

CHINA'S FINANCIAL FRONTIERS: STRATEGIC IMPERATIVES AMID CHALLENGES AND OPPORTUNITIES

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Abstract: The international financial system has witnessed significant changes and challenges since the 1990s, prompting the need for comprehensive reform. This reform is essential to address the pressing financial issues in international monetary policy and establish a new global financial order. The existing system, rooted in the principles set by the Bretton Woods institutions, particularly the IMF, has led to certain Western nations dominating global financial markets. As emerging markets gain prominence and global financial crises continue to arise, there is an urgent call for restructuring the international financial and monetary system.

International literature on financial governance emphasizes cooperation, recognizing its significance despite potential discord. The concept of hegemonism highlights the role of dominant countries in shaping governance systems, advocating cooperation to reduce the cost of fulfilling international responsibilities. Neoliberals emphasize the importance of global economic interdependence and propose establishing effective multilateral consultation mechanisms.

Amidst the spread of financial crises, regulatory frameworks need to adapt. Macroprudential policies, including capital supervision, liquidity management, and oversight of credit rating agencies and over-the-counter derivatives, are essential components of effective financial governance. The existing governance structures, shaped by British and American models, have resulted in power imbalances and a failed reform of the international financial system.

To address these challenges, there is a growing consensus that emerging economies, led by China, should actively participate in international financial governance. This involvement includes enhancing negotiation capabilities, contributing to the development of international financial and monetary systems, and safeguarding financial security while pursuing positive economic development.

Keywords: International financial governance, financial reform, emerging markets, monetary policy, global financial crisis.

Introduction

Since the 90s of the 20th century, the development of the Bretton Woods system has become faster and faster, financial problems have become more urgent in international monetary policy, and the global financial reform system has entered a new stage. The current international monetary system is still based on the principles and regulations established by the World Bank, which is still based on the IMF system, resulting in some Western countries gaining access to and controlling global financial markets. International financial governance must change the international financial system and establish a new international financial order within the international financial system, which often affects the transformation of the global economy. In recent years, the global financial crisis and the increase in emerging market countries have posed major challenges to the current international financial system.

These two major changes have made international finance increasingly urgent to call for a comprehensive reform of the international financial and monetary system. As victims of the financial crisis, China-led developing countries urgently need to ensure their own economic security and must take the initiative to participate in international financial governance.

The international literature on international financial governance is derived from discussions of international cooperation, whether cultural facts or neorealist perspectives, where there is disharmony but cooperation is more important. Among them, the concept of hegemonism emerged, which holds that in order for hegemonic countries to establish a hegemonic governance system, hegemonic countries must exercise their economic systems and concepts through international cooperation, and when they maintain their authoritative position, they must reduce the cost of fulfilling their international responsibilities based on cooperation with other powers. Neoliberals put forward the theory of interdependence based on global economic development, and believed that a reasonable and effective multilateral consultation mechanism should be established. In view of the spread of the international financial crisis, macroprudential policies should introduce new regulations on banks' supervision of capital, liquidity, collateral allocation, etc., and at the same time introduce regulatory standards for "shadow banking" credit rating agencies, as well as regulatory requirements for over-the-counter derivatives and unified international accounting standards. The British governance mechanism and the "center-periphery" oriented American governance system have led to the current power imbalances, injustices and the crisis of failed reform of the international financial system. Song Guoyou believes that due to the US financial crisis and the European debt crisis, developed economies have adopted more flexible monetary policies, and emerging economies have also taken corresponding countermeasures, but due to internal and external factors, the current emerging economies cannot protect their economic rights and interests through global financial management. The outbreak of the 2008 U.S. financial crisis posed a serious threat to the global economy, and the G20 was elevated to become the most important institution for managing international monetary policy. Most Chinese experts believe that China should participate more in international financial management, enhance its international negotiation capabilities, participate in the development of the international financial system and monetary system, and seek positive development while maintaining its own financial security.

1. Research and analysis of the changes in the international financial governance mechanism

2.1 Analysis of the current situation of international financial governance mechanisms

After the financial crisis, the economies of many countries faced severe negative interest rates, causing countries centered on large countries to deny the role of money in the development of national economies and focus only on reforming their own economies, which had a significant impact on the global economy for a period of time. China has actively assumed the role of a major player in the role of a major country, actively participated in international monetary management, and promoted the sustained development of the International Monetary Fund and other organizations. Although the organization's currency gradually appreciated after the crisis, in the development of the international

financial governance system, countries led by the United States and Britain are still at the core of financial governance, and the global economy is still in unstable development.

First of all, the United States and the United Kingdom. When these two countries participated in international financial management, they often used hegemony to carry out activities, and in the period of development, they formed a national sovereignty system with the United States and Britain as the core. The goal of U.S. policy is to use credit money, with the United States and seven other countries as the center, while the periphery refers to countries that the United States once colonized, in order to gradually increase control of the global economy through multinational dialogue. In applying this system, the most important thing was to invest through the International Monetary Fund, through adjustments to interest rates and lending activities, but depending on the results of its use, the management was not satisfactory, resulting in imbalances in some countries. In addition, the United States supports the financial system through large military spending, which increases its hegemony. In the development of the United Kingdom, using the country's trade and financial system, as well as the gold standard as the core, when a country has a serious imbalance of payments, the gold standard core countries can use the pound sterling, gold for economic circulation, reduce the impact of major problems. However, in terms of system management, most countries in the system would not finance Member States if they encountered economic and financial difficulties.

Second, the G20 is the main financial management system for 20 countries. Established in 1999 by 20 countries, the system has gradually gained a foothold, albeit to a lesser extent, in global economic policy through a series of ministerial meetings. At that time, seven countries were implementing the mechanism. However, after the financial crisis, the seven-nation governance system pointed out the mistakes of the past, while twenty countries began to grow, gradually turning ministerial meetings into summits, which contributed to the platform's growing global reach. In the aftermath of the crisis, 20 countries provided valuable advice for uneven economic growth across countries.

International financial governance depends on coordination and cooperation among major countries. As the two most influential countries in the world, the development of Sino-US relations has greatly affected the influence of international financial governance. However, the uncertainty of the development of Sino-US relations since Trump took office has brought variables to international financial governance.

First, there may be conflicts between China and the United States over the IMF quota reform, which will affect international financial governance. Since the 2008 international financial crisis, the new round of reforms implemented by the IMF has not fully reflected the improvement of the position of developing countries' economies in the world economy. In 2016, China accounted for about 15% of global GDP, but its voting power in the IMF and World Bank was 6.07% and 4.42%, respectively. The BRICS countries account for 26% of global GDP, but only 14.81% and 13.1% of the voting power in the IMF and World Bank. Moreover, while quota reforms have increased the voice of developing countries, the main recipients of transfers are Europe and Japan. China's reform path to increase its share of voting power in the IMF would more or less conflict with the US monopoly position in the IMF.

Second, the competition between China and the United States is manifested at the level of the international financial system. After the international financial crisis in 2008, the United States launched local currency swap agreements with developed economies such as Europe and Japan, and China also signed a number of bilateral currency swap agreements with many countries. Paradoxically, the multilateral currency swap agreements signed between China and the United States do not include each other. If there is no bilateral currency exchange agreement between the world's two largest economies, it may cause fragmentation and even confrontation in the global financial system, which in turn will affect the effectiveness of global financial governance. The reason for this is nothing more than the institutional competition between China and the United States in international finance. From the perspective of multilateral financial institutions, the trend of Sino-US competition or US strategic containment of China is more obvious. For example, the United States accuses China of failing to implement the “best practices” of the BRICS New Development Bank and the Asian Infrastructure Investment Bank, which China has actively initiated and which attract multinational participation. There is no sign of joining. Of particular note is that the U.S. government defined China as a “strategic competitor” in its National Security Strategy at the end of 2017. The strategic adjustment of the United States towards China will not only directly increase the difficulty of cooperation between the two countries in the international financial field. Institutional reform, however, will also affect China's strategic perception of the United States due to the adjustment of the US strategy, resulting in increased strategic suspicion. The intensification of Sino-US confrontation is not conducive to the progress of subsequent international financial governance reform.

Third, the lack of leading countries in international financial governance may lead to the emergence of the “Kindleberger trap”. International financial governance requires strong leadership with competence and will. However, the Trump administration pursues a policy of putting its own interests first, has little interest in providing public goods, is unwilling to assume the responsibility of a major country, and is unwilling to provide resources for international economic governance. Under the guidance of isolationist concepts, the United States has withdrawn from international organizations such as the TPP, the Paris Agreement, and UNESCO. Under these circumstances, it is difficult for the United States to play a leading role in international financial governance. Although China was willing to make more contributions to international economic governance and the stability of the international economic order in response to the 2008 global financial crisis, it is still a developing country that actively coordinates international financial policies and plays the role of an international financial lender. As far as people are concerned, they do not yet have the ability to replace the leading position of the United States ^[1].

2.2 The main reasons for carrying out reforms

In the past, with countries such as Britain and the United States as the core, other affiliated countries, or former colonial countries, as peripheral countries, the traditional mechanism of international financial governance has promoted the healthy development of the global economy and society to a certain extent, but these countries have obtained more economic benefits through cooperation between countries in the process of development, and have further promoted the improvement of their own

economic, political and military strength, prompting other countries in the world to be under the hegemonic management of developed countries for a long time. After the crisis, this management system has made developed countries unable to manage the economic transformation of peripheral countries, and most of them are managing their own crisis problems, resulting in extremely serious damage and losses suffered by peripheral countries in the crisis, so it is necessary to improve the traditional governance mechanism in combination with the actual development situation. The specific reasons for its improvement are multifaceted:

First, the power structure under hegemony is slowly declining. In the past, global economic and financial governance was mostly carried out through the Anglo-American central countries and economically underdeveloped peripheral countries, but with the gradual creation of other economies and international organizations between countries, the rights of hegemonic countries began to be dissolved, such as the BRICS countries and the European Union. Among them, the creation of the European Union prompted France, Germany and other old developed countries to begin to break away from the hegemonic management of the United States, prompting the international currency lineup, in addition to the US dollar and pound, gradually began to include other types - the euro. Under the new financial governance mechanism, the rate of socio-economic development of these countries has increased significantly, and at the same time, it has also promoted the rapid economic development of other countries in the world [2].

Second, the order of the financial market is slowly becoming chaotic. After the countries intensified the exchange of product trade, many countries began to carry out a large number of foreign exchange transactions, under this transaction, a variety of currencies, asset methods, appeared in economic exchanges, promoted the gradual expansion of foreign exchange transactions, far higher than the normal financial market under the trade development needs, and its normal economic development needs, which prompted the original order of the financial market was broken, so that the past foreign exchange transactions lower than the developed countries of developing countries, but also have more foreign exchange transactions. The risk of foreign exchange transactions is extremely high, prompting many countries to have currency depreciation in the transaction, which directly caused the financial crisis, resulting in the decline of the national economy and a sharp increase in unemployment.

3. The specific path of China's participation in international financial governance

3.1 Promote the development of the new cycle of RMB internationalization and improve the capacity of the financial governance system

According to the Proposal of the Central Committee of the Communist Party of China, On formulating The 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives for 2035. Which clearly states that "steadily and prudently promote the globalization of the RMB, adhere to the market-driven and independent choice of enterprises, and build a new mutually beneficial cooperative relationship based on the free use of the RMB". The globalization of the RMB should attach importance to the development principle of market-oriented and cultivating real needs, promote the regionalization of the surrounding areas of the RMB to the development path of globalization, and enhance the international influence of the RMB.

Integrate the strategic deployment of opening up to the outside world, cultivate the market requirements of foreign entities for RMB, and make RMB a key currency choice in international trade and investment. Historical practice has confirmed that the rise of a country's monetary and financial influence requires institutional construction, just as the Bretton Woods system is for the US dollar, the euro area monetary system is distributed to the euro, the US dollar can still have monopoly influence with the help of the corresponding systems of the IMF and WB after the dissolution of the Bretton Woods system, the institutional construction of RMB globalization is particularly critical, such as the stock reform of the international monetary system is a restructuring, promoting the effective allocation of IMF and WB voting rights reform.

Promote the G20 and the International Financial Stability Board as key platforms for coordinated governance of international finance; Incremental reform is an institution, through the creation of the BRICS Bank, AIIB, the "Belt and Road" investment and financing system, promote their financing for the development of RMB for the region, in order to maintain the financial autonomy of developing countries to play an effect, the RMB globalization system construction and the meaning of international financial governance reform is consistent and unified [3].

3.2 Put forward the concept of mutually beneficial and win-win economic development

Since China's reform and opening up, the people's economy has always been in a state of steady improvement, but with the tension of the political development of the international community and the imbalance of its social and economic development becoming more and more serious, China began to shift the perspective of financial industry governance to other countries in the process of economic improvement, so it clearly put forward a new concept that promotes the stable and balanced development of the economies of various countries and economies around the world. At present, China's influence in the global scope is gradually increasing, and it has more exchanges with more countries, so once a country has economic problems, China cannot be left alone. Therefore, in the context of the current global development and evolution, China has clearly put forward the concept of mutual benefit and win-win, and has begun to develop this concept into a mechanism for economic governance in international economic cooperation [4]. Under the governance mechanism, it not only promotes most countries to obtain stable economic returns, but also promotes the profits of many developing countries in Asia, Africa and Latin America, and further promotes the economic development of these countries through the support of capital construction funds, technological investment, debt relief and other methods, so that these countries can get timely economic relief in the financial crisis caused by the financial governance mechanism of developed countries, achieve a balance in their domestic social and economic development, and reduce the national war caused by economy, literature and art. And its social turmoil, maintaining the stability of the overall global socio-economic development.

3.3 Actively participate in the establishment of a joint international financial supervision mechanism

To participate in international financial management, it is necessary to build a scientific and effective international financial joint supervision mechanism in an excellent environment, standardize

operations, and then promote the formation and development of a stable and sound new international financial order. This must be done from the following levels: (1) On the basis of fairness, impartiality and openness, we will continue to improve the transparency of information and reduce the malicious use of information due to information asymmetry as much as possible. In the new international monetary system, relevant government agencies and units should appropriately disclose information such as the supervision and management of relevant financial markets, and give real-time responses to such information, so as to constitute a practical financial risk prevention and control management system, quickly adapt to market conditions and timely guide changes in their relevant financial and monetary policies. (2) Government continuously improve the management ability of various circulating capital, and create a corresponding management system. While making every effort to develop the existing financial system, it is also reasonable to continue to increase the control of financial investment, in the process of asset liquidity around the world, if its flow stage is too free, without reasonable supervision and management, it is very easy to cause fluctuations in circulating assets, thereby causing a crisis, therefore, it is reasonable to strictly supervise all stages of international financial flow, and use more sound methods and corresponding management countermeasures to reasonably manage the corresponding assets. And Government then stop the vicious spread of relevant capital as much as possible. (3) Build a comprehensive management system for transnational financial enterprises, in the environment of economic development globalization, the phenomenon of large-scale international capital liquidity is becoming increasingly significant, for the sake of international financial security and stable development, in the scope of world capital, it is necessary to create a reasonable supervision and management system, continue to improve its supervision, and then build a management system related to financial products and assets; In addition, it is also necessary to improve the supervision and management of cross-border and cross-industry cooperation related to financial products, fully abide by the standards of justice, fairness and openness, regulate the market, enhance market transparency, and avoid financial crises and risks [5].

3.4 Cultivate high-quality international financial governance talents

Especially for world economic governance such as finance, it is more necessary to understand international financial rules, understand financial operations, be proficient in international negotiations, and be proficient in using foreign languages. Therefore, we must break through the talent bottleneck, do a good job in talent reserves, and give strong talent support for China's participation in world governance, and the sources of international financial governance talents include the following levels: First, select existing professionals from financial organizations, including government agencies, banks, etc., to give a broader stage for their development. The second is to make good use of external forces to select and recruit suitable talents from universities, think tanks and other folk organizations and their international organizations. The third is the reform of the professional curriculum system of colleges and universities, and the establishment of relevant majors.

4. Conclusion

To sum up, the international financial governance mechanism has gone through the process of British hegemony, US hegemony and G20 development. Therefore, in view of the current international

economic situation, China should give full play to its role as a major country, and truly implement the strategic decision of “mutual benefit and win-win” through good relations establishment, strengthening G20 governance, building a trust system, realizing RMB internationalization and professional talent training, so as to lay a good foundation for the healthy development of China’s economy.

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