

# The Internationalization of the Renminbi

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Morningside Symposium  
Hong Kong, 2 February 2016

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\*All opinions expressed herein are the author's own and do not necessarily reflect the views of any of the organisations with which the author is affiliated.

# Introduction

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- ◆ Chinese Yuan went through dramatic change in 2015.
- ◆ In August, the surprisingly depreciation in RMB led to the biggest plunge of exchange rate for the last 20 years, which cast great influence on the global capital market and even on the Federal Reserve's policy on delay raising interest rate. In the end of 2015, the Yuan joined the IMF's Special Drawing Rights (SDR) currency basket, which marks a milestone in the RMB's global march.
- ◆ In December, to reduce the market's fixation on the yuan-dollar rate and better reflect the market, China Foreign Exchange Trade System (CFETS) began to release a yuan exchange rate composite index that measures the currency's strength relative to a basket of 13 currencies, including the U.S. dollar, euro, and Japanese yen. In the meanwhile, the interbank foreign exchange market opens further to more diversified overseas investors and China will gradually increase the quota for Qualified Foreign Institutional Investors (QFII) and RMB QFII.

# Introduction

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- ◆ Before the Chinese Yuan has been included in the IMF's SDR currency basket, the regionalization is the most important step in RMB's global march. You also have mentioned conception of bank of East Asia. However, regionalization of RMB has not achieve our expectation and marketization of domestic interest rate is hardly satisfactory, is China in a hurry to RMB's global march and Why? Furthermore, if the US Federal Reserve keep raising interest rates continuously, what change will China face and RMB face. As for Hong Kong, how do you think of its role in RMB's regionalization and global march and how will this role change if RMB become highly international currency in the future.

# Questions

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◆ Question1:

◆ What obstruction does RMB's global march face now?

◆ Question2:

◆ How will RMB's global march cast influence on our macroeconomic?

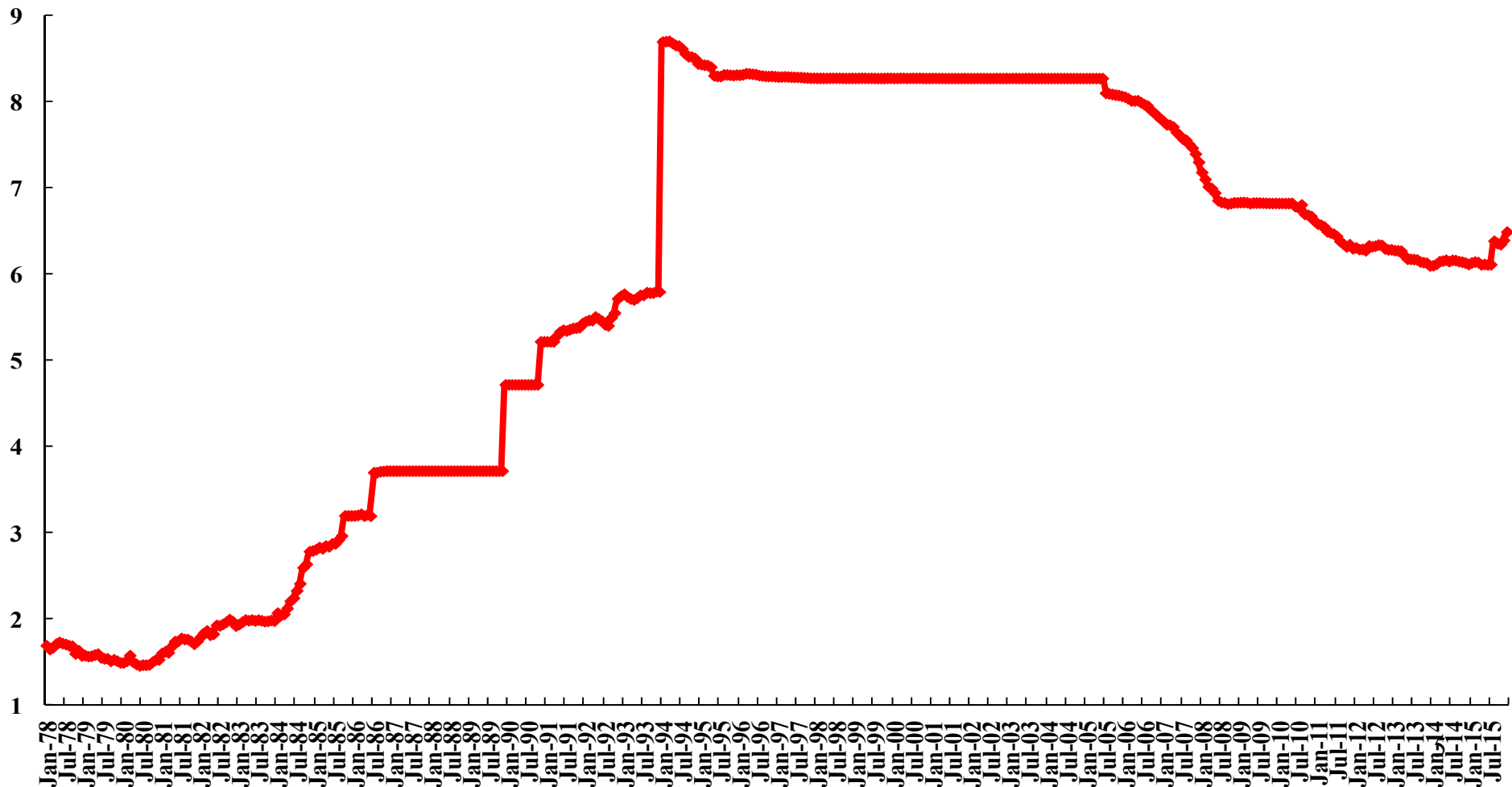
◆ Question3:

◆ How will RMB's global march cast influence on global capital market and on China-US relations?

# Nominal Exchange Rate of the Renminbi, Yuan/US\$, 1978-present

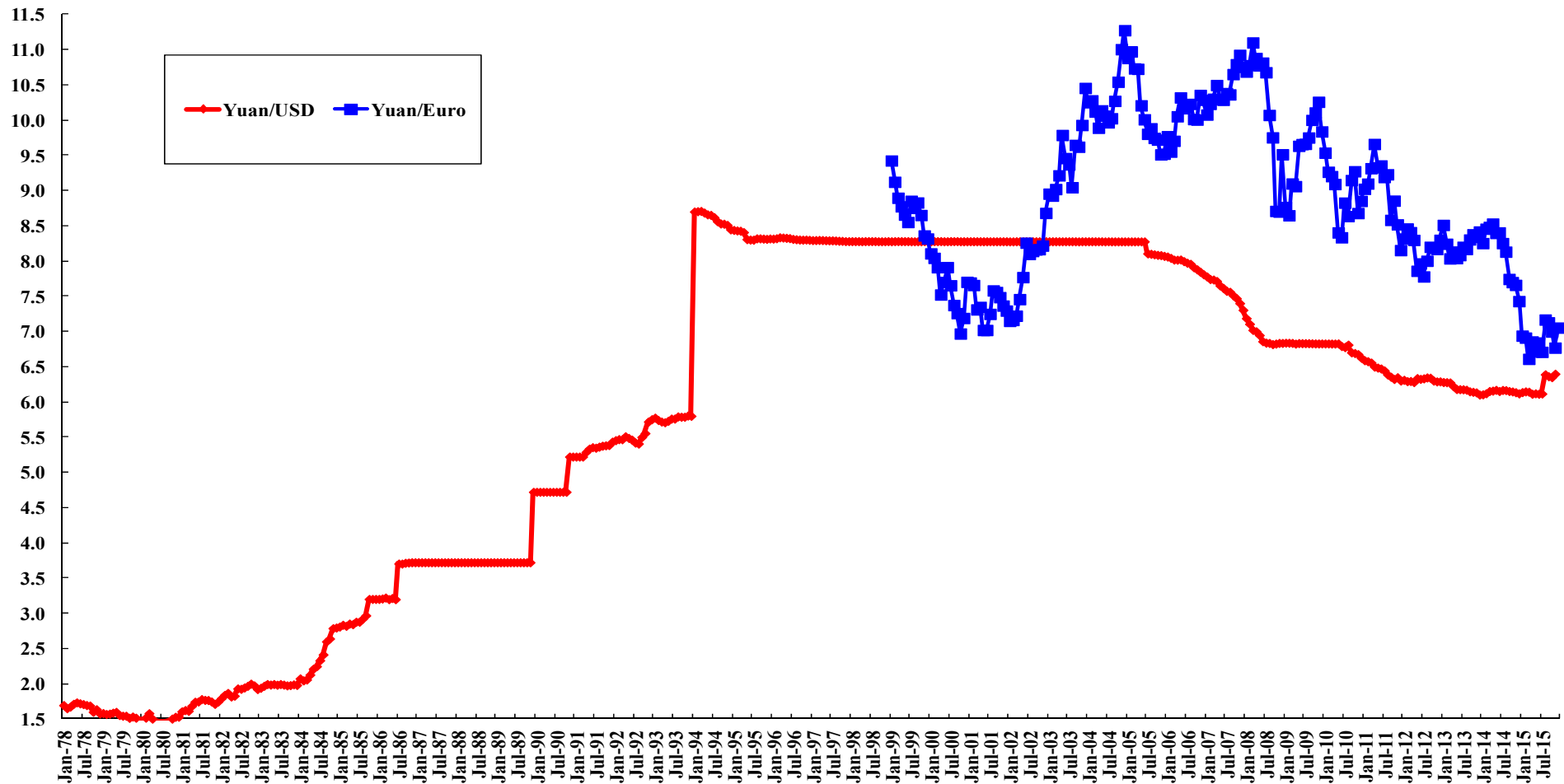
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Nominal Exchange Rate of the Renminbi, Yuan/US\$, 1978-present



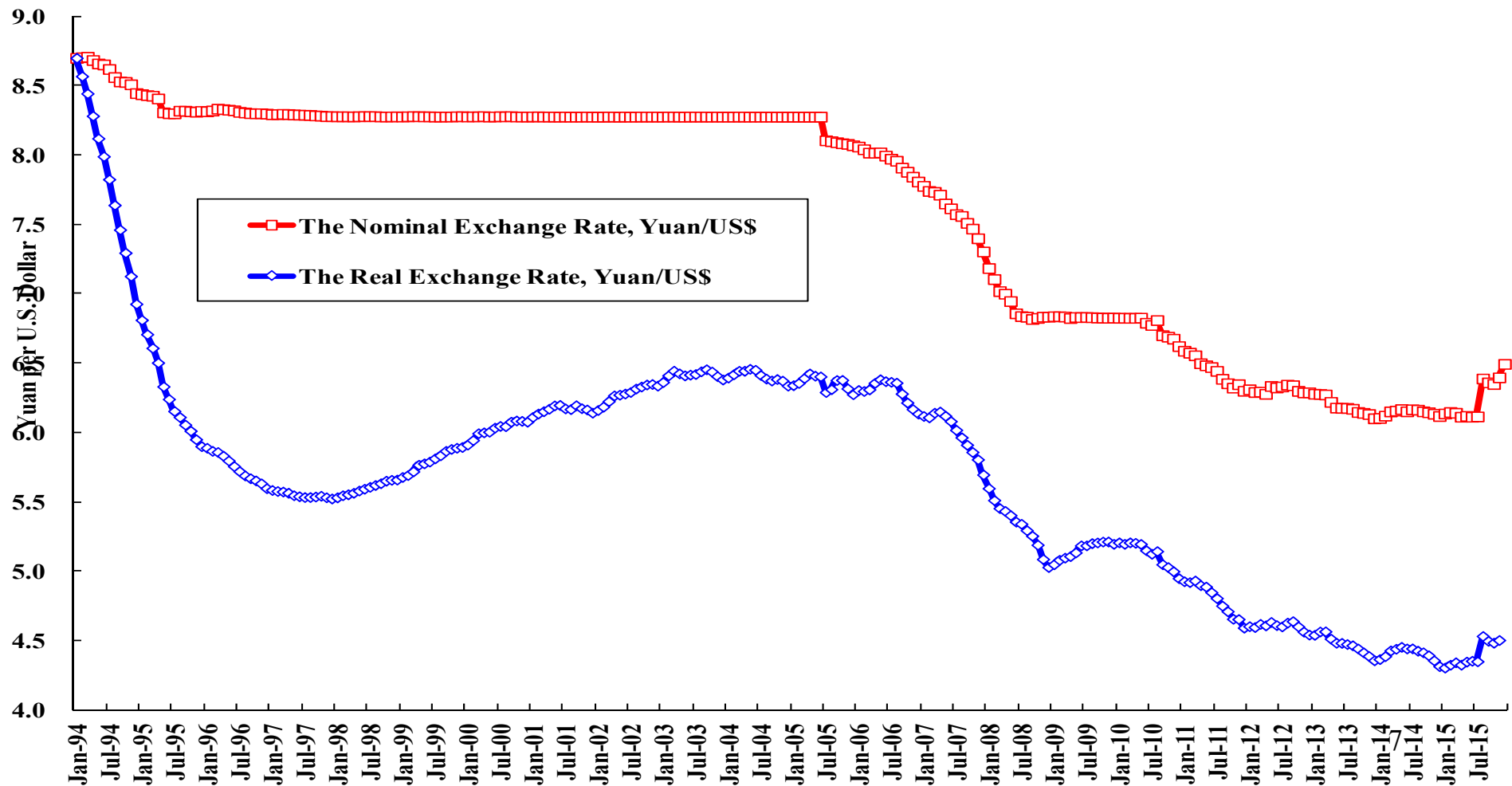
# Nominal Exchange Rate of the Renminbi, Yuan/US\$ and Yuan/Euro, 1978-present

Nominal Exchange Rate of the Renminbi, Yuan/US\$ and Yuan/Euro, 1978-present



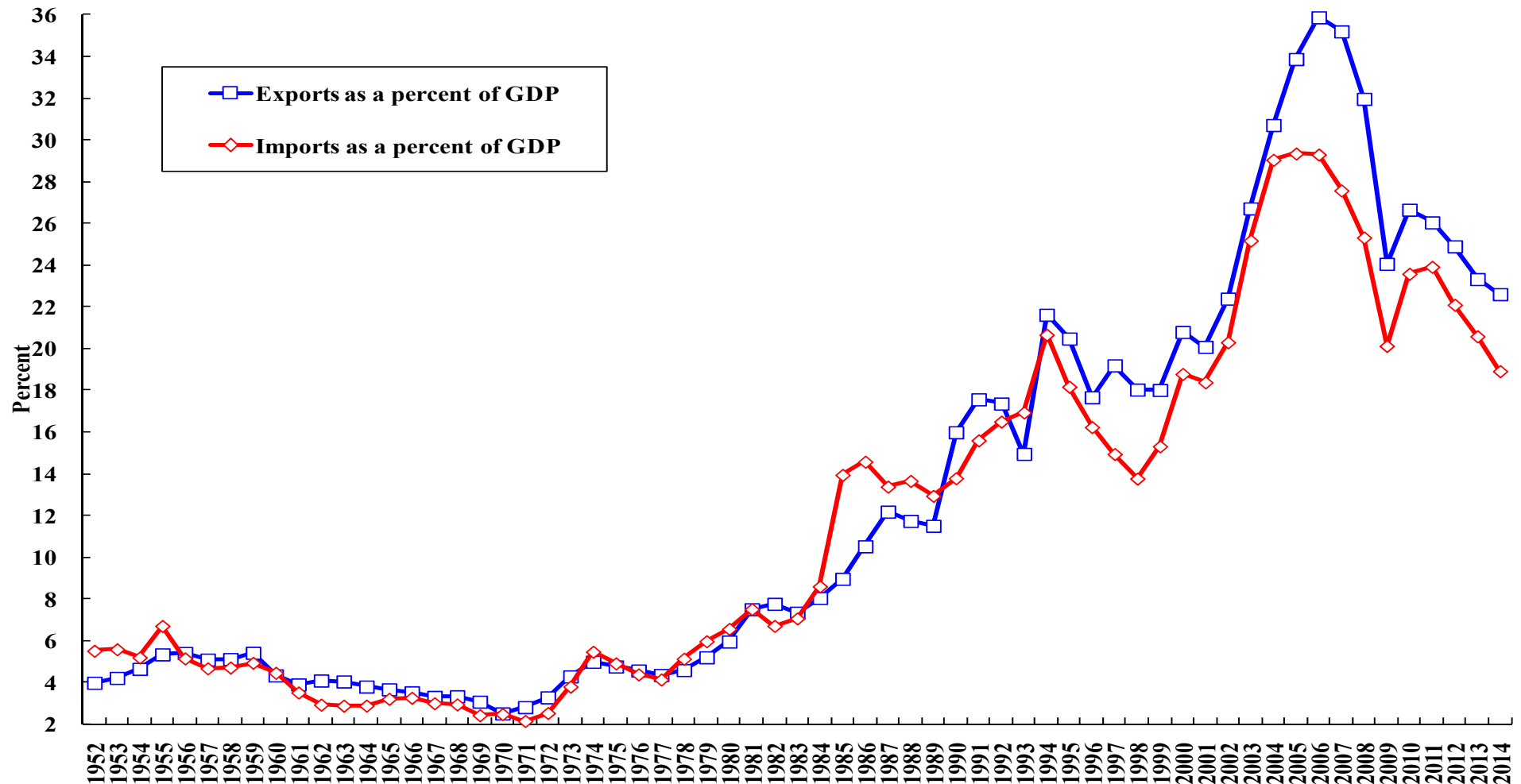
# The Nominal and Real Yuan/US\$ Exchange Rates

The Nominal and Real Yuan/US\$ Exchange Rates (1994 prices)



# Exports and Imports as a Percent of Chinese GDP, 1952-present

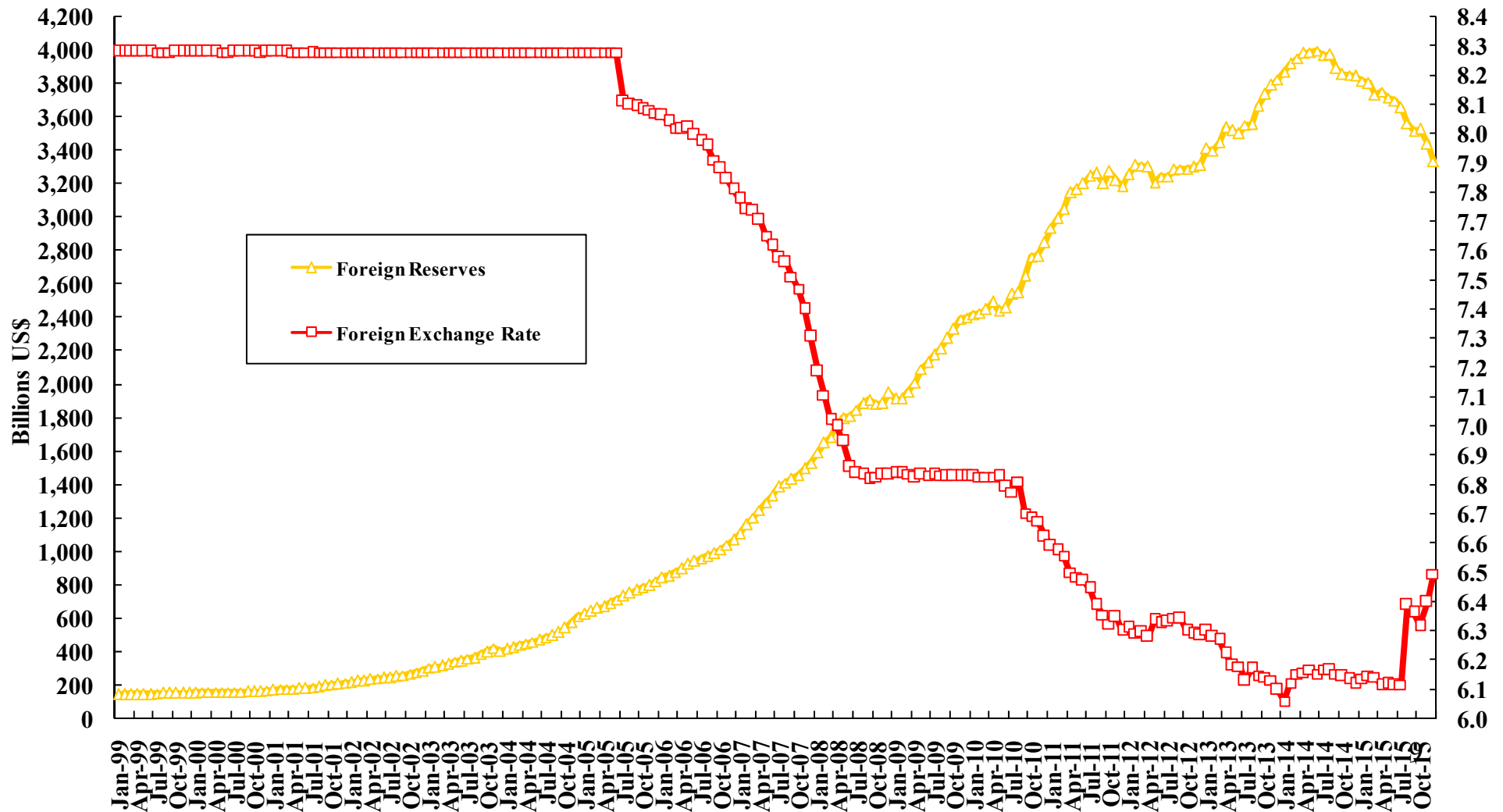
Exports and Imports as a Percent of Chinese GDP, 1952-present





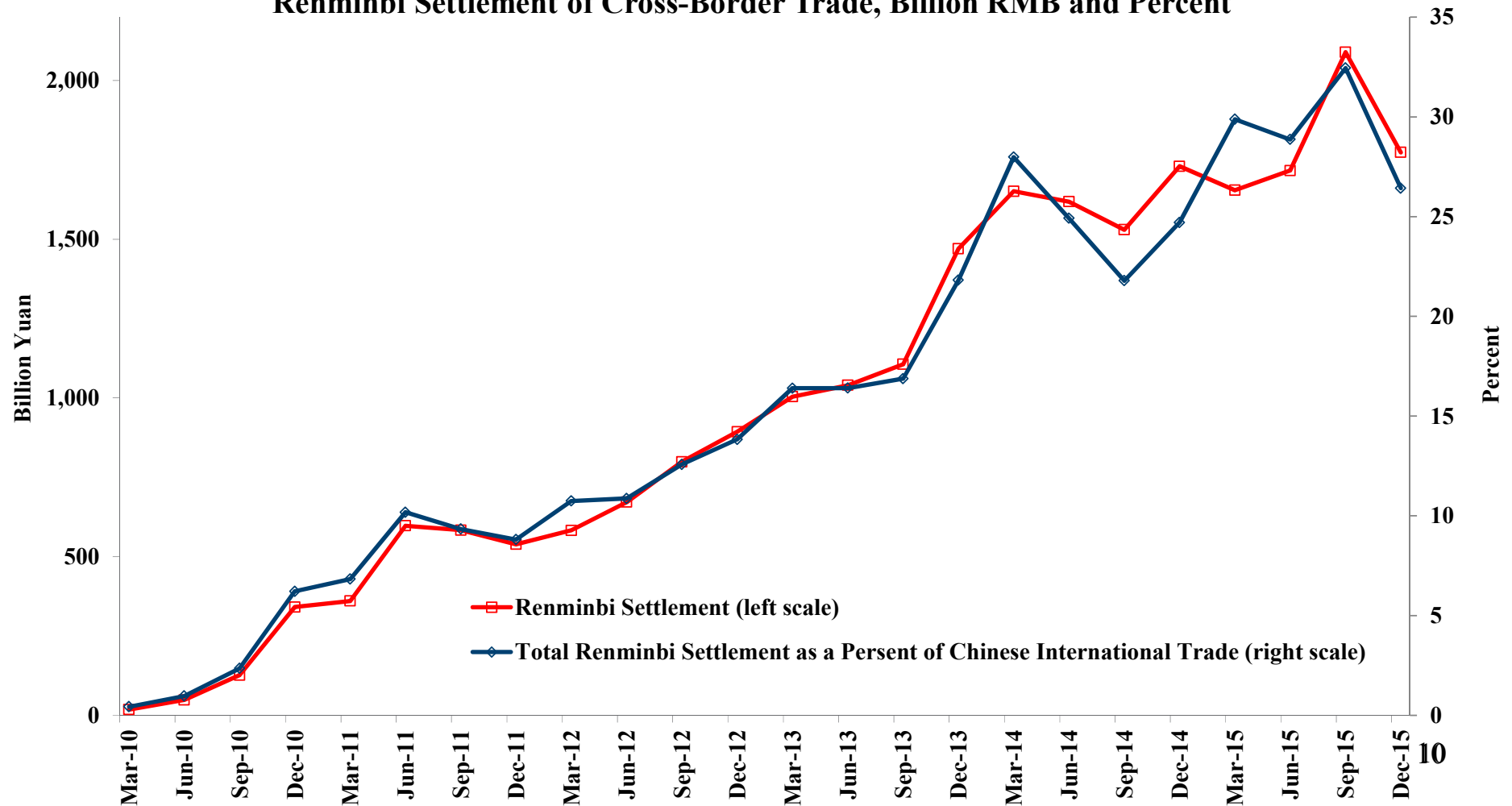
# Chinese Foreign Exchange Reserves and the Yuan/US\$ Exchange Rate

Chinese Foreign Exchange Reserves and the Yuan/US\$ Exchange Rate at the End of the Month



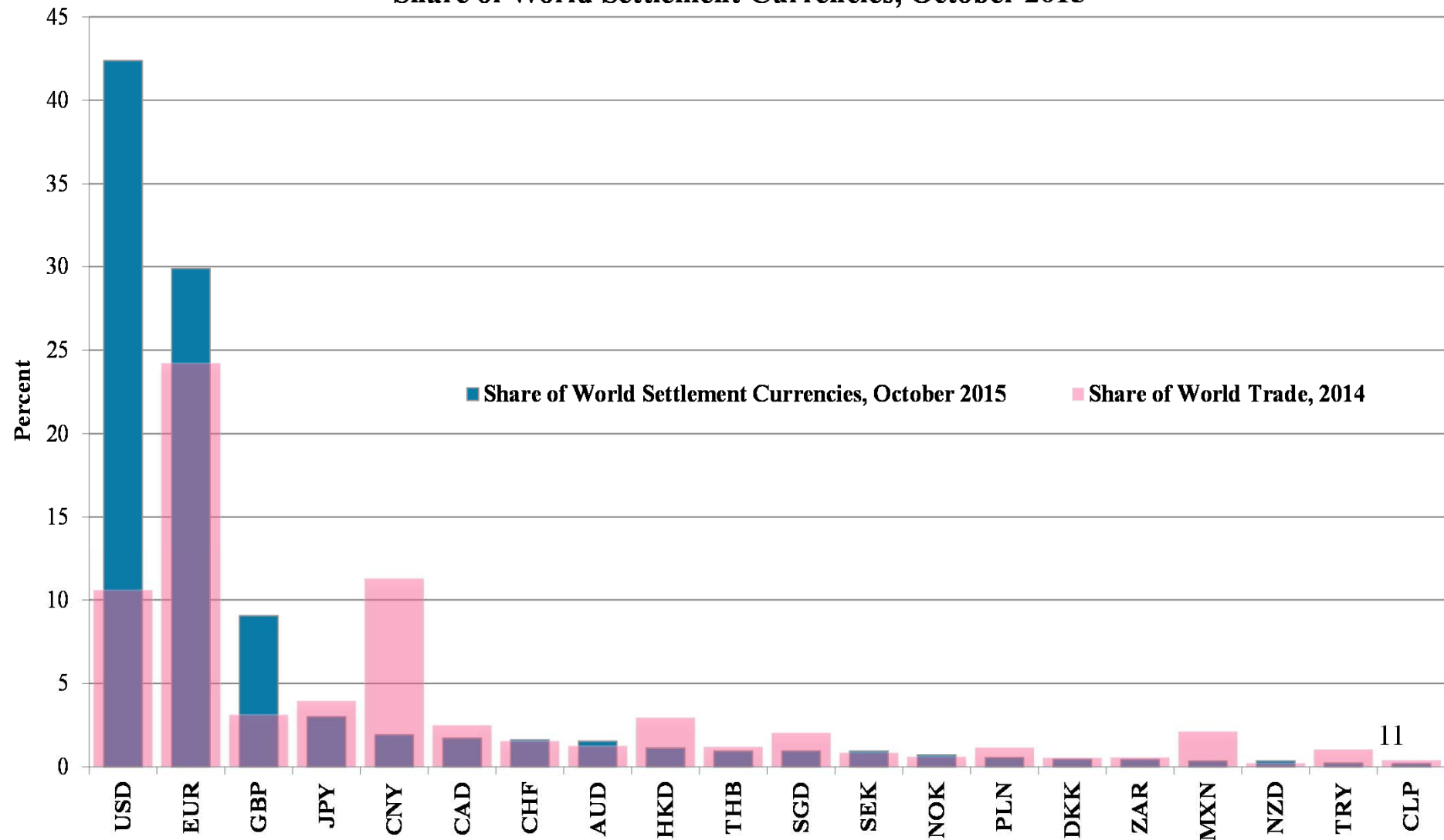
# Renminbi Settlement of Chinese Cross-Border Trade, Billion RMB and Percent

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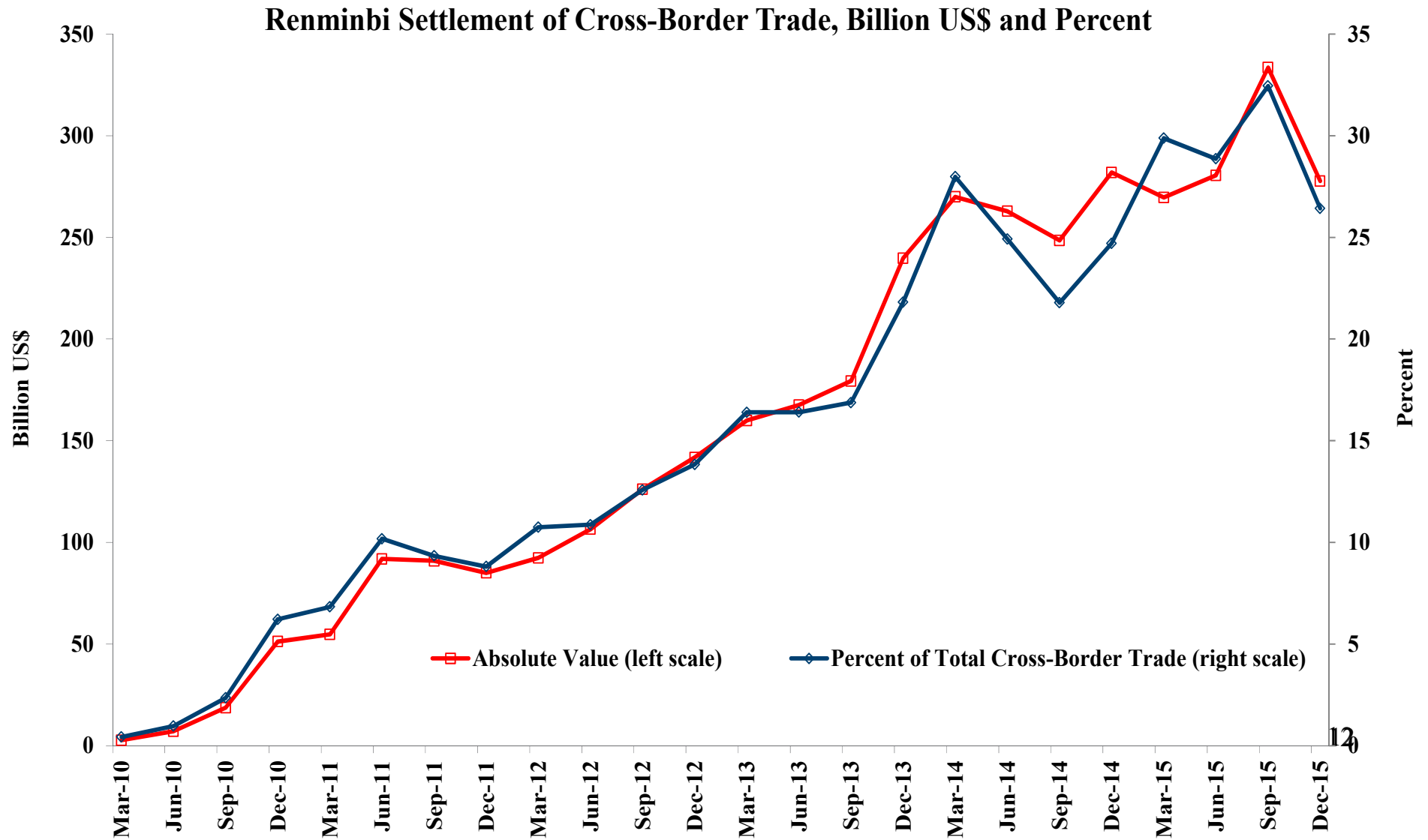


# Distribution of World Trade Settlement Currencies versus World Trade, Oct. 2015

Share of World Settlement Currencies, October 2015



# Renminbi Settlement of Chinese Cross-Border Trade, Billion US\$ and Percent



# Concluding Remarks

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- ◆ The Importance of Confidence
- ◆ The Benefits and Costs of Seigneurage
- ◆ The Effects of a Tobin Tax
- ◆ A New International Monetary Order