

RMB Internationalisation: A Process rather than A Result

Comments to Liping Zhang's paper



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What the paper says

- It offers an overview of the process of developing the renminbi into an international currency.
- It takes a longer view than the last five years (since the launch of the RMB cross-border trade settlement scheme).
- It clearly distinguishes between regionalisation and internationalisation.
- It looks at recent developments (offshore market, cross-border payments, FX market turnover etc.).
- It discusses what drives the internationalisation of the RMB.
- It assesses the future of the international monetary system and the role that the RMB is likely to play.
- It draws parallels between the internationalisation of the RMB and the internationalisation of the yen in the 1980s-1990s.

What makes this paper different?

- The long-term approach
 - The internationalisation of the renminbi did not start in 2009.
 - It is part of the broad set of reforms that began in the early 1980s.
 - Two turning points for the RMB pre-2009: 1994 and 2005.
- The currency domain
 - The RMB is above all a regional currency.
- The three-tier international monetary system.
- The paper presents the IMS as organised around three tiers: core, semi-periphery and periphery.

Let's focus on what drives the internationalisation of the renminbi

- The paper says: “Now China is the second largest economy, which is a precondition and solid base for RMB internationalisation”.
- Is this enough?
- Is it a ‘linear’ process? Or is it a question of ‘crossing the river by feeling the stones’?
 - The paper conveys the impression that the international use of the renminbi can only expand (unlike the case of the yen).

It is a policy-driven process

- It is a two-track process:
 - Cross-border settlement
 - Offshore market
- Establishing market infrastructure.
- But ‘managed’ convertibility constrains demand.

The age of Chinese finance

- The reform of the exchange rate and the interest rates are part of the broader financial reforms.
- Reforms are due to continue, in an incremental way, especially if the renminbi becomes part of the SDR basket.
- ‘Managed convertibility’ vs unfettered capital movements.
- Towards a multi-currency international monetary system.

