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SYMPOSIUM ON BUILDING THE 21st CENTURY: AN AGENDA FOR CHINA AND THE UNITED STATES

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Final Report

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Symposium on Building the Financial System of the Twenty-First Century: An Agenda for China and the United States

Virtual via Zoom, October 27-28, 2021

SYMPOSIUM ON BUILDING THE FINANCIAL SYSTEM OF THE 21ST CENTURY: AN AGENDA FOR CHINA AND THE UNITED STATES

The 18th China-U.S. Symposium of the Program on International Financial Systems was held via Zoom on October 27-28, 2021. The Symposium was held at a time of both continued Chinese financial liberalization and heightened tensions between the two countries. Sessions discussed green investment, the effects of crypto assets and technological innovation on financial stability, and impacts of the overall China-U.S. relationship on the two countries' financial sectors.

Session 1: ESG Investment—Implications for China, U.S. Financial Markets, and the Fight Against Climate Change

In Session 1, participants discussed the role of finance in addressing the global challenge of climate change. With the approach of the COP-26 meetings in Glasgow as well as the anticipated release of environmental accounting standards from the International Financial Reporting Standards (IFRS) Foundation, participants were hopeful that there may soon be clearer guidelines for financial institutions in addressing their environmental risks and responsibilities.

Gaps, Risks, and Uncertainties

A major theme of Session 1 was the extent to which the impacts of climate change and environmental degradation remained uncertain to investors and financial institutions. Participants agreed that environmental and climate risks were growing for many economies and firms, and therefore also for the investors and financial institutions that funded them. However, they still lacked a clear and granular understanding of how to analyze and manage those risks, in order to avoid losses and stranded assets.

In addition, participants acknowledged considerable uncertainty over the direction of policies at both the global and national levels. They noted that many policy decisions about energy transitions were in flux, with ongoing discussions within and among countries about issues including discontinuation of the use of coal, subsidies for greener energy or for technological development, new environmental regulations for companies and financial institutions, carbon border taxes, and fiscal transfers from developed to developing countries. Many of the policies that resulted from these debates were likely to have profound effects on the behavior, profitability, and investment decisions of firms.

To manage the risks and uncertainties related to climate change, participants strongly affirmed the importance of improving the data and information available to investors and financial institutions. As one participant put it, "You can't manage what you can't measure." Participants highlighted several challenges to measurement, including the lack of scientific consensus on the impact, and timing of impact, of activities on the environment, standardization of data regarding climate and environmental issues, lack of common disclosure rules and guidelines for firms and financial institutions, and the still-undeveloped nature of risk management and data analytics as they related to climate and environment. For many participants, the essential first step was standardization of data; in this regard, the recent report by the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) was seen as an important step in the right direct, as was the anticipated IFRS guidelines for environmental disclosures. Many expressed hope that these standards would be followed widely and updated regularly.

In addition to standardizing the measurement and presentation of data, some participants called for the expansion of additional data and analysis that firms and financial institutions should be tracking and disclosing, including environmental impacts and exposures along the value chain and the use of scenario analysis. For banks and other financial institutions, tracking environmental and climate risk across the supply chain was seen to be particularly important, both from the perspective of evaluating their own risks and of complying with regulations that would likely be imposed at least in some jurisdictions (as the European Union was already beginning to do). Participants noted that the number of companies that published Scope 2 and 3 emissions (emissions from purchased electricity and all other indirect emissions down the supply chain, respectively) was quite low, with lack of data availability driven partly by the challenges to SMEs of gathering and reporting such data. To their customers and creditors.

Participants noted that environmental disclosures were growing but still insufficient for the task at hand—for example, in one study of 3800 companies' TCFD disclosures found a 21% compliance rate in 2021, up from 16% in 2020. The expected new IFRS accounting guidelines were considered to be an important element in increasing environmental disclosures, although there were some questions about whether and how quickly they would be mandated in countries around the world.

Progress in Incorporating ESG into Financial Regulation

Participants agreed that, while ESG principles were not yet incorporated into financial regulation either globally or in most jurisdictions, including China and the U.S., discussions to do so were progressing. They did note some efforts to support green finance, such as China's Green Credit initiative, which encouraged bank lending to energy-efficient and environmentally sustainable industries rather than to polluting companies; however, as yet regulation and guidance were at early stages. Among the issues that some participants predicted to be likely targets of discussion at national and global levels was whether the Basel Committee should incorporate environmental issues into capital standards, either by amending Pillar 2 or 3 disclosures or—less likely—by establishment of a climate capital surcharge.

Participants noted that some jurisdictions, such as the EU and New Zealand, had been quite forward-leaning in terms of requiring climate and environmental disclosures for financial institutions. In contrast, China and the U.S. had been more hesitant to require specific climate and environmental disclosures or to incorporate such issues into bank supervision (for example, through the stress testing process, as the EU was moving to do). Rather, they were seen to be slowly moving from voluntary compliance to soft law, and only later to hard law. Still, some participants saw meaningful action being taken in both China and the U.S. One example was China's Green Credit Guidelines, which encouraged banks to expand green lending through self-assessment, self-evaluation, and disclosure. Participants saw this initiative as a potentially important steppingstone to formal regulations to restrict lending to projects with environmentally destructive impacts.

Participants also recognized the growing investor appetite for green investing, as seen by the rapid increase in green bonds around the world (including a 150% year-on-year increase in Chinese issuance) and a profusion of green investing vehicles. This was supported by both efforts by non-governmental organizations and fund managers to improve disclosure and monitoring of corporate environmental impacts, as well as by empirical evidence that environmentally-sensitive investing could improve financial returns relative to environmentally-neutral investing. For example, the China Alliance of Social Value Investment had created an index of Chinese firms based on their adherence to the Sustainable Development Guidelines that outperformed the market as a whole. However, some participants were skeptical that green fund returns would remain higher than market averages, pointing out that methodologies for evaluating environmental risks were still undeveloped and that some of the performance had likely been driven by investor sentiment rather than by actual corporate performance.

Challenges of Addressing ESG and Climate Change

Despite the growing investor appetite for green investment, there appeared to be a consensus among participants that investor preferences, corporate disclosure, and market discipline would not be sufficient to address the problem of climate change. They argued that the long-time gap between the (short-term) benefits of carbon usage and the (long-term) impacts of carbon emissions, as well as the growing demand for energy in the developing world, meant that direct regulation of carbon emissions as well as global coordination would be necessary to address the issue.

Participants agreed that the global nature of the issue increased the likelihood of international disagreements or conflicts, highlighting two particular issues. One was the gap between developed and developing countries. Developed countries, which had in general contributed most to total atmospheric carbon, had the resources to adapt to climate change and to accept the potential trade-off of slower growth. In contrast, developing countries had mostly not been the main contributors to carbon emissions, although some, such as India, had become top global emitters and were expected to contribute an even larger share of annual emissions going forward. They considered it unfair that they should have to sacrifice development goals by curtailing energy usage in order to address issues that had been created by developed economies; thus, some participants argued that it would be essential for developed economies to transfer technology and funds to developing economies to support their energy transitions and climate adaptation infrastructure. It was expected that negotiators at COP-26 would pledge some level of funding to this purpose, but some participants worried that it would be insufficient to prevent countries from further locking in long-term carbon emissions through investments in coal-fired plants and other carbon-intensive infrastructure and industrial development. As predicted, the developed countries pledged additional funds to meet the 2009 Copenhagen pledge to mobilize $100 billion annually. Some participants noted that China was in an ambiguous position in this dynamic. It had become not only the world's largest annual emitter of carbon, but also one of the largest historical emitters. However, its per capita emissions remained considerably lower than those of more developed economies; also, much of China's industrial emissions were related to developed economy demand for Chinese production rather than its own, reinforcing the responsibility of developed economies for annual emissions. While many participants noted that China was moving decisively to contribute to global decarbonization, including through regulation and halting funding of coal plants abroad, some worried that its domestic targets were too unambitious to help limit catastrophic global climate change.

The second issue was that some participants worried about the possibility that conflicts could arise if countries adopted their own policies to enforce decarbonization. For example, they noted that the EU had discussed the possibility of a carbon border tax for products that did not meet strict emission standards. This was likely to most directly affect developing countries, which could least afford it, as well as China and possibly the U.S. Meanwhile, the recent Biden administration agreement with the EU to ease Trump-era steel tariffs also included a framework for evaluating carbon intensity of steel production, which was seen by some to raise the likelihood of U.S. and EU carbon border taxes that would particularly affect Chinese steel exports. Potential economic conflicts among the EU, U.S., China, and India could lead to less global coordination and higher carbon emissions, they argued.

Finally, some participants raised the question of whether it made sense to couple environmental, social, and governance objectives into the single category of ESG investing, rather than focusing on climate change, which they saw as an existential threat to the planet. They noted that there may be trade-offs between environmental and climate objectives on the one hand and social and corporate governance objectives on the other, and argued that climate should be prioritized. Others disagreed, making the case that, in order to be politically sustainable and ethically justifiable, energy transitions must be “just and equitable.” While rich countries could manage the distributional impacts of slower growth through fiscal action, they argued that developing economies needed large-scale external support to allow for policies that would simultaneously provide for the needs of their populations, manage the impacts of climate change, and decarbonize their economies.

Session 2: Crypto and the Impact of Technological Innovation on Financial Stability

In Session 2, participants discussed the impact of digital and crypto assets on the financial system, including the options available to regulators. Participants agreed that crypto assets, stablecoins, and central bank digital currencies (CBDC) were quite different from each other in terms of their uses, potential financial stability implications, and appropriate regulatory response. They also discussed the contrasts between China and the U.S. in their approaches to these assets.

Crypto Assets and Currencies

Participants noted the rapid growth of crypto assets like Bitcoin in recent years, with the total nominal value reaching $2.6 trillion by the time of the Symposium. These assets were investment vehicles and had very limited use as payment mechanisms. Moreover, Bitcoin and other crypto assets had increasingly moved from the periphery of the financial system toward the mainstream, as traditional asset managers and banks were providing support and settlement services for clients who wished to add crypto to their portfolios. As an asset, it had proved to be extremely volatile, which was seen to increase problems of risk management for investors and financial institutions that supported them. Meanwhile, the anonymity created by its hashed distributed ledger system had made it attractive for activities such as money laundering, organized crime, and evasion of capital controls. Finally, the mining of Bitcoin was extremely energy-intensive, and the continued popularity of Bitcoin raised serious concerns among some participants about its climate impacts as the global community faced the prospect of an unprecedented climate crisis.

Stablecoins, whose total value still amounted to under $150 billion, were not an asset class but essentially a privately-managed digital currency principally used for the trading of crypto assets. With the use of stable coins growing rapidly and Tether alone mediating approximately 60% of crypto financial transactions (up from 5% in 2017), stablecoins had become what one participant termed “the key digital fiat.” Participants noted that stablecoins could also be used for regular payment purposes, as Libra (renamed Diem) had been designed to do, where network effect obstacles could be overcome by a preexisting broad user base. Stablecoins looked quite different from speculative crypto assets like Bitcoin: their value was meant to be kept stable against a traditional currency or currency basket, they were managed by a central authority, and they were backed by a pool of reserve assets that ensured the stability of their value (although this had not been the case with Tether). There was some uncertainty as to whether they should be understood as a trading product, a payment infrastructure, or simply an unregulated ETF, but their increasing volume and centrality to the functioning of crypto asset markets led many participants to agree that they needed considerably more attention from financial regulators and supervisors.

There was also considerable interest in CBDC. Although to date it had been introduced in only a few smaller markets such as the Eastern Caribbean, a variety of central banks around the world were studying or designing CBDC, with some already at the stage of pilot testing. China was considered by many participants to be a leader among major economies, as it was well into pilot testing and had found that the digital RMB was well accepted by those who had tried it. In contrast, many participants characterized the U.S. as considerably behind in its own consideration and development of a digital dollar. While some participants lamented the lag and worried that the U.S. would not be a leader in this emerging area of finance, others argued that it was wise for the U.S. to be cautious and thorough before introducing a CBDC given the centrality of the dollar to global payments and financial systems. Participants noted also that there had been different conceptualizations of how CBDC should work, with one camp arguing that it should simply replace cash and others suggesting that it should replace bank demand deposits. In the case of the digital RMB, the People's Bank of China had decided to restrict it to being a cash substitute. Thus, it was argued, it would have no impact on the role of banks in allocating and creating credit, although it would have the benefit of improving the PBOC's information about money supply and market activity.

Implications for Regulation and Supervision

There was considerable discussion of the challenges of the growth of crypto assets and stablecoins from a regulatory and supervisory perspective. Participants held varied views on the value of crypto assets and stablecoins, which informed their preferred approaches. While some saw crypto assets as providing opportunities for investors to diversify their portfolios, others focused on the problems of volatility and misuse. Similarly, while some participants argued that well-designed stablecoins could improve the speed and efficiency of payments, they also worried about their implications for market stability, market integrity, and investor protection. Debates were proceeding in a variety of jurisdictions about how best to manage these issues while also encouraging financial innovation. This included the U.S. President's Working Group on Financial Markets (PWG), which was finalizing a report on reforming the regulatory framework for stablecoins, subsequently released after the Symposium (https://home.treasury.gov/system/files/136/StableCoinReport_Nov1_508.pdf).

While anonymity was understood to be one of the most attractive aspects of crypto assets such as Bitcoin from the perspective of some owners, participants agreed that it raised serious concerns for regulators about money laundering, criminal payments, use in ransomware attacks, tax evasion, and evasion of capital controls. There were various perspectives as to how to address these issues. Some participants pointed to the Chinese decision to simply ban private crypto assets and currencies as one viable approach. In contrast, the U.S. approach had been mostly hands-off except where it pertained to regulated financial products like crypto funds or derivative products. Many participants questioned whether this would remain a viable approach with the explosive growth of crypto assets and their increasing interconnectedness with the formal financial system.

A second major concern for regulators was investor protection. Among crypto assets, while Bitcoin had a well-known open-source algorithm for mining and verification, other crypto assets could easily be created with less transparent characteristics, raising the possibility of fraud and abuse. Also, their value was highly volatile, raising issues for investors when the assets were not subject to disclosure laws as securities. For stablecoins, the main danger in terms of investor protection was the lack of regulation to ensure that they were fully backed by safe short-term reserves, like Treasuries, creating the possibility that they would not be redeemable on demand as promised. For both crypto assets and stablecoins, participants also expressed concerns about market integrity, regulation of trading platforms, and issues such as frontrunning and market manipulation. For these reasons, it was predicted that in the U.S., the SEC and CFTC would expand their scrutiny and oversight.

Participants also raised the issue of market stability. One question was the extent to which investment in crypto assets was fueled by credit, which would be a channel by which large losses in crypto assets could affect the rest of the system. Several participants argued that potentially bigger problems could result from the failure of a stablecoin like Tether. They pointed out that Tether had become an essential infrastructure for liquidity in crypto markets and could become an essential payment infrastructure in the broader economy if stablecoins came to be more widely used for payments for goods and services; however, there was at present no guarantee that stablecoins' reserve backings were either as safe or as liquid as they claimed. If stablecoins operated similarly to unregulated money market funds, they asked, couldn't they become too big to fail, with systemic impacts of the type seen in 2008 when some money market funds "broke the buck"? Thus, many participants predicted (correctly) that the PWG in the U.S. would recommend prudential oversight via the Fed or Financial Stability Oversight Council.

A final question was raised by some participants about the long-term viability of crypto assets and currencies. Some expressed bemusement at the continued and growing popularity of Bitcoin and other crypto assets, which had no inherent value (unlike gold) , although most participants appeared to assume that at least some crypto assets were here to stay. In contrast, some participants expressed doubt that stablecoins could exist over the long term as more and more central banks issued CBDC. They argued that stablecoins provided no benefits that CBDC could not, while also lacking the full faith and credit backing that only central banks and governments could provide.

Session 3: The U.S.-China Economic Relationship—The Financial Sector

In Session 3, participants discussed the paradox that China-U.S. financial integration and mutual interests were growing at the same time that overall relationship was deteriorating due to global strategic competition. They also noted that Chinese authorities appeared committed to increasing financial openness and liberalization at the same time that the U.S. was imposing or considering increased restrictions on Chinese firms' access to U.S. markets or investor access to Chinese markets. Much of the discussion addressed the questions of whether financial integration could continue to progress in the midst of political tensions and whether there was a roadmap towards a more cooperative relationship.

Political Tensions

Participants expressed grave concerns over growing political tensions between U.S. and China, which many feared could lead to lost opportunities for mutual benefit and for joint leadership to address global issues such as climate change. Of particular concern were statements by media commentators and some politicians that the two countries might be entering a new Cold War, characterized by global strategic competition, mutual recriminations, and economic sanctions, and even armed conflict. Some participants concluded that China-U.S. relations were at their lowest ebb in nearly half a century and worried that domestic politics on both sides at a time of rising inequality and slowing growth was pushing leaders to further confrontation. .

While both countries maintained some long-standing economic restrictions on each other due to security concerns (such as on Chinese acquisitions of security-sensitive companies in the U.S. (CFIUS) or U.S. FDI into certain sensitive sectors in China), participants noted that the previous several years had seen the imposition of new restrictions that did not clearly link to specific security concerns. For example, the Trump-era "trade war" had focused on products that had little or no direct link to security, such as steel and agricultural products. Some participants raised similar concerns about the U.S. use of individual financial sanctions on Chinese officials, which were justified by domestic political actions rather than by financial crimes or violations of U.S. law. Many noted the rise of more heated rhetoric that demonized the other country, including "wolf warrior" diplomacy in China and statements by U.S. politicians that spoke of China as an enemy.

Despite the growing political tensions between the two countries, participants did identify some reasons for optimism. Primary among these was the strong feeling that China and the U.S. had many mutual interests, particularly in economic terms. Participants noted that China had become a booming market for a variety of U.S. firms and financial institutions through multiple channels, including FDI, portfolio investment opportunities, and trade in goods and services. For many U.S. firms and financial institutions, to be excluded from China's rapidly growing markets would be deeply damaging. Similarly, Chinese firms and financial institutions still had much to learn from the U.S., including not only U.S.-produced technology but also the knowledge and knowhow of U.S. financial institutions in developing Chinese financial markets. China also benefited from accessing U.S. capital markets. Thus, they hoped that mutual interests in economic integration would limit the effects of political competition.

Some participants argued that there was still considerable good will at the societal levels, based on business and personal relations that had created mutual trust and respect over the last four decades. They saw this as an essential foundation on which to rebuild cooperative relations at the intergovernmental level. However, others cautioned that popular mistrust of China was growing in the U.S. and that Chinese people's resentment of U.S. government policies might bleed through to the popular level. All agreed that the current situation had the potential to spiral downward and that it was imperative to prevent that from happening.

Financial Openness and Regulation

One point that struck many participants was the divergent economic approaches of the two countries. They argued that China was dismantling economic and financial barriers while the U.S. was expanding its own barriers. Looking at Chinese financial regulation in particular, many participants saw extensive evidence that the country's stated commitment to openness, liberalization, and integration with the international financial system continued unabated. For example, Chinese authorities had recently authorized wholly-owned foreign subsidiaries in business sectors that had previously been restricted, including asset management and brokerage, as well as the first foreign-run mutual fund. Foreign financial institutions were also gaining greater access to Chinese derivatives markets, including the growing futures markets, enabling better risk management and new opportunities for profit. Similarly, foreign investors' access to Chinese markets continued to increase through the expansion of the Qualified Foreign Institutional Investors (QFII) program, as well as the expansion of Stock Connects with Hong Kong and London, the recent launch of the "southbound" component of the Hong Kong Bond Connect, and the China-Japan ETF Connectivity scheme.

While some participants worried that China's commitment to financial openness would be tested or even reversed by China-U.S. political tensions, others countered that this was unlikely because financial openness and liberalization were being advanced for the benefit of China rather than as a gesture of conciliation to Washington. They argued that Chinese financial and economic policy makers were well aware that the needs of the Chinese economy for better financial intermediation and better investment opportunities for savers could only be met by financial innovation, competition, and the knowhow of foreign financial institutions. Several needs drove this imperative. With an aging society, it was argued that Chinese savers had to develop investment opportunities that could provide the returns needed for current workers to retire. Inviting foreign financial institutions to enter Chinese markets and offer products like mutual funds and ETFs would contribute to the growth of those products and diffusion of best practices in product design, risk management, and trading practices. More generally, some participants argued that China's savings were not being used as efficiently as possible due to the inefficiencies and gaps of its bank-based financial system; by introducing competition and global best practices through openness to foreign financial institutions, the authorities hoped to improve allocation of funds and to improve companies' returns on investment. New skills and products, such as work-out funds and REITs could also manage growing challenges such as failing companies and real estate speculation. Thus, financial liberalization and openness would support the government's efforts to rebalance the economy as laid out in the "dual circulations."

Participants agreed that foreign financial institutions were generally appreciative of the moves toward openness. However, some strong concerns remained, including over China's regulation and control of data.

In contrast, many participants argued that the U.S. was increasingly restricting Chinese access to its markets. Although agreeing that in many respects the U.S. markets were open and non-discriminatory to foreigners, they noted several ways in which restrictions seemed to be rising. While in previous Symposiums, the main concern about access for Chinese firms had been about the CFIUS process for direct investments, at this Symposium there was considerable anxiety about the potential delisting of Chinese firms from U.S. exchanges if disputes over supervision of audits could not be resolved. A number of participants argued that the political effect of delisting would be enormous from the Chinese perspective, but that the slow progress of resolving the disagreement suggested that the U.S. was in danger of "sleepwalking" into an unintended delisting of Chinese firms when the 2024 deadline arrived. In addition to the delisting issue, participants also noted other actions that raised questions about the impacts of security debates on China-U.S. economic relations. One was the increased effort to review and potentially reshore supply chains to reduce reliance on (and therefore integration with) China, amid a broader discussion of economic "decoupling." In this regard, it was noted that the Biden administration had not rolled back tariffs imposed on China during the Trump administration's "trade war," despite having criticized them during the election campaign. It was argued that this was a good indication that the Trump administration's hostile approach to the Chinese economy had not really changed. Another sign was targeted restrictions, including both executive orders targeting firms with military ties and financial sanctions on individuals with alleged ties to political repression in Xinjiang and Hong Kong. Here too, the Biden administration had largely kept in place Trump-era restrictions.

Finding a Path to Conciliation

Participants agreed that it was essential for China and the U.S. to find a way to improve the bilateral relationship to ensure effective management of global issues such as financial stability and climate change. They outlined three approaches to managing the relationship: a so-called "package deal," separation by issue-area, and stepwise cooperation. Each had different implications for finance. While some liked the idea of a package deal (i.e., a comprehensive agreement that would cover all areas of cooperation and disagreement) in principle, they worried that it would take too long and have too uncertain odds of success to be practical at a time of rapidly deteriorating relations. Others liked the idea of separating negotiations on particular issue-areas from the broader confrontation—for example, advancing financial integration even as security tensions might be growing.

For most participants, however, the most feasible and attractive approach was that of stepwise cooperation—in other words, rebuilding cooperation and trust one piece at a time, starting with the areas in which cooperation would be easiest (e.g., finance) or most mutually pressing (e.g., climate change). Many participants saw finance as an area in which meaningful cooperation could most quickly be achieved. One of the most pressing issues in that regard, many agreed, was to come to a mutually acceptable agreement that would prevent the wholesale delisting of Chinese firms from U.S. markets within the next two years as now provided by law. They argued that this could be achieved quickly through working-level discussions on how to share Chinese supervisory audits with U.S. authorities without violating Chinese laws regarding state secrets

Another issue on which participants felt there could be substantive cooperation relatively quickly was environment and climate. It was noted that China and the U.S. were not only the two largest emitters of atmospheric carbon, but were also leading developers and producers of environmental technologies. Thus, they were in a unique position to take a global leadership role to solve urgent and long-term problems if they could cooperate. Participants hoped that the two countries would find common ground in addressing climate change at the upcoming COP-26 conference in Glasgow, while also calling for more granular technical-level cooperation to improve green finance—for example, by developing agreed methods for data collection, measurement, and analysis, and by building global infrastructure in support of green finance.

Despite the general support for a stepwise approach to cooperation that would start with finance and environment, some participants were pessimistic about the prospects for success. One reason was a perception on the part of some that neither China nor the U.S. was as interested in advancing global decarbonization goals as they claimed. As for finance, while most participants agreed that agreements should be possible on delisting and other items, there was some pessimism that there would be sufficient political will to carry them out. Some participants noted that public resentment of the financial sector in the U.S. remained high, so some political leaders might prefer to oppose anything that looked like a favor to either the financial industry or Chinese interests.

Finally, participants came up with a few principles that they felt would be essential in rebuilding positive China-U.S. economic relations. First, they argued that cooperative efforts should start from the premise of mutual learning and benefit, rather positional negotiating. Second, they strongly recommended that frequent working-level bilateral financial and economic dialogue should be reestablished as soon as possible. Third, it was argued that working-level dialogue could only go so far; thus, the Biden and Xi administrations should make a point of communicating more often and affirming the importance of cooperation with each other, in order to give lower-level officials a clear mandate and the confidence to negotiate with each other. Perhaps most importantly, they encouraged financial institutions, regulators, and supervisors to make the case to political authorities for increased cooperation and to keep working to develop cooperative, win-win solutions.

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