China has sought to maintain extensive control over portfolio investment, including equities, bonds, bank loans, currencies, commodities, and derivative instruments. The pace of capital account liberalization in China has sharply slowed down since the Asian financial crisis in

<sup>1</sup> 2002 data for all other countries, 2003 for China

1997/98, which caused growing skepticism in both academic and policy circles about the wisdom of free capital mobility (Rodrik, Bhagawati).

Nevertheless China has continued to conduct cautious experiments aimed at gradual and orderly relaxation of capital control. The most significant initiative launched is the introduction of the Qualified Foreign Institutional Investor (QFII) scheme in December 2002. The decision, jointly made by China Securities Regulatory Commission (CSRC) and State Administration of Foreign Exchange (SAFE), followed a two-year-period of careful study and consultation.

Under the QFII scheme, qualified –with qualifications determined by the CSRC-- foreign investors are allowed for the first time to invest in China’s domestic-listed, local currency-denominated stocks, namely A shares, local currency government and corporate bonds, exchange traded funds (ETFs), and other securities. To encourage long-term holding and dampen short-term volatility, the regulations require QFII participants to hold their investment for a minimum of 12 months before they can apply for repatriation of capital or capital gains. Mostly on prudential grounds the CSRC and SAFE have imposed a number of other restrictions.

Despite the obvious limitations of the QFII program, its launch should be viewed as a milestone in China’s financial sector reform and opening up, and it is likely to herald broader, albeit gradual, capital account liberalization. With just over one year in operation, the QFII has attracted an impressive list of leading global financial institutions to apply for quotas and invest in China’s domestic securities (see Exhibit 4). China’s strong economic fundamentals including fast growth and its new status as the “world factory” have been the main factors stimulating strong global interest in investing in China.

<b>Institutions</b>	<b>Quota (US\$ mm)</b>
UBS Limited	600
Nomura Securities Co., Ltd	50
Citigroup Global Markets Limited	200
Morgan Stanley & International Limited	300
Goldman Sachs & Co.	50
The Hongkong and Shanghai Banking Corporation Limited	100
Deutsche Bank AG	200
ING Bank N.V.	50
JPMorgan Chase Bank	50
Credit Suisse First Boston (Hong Kong) Limited	50
Nikko Asset Management Co., Ltd	50
Total	1,700

#### Exhibit 4: QFII Participants in China

Source: State Administration of Foreign Exchange Bulletin, Beijing

Prior to the introduction of the QFII scheme, international investors could access China-related stocks only from Hong Kong, namely so-called red chips and H shares. With only approximately 100 Hong Kong-listed companies to invest in, stock selection was severely constrained.

By contrast, China's 14-year-old domestic equity market, consisting of Shanghai and Shenzhen stock exchanges, already boasts of 1227 listed companies spanning key manufacturing and service sectors and, in terms of market capitalization (560 billion US dollars) is the second-largest in Asia Pacific after Japan. Undoubtedly, China's domestic capital markets promise a much larger universe for international investors in terms of stock picking and asset allocation. The launch of the QFII program has therefore provided a welcome channel for international investors to directly access China's hitherto closed capital markets.

China's domestic capital markets have been long dominated by retail investors who, while numbered at over 65 million, are often no more than short-term oriented punters as opposed to long-term value investors. Due to the "free ride" problem, retail investors have neither the

incentive nor the influence to monitor managerial performance and ensure good corporate governance on the part of publicly listed companies. While the total inflow of funds under the QFII program, estimated to be below 2 billion US dollars, is insignificant compared to total FDI inflows, the participation of global investors in China's domestic securities market has helped transfer professional fund management expertise and risk control technology to China, hence contributing to the development of Chinese capital markets.

The successful debut of the QFII program in China has evidently instilled confidence among Chinese regulatory authorities. On the back of overwhelmingly positive response, the Chinese authorities are now seriously considering introducing several other policy initiatives, including the Qualified Domestic Institutional Investor (QDII) program. The QDII, essentially the mirror image of QFII, will offer domestic financial institutions a legitimate and transparent vehicle through which to invest in international equities and bonds, with the Hong Kong market as the most likely testing ground. While both the QFII and QDII schemes impose certain unappealing limitations to investors, they nevertheless represent significant initial steps by the Chinese authorities towards liberalizing cross-border portfolio investment.

#### **IV. Implications of “Hot money” and Overheating for Capital Account Liberalization**

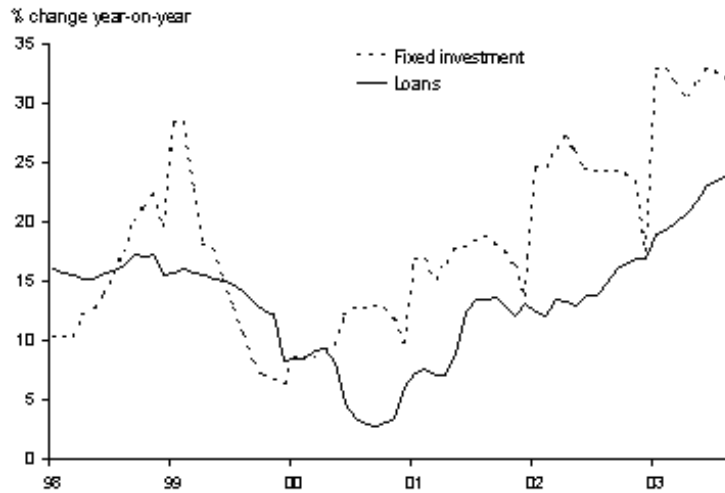
As China slowly liberalizes its capital account, it faces a key challenge other liberalizing economies around the world have confronted before with mixed success, that is, how to embrace greater freedom of capital flows while maintaining domestic monetary and price stability. In the past few years, China has experienced an accelerating monetary expansion, a massive credit boom, a resurgence in consumer price inflation and a red hot real estate sector. The talks of

overheating have increasingly dominated headlines in the finance press. At the same time, there has been extremely vocal criticism in the international community of China's de facto currency peg. Both Japan and US, two of China's largest trading partners, have blamed China for keeping its peg against the US dollar at the artificially undervalued level and called for re-valuation of renminbi. China has so far resisted such calls and continued to maintain a fixed exchange rate.

Managing potential risks of overheating is currently the top priority of the Chinese policy authorities. However, it is a challenging task given China's de facto fixed exchange rate regime, which makes it difficult for the authorities to exercise effective monetary control in the face of substantial external inflows.

Over the past two years, China experienced a sharp acceleration in broad money growth and credit growth. Domestic credit expanded at over 20% per annum in 2003, fueling a massive investment boom, especially in real estate, automobile, steel, cement, alumina and other basic industries. (Exhibit 5).

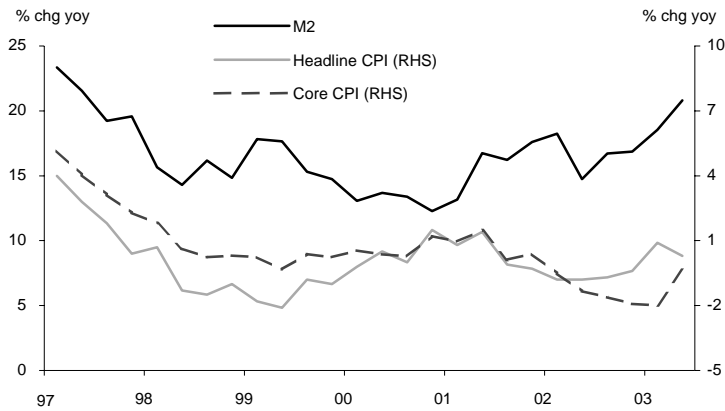
### Exhibit 5: Fixed investment and Loan Growth



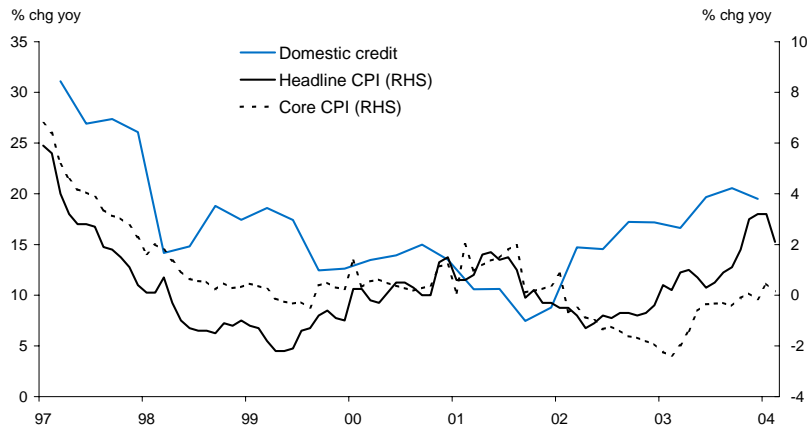
Source: CEIC, Goldman Sachs estimates.

The last episode of excessive credit expansion, between 1991-1994, led to runaway inflation, with CPI reaching 28% at its peak, and a sharp deterioration of asset quality, plowing the seeds for substantial increases in bank NPLs. The current credit boom, if left unchecked, will have similar implications for asset quality in the banking sector as well as for inflation (Exhibit 6 and 7). Overheating in the Chinese economy is a clear and present danger now taken seriously by investors and policymakers alike.

### Exhibit 6: CPI and Broad Money Growth



Source: CEIC, Goldman Sachs estimates.



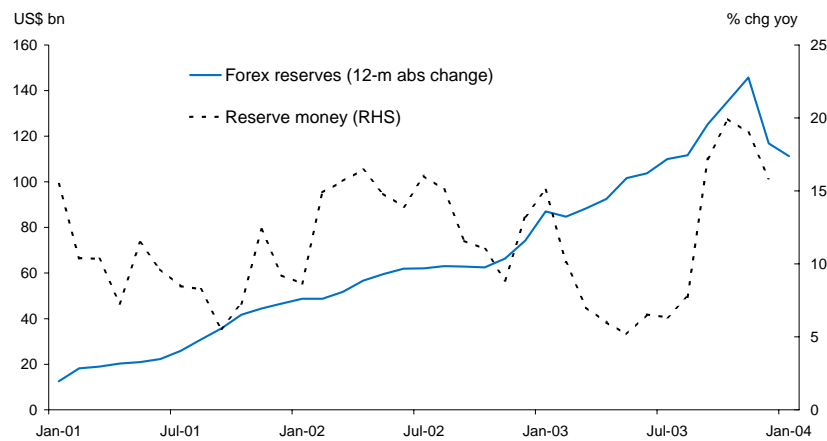
### Exhibit 7: CPI and Domestic credit growth

Source: CEIC, Goldman Sachs estimates.

Maintaining a pegged currency in the face of a large balance of payment surplus has sharply pushed up China’s official forex reserves (see Exhibit 15). Forex reserves rose by nearly US\$117 bn in 2003 to US\$403 bn—now only second in the world after Japan—following an increase of US\$74 bn in 2002 and US\$47 bn in 2001.

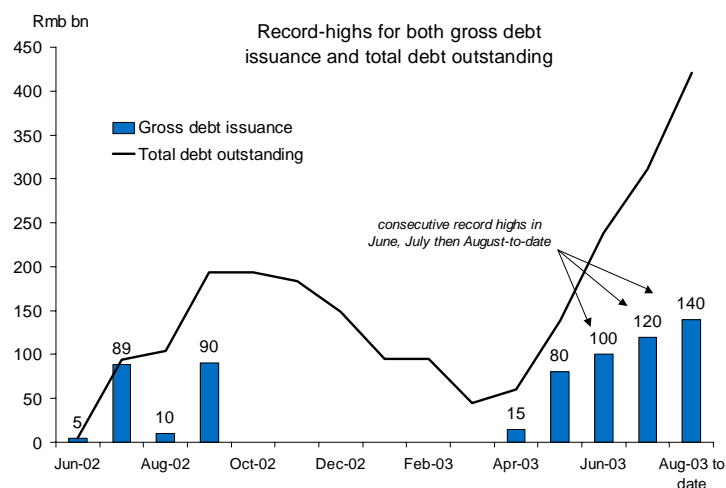
China's base money accelerated sharply in late 2001 to a high of 16.5% yoy by April 2002 (see Exhibit 8). However, the People's Bank of China (PBOC) subsequently managed to slow the base money growth back down to 15.9% yoy as of Dec 2003 (latest data available). In order to rein in base money growth, the PBOC has had to beef up its capacity to sterilize its forex market intervention, i.e. mop up the liquidity released when the central bank buys US dollars with renminbi

### Exhibit 8: Forex Reserve Build-up and Base Money Growth



Source: CEIC, Goldman Sachs estimates.

## Exhibit 9: Issues of PBOC sterilization bills have surged



Source: CEIC, Goldman Sachs estimates.

to keep the exchange rate stable. In April 2002, the PBOC began draining liquidity through outright sales of securities. And from June 2002, these open market operations were complemented by repurchase (repo) operations, where the central bank sells securities to commercial banks with the agreement to buy them back at a specified time. Finally, in September 2002, the PBOC replaced outstanding securities, used as collateral in a repurchase agreement, with central bank bills<sup>1</sup>. The issuance of PBOC bills has surged since then (see Exhibit 9)<sup>2</sup>.

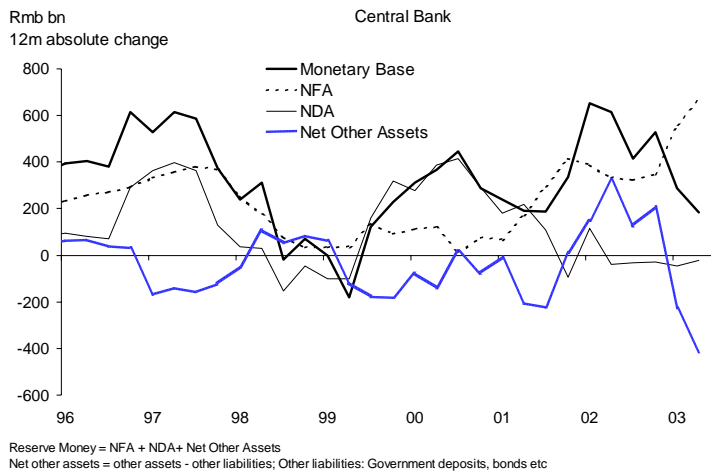
These sterilization operations are reflected in the contraction of ‘net other assets’ in the PBOC balance sheet (see Exhibit 10). It is clear that without sterilization, China’s base money growth

<sup>1</sup> Interest rate on repo operation as well as PBOC bills are determined by the bids from 40 primary dealer banks.

<sup>2</sup> These are largely short-dated bills of three, six and twelve month maturities. The weighted average interest rate currently is 2.34%, up from 2.12% when the bill issuance program was launched.

would indeed have surged much more markedly on the back of the rise in net foreign assets (or forex reserve build up).

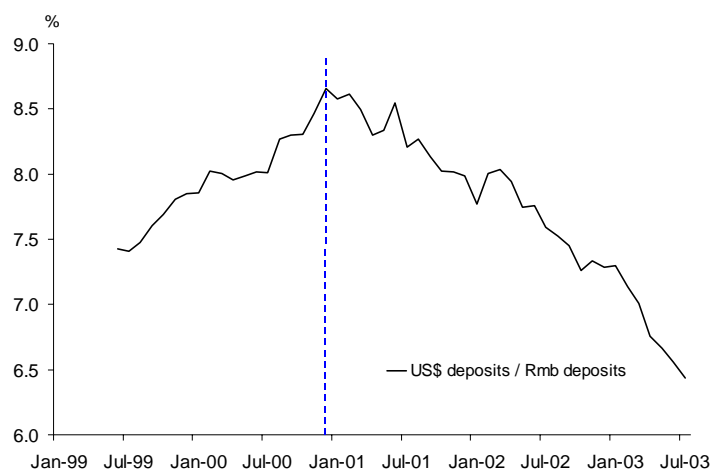
**Exhibit 10: Sterilization has so far been effective in capping base money growth**



Source: CEIC, Goldman Sachs estimates.

While China’s capital account is still officially closed to portfolio (or “hot money”) flows, other than the QFII channel which is tightly supervised by the authorities, we can already see some intriguing shift in onshore funds reminiscent of the cross-border flows. Most notably, the growth in US dollar deposits in onshore banks—retail as well as corporate—has slowed markedly since early 2001, resulting in a steep decline in US dollar deposits relative to renminbi deposits (see Exhibit 11).

### Exhibit 11: Ratio of onshore US\$ deposit has fallen sharply since 2001...

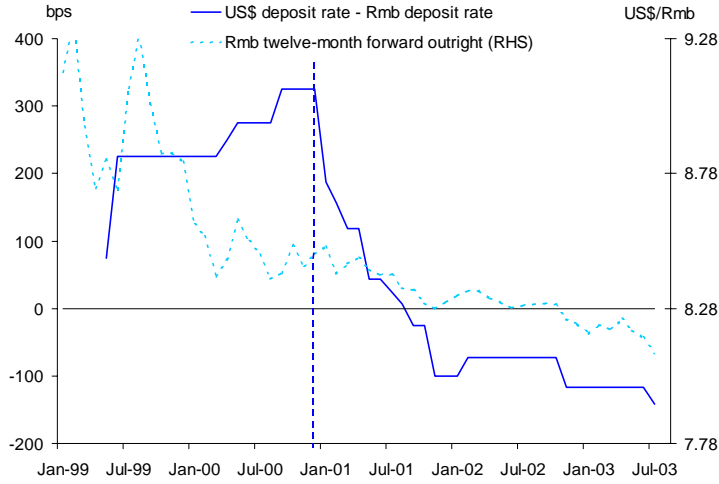


Source: CEIC, Goldman Sachs estimates.

The decline in the share of onshore US dollar deposits in China's banking system coincides closely with the fall in **US dollar-renminbi interest rate differential** from January 2001 when, of course, the US Fed began slashing short-term rates. But the share of US dollar deposit continued to decline despite some stabilization at the margin in interest differential in 2002, pointing to an additional catalyst—rising **expectations of renminbi appreciation**<sup>3</sup>. We proxy this expectation with the Rmb/US\$ forward exchange rate in the non-deliverable forward (NDF) market (see Exhibit 12). It is also worth highlighting that the net errors and omissions component of China's balance of payments, which is often used as a proxy for capital flight, turned into a surplus of US\$7.8 bn in 2002 after many years of deficit (see Exhibit 13). Again, this is consistent with rising expectations of renminbi appreciation.

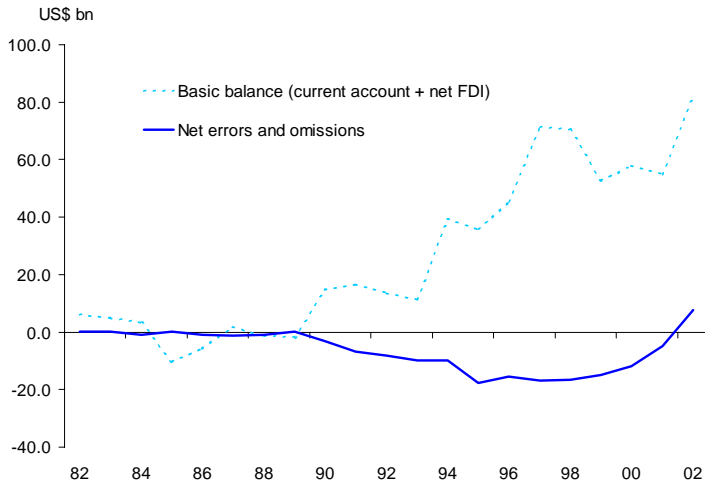
<sup>3</sup> These arguments are made persuasively in a recent BIS study. See Guonan Ma and Robert McCauley, "Opening China's Capital Account Amid Ample Dollar Liquidity", in BIS Paper No. 15, *China's Capital Account Liberalisation: International Perspectives* (April 2003). The BIS study's sample period ends in December 2001. We extend the analysis through June 2003

**Exhibit 12: ... Spurred by a fall in US\$-Rmb interest differential and expectation of Rmb appreciation**



Source: CEIC, Goldman Sachs estimates.

**Exhibit 13: Net Errors & Omission: Flight capital coming back?**



Source: CEIC, Goldman Sachs estimates.

A declining appetite by the Chinese public to hold US dollar deposits (onshore or offshore) has increasingly left the central bank as a “buyer of last resort” of US dollars. And this has important implications for monetary policy.

The key difference between the public holding US dollars and the central bank holding them is that, in the latter case, it becomes part of base (or high-powered) money. Of course, a persistently strong shift of US dollars from the public to the central bank necessitates sterilization, which is precisely what has been happening in China. It remains to be seen whether onshore US dollar deposits, currently totaling some US\$151 bn, actually undergo an absolute decline, as opposed to a relative decline in renminbi deposits.

The evidence of “hot money” inflows clearly casts further doubt about the effectiveness of China’s capital control regime. Strong official reserve accumulation has prompted a series of policy proposals concerning the both the current account and capital account, including (1) raising the limit on the percentage of foreign exchange income the public can keep as opposed to converting them into renminbi with the central bank; (2) encouraging Chinese domestic enterprises to invest abroad (outward direct investment); and (3) relaxing controls on Chinese corporate ability to invest in foreign bonds. The latter policy should not be construed as an attempt to spur capital outflow; the “recycling” is taking place in any case through central bank purchase of US treasuries. Rather, the main underlying policy motive is to slow the shift of foreign assets from the public to the central bank, thereby relieving pressure on base money growth. Again, this underscores already active “hot money” flows in response to interest

differential and exchange rate expectations. The potential size of such flows will likely get larger, not smaller, as China's capital account becomes "formally" more open.

Linear projections of recent trends into the future can be a hazardous exercise, but consider the following simple, but stark simulation. China's basic balance surplus (current account plus FDI flows) has averaged 6.1% of nominal GDP since the mid-1990s, with net FDI inflow on average being twice as large as the current account surplus. Slightly more conservatively, suppose that China's basic balance surplus averages 5% of GDP over 2003-2005. If most of these basic balance inflows were to go straight into central bank reserves, as opposed to being "leaked" into onshore US dollar deposits or through capital flight through "net errors and omissions," We project China's official forex reserves could increase by an additional US\$200 bn by the end of 2005, pushing the total up to above US\$ 600 bn. This is not counting additional potential inflow of hot money, which is difficult to forecast—that's why it's called "hot money." But, as discussed above, recent trends would suggest that hot money flow will supplement the basic balance surplus. An increase in the central bank's net foreign asset of such magnitude would surely necessitate a significant ramp up in the scale of sterilization. Going forward, the balancing act of maintaining a fixed exchange rate and control over money supply is likely to prove increasingly difficult.

With the introduction of QFII, China's capital account has become increasingly more open to portfolio flows in addition to the already robust foreign direct investment (FDI) inflows. This is one of the key reasons why China should gradually move to a flexible exchange rate, through a series of renminbi "band widening". In addition, given China's domestic structural challenges –

e.g., labor market imbalances and inefficiencies in the state industry —and potential external shocks (e.g, a shift in the terms of trade), a flexible exchange rate could cushion both domestic and external shocks and help maintain macroeconomic and financial stability. Under such conditions, China is more likely to reap the expected benefits from capital account liberalization while effectively controlling downside risks associated with unrestricted cross-border capital flows. If China insists on maintaining its currency peg for a period longer than desired, however, the inherent tensions between nominal exchange rate stability and large –size capital flows could well prompt the authorities to tighten existing capital control or delay the pace of capital account liberalization.

## **V. Concluding Remarks**

While China has been making some efforts towards increased freedom of capital, with the introduction of QFII as the most significant initiative, the overall progress has been held up by an increasingly challenging policy hurdle—maintaining a fixed nominal exchange rate regime and domestic monetary control in the face of substantial capital flows. Sterilized forex market intervention cum tightening of capital control could be a temporary policy response, as has been the case in China.

But a longer-term, and likely more appropriate policy option deserving serious consideration is to jettison the de facto currency peg altogether and introduce greater exchange rate flexibility, for example, a shift to a managed float. A flexible exchange rate regime would likely allow China to accommodate freer cross-border capital flows while conducting independent monetary policy

more effectively to manage risks of overheating or respond to negative domestic and external shocks.

Even if China is willing to move rapidly towards greater exchange flexibility, China is still well advised not to lift capital control prematurely before putting in place the necessary institutional framework and a sound financial infrastructure. The most pressing need is to fix China's ailing banking system, which remains plagued by massive non-performing loans and poor risk management. The Chinese authorities have rightly put banking reform on top of its agenda, and are taken a number of initiatives to advance banking sector restructuring, including recapitalization, carve-out of NPLs, and attracting foreign strategic investment. In December 2003, the Chinese government injected 45 billion US dollars in fresh cash into Bank of China and China Construction Bank, two of the largest state-owned banks in China. The new bail-out is designed to help these two banks to substantially reduce NPLs, strengthen their capital base and clean up balance sheet, thereby paving the way for privatization through international IPOs (see Hu 2004). The China Banking Regulatory Commission, a newly established body dedicated to the task of bank supervision, has emerged as a key driving force and advocate for accelerating banking restructuring. With vigorous reforms underway, it is expected that China will make meaningful progress in the coming several years.

To date there is still neither well-formulated blueprint nor definitive timetable for capital account liberalization in China. The liberalizing process has been driven by significant trade reforms unleashed, to a large extent, by China's membership in the WTO. Unlike the experience in some Latin American and East Asian countries, in China trade liberalization has been way ahead of capital account liberalization. The increased openness of the Chinese economy has created and will continue to create tensions with its closed capital account, rendering the latter less effective

as evidenced by both “capital light” in the late 1990s especially in the Asian Crisis episode and by more recent “hot money” inflow problems. To the extent the Chinese authorities can plan and control the process of liberalization, the sequencing of reforms seems likely to be as follows. First, moving from the renminbi peg to a free floating exchange rate; second, completing a successful banking reform program and introducing sound supervisory standards and practices in the domestic financial system; and third, substantial relaxing capital control. Such sequencing of reforms can potentially help China avoid downside risks in terms of macroeconomic imbalances and financial crisis while embracing greater freedom of capital. Capital account liberalization in China remains a worthwhile and realistic medium-term policy goal.

## **References:**

Bhagwati, J. (1978), "Foreign Trade Regimes and Economic Development: Anatomy of Consequences of Exchange Control Regimes". Cambridge, NBER

-----(1999), "The Case against Free Capital Mobility", in Foreign Affairs

Calvo, G., L. Leiderman, and C. Reinhart, 1995, "Capital Inflows to Latin America with Reference to the Asian Experience," in S. Edwards ed. Capital Controls, Exchange Rates and Monetary Policy in the World Economy, Cambridge University Press.

Greenspan, Alan, Testimony to Congress on China's Exchange Rate Policy, July 2003..

Hansen, J. 1995, "Opening the Capital Account: Costs, benefits, and Sequencing". In S. Edwards ed. Capital Controls, Exchange Rates and Monetary Policy in the World Economy, Cambridge University Press.

Hu, Fred, (2001) "China's WTO Accession as a Catalyst for Capital Account Liberalization," , The Cato Journal, Spring/Summer 2001

-----, 2003, "China's Currency Needs a Regime Change", Financial Times, May 30.

-----, 2004, "Restart China's Banking Reform". Asian Wall Street Journal, January 13.

Rodrik, Daniel,

McKinnon, R. 1991, The Order of Economic Liberalization: Financial Control in the Transition to a Market Economy. Baltimore, Johns Hopkins University Press.