

The international monetary-economic crisis and the role of China

(abstract)

Since the beginning of the global economic crisis, China has been suffering mostly from the slowing world economy and narrowing trade markets. However, the relatively underdeveloped Chinese bank system has been affected only slightly by the collapse of the American economy. At the same time, the crisis has revealed the vulnerability of the Chinese economy and increased social problems.

The rapid economy growth of the last years caused the appearance of a real estate ‘bubble’ in the Eastern Asian country, however, the fall of the real estate prices is essentially the consequence of the slowing economy. Therefore, an American type of credit crunch could not develop in China.

Beijing started the loosening of fiscal and monetary policy in the autumn of 2008, yet, China has been heavily criticised in its steps of economic policy as well in its relatively undervalued yuan. Beijing has been continuing the stimulation of private consumption since the G-20 meeting was held in April 2009 in London; the change in its economic policy may lead to the review of the criticised exchange rate policy.

The Chinese and American roles in crisis management influence the new global economic order. Regarding this fact, China substantially favours the multilateral crisis management process.

In practice, China co-operates with the USA, G20 countries and the international financial organizations in the stabilization of the global financial system. He introduced the reduction of interest rate, agreed upon with the leading countries, and ceased the tax on interest. He has been buying USA bonds. Regarding the financial system, he has agreed on the regional co-operation with Japan and South Korea. He decided on strategic co-operation in managing of the financial crisis with Russia. In a limited way, he takes part in the recapitalization of the transnational banks. He participates in IMF’s capital raise with 40 billion US\$.

After the crisis, China wants a new international financial system, in which: 1./ the role of the developing countries is more established (their share in the financial organizations is increasing), 2./ regional aid mechanisms are recognized for over bridging of the payment problems, 3./ the financial supervision is strengthened, 4./ the regulation of world economy and the financial system is strengthened, 5./ as part of the reform of the international monetary system steps are made for its diversification, 6./ on the longer term a reserve currency system, independent from national economies, will be introduced.