

Research on the Current Situation and Countermeasures of RMB Internationalization under the background of “One Belt and One Road”

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Abstract

In the era of economic globalization, the economies and finances of various countries in the world are closely linked and interact with each other. The proposal of "one belt and one road" initiative has accelerated the process of RMB internationalization and promoted the development of China's economy. Meanwhile, it has made China cooperate more closely with the countries and regions along the border. It has brought the effects of mutual benefit and win-win cooperation to all participants by using its unique advantages. From the perspective of "one belt and one road", this paper expounds the current situation and strategic advantages of RMB internationalization. On this basis, the paper points out the challenges faced by the internationalization of RMB in the future: the major international currencies still occupy a certain proportion, the development of China's financial market is not perfect. According to China's actual national conditions, it puts forward some pertinent suggestions, such as maintaining the healthy development of the real economy and adhering to the sound monetary policy.

Keywords

One belt and one road, RMB internationalization, current situation of development.

1. Introduction

Since ancient times, the spirit of silk road has been endlessly alive, connecting the Association of Southeast Asian Nations (ASEAN) economic belt and the European economic circle. The proposal of “one belt and one road” initiative has carried forward the spirit of the silk road very well, with a view to continuously exploring, discovering, bearing and cooperating and creating a new pattern of omni-directional and pluralistic opening to the outside world. In 2013, the Chinese government formally put forward the strategic concept of "one belt and one road". This will help create a new pattern of China's comprehensive opening up, create a favorable surrounding environment, and provide a solid development path for the internationalization of RMB. In this process, we can not only combine foreign experience with China's actual situation, provide new ideas for domestic economic development and financial reform, but also enhance the status of RMB in the international currency and China's voice in the world. In addition, the construction of "one belt and one road" has important practical significance for strengthening regional economic and trade cooperation, promoting the common economic development of China and neighboring countries.

2. Current Situation of RMB Internationalization

RMB internationalization refers to the fact that RMB crosses national boundaries, circulates abroad and becomes an internationally recognized currency with the functions of settlement and valuation. From the perspective of monetary function, the RMB internationalization means that RMB gradually plays the role of international currency in international trade, that is, it acts as payment currency, investment currency and reserve currency in the international arena.

2.1 The rapid development of the RMB offshore market

In promoting the development of the RMB offshore market, our government has made great efforts to build a more perfect offshore market, including the introduction of RMB bonds, RMB trust funds and other RMB-denominated financial products, as well as the construction of offshore market capital return channels, such as RMB Qualified Foreign Institutional Investors (RQFII), Shanghai-Hong Kong Stock Connect, etc., to encourage foreign direct investment by domestic enterprises. According to the statistics released by the Society of Worldwide Financial Telecom (SWIFT), the market share of RMB in international payment currency was 2.07% by the end of 2018, compared with 0.25% six years ago, making it the fifth largest payment currency in the world after the dollar, euro, pound and yen.

2.2 The expansion of bilateral currency swap agreements

In recent years, China has signed bilateral currency swap agreements with more than 30 countries and regions, and the process of RMB internationalization has made positive progress in neighboring countries. In October 2016, the RMB was included in the SDR basket by the International Monetary Fund, it became the fifth largest international currency. The expansion of the scale of bilateral currency swaps will play an important role in increasing the use of the RMB as a global foreign exchange currency. It has taken a key step for RMB to move towards the world. In the process of RMB internationalization, the RMB Internationalization Index (RII) has become an important measurement index. In 2018, the index is 2.95, showing an overall upward trend.

2.3 Active cross-border settlement of RMB

In recent years, the process of RMB internationalization has been steadily advancing. According to the RMB Internationalization Report (2018), the cross-border receipts and payments of RMB have been increasing day by day. The total amount of RMB cross-border receipts and payments reached 15.85 trillion yuan in 2018, an increase of 46% over the previous year. The cross-border RMB accounts for 22.5% of the cross-border receipts and payments of domestic and foreign currencies. The RMB has been China's second largest international receipt and payment currency for eight consecutive years. At the same time, More than 200 countries and regions have actually paid cross-border RMB with China. The cross-border trade settlement of RMB has achieved rapid development.

3. The opportunity of RMB internationalization under one belt and one road

3.1 Financial development promotes RMB internationalization

As of 2018, China has signed bilateral currency swap agreements with more than 30 countries, with a total sum of 3.3 trillion yuan, including 22 countries along the one belt and one road. The promotion and development of "one belt and one road" has created a good financial environment for the internationalization of RMB and provided a good opportunity for China to carry out bilateral and multilateral cooperation with the countries along the border. At the same time, the establishment of Asian Infrastructure Investment Bank and the Silk Road Fund provided financial support for the "one belt and one way" and provided a broad financial platform for the internationalization of RMB.

3.2 Infrastructure investment promotes RMB internationalization

Most of the countries along the one belt and one road are in the initial stage of urbanization, and there is an urgent need for infrastructure projects such as railways and highways. China can provide financial and technical support to neighboring countries. At the same time, in the "one belt and one road" infrastructure construction, the funds provided by China can be directly measured by RMB, which will directly or indirectly extend the use of RMB to the countries along the border, and boost the development process of RMB internationalization.

4. The challenges of RMB internationalization under one belt and one road

As the largest developing country in the world, China needs to upgrade its position in the world financial arena. At present, China has increased the influence of RMB internationalization through multi-channel and diversified ways. "One belt and one road" has its unparalleled advantages and potential as a national strategic policy, but there are also some problems in the development of RMB internationalization.

4.1 The inertia of the international currency still exists

The implementation of the strategy of "one belt and one road" has gradually promoted the leading role of RMB in various countries' trade. However, the RMB system has much room for improvement compared with the mature financial and monetary systems such as the dollar and the euro. In the process of trade settlement, the mainstream currencies such as the dollar and the euro have the advantages of abundant financial outlets and wide range of financial institutions, which make them more easily recognized. In recent years, China has strengthened the establishment of financial outlets continuously, and the influence of RMB has gradually expanded in the surrounding countries, but there are still some gaps compared with the dollar and the euro.

4.2 The development of China's financial market is not perfect

China's financial regulatory system needs to be further improved, and the formation mechanism of RMB exchange rate and interest rate has not yet been fully marketized. Chinese banks are not yet able to offer RMB-denominated products to overseas customers in an all-round way and carry out comprehensive risk management on the risks faced by enterprises going out, it needs to be improved in corporate governance, risk management, credit analysis and so on. In this context, increasing the stock of RMB abroad can only be done by means of overseas RMB investment, RMB settlement of import trade and outbound tourism, but the role is very limited. Moreover the proportion of RMB in foreign exchange transactions is relatively small, and the transactions are relatively inactive.

4.3 Geopolitical and cultural differences have certain restrictions

In the construction of "one belt and one road", cooperation and development among countries should be based on mutual respect and mutual emphasis, such as religious beliefs and core values. These are prerequisites for the internationalization of RMB. From the perspective of spatial distribution, the central Asian countries have a high degree of similarity in cultural regions and religious beliefs, and a high degree of cultural integration. However, the cultures of ASEAN countries are diverse and complex, and there are many religious beliefs. There are some differences in values and ideologies. The differences in humanities and cultures will have a certain impact on the process of RMB internationalization to the surrounding areas.

5. Countermeasures and Suggestions

5.1 Promoting the Construction of RMB International Financial System

Firstly, China should speed up the construction of the offshore market of RMB, so as to further expand the scope of its use. Secondly, it is necessary to increase overseas financial institutions, encourage financial market innovation, improve cross-border payment system, and promote the diversity of RMB settlement methods and channels. In addition, China should strengthen financial cooperation among all countries, take the "one belt and one road" as the center, radiate outward, break the limitations of regional structure, and promote better circulation of RMB, go out of the country and move towards the world.

5.2 Adhering to a sound monetary policy

In order to solve the problems caused by capital inflows, such as the fluctuation of RMB exchange rate, the increase of foreign exchange, export costs and the rise of asset prices, the People's Bank of China can encourage enterprises to invest overseas so as to slow down the pressure of appreciation of RMB assets and the growth of foreign exchange. By deepening the reform of financial market, the financial regulatory authorities can enhance the function of financial market, and at the same time

adhere to a sound monetary policy to promote real economic growth and strive to reduce all kinds of negative impacts to a controllable range.

5.3 Strengthen cultural exchanges among countries along the line

China should hold regular "one belt and one way" cultural exchange seminar or bilateral consultation meeting to strengthen political mutual trust and cultural exchanges among countries. Deeply implement the concept of China's peaceful development and reach a consensus of mutual respect with representatives of neighbouring countries. In the course of exchanges and cooperation, deepening China's identity of countries along the line, and establishing a responsible image of a big country, laying a solid foundation for providing a sound financial development environment.

6. Conclusion

The implementation of the "one belt and one way" strategy provides huge impetus and good development platform for the internationalization of RMB, but at the same time, it also faces some challenges, such as financial system is not mature enough, and cultural differences lead to certain constraints. The Chinese government needs to recognize the situation and seize the opportunity to promote the long-term and sustainable development of RMB internationalization through effective means such as trade-driven, financial reform, strengthening political mutual trust and cultural exchanges.

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