

CHINA - THE MOST IMPORTANT AND RECENT FINANCIAL AND MONETARY GROWTH POLE

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Abstract

Some historians marked the year 6000 B.C. as the dawn of Chinese civilization. The way which the history of this great country of the planet it was developing in the last 65 years is the premise of the demonstration made by China, which has become - in our opinion - the most important and recent financial and monetary growth pole of the planet. This study is dedicated to presenting the premises of these last 65 years, which allowed the rise unprecedented in the contemporary era of financial and banking system of this large country in the world today - China popular - currently under demonstration in our study - the main force financial and banking planet.

Keywords: financial strength and banking; financial and banking growth pole, wise policy reference rate, original policy and financial investment banking, foreign exchange reserves of the planet.

JEL classification: A10, A12, G00

The last 65 years - a sequence of history 8 millennia of China

On October 1, 1949, at Tiananmen Gate in Beijing, Mao Zedong proclaimed the People's Republic of China. Since then, the military hostilities Kuomintang (KMT) has stopped. Nationalists retreated to the island of Taiwan (Formosa) and has formed the Republic of China. The lack of an armistice or an peace treaty has generated controversy about the relationship between the two countries; before their leaving , the nationalists took with them the treasures of gold reserves and the main palaces in China.

For communists, the triumph of victory was accompanied by the national construction task. Land reform, new laws, nationalization of the means of production after the Soviet model, the projects nationally and the mobilizing the people gave the expected results; industry has been copied also after the Soviet regarding model of five-year plans, wunian Jihua, while collectivist plan has governed the production in rural zone.

Confident in the policy that promote it, Mao finally has charmed the chinese's hearts and he sanctioned the Hundred Flowers Movement (1957), which has encouraged the criticizing of the policy Chinese Communist Party (CCP) by the intellectuals, with the Maoist dictum "letting a hundred flowers to bloom, will be let a hundred schools of the state to be affirming". A large mass of people must had to deny the motion and had to seeing their careers destroyed, while others were deported to labor camps.

Towards the late 50s of last century, searchings for the ideological purity have led to greater radicalization of Chinese society. Great Leap Forward, dayuejin dictated by Mao in 1958 was a victory of the economic idealism beyond common sense, made realizing the divisions in the party and has led the China to poverty; the obsession for odds has led to artificial production figures, huge economic inequalities and mass starvation. In the 60s was happened the Sino-Soviet split, with the freeze of the Soviet aid, as a result of Mao's anxiety to the revisionist nature of the Soviet Union, which had was exercised at that time by President Nikita Khrushchev. China has strengthened the ideological evidences at that time through, The Great Revolution Cultural People's, which held between 1966 and 1976; with desire to modify the most old consciousness of the nation's, the "cultural revolution" attacked the Four Olds: old culture, old habits, old thinking and old ideas.

The objective was the eradicating the traditionalist China's non-socialist; today, when we see with objectivity and having another historical experience, we can not deny the force which had for mainland China, the People's Great Cultural Revolution.

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Young ideologues CCP has launched a wave of terror and China radical's has been auto destroyed with the sharp weapons of the confessions and the criticisms; the anciens standards of Confucianism were overthrown: young people has criticized the elders, and teachers and other intellectuals were driven to work on farms, Buddhist temples, Taoist and Confucian were destroyed or desecrated and - limit! - Monks who lived there were educated in Maoist doctrine. Mao Zedong, the first secretary of the CCP and the Chinese People's President became the subject of a shameful cult of personality and the little "Red Book" became the Bible of the youth.

Liu Shaoqi and Deng Xiaoping were both categorized as "builders of the capitalist path" because they, offered solutions rectifiers, of common sense, in compared with the excess popular Maoist. Liu Shaoqi, died in exile in Hunnan Province where been allegedly imprisoned, while Deng Hiaoping eventually became leader of China.

In the mid-70s, China has tried to return to normal life. Premier Zhou Enlai, which has let as his successor on Deng Xiaoping, struggled to restore balance, and China has found its rightful place in the United Nations (1971). U.S. President Richard Nixon visited China (in 1972) and he has repaired the Sino-American relations, been visited the Great Wall - the Chinese millenary symbol. Death from cancer of the popular Zhou Enlai in 1976, the death of Mao Zedong, blaming the Group of Four, led by Jiang Qing - wife of Mao, the Cultural Revolution, allowed the application of reform ideas of Deng Xiaoping when Chinese President and CPC were held by Hua Guofeng. Ideological concepts have been replaced by more pragmatic solutions: in the 80s appeared five Special Economic Zone - Shenzhen, Zhuhai, Shantou, Xiamen and Hainan Island, which was inaugurated by Deng Xiaoping; these were enjoyed special economic regimes outside the socialist economy, attracting foreign investment, so necessary for the development of any state.

Today, mainland China and Taiwan have close economic ties, although high-level talks between their heads of state have not yet occurred. Hong Kong's future was decided by the Sino-British understanding of 1984, which guarantees that the economy capitalist type and this model will be for at least 50 years after his return under Chinese sovereignty - which took place in 1997; Portugal has prepared a similar agreement for the return of Macao - was occurred in 1999.

Western exegetes of China after Marco Polo, especially those dating from the XIX and XX century did not know and did not understand well enough the heroism and unique creative genius of the Chinese people. China the beginning of the XXI century, has building her universal power based on the largest population of state of the planet - about 1.3 billion people, an economy whose rate growth, in the last quarter century - the longest period of this kind of history - was about 10 percent annually, leading to second place in the economic ranking of the world's countries, and based on the profound changes of mentality and consciousness of Chinese citizens, now present in large numbers all over the planet.

At the XVIII Congress of the Chinese Communist Party (CCP), which was held in November 2012, Hu Jintao, general secretary of the CCP Central Committee and Chinese President made a comprehensive scan of contemporary Chinese society and presented considerations particularly important about the following issues: 1. development unbalanced, uncoordinated and unsustainable; 2. Weak capacity for innovation in science and technology; 3 Unbalanced industrial structure; 4. Poor agricultural infrastructure; 5. Resource constraints environmental became more severe; 6. Systemic barriers that impede the development of scientifically; 7. Tasks regarding the deepening of reform, openness and changing the growth model; high growth and income differences between town and rural and between regions; 8. Marked increase in social problems; 9. Lack of ethics and integrity in some areas; 10. Some officials are not proficient in the development based on the science; 11. Some local party organizations are weak and relaxed in addressing problems; 12. The formalism, bureaucracy, extravagance and wasting are serious problems; 13. Some areas are prone to corruption and mismanagement, the fight against corruption is a serious challenge for the party. Based on these problems, the Chinese president stressed the guidelines of these areas of great importance to the Chinese society in the future five-year (2013-2017).

Chinese Banking Growth

An important saving the planet, which is currently the Chinese one, can build only on a banking sistem which are very serious and very competent on his turn. On the list of major Chinese banks are institutions such as the Industrial and Commercial Bank of China - the largest bank in China; Agricultural Bank of China; Bank of China - the largest bank in the foreign trade of China, known in

international banking circles; China Construction Bank - a leader in the mortgage; Bank of Communications and Postal Savings Bank of China.

The decision to relax the monetary policy is aimed at "ensuring adequate liquidity in the banking system and promote stable growth of credit so that monetary policy to play an active role in supporting economic growth.

In early 2004, China has taken the first important step to prepare the privatization of state banks as public offerings of equity through a capital injection of \$ 45 billion in two of the six banks, cited above, which were at that time under government control⁷¹. Were chosen Bank of China and China Construction Bank for capital injections that brought an refreshes and these have discontinued long series of bad loans in the history of those institutions. "Under the reform plan, are expected that the two banks has been solve their problem regarding the bad assets and establish a solid financial foundation, along with a set of strict financial standards," declared then Xinhua, the official Chinese, to news agency. The public offerings of capital for banks privatization have attracted, as was only natural, the attention of international investment banks; capital offering was a success, has prepared these banks for competition with international banking institutions, opened the Chinese banking sector to international banking environment ensuring China's entry in 2006 into the World Trade Organization.

Non Performing Loans (NPL) of the six banks's accounted for 20 percent of their banking assets, according to official announcements, but independent estimates thought that figures was double; after capital investment of 45 billion, NPL ratio fell to about 10 percent of total loans (it is know that listing banks on international exchanges, this rate should be written with a single digit).

Like other sectors of the Chinese economy, the bank sector has grown and developed into high gear. Ma Delun, deputy governor of the Central Bank of China announced in early 2008 are in circulation in China, 1.47 billion bank cards, credit cards or debit cards. The bank credit sector is growing rapidly.

In the past months "money does not arrive in China from the September (2011 - n.n.) and April (2012 - n.n.) actually began to leave the country. Is absolutely unusual. To prevent strengthen the yuan too much, China does not allow speculators to buy the currency. From mid-2010, the Chinese government were allowed ordered the strengthen of yuan to against the dollar, but in the last month (May 2012 - n.n.) as the economy entered the crisis began to depreciate the value of the yuan again⁷².

Foreign exchange reserves of the planet

Currently, China has the largest foreign exchange reserves of the planet, gained one state - over 2,000 billion dollars; the end of December 2007, China's foreign exchange reserves were U.S. \$ 1.530 billion (in this way, the annual growth rate is over 25 percent, perhaps the greatest in the world ...). Fueled by the trade surplus and foreign investment Direct, China's foreign exchange reserves have become the largest in the world in early 2006; runners in the world ranking ranges Japan and Russia. In mid 2009, China's foreign exchange reserves stood at \$ 2.132 billion; some of this money will be allocated, Chinese Premier Wen Jiabao announced for Chinese companies expanding internationally through investments and acquisitions.

China's foreign exchange reserves, already the largest in the world, have come to the end of 2009 amounted to 2399.2 billion, increasing by 23.28 percent by the end of 2008, China's central bank announced. China's foreign exchange reserves are powered by commercial surpluses recorded most important Asian economy and foreign investment flows. In late March 2010, foreign exchange reserves had reached a record of \$ 2.447 billion, gold reserves were still then 1,054 tons.

China has invested most of its reserves in dollar-denominated assets, such as U.S. Treasury bonds, considered as safe investments, but with a lower return. For several years China is trying to diversify investments, but at the end of October 2009 was the world's largest holder of U.S. bonds. According to figures provided by the U.S. Treasury in October 2009, China held treasury bonds worth 798.9 billion dollars, a small decrease from 800.5 billion dollars in July 2009. China is also the most largest foreign holder of U.S. debt, with over 1.160 trillion dollars. 2.250 trillion dollars in

⁷¹ Cătălin Ciocan, Chinezii pompează 45 miliarde dolari pentru a-și cosmetiza băncile, în Ziarul Financiar, 7 ianuarie 2004, p. 7

⁷² BBC Mundo, Se dezumflă economia Chinei?, 6 iunie 2012

foreign reserves of China, which amounted to 3.200 billion are in U.S. currency. Chinese leaders including Premier Wen Jiabao, have repeatedly expressed their confidence in the eurozone. About a quarter of China's foreign exchange reserves are in euros, according to analyst estimates.

China has adopted a prudent monetary policy in 2011, to a moderately relaxed position in 2010, as announced at the beginning of December 2010 the Politburo of the Central Committee of the Chinese Communist Party. The credit was limited to 2011-7500 billion yuan (1.400 billion), compared to the record level of 9590 billion yuan in 2009. Except in the first two months of 2011, Chinese banks already borrowed 28 percent of the target set by the government and communist Party. Vice Governor of People's Bank of China (PBOC), Zhu Min, appreciate that moderation in this case would be extremely welcome.

The Chinese authorities have committed to maintain proactive fiscal policy of the country, an indication that the government wants to continue to strengthen investment expenditure and at the same time to take measures to contain inflation. "In the past we have seen clear emphasis on administrative measures. In future they will be used more price adjustment measures through interest rates," said Ken Peng, who also estimated that the benchmark interest rate will rise gradually PBOC. In October 2010, the PBOC raised for the first time since 2007, the reference rate to counter increasing real estate prices. The Central Bank of China announced an increase of 0.5 percentage points in the minimum reserve requirements of commercial banks for the fifth time in 2010 to stop rising inflation and housing price increases.

Gold will not be a priority for Chinese investment and huge foreign exchange reserves of the state announced in mid-2010, official sources in Beijing, saying that the yellow metal has offered little advantage over the last 10 years and that although gold offers protection against inflation, this role can be played, and other assets; high cost of storage and price volatility in the international market are the main reasons that led to the decision not to grant priority gold reserves as a means to the Chinese state.

Wise policy reference interest and exchange rate

Since 1991 until now, China has recorded an annual rate of economic growth of 8 to 14 percent, except during the Asian crisis of 1998-1999, when growth slowed to 7.8 and 7, respectively, 6 percent. This was possible through clever manipulation of the value of the reference rate of the central bank. Since 1 December 2008, the reference rate of the People's Bank of China (PBOC) was reduced from 6.66 to 5.58 percent; it is the largest reduction in benchmark interest PBOC adopted in October 1997 after Black Friday. crisis in the international financial and banking, the People's Bank of China cut twice in three weeks consecutively reference rate (end September-early October 2008), to the value of 6.93 percent⁷³.

People's Bank of China, the central bank of the country in early 2003 denied rumors about a long-awaited decision of the monetary authorities of the planet on yuan appreciation, "reports that China's central bank will revalue the yuan by 5 percent and begin to take steps to reduce interest are unfounded. These ideas are not realistic because the current way of quoting Chinese currency is based on economic development and national companies' ability to cope with currency fluctuations "; recall that the yuan was then fixed quote 8.27 units per U.S. \$ 1. According to the sources, China already applies a fluctuation based on market supply and demand and thus managed to maintain the stability of the national currency, which gave the country can withstand the Asian financial crisis (in 1997-1998 - Ed) and helped the rapid and healthy growth. Central Bank also announced on the occasion that the process of making the yuan fully convertible currency and develop a foreign exchange market will be progressive.

In mid-August 2008, China achieved a currency U.S. dollar dependency as a measure to protect its exports. Lower the reference rate in November 2008 was the fourth consecutive mid-September 2008, in an attempt to limit the impact of the international financial crisis on the Chinese economy. Different countries of the world calls for an appreciation of the yuan are unnecessary and even show some form of protectionism, said Chinese Premier Wen Jiabao. "External pressures are

⁷³ prin comparație, în aceeași perioadă de timp, alte bănci importante ale planetei au redus astfel dobânda de referință: Fed la 1,5 la sută; BCE la 3,75 la sută; Banca Canadei la 2,5 la sută, Banca Marii Britanii la 4,5, apoi brusc la 3 la sută, cea mai mică din ultimii 70 de ani!; Banca Japoniei a menținut-o constantă la 0,5 la sută.

useless in the level of the yuan exchange. Our efforts to maintain the stability of the yuan have made a major contribution to global economic recovery," he said.

"Beijing will keep the exchange rate of the national currency stable at a fundamental level," said Chinese Premier Wen Jibao, in a speech to the National Assembly of People's China, in April 2010, after the first months of this year, the partners China's trading primarily U.S. denounced the overvaluation of the yuan. Also, Chinese Premier assured that the government will take measures to keep inflation under control (at 3 percent per year), while China adopted stimulus measures worth 586 billion dollars and stimulated bank lending to help the country overcome the global economic crisis.

Beijing's efforts to install the yuan to rival the dollar have been some significant progress in 2009 and 2010: the end of 2009, China launched its first international offering of Eurobonds and then signed currency swap agreements bonuses worth \$ 100 billion with six countries, including Argentina, Indonesia and South Korea. Yuan became the official currency in Southeast Asia, but also for other countries such as South Korea, India, Japan, Pakistan and Russia.

Regarding China's new monetary policy, it will lead, according to experts at a moderate and gradual appreciation of the yuan, with direct impact on long-term price. In mid-2010, the Central Bank of China announced that it will increase the flexibility of the yuan exchange rate and return to the fluctuating exchange rate regime previously used global financial crisis; at the same time rejected the prospect of a large-scale assessments, due to the fact that China's economy is export oriented. The announcement was immediately welcomed by the IMF, the U.S. and Japan, because a stronger yuan would increase the purchasing power of the Chinese people and will create the necessary impetus to reorient investment toward industries for Chinese consumer

"I think now is the time, because it really needs China's participation in the creation of the new world order, a new financial world order. They are kind of reticent members of the IMF. Are present but not much input as it is not their institution. Their participation is not commensurate ... their voting rights are proportional to their weight, so I think that we need to create a new world order that China must participate and they need to be involved. They must have just as, say, the United States has the Washington Consensus, the current system, and I think it will be a stable new order, one that will be coordinated policy. I believe that achieving this already takes place as the G20, as peer reviews, effectively is moving in that direction ... China will come to light replacing the American consumer and, of course, will be a smaller engine because China's economy is much smaller . So, the world economy will have one engine less, so you go ahead went slower than 25 years. But China will be the engine that will drive forward and the United States will be a hindrance rather through a gradual fall in the dollar" (George Soros, "Financial Times", 1 noiembrie 2009)

Starting in mid-April 2012, the Central Bank of China announced the widening of the fluctuation band for the yuan against the dollar from 0.5% to 1%. Devalued the yuan is considered China's main trading partners. Its value is determined by the central bank, which sets the daily rate and not by the law of supply and demand, as is the case for most major currencies of the world. Central Bank explained the decision, stating "exchange market development in China and the gradual strengthening of capacity pricing and risk management of market players." On this occasion, China reiterated its goal of making medium and convertible yuan total equip its national currency with an exchange rate to fluctuate freely.

The Original policy in investment banking and financial

China's investment in financial instruments issued in the U.S. totaled at the end of 2008, 1.700 billion U.S. dollars, including obligations and Treasury securities, which represent about 40 percent of China's GDP. The Chinese government holds U.S. Treasury bonds worth almost 900 billion U.S. dollars, 550 billion in bonds of agencies guvenamentale 150 billion in financial instruments issued by corporations, \$ 50 billion in short-term deposits and as many billion dollars in different capital investment.

In 2008, China became the 48th member of the Inter-American Development Bank (IDB) and the 22nd member of the IDB borrowing money Latin American countries.

China Investment Corp., Sovereign fund valued at \$ 200 billion and controlled by the government in Beijing has conducted numerous international acquisitions, one of the most important being the assumption of a 1.1 percent equity stake in the British producer of liquor Diageo.

Without ever mentioning the problems we have public banks, the government injected about 19 billion in Agricultural Bank of China (ABC), Bank of China third in size, totaling find over \$ 120 billion of bad debts). After the influx of capital, ABC was launched in June 2010 in Hong Kong and Shanghai stock exchanges where collected from the sale of own shares 11 and \$ 9 billion - which is a record of sales of shares, so a little more than the capitalization of state given by the Chinese government. Chinese banks seem to have problems with the recovery of 23 percent of the 7.700 billion yuan (1.100 billion) credit for infrastructure projects of local authorities in the provinces of China⁷⁴. Moreover, the government led by Wen Jiabao announced plans to limit credit growth this year to 7.500 billion yuan (about 1.400 billion), compared to the record level of 9,500 billion yuan in 2009. Government in Beijing, led by Wen Jiabao plans to limit this year, credit growth to 7,500 billion yuan (1.400 billion), compared to the record level of 9590 billion yuan in 2009. During the first two months of the year, Chinese banks lent 28% of the target government in 2010, vice-governor of the People's Bank, Zhu Min, saying that moderation would be welcome.

Increase in consumer prices and bank lending accelerated in China in April 2010, raising fears of overheating and in context, intensified pressure on the Chinese authorities to reduce interest rates and the yuan's appreciation. In March this year, property prices have experienced the most significant monthly increase in five years, signaling that the measures introduced by the government to reduce inflation had limited effect. "Prices go up fairly quickly, but increase in consumer prices was mainly due to food prices and rents. In the medium term, prices will be under upward pressure, said spokesman of the National Bureau of Statistics, Sheng Laiyun. In May 2010, the People's Bank of China decided to increase for the third time this year, 0.5 percentage points minimum reserve requirements imposed on commercial banks to 17 percent, in order to be absorbed approximately 300 billion dollars in the economy.

On July 22, 2010, rating agency Standard & Poor's announced that Chinese banks - which has maintained a stable outlook, citing "sufficient force" them - face an increased credit risk and the rate of non-performing loans will probably climb to below 10 percent at the end of 2012, as more mature loans to government projects. It is likely that some loans to local government financial vehicles can no longer be reimbursed in coming years. Loans to these entities represents between 18 and 20% of total loans, also said Standard & Poor's. Meanwhile, the Chinese government has asked banks to conduct stress tests to ensure that the banking sector is one of the most important in the country's economy is not overheating.

Conclusions

As a result of its millenary history, "writing" in a very fast pace in the last 65 years, but due to the immense reservoir of civilization and culture that is China, it has become a formidable force in recent years financial and banking based on financial and banking growth pole which is the whole country worldwide. Thus, by wise policy reference rate of the national currency, the yuan, but also by the original policy in banking and financial investments, China has now become the reserve currency of the planet.

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