

## Subjects for discussion in the Conference

### **I. Monetary Easing: What's Next?**

Major economies except the US are turning to increasingly loose monetary policies with some central banks resorting to negative interest rate policies. Despite all these, their economies are still not picking up. “Helicopter money”, once considered inconceivable and only research fodder for academics and economists, has gradually drawn the attention of policy makers.

Is monetary easing losing its power? Why has ample liquidity failed to give impetus to the real economy? What has gone wrong? Is there any lower limit to the easing?

The intensity and wide-ranging coverage of the current thinking and deliberations on monetary policies is unprecedented. Divergent views are also expressed on the respective functions of monetary policies, fiscal policies and structural reforms in achieving growth. Some opine that since the financial crisis, monetary policy has been relied upon excessively as a driver for global growth and should now be allowed to reassume its intended role. To promote growth, much needs to be done rather in structural reforms and fiscal policies.

During the session on “Monetary Policy and Economic Growth” to be held in the morning of 5 July, Mr Shaukat AZIZ, Mr LI Jiange, Ms WU Xiaoling and Mr David WRIGHT will discuss the above issues.

## **II. Managing Capital Flow: “Homework” Plus Global Action**

Amid uncertain global economic prospects, fragile market confidence and excessive or even overflowing liquidity, major capital inflows and outflows are frequently seen and have become the main cause of financial and economic fluctuations in emerging markets. Capital outflows have for some time been affecting currency, financial and economic stability in the Asian and emerging economies, including China, and even led Brazil and Russia into recession. Addressing cross-border capital flows effectively has become the focus of policy makers and academia.

Why are emerging markets more vulnerable to capital flows than advanced economies? What do emerging markets have to do in order to enhance their basic resilience against such shocks? Under what circumstances can capital controls and the Tobin tax be considered?

As the US dollar is the world’s major reserve currency, its movements and the US Federal Reserve’s decisions will, to a great extent, dictate the directions of global capital flows. The Fed recognises that its policy has significant implications for the international financial system. During the eighth session of the US-China Strategic and Economic Dialogue held recently, the Fed confirmed that international financial stability will be one of its key policy objectives. This is definitely a positive development.

Meanwhile, G20 as the global platform for dialogue and co-ordination among major advanced and emerging economies plays an irreplaceable role in co-ordinating monetary policies and effort to address volatile capital flows.

The UK voted in a referendum last week to leave the European Union. As the country hosts a major financial centre, the direct and indirect implications of its secession for the global economy, financial markets and capital flows in the short and long runs remain to be seen. Amid the complex and highly uncertain outlook for the global economy, the UK's move will indeed cast a bigger shadow.

Mr LIU Ming Kang, Mrs Laura M CHA and Mr Andrew SHENG will discuss measures to deal with capital flows during the session on “Managing Capital Flows” to be held in the morning of the same day.

### **III. Infrastructure as a Growth Engine**

Infrastructure development is crucial to growth in developing countries and helps promote trade between countries and advance regional development. However building the necessary infrastructure requires massive funds, itself a major challenge for developing countries. So, what role can multilateral development agencies and policy banks play to help address the issue? In what ways can the public sector and private funds work together on this?

Besides, should Asia adopt a regional approach for financing? What are the impediments to investing in infrastructure in Asia and Belt and Road countries?

How will investing in the latter drive economic and trade cooperation and internationalisation of the renminbi?

At the session on “Infrastructure as a Growth Engine” to be held in the afternoon, several heads of international financial institutions including Mr JIN Liquan, Mr Philippe LE HOUEROU, Mr Stephen P. GROFF, Mr HU Xiaolian and Mr ZHENG Zhijie will share their views on that theme.

#### **IV. Infrastructure Financing: The Business Perspective**

While the huge infrastructure funding needs would bring more investment opportunities, investors typically assess investment projects from a business perspective. First, from a portfolio construction standpoint, what are the incentives for investors to allocate capital to emerging markets or infrastructure projects? How should investors weigh up infrastructure compared to other asset classes?

Infrastructure projects are a long-term investment. So, the question of how to source and identify sustainable long-run infrastructure projects and obtain long-term financing for them is an important one. In deciphering the value chain of infrastructure project financing, investors can seek to balance the risks and return profile from equity and debt’s perspectives.

At the session on “Infrastructure Financing – The Business Perspective” to be held in the afternoon, invited guests including Mr Samir ASSAF, Mr Mark MACHIN, Mr CAI Jinyong, Partner of TPG Capital and former CEO of International Finance Corporation, Mr JU Weimin, Executive Vice President of China Investment

Corporation, Mr Richard LANCASTER, CEO of CLP Holdings Ltd, and Mr Ben WAY, CEO of Macquarie Group Asia, will discuss how to consider the financing of infrastructure from a business perspective.

## **V. Financial Cooperation in Asia: Where are We and What can be Done?**

Entering this century, Asia has been staying ahead of the rest of the world in terms of the pace of growth, accounting for two-thirds of global output growth, and an increasingly important driver of global economy to reckon with. This achievement has been made possible with the remarkable role played by the financial sector. The continuing development of Asia's economy and finance, in particular its progress towards regional integration and, hence, the macro-trend of globalisation, increasingly hinge on a deepening in financial cooperation between Asia and the rest of the world.

The growing demand for financial cooperation between Asia and other economies highlights the importance of dialogue and deliberations. On the one hand, discussions need to be made on both the physical and less tangible aspects of Asian financial cooperation. How will Asian financial cooperation enhance the interconnectedness and understanding among the financial industry in the whole region? How will this cooperation help achieve aggregation of financial statistical data in Asia and promote joint effort in the development of a regional harmonised / standardised credit rating system, enhancing infrastructure development and key financial businesses, combating financial crimes and containing financial risk in Asia? On the other hand, existing official and unofficial platforms and mechanisms of financial cooperation in Asia are due for a review.

## Annex

At the session on “Financial Cooperation in Asia: Where are We and What can be Done?” to be held in the afternoon of 5 July, invited guests including Andrew SHENG, Chief Advisor to the China Banking Regulatory Commission, CHEN Siqing, President of the Bank of China, Peter WONG, Group Managing Director, HSBC Group Deputy Chairman and Chief Executive, The Hong Kong and Shanghai Banking Corporation Ltd., BA Shusong, Chief Economist of China Banking Association Chief China Economist, Hong Kong Exchanges and Clearing Limited, Paul WILKINS, Chairman & CEO, Greater China Region, Marsh, Kenneth W. HITCHNER, President, Goldman Sachs in Asia Pacific Ex-Japan and Masamichi KONO, Special Advisor to the Minister for Financial Services, Japan, will discuss the issues above.