

**Transcript of Hong Kong Trade Development Council (HKTDC)  
interview with**

**Zhu Min  
Deputy Managing Director  
International Monetary Fund**

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**Interviewer:                   Martin Evan-Jones  
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**(MEJ)**

***A key speaker of the Asian Financial Forum 2013 here in Hong Kong is Zhu Min he's the Deputy Managing Director of the International Monetary Fund, the IMF and he speaks to us from Washington DC. Thanks for joining us.***

***Let's look first of all at the US economy. And the Managing Director of the IMF has actually looked for a long-term solution to the problems besetting the US economy: the debt problems, the fiscal cliff. So how confident are you that actually the United States is on the right track?***

(ZM) It is both short-term and long-term in the US fiscal condition. The short-term obviously, is a tax cut package, which is involved in a 4.3 per cent total GDP growth rate. The short-term is, if you move the 4.3 per cent tax package off the table, you are bringing the US immediately into recession, so the US policy makers should make an early agreement to reduce the uncertainty and also bring confidence back to the market. It's very important.

More important also is the long-term issue because there is long-term fiscal sustainability [to consider]. But in the short-term, we have to be careful about growth and fiscal adjustments. But for the long-term, If you're looking for demographic change, if you are looking for entitlements if you are looking for growth forecasting, to maintain long-term fiscal stability has become an even more important issue.

We are positive for the US because we still have a lot of room to manoeuvre, but the policy makers have to make decisions as soon as they can and currently the most important issue is to reduce uncertainty [otherwise it will] have a big impact on the US economy and the global economy as well.

***(MEJ) Another major problem facing the IMF is of course, the Eurozone crisis. How would you rate the approach taken by the “troika” which of course includes the IMF, where it comes to the European problems and bearing in mind that many of these agreements and sub-agreements going on from time to time?***

(ZM) The troika, the EU, the ECB, the Fund have been working together, have been working very hard to bring financial stability to the Euro Area, particularly in countries which have a programme such as Portugal, Ireland and Greece.

And following policy actions we enforced the financial markets have been easing. For example, you see volatility has reduced; the bond yield drops and the CDS also drop. Even for Greece, the CDS drops and bond yield drops to 165 base points.

If you look also in other Euro areas, for Triple-B-rated corporate bonds currently the rate is roughly 365 base points – just four months ago that was 800 base points, so it’s really low. It shows the market is easing now.

But obviously the market is still very fragile, we have to say, because the deleveraging process is still the capital issue for the banking sector, still for the programme countries to re-access the market. I think there are still issues to be solved.

I would say the European policy makers are trying their best and they are really moving in the right direction; I think that is very important. They’ve proposed for a banking union, they’ve proposed for a fiscal pact, the ECB brings the OMT on the table, and also they have a lot of proposals to further promote a single market. I think it is very important to further enhance the currency union. They’re really moving in the right direction

***(MEJ) So, in short, 2013 will be a stronger year for the peripheral members in the Eurozone which you mentioned?***

(ZM) I think 2013 should be a better year because if you looking for the whole Europe. It has a net growth this year in Euro area. And next year the growth can be a little stronger. But the growth still a main concern that what's I'm trying to say because unemployment rates are still high, and the way you do structural reform obviously sometimes is not necessarily favoured by all. But I would say next year, if you look into the financial markets, looking for the growth perspective, [then] it should be better than this year.

***(MEJ) Now turning to Asia, many commentators have talked about “intra-regional” trade, how many of the countries in Asia surrounding China in particular, are going to be particularly robust. How do you see the outlook for China and Asia going forward in 2013? Is it going to be the strongest momentum growth?***

(ZM) Actually they will be the main driving force to promote regional growth. For the emerging Asia, we forecast a roughly 6.1 per cent GDP growth rate for this year, and we see even stronger growth for next year around 6.8 per cent.

And one thing [to emphasise] is the intra-regional trade and activities. What happened in Asia is that Asia is forming what I call “a pan-Asia integrated vertical supply chain”, and grabbing more and more global, other areas into the supply chain. For example you probably won't believe Brazil today belongs to this supply chain, Chile as well, and also some countries in Africa.

We expect to see more and more intra-[regional] trade, intra-[regional] activities happening in this supply chain because they will have more trade among themselves, and more financial activities, financial flows moving among themselves, which will be a very important driving force for the growth of the region in the next few years.

***(MEJ) Thanks very much for those answers. And you are attending the Asian Financial Forum 2013 here in Hong Kong. What are the sort of messages you'd want to hear and want to deliver at the forum?***

(ZM) I think it is a very important financial forum for the region and for the whole world. The first issue is the global financial system is still very fragile, so we need to work together and we need to take a very cooperative approach to work together to further enhance the financial stability of the whole world.

The second issue is that Asia is playing a more and more an important role in the whole world now – not only in trade, in manufacturing, in export, in GDP, in production areas, but also in financial areas as well.

In the past 10 years, Asia exported roughly 3.2 trillion in capital to the whole world. I think it is a huge amount of capital. So the whole of Asia further developed a deepening financial market to facilitate, to support Asia financial development economic growth, and to support whole global economic growth in the financial market. I think this is obviously a very important issue.

And the third issue, I'd very much like to see, with this forum, a global discussion to put Asia in a global context, to see how Asia and global financial markets can work together to build a better system for everyone.

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