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.