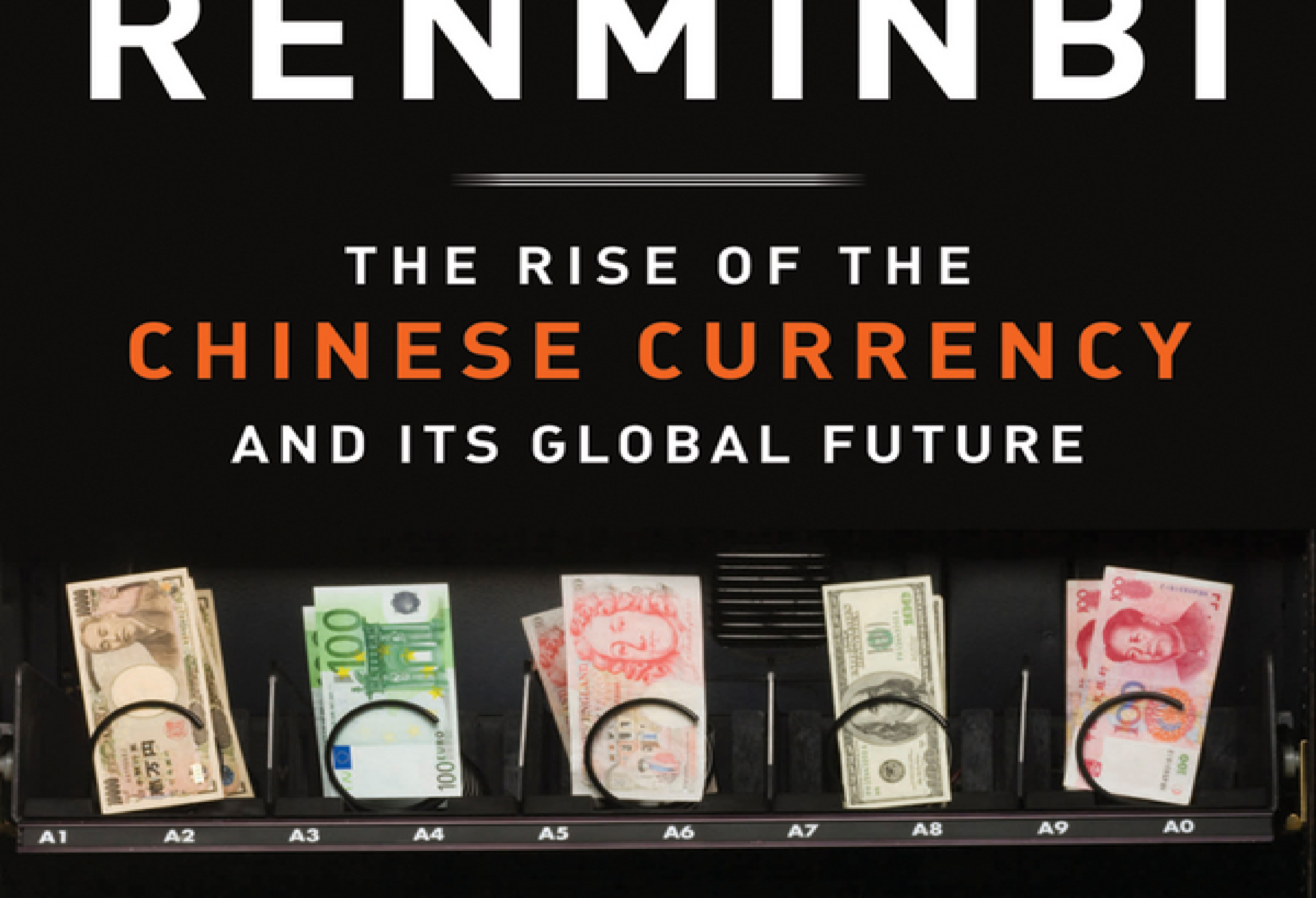
ROBERT MINIKIN

KELVIN LAU

THE OFFSHORE RENMINBI

THE RISE OF THE CHINESE CURRENCY AND ITS GLOBAL FUTURE



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Foreword

Talk about being in the right place at the right time. Right at the eye of a building storm; the epicenter of a currency's ascension. And to be a ripple maker.

Having been in the financial industry for over 25 years spanning different continents, watching from close range the renminbi's internationalisation foray—and Hong Kong's transformation into an offshore renminbi financial centre—has to be one of the most exciting watershed developments. My colleagues and I have had the privilege to be at the heart of all these actions, not only as witnesses but also as contributors, each playing an active role in facilitating and shaping the global ascent of the Chinese currency. It could be as small as ensuring that a customer gets the needed renminbi to settle a cross-border payment; educating a local exporter on the benefits of invoicing in the Chinese currency; or advising a multinational corporate on ways to raise Dim Sum funds and repatriating them into the mainland. It may also entail working with on- and offshore authorities on broadening and deepening the offshore renminbi market, designing and integrating settlement platforms, and developing new products.

The whole experience of helping the offshore renminbi market develop is both fascinating and humbling. It has been fascinating seeing how smoothly the renminbi, through successive policy liberalisations and its seamless fusion with offshore market forces, has gradually eased into its new but certainly more natural form—a currency with a status that better matches China's growing economic importance. And then there is the eye-popping pace of growth in the various markets, be it the rise in renminbi trade settlement volume to more than 10 percent of total China trade in Q1–2012 or the CNY 190 billion worth of total issuance of Dim Sum bonds in Hong Kong in 2011.

One can also be easily humbled by the renminbi's transformative power on the global business and market landscape. Longstanding market practices are being challenged—for example, multinational corporates are starting to move away from USD-invoicing, while more and more central banks around the world are beginning to allocate a small part of their reserve holdings to the renminbi. The redenomination of commodities into renminbi could well be the next big wave transforming the international trade and financial ecosystem. On a more local scale, Hong Kong is finding its monetary conditions increasingly influenced by onshore lending cycles, and its deposit base steadily shifting toward a greater mix of renminbi.

Reading this book on the rise of offshore renminbi authored by my colleagues Kelvin and Robert, one could get a strong sense that the powerful forces allowing renminbi internationalisation to flourish are converging. An assortment of economic, financial, and policy tailwinds are set to carry the renminbi to further places beyond Hong Kong, into the hands of corporate treasurers, sovereigns, institutional investors, and households. These forces, as they gather pace, will help the offshore renminbi market ride through any inevitable bumps uncovered along the way.

The timing of Beijing pursuing renminbi internationalisation, in particular, seems impeccable. With the world still reeling from the financial crisis in the West, the search is on for the next major currency that is international, influential, and dependable. The prevailing crisis is set to bring about structural changes that could be game-changing. For many, this presents a once-in-a-lifetime opportunity. Acting as a catalyst, the crisis has accelerated the shift of economic power from the West to the East, with the latter being led by China, placing it under the spotlight as an increasingly important growth engine of the world economy for years if not decades to come. To duly perform this role, China must transform to a more sustainable and domestic-oriented growth model. The continued orderly opening up of its capital account and the internationalisation of its currency are, in the eyes of Beijing, crucial parts to this grand scheme.

Hong Kong has been the right place for renminbi to gain an initial footing offshore. For decades, Hong Kong has been a conduit connecting the mainland with the rest of the world—via trade, investment flows, and effective financial solutions. Not only is Hong Kong already equipped with a full package of financial hardware and software, but it is also designated by Beijing as *the* offshore renminbi center. It acts as both a testing ground and a firewall. Hong Kong has a unique role to play—to support China as it liberalises its currency in an orderly but well-paced manner, and to help shape such development through free-market forces. Hong Kong, in turn, stands to benefit from the enormous opportunities brought about by the process.

I am very delighted that Robert and Kelvin have taken on this initiative to author a book dedicated to the offshore renminbi. They are among the best in town on this research area, and are certainly most qualified to write about this new chapter of global currency development. Their hands-on experience spanning both the early and rampant years of offshore market development, together with their complementary areas of expertise in macroeconomics, currency, and market-oriented dynamics, make this one of the most comprehensive and authoritative books you will find out there. And the ripples have just begun.

Benjamin Hung

Chief Executive Officer
Standard Chartered Bank (Hong Kong) Ltd.

Preface

The Hong Kong trams are a longstanding and much-loved part of the territory’s street-scene. For over a hundred years they have made stately progress across Hong Kong Island even as the shacks around them have been torn down, replaced by low-rise buildings and finally gleaming towers. The trams themselves are not much changed since their introduction, although today they often sport vivid advertising livery. As we draw together the contents of this book in July 2012, a bright blue and green tram wends its way through the Hong Kong streets, not advertising high-end luxury brands or financial services (which is typical) but touting an unusual message. It congratulates China’s Ministry of Finance on the latest successful sale of its renminbi government bonds in Hong Kong. The regular, annual sales of Chinese government bonds are fast developing into a familiar feature of the landscape of the new “offshore renminbi” financial markets—those that use the Chinese currency outside of mainland China itself.

The enthusiasm of Hong Kong for the development of this new market should not be seen as surprising. It cements the city’s status as a major global financial centre and gives it a key role as a conduit between the mainland and the rest of the global financial system. However, in writing this book we want to give an overview of the issue that explains the importance of the development not just for Greater China and Asia but also the global economy. The tram’s advertising highlights an important step in the development of the renminbi bond market in the Hong Kong market—what has become known as the *Dim Sum* bond market. But in this book we outline how the new “offshore renminbi” is the basis for a much broader range of flourishing new financial markets that are of value to corporate treasurers, asset managers and individual investors. Finally, we briefly assess the public policy implications of the renminbi's new global role as the global financial architecture is redrawn in response to profound shifts in the global economic balance of power. Will all of the trams in San Francisco soon be congratulating China's Ministry of Finance on the sale of its renminbi bonds on the West Coast of the United States?

This book is, to a large extent, a response to the vast diversity of questions we have been asked since the acceleration of the pace of renminbi reforms in July 2010. We have travelled globally and spoken to a wide range of audiences as we outlined the developments in renminbi internationalisation. Working within research at the oldest note-issuing bank in Hong Kong, we have been well-placed to track the institutional reforms (not all of which have been announced to the media), to track the resulting shifts in transaction flows and analyse relative value opportunities in the new markets. It has been particularly exciting to watch entirely new financial markets spring into life. When we[1] forecast the level that a major foreign exchange crosses (such as USD-CNY) in the future, then often our first reference point is simply where it closed yesterday. We assess how the incoming news will drive changes in the exchange rate. When new offshore renminbi markets opened (such as USD-CNH spot and forwards) there was simply no "yesterday" as a point of comparison. This proved a particularly challenging environment for analysts—and market makers at their trading desks.

Also exciting has been the opportunity to name the entirely new markets. Although economic data releases and market pricing are often transitory developments, this has given us the opportunity to make a more permanent mark on the financial markets. Here we[2] have had an important initial success, dubbing the renminbi bond market in Hong Kong the Dim Sum bond market.

The name was, in fact, voted by a committee of sorts—on September 14, 2010—at a half-day seminar hosted by Standard Chartered where 170-odd corporate clients were asked to help name the new offshore renminbi bond market. They were given two choices: Dim Sum and Kung Fu. The former won, as we all know by now, but it was also a lopsided win. The name was first used in a publication on September 22, 2010, by Standard Chartered Global Research, a report appropriately titled “Adding Dim Sum to the Menu.” With additional help from some timely media reporting, the name went viral and global. The rest, as they say, is history.

But why “Dim Sum” to begin with? It came from a brainstorming session in preparation for the aforementioned seminar. Among the dozen of names long-listed, research-nominated Dim Sum was an instant favourite, as it encompasses all the key qualities of this new offshore renminbi bond market, then exclusively available in Hong Kong. Dim Sum’s Cantonese root in southern China is the perfect representation of the “renminbi in Hong Kong” concept. It is a unique culinary art form that comes with a great variety of shapes and sizes. Because of its usually bite-sized portion, we have over the years come across other interpretations of the namesake that have to do with its perceptive small issuance sizes (at its initial stage of development).

Issuance of Dim Sum bonds has since extended beyond Hong Kong, and the name has followed, much as one often finds dim sum on Chinatown menus globally. The name CNH—which originated from “CNY deliverable in Hong Kong”—is now similarly due for a timely redefinition. First proposed by the Bank’s transaction banking colleagues, we at research have pioneered a change in what the *H* stands for in “CNH,” from “Hong Kong” to *Haiwai* (meaning “overseas” in Chinese), to better reflect the true nature of the market that is becoming more and more international. Hopefully, this book will play some role in educating a broader, global audience on the new offshore renminbi markets, accelerating CNH’s transformation in becoming truly *Haiwai*.

We would like to thank those who have helped us think about this topic and prepare the book. Within Global Research at Standard Chartered Bank, we extend our thanks to Callum Henderson, Eddie Cheung, Li Wei, Nicolas Kwan, Sandeep Tharian, Shen Lan, Stephen Green, Thomas Harr, and Will Oswald. More widely within the bank, we extend our thanks to Ben Hung, Bethy Tam, Boey Wong, Charles Feng, Frankie Au, Joe Ng, Michael Vrontamitis, Rita Liu, Tee Choon Hong, Tony Yang, and Yan Chan. We would also like to thank Standard Chartered Bank for permission to reproduce copyrighted material. All royalties from the book will go to Seeing Is Believing, the charity devoted to tackling avoidable blindness.

Kelvin Lau and Robert Minikin

21 July 2012

[1] More specifically, Robert Minikin.

[2] More specifically, Kelvin Lau.

List of Acronyms and Key Terms

A

ASEAN Association of Southeast Asian Nations—regional co-operation organisation

ASEAN plus Three ASEAN plus China, Japan, and South Korea

B

The Basic Law Outlines key elements of the Hong Kong SAR administration and its way of life over the first fifty years following the colonial handover

Basis swap Cost of accessing funding over and above pure interest rate differentials (reflects balance sheet constraints)

BSAs Bilateral swap arrangements—agreement between overseas central banks and PBoC that provides backstop offshore renminbi liquidity

BOCHK Bank of China (Hong Kong)—"The Clearing Bank" in Hong Kong

C

CBRC China Banking Regulatory Commission—supervisor and regulator for China's banks

CCS Cross Currency Swap—cost of swapping funding in one currency for that of another, over and above the pure interest rate differentials between the two currencies

CEPA Closer Economic Partnership Arrangement—agreement to promote mainland China and Hong Kong economic linkages

CGB China government bonds

Chiang Mai Initiative Network of bilateral swap arrangements providing finance for ASEAN plus Three economies

CFETS China Foreign Exchange Trading System

“The Clearing Bank” in Hong Kong Offers general offshore renminbi settlement and clearing services in Hong Kong alongside facilities for netting out of FX positions

CNH Chinese yuan deliverable in Hong Kong

The CNH Premium Richness of CNH in Hong Kong relative to CNY in the onshore FX market

CIPS China International Payments System—planned for renminbi cross-border transactions

CMU Central Moneymarkets Unit—computerised clearing and settlement for debt securities in Hong Kong

CNAPS China National Advanced Payment System—the large-value renminbi payment system in Mainland China

CNT Chinese yuan traded in Hong Kong in the context of trade documentation

CNY *Haiwai* Chinese yuan outside mainland China

D

DFEC China’s Department of Outward Investment and Economic Co-operation—part of MOFCom implementing the “going global” strategy

Dim Sum Bonds denominated in renminbi and issued in Hong Kong

DXY Simple measure of the dollar’s value against other major currencies

E

Eurodollar market US dollar-denominated financial markets outside the United States

F

FDI Foreign direct investment—cross-border investment flows into an economy from overseas

H

HKEx Securities and futures exchange in Hong Kong

HKMA Hong Kong Monetary Authority—regulatory authority and local central bank in Hong Kong

HKSAR Hong Kong Special Administrative Region—Hong Kong's status within the People's Republic of China following the handover of the Colony in 1997

HKTMA Hong Kong Treasury Market Association

Hong Kong "Exchange Fund" Funds managed by the HKMA that underpin the value of the Hong Kong dollar

I

Interbank bond market Non–exchange-traded, and by far the largest, bond market in mainland China

L

LC Letters of credit—form of trade finance issued by banks

M

MDE Mainland Designated Enterprises—list of onshore companies originally able to access to trade settlement scheme (restriction has been abandoned)

MOFCom Ministry of Commerce—powerful planning and regulatory body in mainland China

MoU Memorandum of Understanding—typically an international agreement between official bodies

N

NDF Nondeliverable forward—form of FX forward transaction that is cash-settled (typically in US dollars) rather than with actual exchange of the underlying currency amounts

NDRC National Development and Reform Commission—overarching economic planning body in mainland China

NRA Nonresident account—renminbi account onshore held by overseas enterprise

P

PBoC People's Bank of China—China's central bank

PBoC fix Start-day daily fix that sets centre of trading band for on-shore FX trading (most importantly, of USD-CNY)

PRD Pearl River Delta—low-lying area around the Pearl River estuary in Guanddong Province, economically very dynamic and embracing major cities such as Guangzhou (broader definition also includes Hong Kong and Macau)

Q

QDII Qualified Domestic Institutional Investor—mainland investor who has been given (qualified) approval to invest in overseas financial markets

QFII Qualified Foreign Institutional Investor—overseas investor who has been given access to exchange-traded equities and bonds on the mainland

Qianhai Shenzhen economic zone with a regulatory environment promoting close economic ties with Hong Kong and its renminbi financial markets

R

R-QFII Renminbi-denominated QFII scheme in Hong Kong

ROB Russian rouble

RTGS Real-time gross settlement system—method of making domestic bank transfers, typically overseen by a country's central bank

S

SAFE State Administration of Foreign Exchange—supervises cross-border payments and manages China's FX reserves

SCB Standard Chartered Bank—leading international banking group operating primarily across Asia, Africa and the Middle East

SDR Special drawing right—accounting unit for the International Monetary Fund (and other international transactions)

SWIFT Society for Worldwide Interbank Financial Telecommunications—global financial message network

T

Trade settlement scheme Mechanism for trade-related payments in yuan to and from mainland China (initially launched in Hong Kong in early 2009)

TWD Taiwanese dollar

TWI Trade-weighted index—measure of a currency's external value that is calculated with reference to the issuing country's trading patterns

W

WTO World Trade Organization—global international organization dealing with the rules of trade between nations

Y

YRD Yangtze River Delta—embraces Shnaghai, Jiangsu and Zhejiand Provinces around the point where the Yangtze flows into the East China Sea. Highly urbanized, densely populated and economically dynamic.

Chapter 1

The New Global Role for the Renminbi

Gradualism has been the key hallmark of Chinese financial reforms. But when Chinese Vice Premier Li Keqiang launched the sale of Chinese government bonds (CGBs) in the offshore renminbi centre of Hong Kong in August 2011 it capped just fourteen incident-packed months of profound change that propelled the Chinese renminbi from a purely national currency onto the international stage.

The beginning and the end of the fourteen months were marked in quite different ways. The July 2010 agreement between the People's Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA), known as the Supplementary Memorandum, was launched in a relatively low-key way. The agreement was simply signed by top officials from the twin official bodies and new banking rules circulated in Hong Kong. Given the official emphasis on the memorandum, it would have been easy to overlook its significance. At a stroke, it transformed the regulations surrounding the use of the renminbi outside mainland China, stripping away all the prohibitions to allow the renminbi to be used as freely in the international financial markets as it is on the mainland.

The launch of the sale of the CGBs in August 2011, in contrast, tapped into a long-standing Chinese tradition of elaborate formal starting-points for policy initiatives. At the "Forum on the National Twelfth Five-Year Plan," Li Keqiang stepped forward before a row of smiling dignitaries and pressed a button, which launched the mainland authorities' third sale of CGBs in Hong Kong (following much smaller sales of CGBs back in October 2009 and December 2010). The prominence of the event and the widespread applause that greeted Li Keqiang's step suggests that the sale's importance for Hong Kong was widely understood by the local audience. Unlike the launch of a US initial public offering, there was no market ticker to signal whether fortunes had been made (or lost) in investing in the CGBs. Li Keqiang's signal that the mainland authorities were keen to reinforce Hong Kong's status as a global financial, and offshore renminbi, centre meant that the significance of the sale went far beyond the fortunes of a single IPO.

The July 2010 memorandum was not the first development in the internationalisation of the renminbi—the baby steps for the project go all the way back to December 2003 with the introduction of limited retail conversion into renminbi by personal depositors in Hong Kong. Certainly, the launch of the CGB bond sale in August 2011 is far from being the final step to boost the renminbi's international role. However, the fourteen months spanning these two developments saw a powerful acceleration of measures to promote renminbi internationalisation. The PBoC opened up access to the domestic (interbank) bond market for overseas central banks; the USD-CNH spot, forward and options markets sprang into life; the Dim Sum bond market (comprising renminbi-denominated bonds sold outside mainland China) was tapped by multinational and supranational issuers alike; the reach of the renminbi trade settlement scheme was expanded to cover the whole of China . . . the list goes on. This was truly the equivalent of a "Big Bang" by the standards of the recent history of Chinese financial reform.

From the perspective of an international observer, the early steps toward a global role for the renminbi sound very Hong Kong–specific. But this is best viewed as simply the transitional features of a completely new market for the Chinese renminbi, rather than a guide to the future. All currencies typically have a "home" geographical centre—just as international transactions in the US dollar typically settle in New York—and Hong Kong is playing this role in the offshore renminbi's early stages. The year 2012 has seen the sale of certificates of deposit, Euro-Commercial Paper, *and* Dim Sum bonds in London as banks seek to tap funding in the new international currency. This is just a single specific geographic breakthrough in the much broader global renminbi rollout.

These new international markets taken together are referred to as the "offshore renminbi markets." In the next chapters we will look at why we talk about the offshore renminbi in a way that isn't common for other currencies (we rarely see references to the "offshore dollar"). We trace developments in the international use of the renminbi so far and the likely trajectory over coming years. We examine investment and hedging opportunities in the new markets created by the internationalisation project. And, finally, we ask what it means for policy makers—does the launch of the renminbi, for example, even threaten the existence the Hong Kong dollar?

But before we examine these broader issues, an assessment of the foundations on which all of this rests is required. What prompted the Chinese authorities to embark on a project that unleashed powerful free-market forces (outside mainland China) and stood at odds with the typical pattern of FX management for fast-industrializing Asian economies?

A Longstanding—but Failing—Path

There are many well-recognised advantages for the authorities in an economy that establishes itself as the issuer of a major international currency. At a very prosaic level, the central bankers can print currency, which can then be used to purchase goods and services (or assets) overseas. To the extent that the Chinese renminbi is held overseas and never repatriated to mainland China, then the People's Bank of China earns what economists term as *seignorage*. If the renminbi can achieve the status of a major reserve currency, then the Chinese government may be able to issue debt to overseas holders of renminbi without any requirement to repay it any time soon. When the China government bonds launched by Li Keqiang in Hong Kong are in hot demand from overseas central banks for use as official reserves, then China will share some of the advantages of the United States as an issuer of government debt. This is what Europeans have called the United States' *exorbitant privilege*.

Although these aspirations play some role in driving the renminbi internationalisation project, the experience of developing countries over the course of the global financial crisis has been equally important in boosting the appetite for change. It vividly demonstrated the shortfalls of the current global monetary system and helped spark the acceleration of China's steps to promote the more widespread use of the renminbi.

The global financial crisis over the years 2007 to 2009 in some ways vindicated China's choice to remain only semi-attached (or semi-detached) from the global financial system. Chinese banks had not participated in the sub-prime lending boom in the United States or drawn on cheap international credit to fund huge securities portfolios. It was this that left the Chinese authorities—and the Chinese banks—well-placed to embark on the 2009 stimulus (sometimes put at RMB 4 trillion, USD 585.9 billion) that played a big role in driving the global economic recovery of 2009 and 2010. However, the global financial crisis also vividly illustrated the dangers for developing economies of a global trading system overdependent on the US dollar. Historically developing countries may have typically used their national currency domestically and relied on a developed currency (such as the US dollar) for international transactions but the whole crisis raised a big question mark over this model. The United States and the US dollar were no longer necessarily the secure basis on which developing countries could rely for international transactions. The global financial crisis saw global monetary shifts, originating in the United States, that threatened to both overwhelm emerging economies with too many US dollars—and strangle it with too few.

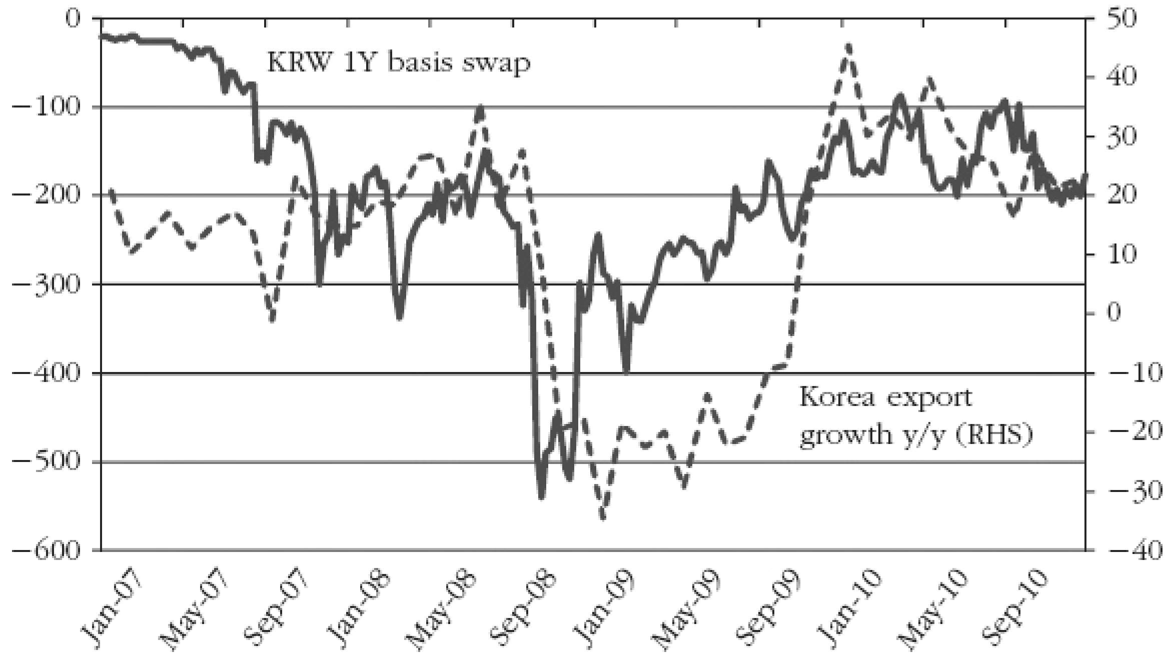
In August 2007, the Federal Reserve embarked on a series of policy rate cuts to tackle the market turmoil sparked by the subprime crisis. The first half point cut in the discount rate in the middle of that month heralded a series of easing steps that saw the federal funds target slide from 5.25 percent to 2 percent in May of 2008. Over much of this period, growth in the emerging economies was still robust and the central banks (and governments) were typically tackling the problems of overheating, rather than market deleveraging. The boost to global liquidity conditions triggered by the Fed's actions helped propel a sustained upswing in commodity prices. As China's inflation steadily climbed to a peak of 8.7 percent year over year in February 2008, the People's Bank of China used the policy flexibility it had in the context of its adjustable peg against the US dollar —lifting policy rates and boosting the pace of the Chinese yuan appreciation. Indeed, over the twelve months to the middle of 2008, the Chinese yuan's trade-weighted value rose by 3.7 percent—not too far off the FX adjustment of freely floating currencies such as the Australian dollar (up 4.3 percent).

The Chinese authorities, amongst other central banks in the region, battled to contain imported inflationary pressures until the severity of the global financial crisis finally put global economic output, and with it, commodity prices, on a downward path in the second half of 2008. It was this second phase of the crisis that underlined even more powerfully the dangers of overreliance on the US dollar in international trade. As the financial market failures became ever more intense, the scaling back of balance sheets (led by US institutions) triggered a global US dollar credit crunch. As companies searched desperately for USD short-term funding, interest rate costs surged—and some forms of finance simply became impossible to find.

Figure 1.1 shows what market analysts refer to as the "one-year Korean basis swap," a measure of the additional cost of accessing US dollar liquidity from a Korean base (expressed as a negative) over and above the simple interest rate differential between US dollars and the Korean won in the international capital markets. At its peak, this measure climbed above 500 basis points, signalling an extreme local US dollar credit crunch. As corporations scrabbled to find replacement USD funding and trade finance markets jammed, the developed financial market stresses had a powerful impact on Korean exports performance. Indeed, it is notable that the spike in Korean USD funding costs came not long before the deepest plunge in Korean exports.

FIGURE 1.1 One-year Korean basis swap and export growth

Source: Bloomberg



In Chapter 6 of this book, we argue that the outlook for Chinese yuan appreciation is like Goldilocks' porridge—neither too hot nor too cold. But during the global financial crisis, Asia appears to have suffered from both extremes of US dollar liquidity—too hot in the early stages of the crisis and then too cold in the later stages of the crisis. It is not clear whether a monetary policy "made in Asia" or "made in China" would have led to more stable economic outturns over the course of the global financial crisis but we can readily guess at the feeling of impotence of the Beijing authorities or the average Korean exporter as they waited for news on the latest twists and turns in the global financial crisis.

The experience of the global financial crisis suggests that China may need a more flexible currency in order to shield itself from shocks originated in the major developed countries. Indeed, the arguments in favour of more FX flexibility are much broader. China should tolerate more renminbi flexibility as the FX adjustments will play a role in helping to rebalance Chinese growth (away from an export-led to a domestic consumption-led dynamic) and preventing the development of abnormal external imbalances (either surpluses or deficits). But why does China need to issue an *international* currency?

A more flexible currency can play some role in shielding China from the imported inflation seen in the early stages of the global financial crisis. To the extent that this flexibility means an increase in FX risk for Chinese companies, then by itself this is a good reason for greater renminbi use in international transactions. A Chinese exporter invoicing in renminbi will be protecting itself against FX volatility (albeit at the expense of passing on the FX risk to its overseas customer). But the additional flexibility provides no answer to the late-global financial crisis dynamics, where at a time of market turbulence, global trade became suddenly hostage to the overall supply and international distribution of US dollar liquidity. That can only be solved by the use of alternative currencies in international payments and trade settlement.

The use of the renminbi in international transactions can dilute the overdependence on the US dollar in international trade. That by itself is a concrete policy objective for the Chinese authorities. However, for fast-growing, emerging market economies generally, the international renminbi may have an additional value. It offers not only a potential alternative to the US dollar but also one that has its roots firmly in the developed world. Using a little dated terminology, we might describe this as a vehicle for South–South trade that doesn’t rely on the currencies of the developed West. This is a potential exit route from the economic stresses in developing countries sparked by far-distant market dislocations in the developed world.

The United States and the USD might not have been a particularly appropriate anchor of stability over the course of the global financial crisis. However, we can step back and see that there are much broader economic dynamics—a reshaping of the global economy—that also undermine the