



Financial Cooperation between China and Korea: Opportunities and Challenges

Hong Tu
Nankai University

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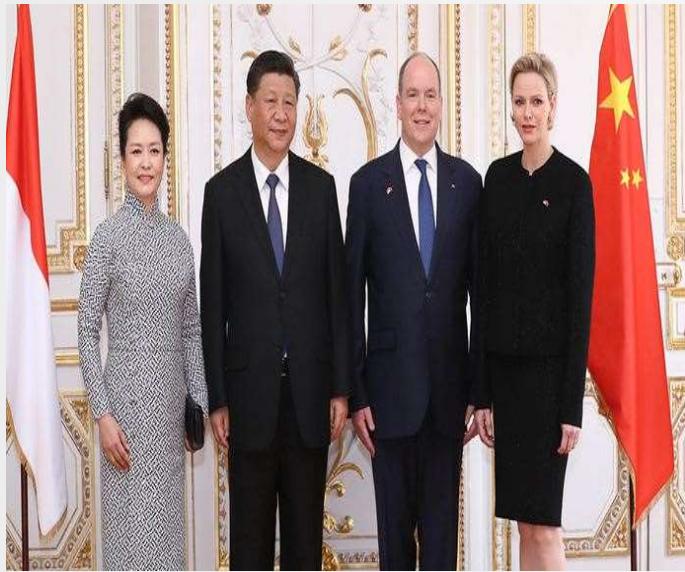
Advice

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01

Current Situation of Development in
China

1. More open to world



Recently, President Xi Jinping successfully completed his visits to Italy, Monaco and France, showing the world once again China's mind of opening to the outside world.

1. More open to world



1.Development of Trade between China and Korea



1.Starting from China's Reform and Opening-up

2.In the late 1980s, Korea's “the northern policy” promoted trade between Korea and Shandong.province.

3.In 1988, bilateral trade between China and South Korea reached a record high of \$3 billion.

1979 ~ 1991

Early Stage

2.Development of Trade between China and Korea



1992年8月24日，中国与大韩民国正式建立大使级外交关系。1992年9月28日，中华人民共和国主席杨尚昆在北京人民大会堂东门外广场主持仪式，欢迎韩国总统卢泰愚访华。



- 1.In 1992, Establishment of diplomatic relations between China and South Korea
- 2.Trade volume fell for the first time due to the Southeast Asian Financial Crisis
- 3.After 2000, Korea's import and export trade increased 44.2% and 34.7% to China.

1979 ~ 1991

Adjustment period

1. Development of Trade between China and Korea



1. In 2001, China joined the WTO
2. In 2008, Under the influence of global economic crisis caused by the USA mortgage crisis, Trade volume fell
3. By 2010, the international economy began to recover. Trade between China and South Korea continues to grow
4. In 2015, Sade Missile Defense influenced trade between China and South Korea.
5. After 2017, trade between China and South Korea continued to grow again.

2001 ~ 2019

Growth period

2. Financial dealings between China and Korea

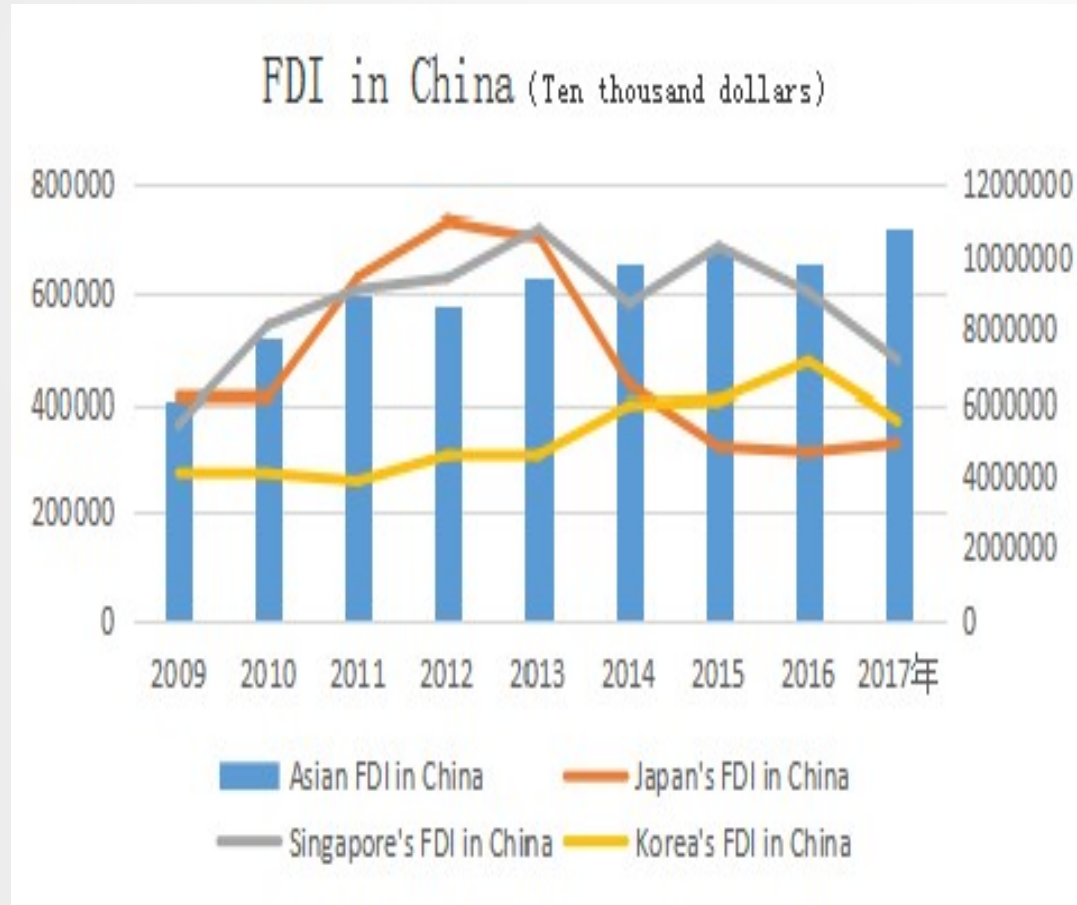
Korea's Investment in China

1. Before 2006, China's financial industry was relatively open, which could be called the primary opening period of the financial industry.

2. At the end of November 2006, China fulfilled its promise of opening up its banking industry in an all-round way after joining WTO.



2. Financial dealings between China and Korea



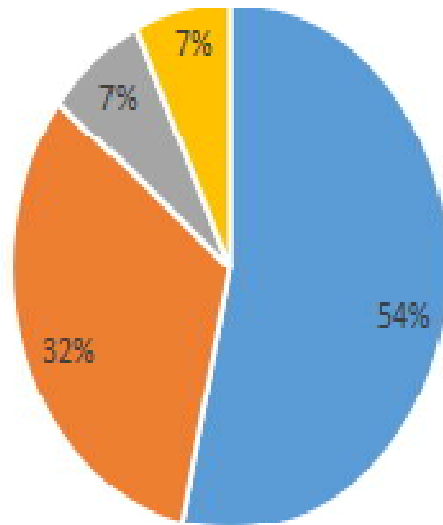
3. Since 2009, China's financial industry has entered a highly open period, especially the full opening up of the banking industry.

4. Korea's FDI in China surpassed Japan's after 2014 and maintained steady growth.

5. The decrease in the amount of foreign investment used universally in 2017 is mainly due to the measures taken by the Chinese government to regulate overseas investment in 2017.

2. Financial dealings between China and Korea

QFII of Korean enterprises in China



■ Asset Management company ■ Investment company ■ Bank ■ Insurance company

1. At present, there are 35 Korean companies on the approved list QFII.

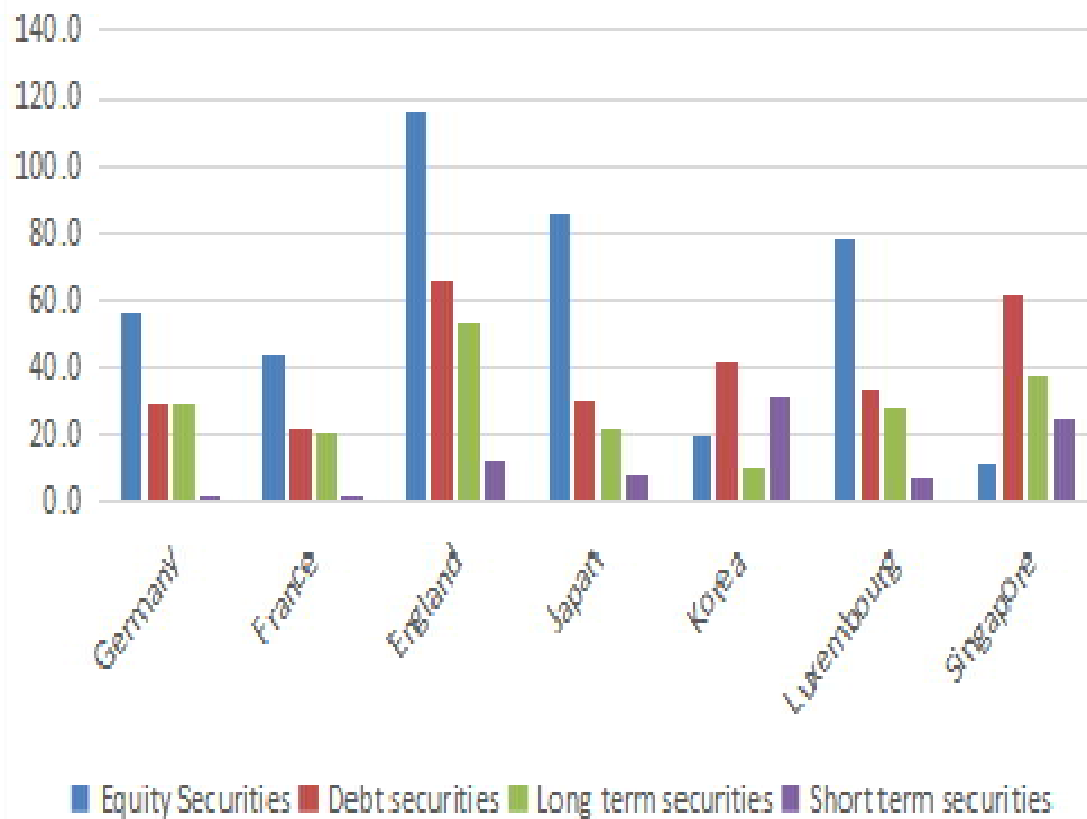
2. Before 2014, only Korean insurance companies and banks entered China for Korean financial institutions.

3. Their investment scale is relatively small and their market share is still very limited.

4. After 2014, the entry of Korean securities companies and investment companies has made the financial cooperation between China and Korea more potential for development,

2. Financial dealings between China and Korea

China's Foreign Securities Investment



China's Investment in Korea

1. Since the 1990s, large state-owned banks in China have established branches in Korea one after another.

2. By the end of June 2018, China's investment in foreign securities totaled 518.3 billion US dollars, of which the largest was in the United States and Hong Kong, China,

3. The investment in Korean securities is 5.97 billion US dollars

3. Policy cooperation



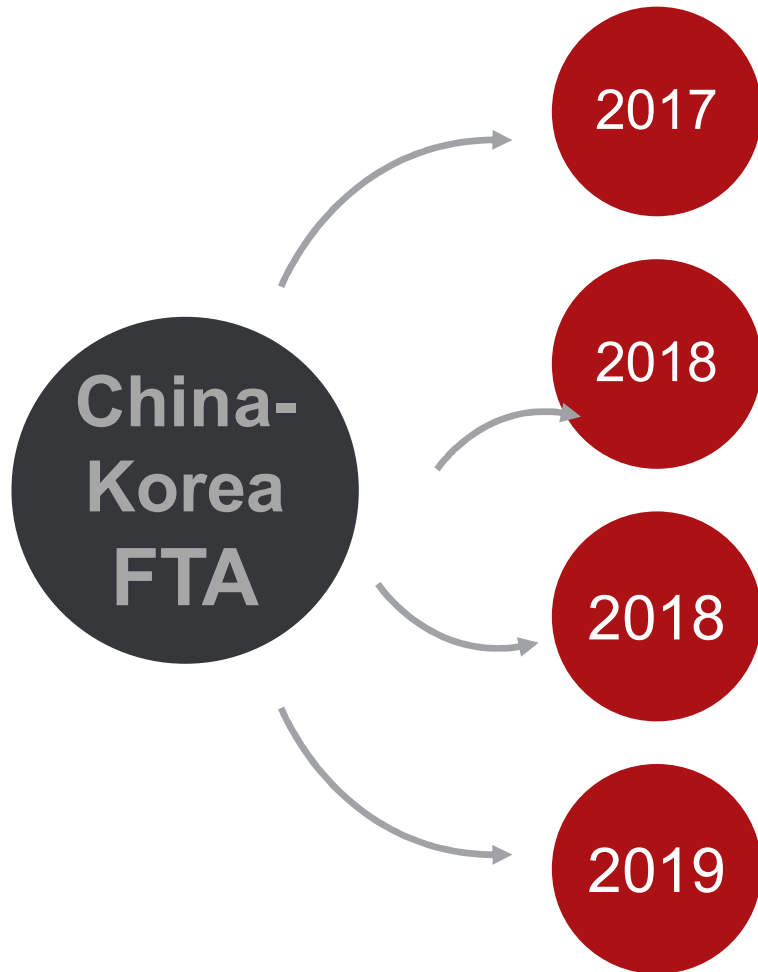
1. China-Korea Free Trade Zone

. China-South Korea FTA will become China's FTA with the broadest coverage and the largest volume of trade involving countries so far.

The Fifth China-Japan-Korea Free Trade Area Seminar, was held in Beijing in September 2018. The seminar focused on expanding the region from China, Japan and Korea to the Asia-Pacific region and the world.

3. Policy cooperation

(1) China-Korea FTA



April

Concerning on trade in services, telecommunications, financial services, movement of natural persons, investment, competition policy, intellectual property rights, e-commerce, etc.

September

The seminar focused on expanding the region from China, Japan and Korea to the Asia-Pacific region and the world.

November

In November 2018, President Xi Jinping put forward in his keynote speech that the negotiation process of China, Japan and South Korea FTA should be accelerated.

April

Representatives of China, Korea and Japan exchanged in-depth views on important issues such as trade in goods, trade in services, investment and rules, and made positive progress..

3. Policy cooperation

亚投行的“势力范围”

4月15日，亚投行意向创始成员全部确定，共57国。今后其他国家或地区加入，将只能作为普通成员。



(2) AIIB

1. On March 26, 2015, South Korea joined the Asian Infrastructure Investment Bank as a founding member.
2. The Asian Investment Bank is an intergovernmental multilateral development institution in the Asian region.
3. Infrastructure construction is the strength of Korean enterprises. AIIB will facilitate the participation of relevant enterprises in the domestic construction, transportation, telecommunications and other industries in related projects.

3. Policy cooperation



(3) "One belt and one road"

Korea's "Eurasian initiative" and "one belt and one road" initiative are docking. In fact, the two policies are highly complementary.

It can enable the two countries to cooperate in many fields, such as transportation, energy, technology and culture,

It can reduce logistics costs, and then benefit the Eurasian continent.

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Opportunities for Financial Cooperation between China and Korea

1.China raises the Level of Foreign Investment

2018.1.1-2018.6.30	total	financial enterprises	Non-financial enterprises
Number of approved foreign-invested enterprises	3743	24	3719
China's agreed investment (billion US dollars)	68.25	4.98	63.27

Overall, China's foreign direct investment is in a relatively active range.

2.China-Korea Free Trade agreement bring to new power

Optimizing investment and financing

Expanding investment access of both sides and abolishing restrictive policies on investment and financing development

Promoting bilateral trade

Lower investment barriers and costs and Improve the Motivation of Enterprise Investment

Reducing trade costs

Gradually abolish 90% of the tariff on goods between China and Korea. It will reduce the cost of sales

Promoting financial cooperation

A lot of money is needed to expand production, and financial institutions can help.

3. “One belt and one road” bring to new power

The purpose of “One belt and one road”

The purpose of “One belt and one road” is to reducing trade and capital costs

The Silk Road Fund

The Silk Road Fund is a state oto foster increased investment in countries along the One Belt, One Road, an economic development initiative primarily covering Eurasia.

AIIB

AIIB is a multilateral development bank that aims to support the building of infrastructure in the Asia-Pacific region.and to improve the global economic governance

4. Internationalization of RMB bring to new power

In 2017, the volume of trade between China and South Korea has reached US\$239.97 billion.

The average daily direct exchange volume of Korean won to RMB in the direct exchange market is 23.8 billion RMB, which is 2.17 times higher than that in 2014. With the acceleration of RMB internationalization, this proportion will continue to increase.



Challenges of Financial Cooperation between China and Korea

1.The overall environment of investments abroad is pessimistic



A lot of factors will have a negative impact on global foreign investment in 2019:

1.Under the pressure of a sharp tightening of the financial environment, leverage and financial vulnerability in Asia are likely to rise further.

2.As trade frictions escalate, the multilateral trading system is in danger of collapse.

3.Geopolitical Risks, Trade Disputes and Trade Protectionism

2.Differences between China and Korea

There are great differences between China and Korea in economic system, per capita income, industrial structure and capital market openness.

On the other hand, there are differences in political positions and interests between the two countries.



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Advice

1. Improving the openness of capital markets and promoting capital flows



1. Building Investment and Financing Platform

Use QFII and QDII systems to effectively promote capital flows between the two countries.



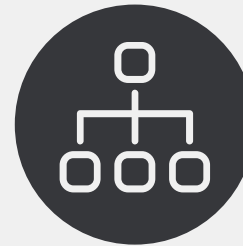
2. Opening China's Capital Accounts

Gradually expanding the pattern of two-way cross-border capital flows



3. Controlling Economic and Trade Risks

As far as possible to prevent and control all kinds of potential risk damage in the process of investment and financing



4. Take advantage of regional advantages

Establish "China-Korea Economic and Trade Cooperation Zone" in Dalian, Yantai, Weihai, Qingdao and other regions with relatively intensive industrial development

2. Make full use of Shandong experimental area

Give Full Play to Shandong's Geographical Advantage and Develop Cooperation with Korean Finance in Local Cities

For example: Qingdao can build offshore financial zone to Korea

Yantai can set up a pilot project of public equity financing for Korea.

Weihai City applied for the establishment of RMB-South Korean won currency Exchange Center.



T H A N K S