



**Washington State China Relations Council**

**Policy Briefing Series**

**Outlook on China's Economy and Market Reforms:  
Risks and Rewards**

**Some Introductory Remarks on  
Reform, Trade Policy, and the Renminbi**

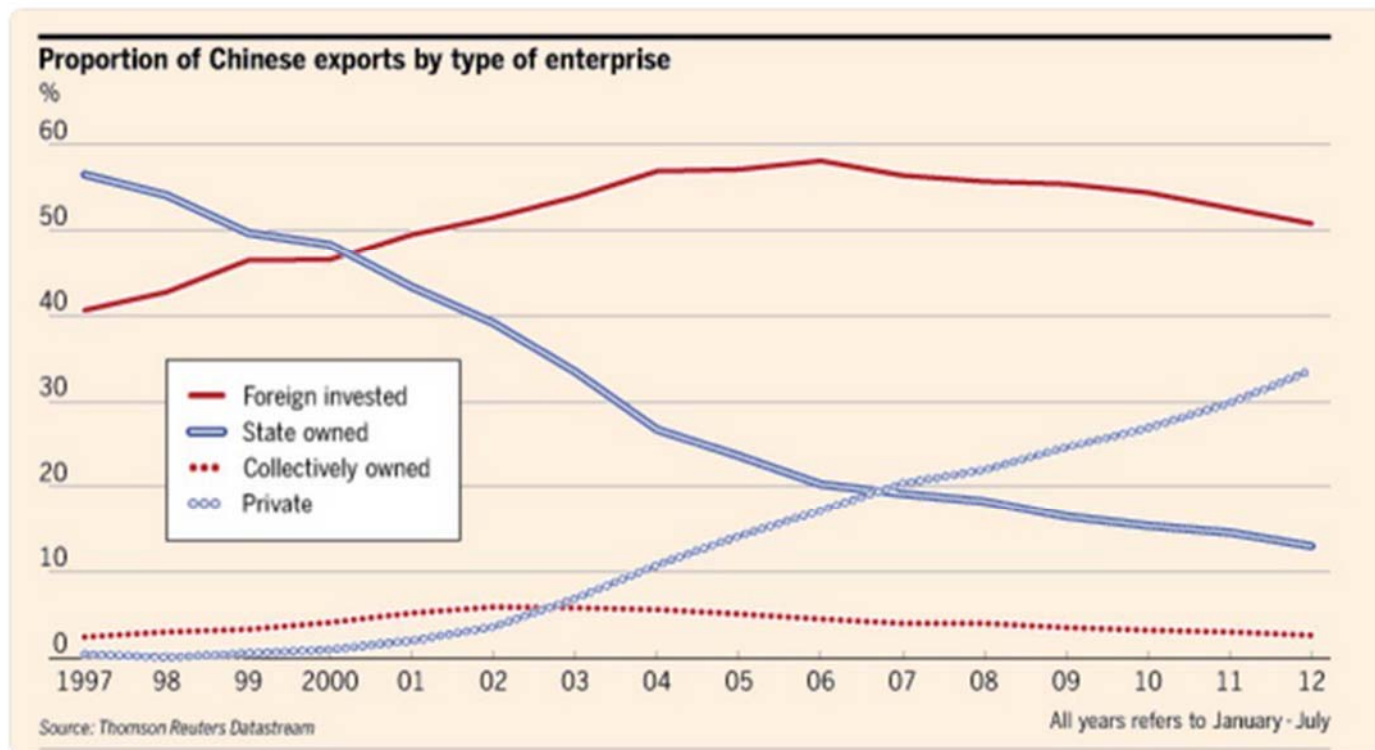
**Fabio Ghironi**

University of Washington,  
CEPR, and NBER

U.S. Bank Center  
Seattle, June 28, 2017

- Proportion of trade controlled by government is key in WTO definition of market economy.

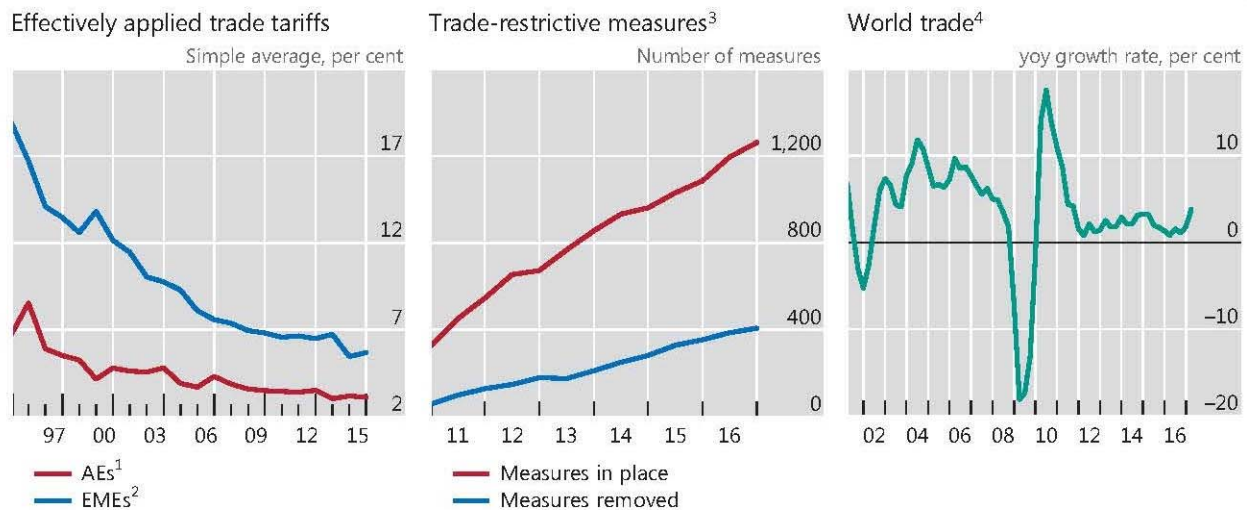
- China:



- Protectionism on the rise:

Protectionist risks on the rise

Graph III.10

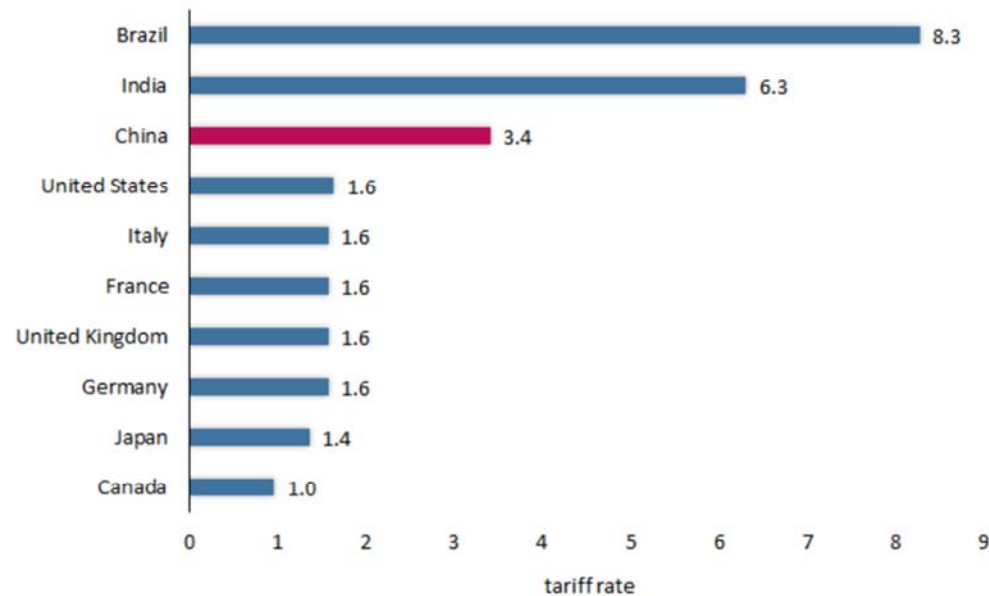


<sup>1</sup> AU, CA, CH, JP, NO, NZ and US. <sup>2</sup> BR, CL, CN, CO, ID, IN, KR, MX, MY, PE, PH, RU, SA, SG, TH, TR and ZA. <sup>3</sup> Total number of trade-restrictive measures introduced by G20 economies since 2008. The monitoring of the accumulation and removal of restrictions started at the end of 2010. <sup>4</sup> Merchandise trade.

Sources: World Bank; World Trade Organization; CPB Netherlands Bureau for Economic Policy Analysis; Datastream; BIS calculations.

- China's tariff protection in perspective:

Figure 1 Weighted average applied tariff of 10 big countries in 2015 (percent)

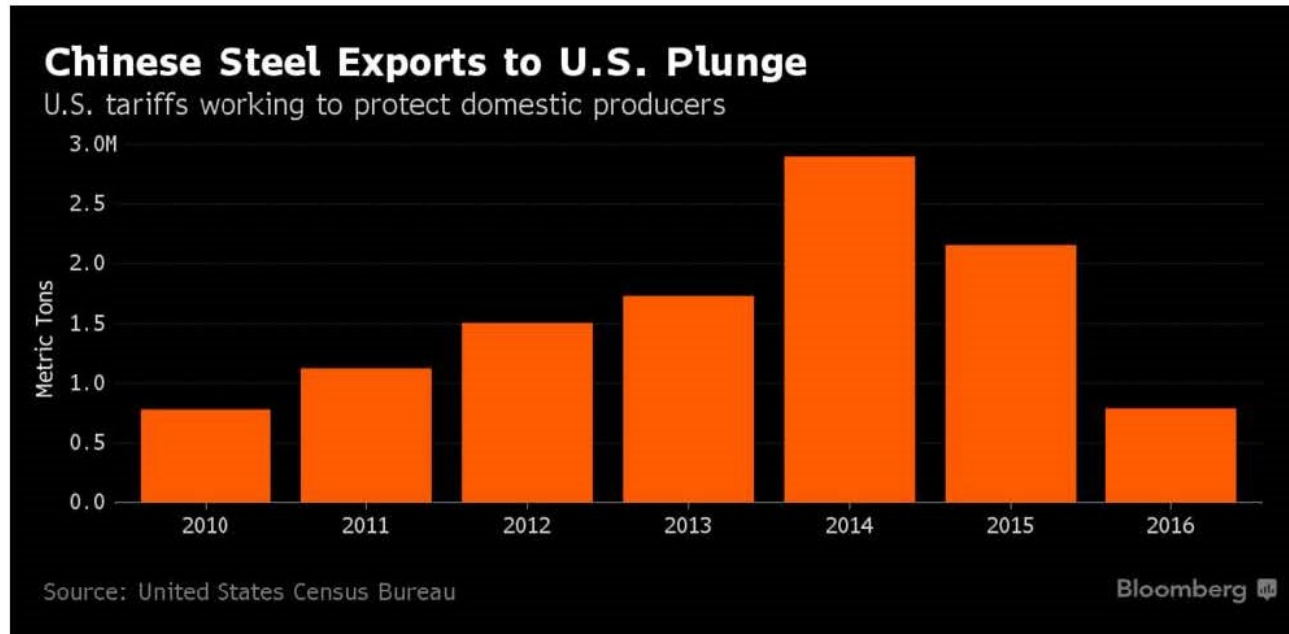


Note: Data for India is for 2013, the most recent available year.

Source: World Development Indicators.

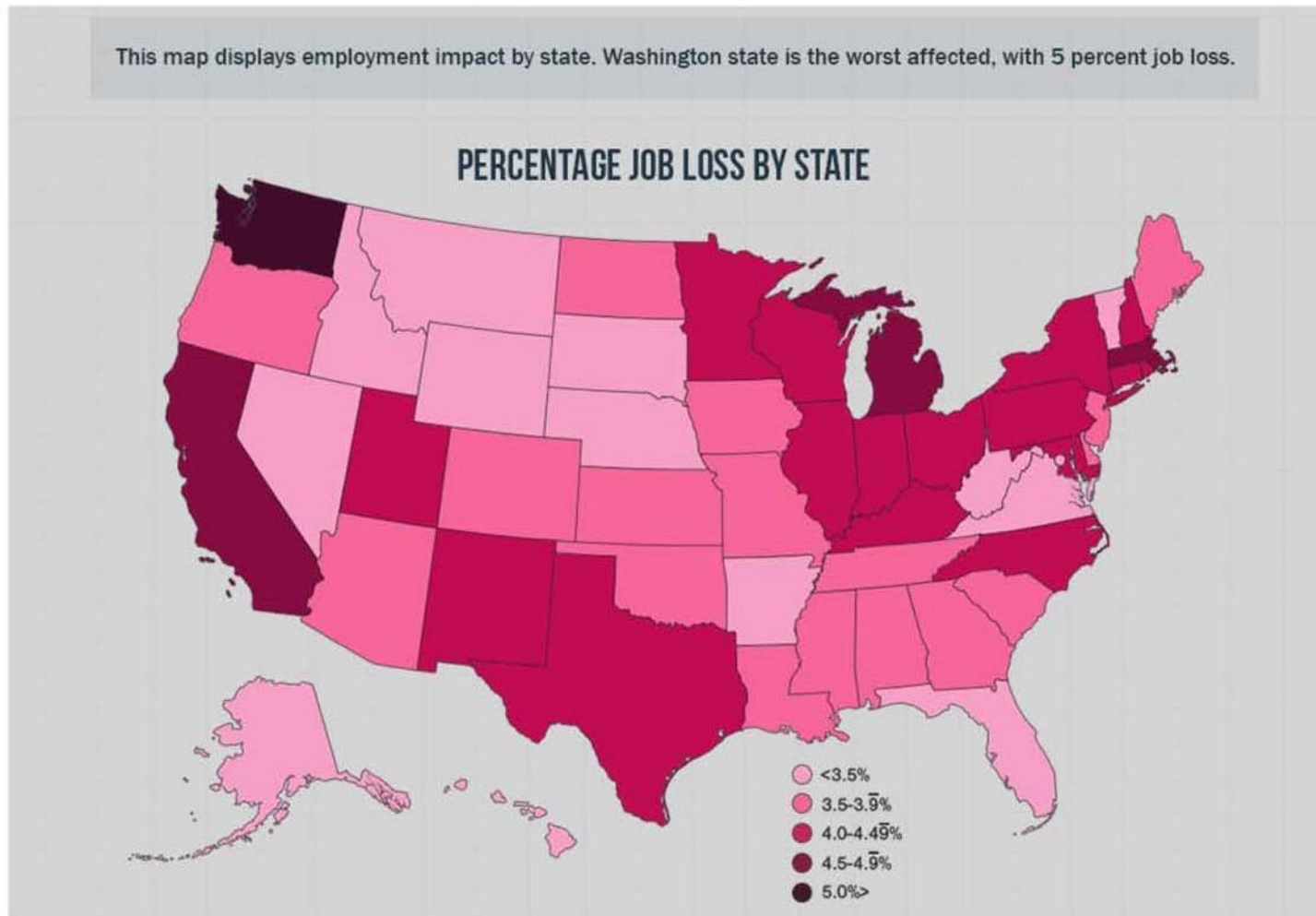
- But protection through industrial policy matters!

- Chinese exports of steel to the U.S.:



- Now steeling for the “Nuclear Option”?
- Section 232 Investigation, Trade Expansion Act of 1962, imports and national security.

- Who (in the U.S.) would lost most from trade war?

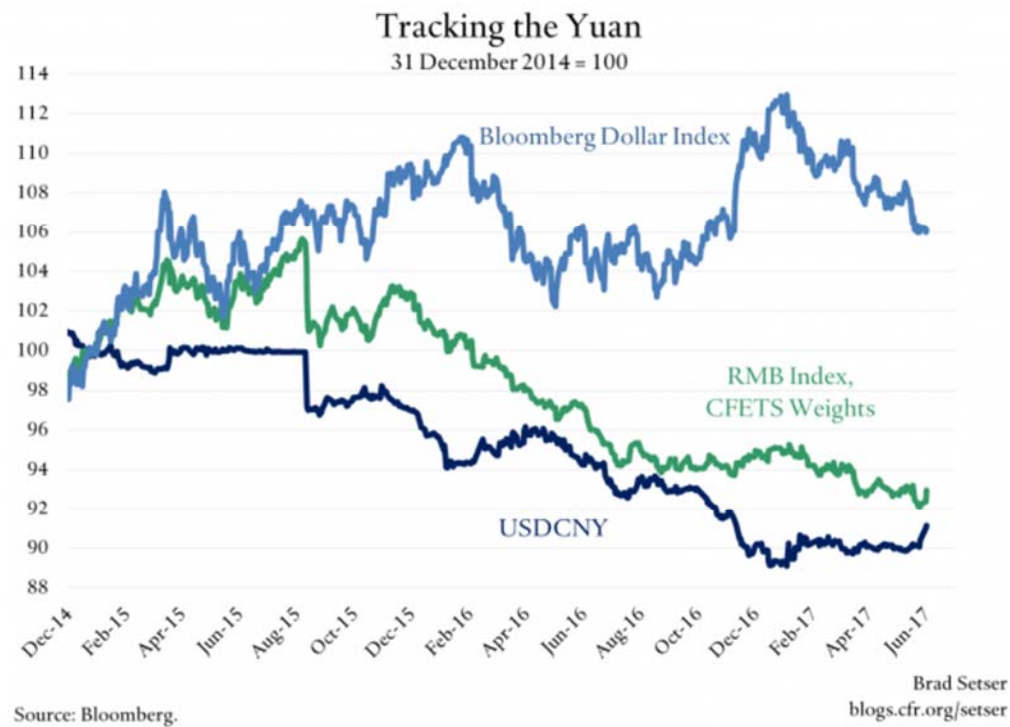


*Peterson Institute for International Economics*

- The Retreat of the Renminbi (Steil & Smith, Project Syndicate, June 22, 2017):

- Use of RMB in global payments doubled between April 2014 and August 2015 to 2.8% of total, good for 4th most used currency in the world.
- Since then RMB's share in global payments has fallen to 1.6% (7th place).
- Use in global bond markets down 45% from 2015 peak.
- RMB deposits in Hong Kong banks down by half.
- 35% of China's cross-border trade was settled in RMB in 2015 (with most of the remainder in dollars), that share is now about 12%.

- What is going on with the exchange rate?





- But PBOC has mostly been intervening to prop up the RMB lately:



- Watch out for monetary policy normalization:



The figures in these slides come from a variety of sources. Here is additional information relative to that contained in the figures themselves:

Page 2: From a tweet by Caroline Freund on June 22, 2017.

Page 3: From the BIS Annual Report, June 25, 2017.

Page 4: From Huang and Lardy, "Is China the Most Protectionist Country? No, Not By a Long Shot," PIIE, June 20, 2017.

Page 5: From Miller, "Trump Faces Laugh Test As He Weighs Nuclear Option for Steel," Bloomberg, June 27, 2017.

Page 6: From Noland et Al., "Assessing Trade Agendas in the US Presidential Campaign," PIIE, September 2016.

Page 8: From Setser, "A Few Words on China's 'New' Exchange Rate Regime," CFR, May 30, 2017.

Page 9: From <https://tradingeconomics.com/china/foreign-exchange-reserves>.

Page 10: From a tweet by Holger Zschaepitz on June 28, 2017.