

Abstract

With the continuous strengthening of China's economic strength and the significant improvement of its international status, the demand for RMB internationalization in domestic and international financial markets has gradually increased. If the internationalization of the renminbi will play an important role in promoting the development of the world economy, China is also making every effort to promote the internationalization of the renminbi. At the moment when the renminbi is headed for mainstream international currencies, some factors at home and abroad also affect the internationalization of the renminbi. Produced a push or hindrance. Undoubtedly, if the renminbi becomes an international currency, it will surely bring huge and far-reaching influence to the domestic and international financial system. Although China's economic development has achieved remarkable achievements in recent years, it has provided a preliminary economic foundation for the internationalization of the renminbi. However, there are still many obstacles and constraints on the road of RMB internationalization. Facing such opportunities and challenges, in-depth study and thinking about the internationalization of the RMB will play a planning and guiding role for its future development.

In view of the internationalization of the RMB, it is a process involving the combination of domestic and foreign politics, industry, science and technology, economy and trade. Therefore, this paper first analyzes the progress of China's current internationalization of the RMB, including the preconditions and positive significance of the internationalization of the RMB, and analyzes the policy guidelines and intentions of the Chinese government to promote the internationalization of the RMB. Then, analyze and summarize the domestic and foreign obstacles encountered in the process of RMB internationalization. At the same time, we may wish to learn from the measures taken by other mainstream international currencies in the history, and finally use this as an experience, combined with China's actual national conditions, to propose constructive and targeted solutions and strategies.

【Key words】 RMB internationalization, International currency, Barrier, Strategy

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Thoughts on the Internationalization of Chinese RMB

1 Introduction

1.1 Research background and significance

In 2008, the global financial crisis swept the world, and many developed countries received serious losses. This huge economic crisis has also affected China. However, in recent years, under the guidance of thousands of talents and national policies, China's politics, economic strength and overall national strength have been continuously improved, and its economic strength has reached a high level. In 2010, the total GDP replaced Japan and became the world's second largest economy. In 2018, the total GDP exceeded 90 trillion yuan, and the actual growth rate still maintained a high growth level of 6.6%.¹ Against the background of economic slowdown or even retrogression in many developed countries, China's economic status has become more prominent.

China is still a developing country with a large volume and the internationalization of the renminbi. On the one hand, it can reduce the loss of wealth caused by the use of foreign currency, and on the other hand, it can better promote the development of China's international finance and trade. How to position the renminbi, how to take the road to internationalization of the renminbi, obstacles encountered and solutions to problems have important research implications.

1.2 Research status in China and abroad

With regard to the positive impact of RMB internationalization on the global financial market, many experts and scholars at home and abroad have explained their ideals to the development of Chinese domestic and international financial markets.

Zhang Juan, Wang Shijie, Su Guoqiang (2016) believed that in China's

¹ 国家统计局, 2019:《中国 GDP 首超 90 万亿, 稳中有进迈向高质量发展》《中国经济周刊》第 03 期, P7。

trade with other countries, the use of RMB settlements is based on the use of third-country currency trade settlements between the two countries, which generally reduces exchange risk.¹

Liu Lu (2019) believes that the internationalization of the renminbi can reduce transaction costs and promote foreign trade, while the return of the renminbi abroad is conducive to the expansion of China's foreign trade. Finally, the internationalization of the renminbi will lead to the development of international financial business, the gradual enrichment of financial products, and the cross-border financial business of trade services will bring new opportunities for foreign trade.²

Shan Hong, Sun Shuqiang pointed out that the only way for China to avoid falling into currency mismatch is to continue to promote the cross-border use of the renminbi. The in-depth and rapid development of cross-border renminbi use is not only conducive to promoting economic and trade ties between China and other countries, but also an important step in the internationalization of the renminbi. The increase in the degree of internationalization of the renminbi will help to solve the problem of currency mismatches that have plagued China in recent years.³

Zhu Jianhao, Chen Zhiang, Qiu Zhaoxiang (2009) found through empirical analysis that the East Asian currency and the renminbi have shown a relatively stable relationship. Although the US dollar is still the most important nominal anchor, the position of the US dollar in East Asian exchange rate stability is declining. The role of the renminbi in East Asian exchange rate stability is rising, providing a guarantee for the stability of East Asian financial markets.⁴

Yan Xinpeng and You Yang Jingzi (2017) pointed out that due to the

¹ 张娟, 王世杰, 苏国强, 2016:《美国货币政策对人民币汇率的影响——基于 VEC 模型的实证分析》【J】, 南昌大学学报(人文社会科学版)第 06 期, P61-68。

² 刘璐, 2019:《人民币国际化对我国沿海沿边地区对外贸易影响研究》, 云南师范大学学报(哲学社会科学版)第 51 卷第 1 期, P66-75。

³ 单宏、孙树强, 2015:《人民币国际化纾解货币错配》,《中国金融》第 10 期, P55-56。

⁴ 范祚军、何安妮、阮氏秋河、周南成, 2012:《人民币国际化战略调整: 区域布局与整体推进》《经济研究参考》第 23 期, P45-51。

depreciation of the US dollar, it caused a “double surplus” for some capital projects and current projects in China. Due to the rapid influx of foreign exchange funds, China has continuously increased its dollar reserves. At the same time, the depreciation of the relevant assets denominated in the US dollar will cause losses in China’s economic costs. The internationalization of the renminbi can expand its use in the international arena, no longer limited to a single foreign exchange reserve structure, but the loss of foreign exchange reserves is reduced, and the role of optimizing structural adjustment is played.¹

Fan Ruyue (2017) believes that the internationalization of the renminbi is conducive to weakening the hegemony of the dollar. As the currency of the world, the United States uses the dollar to export liquidity to the rest of the world. With the development of the internationalization of the renminbi, it can weaken the hegemonic position of the US dollar and provide another viable option for the diversification of risk-reducing asset investments in other countries of the world, which is conducive to the multi-polarization of the international financial order.²

Chey (2012) pointed out that once the renminbi is completed internationally, it will bring huge political and economic benefits to China, strengthen China’s financial strength and accelerate the deepening of China’s financial market.³

McNally (2012) believes that the internationalization of the renminbi can gradually strengthen China’s financial strength and enhance financial independence, providing China with a stage to exert global systemic influence.⁴

Strauss-Kahn (2011) stated that the addition of RMB to the currency

¹ 游阳静子、闫新鹏, 2018:《浅析人民币国际化的意义》,《农家参谋》第09期, P176-177。

² 樊茹月, 2017:《人民币国际化对我国经济的影响探究》《时代经贸》第36期, P9-10。

³ Hyoungkyu Chey, 2013, “Can the Renminbi Rise as a Global Currency”, [J]. 《Asian Survey》, March/April 2013

⁴ Christopher A. McNally, 2012, “Sino- capitalism: China’s reemergence and the international political economy” [J]. 《World Politics》, 2012, 64 (04) :741- 776.

basket managed by the IMF will help to stabilize the global financial system.¹

Jenkins and Zelenbaba (2012) proposed that the internationalization of the RMB not only helps to improve the current international financial system, but also enhances and improves the stability and flexibility of the international monetary system.²

Chinn (2014) believes that the future of the renminbi as an important member of a multi-reserve monetary system will enhance the stability of the international currency.³

1.3 Research ideas and structure

In view of the internationalization of the renminbi, it is a process involving the combination of domestic and foreign politics, industry, science and technology, economy and trade. This paper is divided into six chapters: The first chapter is the introduction, which mainly introduces the research background and significance of this paper, the research ideas and structure, and summarizes the research results of scholars at home and abroad. The second chapter is an overview of the internationalization of the RMB, analyzes the preconditions and positive significance of the internationalization of the RMB, and enumerates several policies of the Chinese government to promote the internationalization of the RMB. The third chapter is the obstacles encountered in the internationalization of the RMB. It will discuss the obstacles encountered in the process of RMB internationalization from the domestic financial environment and the foreign financial environment. The fourth chapter is the reference for the internationalization of mainstream international currencies. It will

¹ Strauss-Kahn, 2011, "Strengthening the International Monetary System" [N]. Report for the Panel Discussion on the International Monetary System Held at the IMF in Washington, 10 February 2011.

² Jenkins Paul, Zelenbaba John, 2012, "Internationalization of the renminbi: what it means for the stability and flexibility of the international monetary system" [J]. 《Oxford Review of Economic Policy》, 2012, 28 (3) :512- 531.

³ Chinn Menzie D., 2014: "Emerging Market Economies and the Next Reserve Currencies" [J]. 《Open Economies Review》, 2014: 1- 20.

discuss the historical process of the three mainstream international currencies, the US dollar, the euro and the Japanese yen. The fifth chapter is the strategy of promoting and improving the internationalization of the RMB. Combined with the obstacles encountered in the internationalization of the RMB and the historical reference of other international currencies, the proposed strategy is suitable for China's national conditions. Chapter 6 will summarize.

2 Overview of RMB internationalization

2.1 Prerequisites for the internationalization of the RMB

2.1.1 The RMB completed part of the international payment and settlement functions

One of the most important conditions for the renminbi to achieve internationalization is to see whether it can perform the functions of international payment. At the same time, the function of international payment is also the main embodiment of the internationalization of a country's economy, especially in foreign investment and international trade. obvious. Since China's accession to the WTO in 2001, foreign trade and trade surplus have continued to develop at a high speed, and the opportunity to use the renminbi has become more widely used. In 2014, the renminbi became the fifth largest payment currency in the world.

The RMB internationalization process was officially launched in 2009. In 2010, the People's Bank of China issued a policy that the RMB can be freely exchanged abroad. In 2011, RMB cross-border trade settlement was promoted nationwide. In 2014, international metropolises such as Toronto, London, and Paris established RMB clearing centers. In 2015, the RMB entered the SDR basket currency, and its initial share ranked third. In 2016, Bank of China New York Branch began to provide RMB business settlement, and the offshore RMB center basically achieved a global coverage pattern.

All along, China's economic development has continued to rise. Many

international economists estimate that China may surpass the United States in 2039 and become the world's largest economic entity. The function of the RMB in international payment and settlement is international. The role played in trade cannot be underestimated. China's good economic situation has laid a solid foundation for the internationalization of the renminbi.

2.1.2 Good international image and stable exchange rate of RMB

Since China joined the WTO in 2001, the trade boom has brought about a huge trade surplus, making China the country with the largest foreign exchange reserves in 2001. It is estimated that in China's foreign exchange reserve structure, US dollar assets account for 65%, the yen is about 5%, and the euro and pound are about 30%. According to data released by the State Administration of Foreign Exchange, by the end of February 2019, China's foreign exchange reserves were \$3,090.2 billion. Under the premise that China has sufficient foreign exchange reserves, the potential risks of RMB internationalization have been reduced, China's international liquidity has been improved, and the good international image of the RMB has been safeguarded, which provides security for the process of RMB internationalization.

The internationalization of the renminbi also requires a stable international exchange rate as a support. In 2018, the performance of the RMB exchange rate has stabilized. The reason is that the central government's judgment on the economic situation and the financial management's strength on the RMB exchange rate have been further effective. On the other hand, the directional RRR cut policy has already landed, which is conducive to guiding the market's expectations of the RMB exchange rate trend. China adheres to the implementation of a prudent and neutral monetary policy and plays a good role in regulating the macro-prudential policy, making the RMB exchange rate basically reasonable and stable. On the other hand, the RMB exchange rate can improve the confidence of the domestic and foreign markets in the RMB, and it also has a profound impact on the

internationalization of the RMB.

2.1.3 International reserve function

There are three factors in the attractiveness of the renminbi as an international reserve currency.

First, the diversified needs of foreign exchange reserves of various countries. At present, the main official foreign exchange reserves of many countries are the US dollar, but more and more countries realize that increasing the holding of non-US dollar reserve currency can not only increase the diversity of reserve assets but also reduce the risk of reserve assets. The RMB is the emerging currency of the international market. Naturally favored.

Second, the gradual opening of China's capital projects has improved the usability of the renminbi to some extent. In the past few years, China has opened up most of the transactions and currency convertibility of the risk-control under the capital account. In 2015, the RMB joined the SDR basket currency system, which can also be regarded as the International Monetary Fund's Acceptability of usability.

Third, cooperation between central banks of various countries has promoted the internationalization of the renminbi. In recent years, the People's Bank of China has actively carried out in-depth cooperation with the central banks of other countries and signed agreements on bilateral exchanges of RMB, which has further enhanced the international reserve function of the RMB.

2.2 The positive significance of RMB internationalization

2.2.1 Positive significance to domestic markets

First, further promote the expansion and development of foreign trade: If the internationalization of the renminbi is realized, China can use the renminbi to denomination and settlement when conducting trade exchanges with other countries, thereby reducing the cost of transactions and

reducing the risk of foreign exchange. Second, it has adjusted China's foreign exchange reserve structure and reduced the risk of currency mismatch: the rapid development of cross-border RMB use is not only conducive to promoting economic and trade relations between China and other countries, but also an important step in the internationalization of the RMB. The increase in the degree of internationalization of the renminbi will help solve the problem of currency mismatches that have plagued China in recent years. Third, it is conducive to the deepening of China's financial market and the independence of China's financial system: Orastean (2013) believes that the main benefits of RMB internationalization include that Chinese banks can use the RMB for international transactions and enter the international financial market, which will help to achieve China's financial powers target; China's financial market will become deeper and more independent.¹

2.2.2 Positive significance to international markets

First, it is conducive to rebuilding a more equitable and diversified international financial system: the Bretton Woods system establishes the international hegemony of the US dollar, and many countries also have to hold too many dollars to maintain reserve stability. The internationalization of the renminbi will provide the world with another reserve currency option, which will help to establish a more equitable international financial system and reduce the dependence of emerging market countries on the US dollar in international trade and capital flows. Along with the development of the internationalization of the renminbi, the risk-taking asset investment of other countries in the world will be more diversified, which is conducive to the multi-polarization of the international financial order.

Secondly, it can promote the stable development of the Asian regional

¹ Orastean, R.: Chinese Currency Internationalization Present and Expectations [J]. *Procedia Economics and Finance*, 2013, 6: 683- 687.

economy: After the financial crisis in 2008, the exchange rate and monetary policy of more and more Asian developing countries are highly correlated with China's monetary policy. The acceleration of the internationalization of the renminbi will first promote the economy of neighboring countries. Continued growth, promote regional financial development and hopefully continue to expand the affected areas. Zhu Jianhao and Chen Zhiang (2009) concluded through empirical analysis that the RMB has a relatively stable correlation with the current East Asian mainstream currency, the Japanese yen. Although the US dollar is still the current anchor currency, the US dollar and the East Asian currency are compared with the past. The correlation of the exchange rate is decreasing, and the renminbi has a tendency to come later. It can be said that the renminbi has an irreplaceable position for the East Asian financial market.¹

2.3 Chinese governments' policy of promoting RMB internationalization

2.3.1 'Belt and Road' initiative

On March 28th, 2015, the "Vision and Action of Promoting the Construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road" was proposed by the Chinese government at the Boao Forum for Asia. The "Belt and Road" has become China and neighboring countries. A major strategy for economic development. The project covers more than 60 countries and regions, and the "One Belt, One Road" will build the world's longest and most promising economic corridor, covering 4.4 billion people, with a GDP of 21 trillion US dollars.²

The "five links" goal of the "Belt and Road" initiative is to promote economic and trade cooperation between China and countries along the route, and at the same time further promote the regionalization and

¹ 范祚军、何安妮、阮氏秋河、周南成, 2012:《人民币国际化战略调整: 区域布局与整体推进》《经济研究参考》第 23 期, P45-51。

² 严佳佳、辛文婷, 2017:《“一带一路”倡议对人民币国际化的影响研究》《经济学家》第 12 期, P83-90。

internationalization of the renminbi. (1) In terms of policy communication, China has continuously strengthened policy exchanges with countries along the route. On the one hand, it has established a regional economic network and strengthened the settlement function of the RMB. On the other hand, it can provide safe investment cooperation, sign currency swap agreements, etc., and consolidate its foreign exchange reserve functions. (2) In terms of facility connectivity, infrastructure such as roads built by countries along the route in China can not only strengthen the degree of integration of countries in the Belt and Road region, but also benefit Chinese enterprises and funds to invest in the region. At the same time, most of the road construction infrastructure materials are settled in RMB, which will promote the internationalization of the RMB. (3) In terms of trade patency, reducing the other three-party currencies such as the US dollar in the region can greatly reduce the exchange costs. In this sense, the “Belt and Road” has stimulated the more active holding and use of countries along the trade. The renminbi trade has greatly promoted the internationalization of the renminbi. (4) In terms of financial finance, China’s financial development level is at the leading level among the countries along the route. China’s strong financial strength is also conducive to the circulation of RMB funds in the region. Therefore, the “One Belt, One Road” investment and financing activities use more RMB, Help promote the regionalization and even internationalization of the renminbi. (5) In terms of people’s hearts and minds, tourism in the region can be better developed. With the cultural integration, the channels and scope of ordinary people’s use of the renminbi will also increase. The use of the renminbi in a larger region is an international belt. Come to the opportunity.

2.3.2 Shanghai Free Trade Zone

On September 29, 2013, the Shanghai Pilot Free Trade Zone was launched. The reforms included promoting sub-account management, relaxing freedom

of foreign exchange, and promoting cross-border use of the renminbi. Specifically, it mainly involves the following four aspects: (1) taking the lead in implementing convertible under the RMB capital account: in the case of approval by financial institutions, enterprises in the free trade zone can open special free trade accounts, through which these enterprises can Freely convertible RMB, which on the one hand reduces the cost of corporate finance, and on the other hand further enriches the function of free trade accounts. (2) Promoting cross-border use of RMB: Cross-border parent companies and enterprise subsidiaries established in the Free Trade Zone are allowed to issue domestic RMB bonds after approval and approval, so as to raise domestic and foreign funds. Expanding the channels for overseas RMB investment repatriation and launching RMB wealth management products for the international market will make the two-way circulation of RMB funds both domestically and internationally more convenient and safe. (3) Improve the openness of the financial industry, especially the service sector: For foreign capital, we must learn from and develop international high standard rules. For domestic capital, support some private capital to enter the financial services industry, and allow some eligible private capital to establish financial services institutions in accordance with the law. (4) Accelerate the construction of international financial market: relying on the advantages of financial system innovation and open free trade pilot zone, give full play to the overall coordination role of the People's Bank of China, and accelerate the establishment of a high-standard international financial market platform, so that overseas investors have more Channels can participate in domestic financial markets and better play the role of financial markets in the allocation of financial resources at home and abroad.

2.3.3 Shanghai-Hong Kong Stock Connect

In April 2014, the China Securities Regulatory Commission and the Hong Kong Securities Regulatory Commission jointly launched a joint pilot of

the Shanghai-Hong Kong Stock Connect trading system with the Shanghai Stock Exchange and the Hong Kong Stock Exchange, marking that mainland and Hong Kong and Macau investors can simultaneously trade A-shares and Hong Kong stocks through exchanges.

Shanghai-Hong Kong Stock Connect can not only enable overseas investors to participate in domestic capital market transactions, but also increase the source of funds and the diversity of investment entities in the domestic market. The capital structure and liquidity of the mainland can be improved by establishing a two-way circulation between capital markets in China and Hong Kong. In addition, Shanghai-Hong Kong Stock Connect is not only an institutional change in the stock market, but also an attempt to promote capital account convertibility and RMB internationalization. According to the past experience of countries, the risk of capital account convertibility is very high. If it is not well grasped, it may bring a serious economic crisis to this country or region. As a new attempt to convert capital projects, Shanghai-Hong Kong Stock Connect has provided investors in both places with a new channel to allow funds to flow freely within the controllable risks. The Hong Kong Stock Exchange is also an important measure for the internationalization of the RMB, providing a window for the increase in the scope of cross-border investment in the RMB. In short, Shanghai-Hong Kong Stock Connect is conducive to encouraging more market entities to use and own RMB, and promote the internationalization of the RMB from the perspective of asset preservation and appreciation.

2.4 The status of RMB internationalization

According to the data in the "2018 RMB Internationalization Report" issued by the People's Bank of China, the internationalization of the RMB has developed steadily, and the function as a payment currency has gradually increased. As a function of investment currency, the function as a reserve currency has gradually emerged. As a breakthrough in the function of the

currency of valuation, the renminbi continues to maintain a stable position in the global monetary system.

In 2017, the internationalization of RMB has the following characteristics: First, the scale of RMB cross-border settlement under the service trade has continued to rise; Second, driven by securities investment, the scale of RMB as a cross-border settlement currency under the capital account has been The third is the drafting of overseas entities in the name of domestic financial market participation, especially the launch of bond trading, which further promotes the two-way opening of financial markets in China; the fourth is the introduction of RMB crude oil futures, and the renminbi pricing function of bulk commodities breakthrough.

3 Obstacles encountered in the process of RMB internationalization

3.1 The domestic financial environment hinders the internationalization of the RMB

3.1.1 The per capita economic level is not enough to support the internationalization of the RMB

The economic strength and scale of a country is a prerequisite for the country's currency to become an international currency. In general, our country has a solid economic foundation. But in fact, the per capita GDP in 2017 was only 8583 US dollars, ranking 74th. Therefore, it is not difficult to find that despite the rapid economic development in recent years in China, the per capita GDP is still low, which has caused great obstacles to the internationalization of the RMB.

3.1.2 Insufficient level of development of China's financial market and institutions

In order to meet the basic requirements of internationalization such as basic value preservation, value-added and liquidation convenience, it is necessary to establish a modern financial market system with large scale, sufficient liquidity and safety. However, at present, the development level of China's financial market cannot meet such requirements.

First of all, China's financial market is still closed compared with developed countries. In the traditional sense, international currency exchange usually requires no excessive regulation of policies, which means that a more open financial market is needed to attract foreigners at a lower cost. Some people invest, use and freely enter and exit the market. For example, in the internationalization of the pound, the dollar and the yen, the three international financial centers in London, New York and Tokyo have greatly promoted their internationalization. China's offshore renminbi market is currently in a small number, mainly concentrated in Hong Kong, Shanghai and Singapore. This will make it difficult for foreign investors to obtain, use or hold RMB conveniently. The lack of an open financial market will increase the risk of RMB overseas circulation, which hinders the further internationalization of the RMB to a certain extent.

Second, the marketization of China's exchange rate and interest rates is insufficient. From the perspective of traditional economics, market-based interest rates can reflect the current supply demand situation in the capital markets. Borrowers and lenders of monetary capital can follow the objective laws of market operation according to changes in market interest rates. At the same time, market-based interest rates can reflect the state of the market economy, enabling the government to make correct and effective macro-control decisions. At present, China's market-based reform of interest rates and exchange rates is still not deep enough, and there is still a long way to go in full marketization.

3.1.3 China's interest rate and exchange rate formation mechanism has not yet achieved full marketization

In order to become a world currency, in addition to taking some necessary measures, the most important thing is the role played by the market. The free choice of the market is a key element in the internationalization of a country's currency. From the perspective of economics, the exchange rate and interest rate of a country's currency can reflect the supply and demand situation of the money market. It is not difficult to find out from the internationalization process of the US dollar and the euro that the relatively free and floating exchange rate system is the key to its internationalization. In terms of interest rate marketization reform, although China has made some achievements in reform, due to the high correlation between interest rates and the entire national economy, China has not fully liberalized the exchange rate because of its cautious attitude and considering a large number of domestic factors. Form a mechanism.

3.2 The international financial environment hinders the internationalization of the RMB

3.2.1 The international financial environment hinders the internationalization of the RMB

In the case of the renminbi trying to become an international currency, the existing mainstream international currency will inevitably be obstructed, and the current international monetary system is still the "world dollar standard." The US dollar is second to none in terms of influence or extensiveness in the international monetary system. The US dollar is currently the most important means of value storage. It is also the main trading currency of the money market. The extensive use of the US dollar by many countries is also strengthening the currency status of the US dollar. The United States relies on its strong economic power to squeeze and even use unfair competition to prevent other currencies from

entering the international money market. Since the reform of China's exchange rate, the value of the renminbi has continued to overestimate and the exchange rate of the renminbi against the US dollar has been forced to appreciate.

3.2.2 The risk of large-scale capital in and out

For countries with currency internationalization, capital account convertibility is necessary, and currency internationalization is a process of increasing the circulation of foreign currencies. At the same time, when foreign currencies reach a certain size, the speculative capabilities of these overseas currencies will also increase. The frequent influx of speculative capital will pose risks to China's economic stability. Especially after the elimination of currency control barriers, risks such as the international financial crisis and inflation may be transmitted to China through currency exchange. Generally speaking, the risks brought by large-scale capital inflows are as follows: (1) balance of payments risk; (2) capital flow pressure causes significant deviation of RMB exchange rate; (3) negative pressure on Chinese market interest rate Impact; (4) risk of market price fluctuations; (5) large-scale capital flows may lead to financial market risks and even financial crises. The emergence of these risks, when accumulated to a certain extent, may trigger a large fluctuation in the RMB exchange rate, triggering a large number of selling and financial panic, and even lead to the collapse of the internationalization of the RMB.

4 Lessons from the experience of internationalization of mainstream international currencies

4.1 Lessons from the internationalization of the US dollar

The United States made a war money in the Second World War, and its political, military, and economic strength stood out among the deeply

affected Western countries. Established in 1944 by the US-led Bretton Woods system, the connotation of the system is the basis of gold as a monetary value, linked to the dollar. At that time, the US gold reserves accounted for about 59% of the world. The United States replaced the original international currency status of the pound with its strong economic strength. In fact, as Japan and Western Europe rely on the US Marshall Plan and other economic aid to achieve economic recovery and growth, central banks in these countries still hold more dollars to maintain good relations with the United States, and do not actively convert dollars into gold. The United States has proposed the Marshall Plan to try to influence the economy and politics of other countries through international loans and US dollar aid, thereby increasing the international influence of the US dollar.

The "Jamaica Accord" was promulgated in 1976, replacing the "Bretton Woods System" system linked to the dollar and gold, which also marks the establishment of a modern floating exchange rate system. The characteristics can be summarized as follows: (1) Gold is no longer the basis of currency parity in the original system, nor is it used for intergovernmental international liquidation; (2) diversified reserve currency choice, other currencies such as euro, yen, etc. Same as the international reserve currency. (3) Diversification of the exchange rate system, countries can adopt different exchange rate policies and systems according to national conditions and economic conditions, such as adjustable hooks, restricted floating, flexible floating and independent floating. The Jamaican system essentially replaces gold with dollars, and no longer appears as a representative of gold. The dollar directly becomes the representative of world wealth. In the Jamaican system, on the surface, the dollar is no longer able to maintain a fixed official price with gold, and the status of the dollar is relatively low. In fact, the monetary rights of the dollar have not only not decreased, but have also increased greatly.

4.2 Lessons from the internationalization of the euro

The Delors report of April 1989 describes the meaning of the European Economic and Monetary Union institutions. In December 1995, the EU summit was held in Madrid, Spain. After consultations, the member states decided to use euro (euro) to name the unified currency. In order to introduce it into three steps: First, the European Central Bank formulates and implements a single monetary policy within the Eurozone, and calculates the exchange rate of the country's original currency to the Euro. In the second step, the issued euro banknotes and coins gradually replaced the original currency of the member countries for circulation. In the third step, the original currencies of the countries are completely delisted and they are no longer recognized as legal status. The euro eventually completely replaced the original currency of the member states and became a true ordinary and single European currency.

In 2001, the Nasdaq stock bubble burst and the US economy began to fall into recession. In order to stimulate economic growth, the Fed has lowered the federal funds rate for a long time, and interest rate cuts have pushed the dollar to depreciate and drove the euro to appreciate. The euro's rise continued until 1.58 in 2008, with an appreciation of about 86%. The value of the euro was recognized in the foreign exchange market, establishing the euro's second-largest international currency status.

4.3 The experience of the internationalization of the yen

The first step in the internationalization of the yen is the issuance of yen bonds. In the 1970s, the market share of these bonds was still small, but in the next decade, Japan actively sold financial products such as treasury bonds and bonds, while maintaining a high economic growth rate in the country. Before and after 1985, the Japanese stock market became The second largest stock market in the world. The economic boom has also contributed to the continued strength of the yen, and some international

investors have also begun to invest in yen or Japanese assets to diversify investment risks.

The second step in the internationalization of the yen is to promote the function of foreign exchange reserves. In 1976, the Nigerian government began to include the yen in its foreign exchange reserve structure, reducing the use of the unstable trend of the pound as a foreign exchange reserve. Asia-Pacific countries that often trade and trade with Japan, such as Malaysia, Singapore and Australia, gradually accept the use of the yen as a reserve asset. By the mid-1980s, the yen's share of national currency reserves more than doubled from a decade ago, making it the third largest reserve currency in the world.

The third trend of the yen's internationalization is that the function of the yen as a currency denomination unit and the function of payment means are constantly improving. In some transactions previously denominated in US dollars, some transactions began to be denominated in Japanese yen. At the beginning of 1980, only 20% of Japanese trade exports were denominated in Japanese yen, but around 1985, more than 40% were denominated in Japanese yen.

5 Strategies to promote and improve the internationalization of the RMB

5.1 Maintain long-term stable development of the domestic economy

In the past five years, the continued growth of the trade share has made the renminbi widely recognized in the market, and the RMB Internationalization Index (RII) has maintained a strong growth momentum. However, the RII growth brought by financial transactions is less sustainable and has certain risks. In the long run, only the long-term stable growth of the Chinese economy can essentially support the

internationalization of the RMB. In the context of global trade integration, the demand for “Made in China” and “Created in China” in the international market continues to increase. We can use the convenience of “One Belt, One Road” to use the RMB for pricing and settlement in the trade field. In order to improve the use of direct investment and trade finance in the international financial system, in particular, it is necessary to develop financial products such as loans and bonds closely related to the real economy, and rely on the manufacturing industry as a support to promote the steady development of the internationalization of the RMB.

5.2 Steady implementation of full free convertibility under capital projects

The definition of currency freely convertible is that money can be freely converted into another currency according to the exchange rate, including the convertibility under the current account and the convertibility under the capital account. Current account convertibility includes trade income and expenses, service income and expenses, and unilateral transfers. Capital account convertibility refers to the freely convertible under capital and financial transactions.

China has accumulated years of experience in the free exchange of RMB current accounts, but we must realize that the free exchange of RMB including capital projects is a complex system that must be steadily advanced. Countries have adopted different strategic approaches in terms of eliminating capital controls and realizing convertibility of capital projects, depending on national conditions, and most of them have adopted gradual and prudent measures. From the experience of other international currencies: first is open long-term capital, then open short-term capital; in the long-term capital, first open direct investment, and then issue securities investment; in 1996, China realized the free exchange of current

accounts . Now, China generally promotes freely convertible capital projects in accordance with the above steps. General international experience shows that this process takes about 20 years from the current account to the free convertibility of capital projects. China has also tried to freely convert capital projects in the Shanghai Pilot Free Trade Zone and has accumulated valuable experience. We can use this as a reference: (1) Implement an open and sound strategic approach and adhere to the "introduction, go out" coordinated development. "Introduction" refers to encouraging foreign companies to invest directly, allowing foreign investors to participate in the development of China's enterprises in the form of equity investment, and to provide funds for China's economic development. "Going out" is to encourage qualified and capable domestic enterprises to profit from international resources to invest abroad and gain international comparative advantages, which in turn promotes the progress and innovation of domestic related industries. (2) Gradually relax foreign exchange controls to achieve the freedom of funds of institutions and enterprises, and gradually relax the restrictions on Chinese institutions to list and issue securities overseas under the premise of the rules. (3) Strengthen supervision of cross-border capital flows to prevent large-scale capital flight. China is currently in a transitional stage, and there is still a certain gap between the level of economic development and developed countries. The excessive or early opening of the capital account may have a certain negative impact on the internationalization of the RMB.

5.3 Reform the exchange rate formation mechanism and improve the macro-control ability

After the reform and opening up, China has actively carried out market economic reforms. However, from the current development of domestic and international financial situation, China has not laid a good foundation

for the internationalization of the RMB from the aspect of macroeconomic regulation and control. The reason for this is that due to the renminbi's internationalization process, China's central bank sometimes cannot effectively supervise and control the part of the renminbi that flows to overseas financial markets, which has affected the government's macro-control capabilities to a certain extent.

The three exchange rate reforms in 1994, 2005 and 2015 played an important role in the reform of the RMB exchange rate formation mechanism. The exchange rate reform effectively promoted the opening up of the Chinese economy, effectively promoted the internal and external balance of economic growth and macroeconomics, resisted the impact of the external financial crisis, and accelerated the process of internationalization of the RMB.

Therefore, we must continue to promote the RMB interest rate and exchange rate marketization reform, improve the interest rate pricing mechanism, form short-term market interest rates based on interbank lending rates, and medium- and long-term market interest rates based on medium and long-term market interest rates, so that market-oriented decision-making interest rates can be In the floating exchange rate system, according to economic development and financial situation, the flexibility of the two-way floating exchange rate of the RMB will be enhanced. The ultimate goal is that the central bank will basically no longer conduct normal foreign exchange intervention, and only need to maintain a balanced and reasonable RMB exchange rate under special circumstances.

5.4 Cultivate developed financial markets and improve financial supervision systems

First of all, China's financial system reform has made great achievements in many aspects, but there are still many problems. It can be solved from the following aspects: (1) Deeply carry out financial system innovation and reform, first consolidate current financial achievements,

and learn from the experience of financial system reform in developed countries and regions, so as to effectively improve the competitiveness of Chinese financial institutions. (2) Pay more attention to the fairness of financial resources, solve the inequality of regional net financing elements, and make the financing structure more balanced. (3) The internationalization of the RMB requires an open and stable financial market closely related to the international financial market. China needs to build a more open and developed financial market and develop some open, mature and stable regional financial center cities such as Beijing, Hong Kong and Shanghai. Constantly enhance its financial market functions and internationalization functions, so that these domestic financial centers grow and become international financial centers. (4) Enrich financial products, establish a more mature, open and fair currency and capital market, and encourage innovation in financial market hedging instruments, so as to provide investors with better financial services and increase the attractiveness of RMB investment.

The second is to promote the innovative development of financial markets and strengthen financial supervision. (1) China should strengthen the improvement of the financial supervision legal system so that a legally binding high-standard financial supervision system can be established. (2) Innovate the concept of financial supervision and clarify the content of financial supervision. (3) Strengthen the construction of the supervision information system, strengthen the self-regulatory mechanism of financial institutions from the inside, combine the developed network information system, promote the sharing and transmission of regulatory information, and improve the transparency of the financial supervision information system. (4) Establish a balanced foreign exchange regulatory concept, strengthen supervision of cross-border capital flows, and prevent the impact of large-scale capital flows on the internationalization of the RMB.

For the scale of cross-border capital flows, it is necessary to conduct monitoring and statistics in a timely, effective and accurate manner.

5.5 Expanding the influence of the renminbi on the regional economy

Expanding the impact of the renminbi on the regional economy, especially the Asian economy, is the core content of the overall internationalization of the renminbi. The main goal is to gradually promote monetary cooperation in the Asian region and take advantage of the strategic advantages of APEC and the “Belt and Road” to achieve Asianization.

The promotion of RMB Asianization can be roughly divided into four stages: (1) Expanding the use of RMB in regional trade. Currently, more than 20 countries and regions pay and settle through RMB, especially in the field of border trade. China needs to strengthen exchanges with high-level governments in neighboring countries, further promote the signing of RMB currency cooperation agreements and currency swap agreements with some neighboring countries and major trading partners, and incorporate the release and return of RMB into the banking system. Weaken the power of the underground economy, promote the standard use of the renminbi, and avoid the risk of capital entering and exiting large-scale renminbi exiting. (2) Carry out RMB loan business and encourage RMB overseas direct investment. It is necessary to negotiate with neighboring governments to allow Chinese companies to use the renminbi for overseas direct investment. This means that in addition to the establishment of a RMB settlement center, we should also start pilot projects for capital projects in neighboring countries. (3) Expanding the investment function of the RMB. For investors, only the general international loan investment channels are far from enough. There must be diversified RMB general financial instruments and derivative financial instruments to avoid exchange rate risks or speculative purposes. It is especially important to establish a regional financial market with

RMB as the main body. It is necessary to further strengthen the convertibility under the capital account and gradually expand the scope of the pilot and capital projects. (4) Make the RMB one of the main reserve assets of neighboring countries. Most of the neighboring countries closely related to China's trade are developing countries. Foreign exchange reserves are not high and single, and they are highly vulnerable to the impact of currency fluctuations such as the US dollar and the euro on the national economy. At present, the RMB exchange rate is strong, the value of the currency is stable, and the appreciation of the RMB is expected. After expanding the currency functions such as settlement and investment, it has the potential to become the international reserve currency of these countries.

In general, in the maintenance and development of existing trade cooperation, it is necessary to deepen the financial cooperation and exchanges with these countries, strive to develop the RMB Asian bond market, and establish a credible Asian monetary system, which is the RMB as its main currency. . This stage can increase the weight of the renminbi in the Asian monetary system. It is a more important responsibility in the Asian financial system. It becomes a nominal anchor currency that enables the renminbi to be Asianized smoothly and fully internationalized.

6 Conclusion

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