

Renminbi Going Global

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Summary

The paper evaluates the international status of the Chinese currency, the renminbi (RMB), by examining its use in the global market. Specifically, the discussion focuses on the recent developments of RMB trading in the global foreign exchange market, cross-border trade settlement in RMB, the Hong Kong off-shore market and China's policies relating to the RMB. The evidence suggests that the use of the RMB overseas, especially in trade financing and in the off-shore market, has increased rapidly in recent years. However, compared with the size of the Chinese economy, the current scale of the use of the RMB is quite small.

It is not clear whether the measures introduced in the past few years have been motivated by economic pragmatism in the midst of a dollar shortage, are components of an ongoing modernizing process, or have been initiated to develop the international supremacy of the RMB. Perhaps these policies have been implemented to prepare for the use of RMB in the global market rather than to push the RMB to become an international currency.

It is fair to say that China has taken small first steps that prepare for full convertibility and the internationalization of the Chinese currency RMB. Although the RMB has great potential to become an international currency, its acceptance in the global economy is affected by both economic and political factors. While attaining a fully fledged international RMB is still a distant goal, China and its currency have great potential to play a more positive role in the global economy.