

Problems and Countermeasures in the Process of RMB Internationalization

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Abstract

The current world economic situation is complex and changeable, and the global economy tends to develop multi polarly. With the rapid development of China's political economy and the continuous improvement of the world's status, the internationalization of RMB has become an inevitable trend. Since the pilot of RMB settlement for cross-border trade was launched in 2009, RMB internationalization has made a series of important progress, but there are also many problems, which seriously restrict the further progress of RMB internationalization. Based on the summary of relevant research, according to the current situation of RMB internationalization, the problems in the process of RMB internationalization are analyzed and studied, and then combined with the actual situation of our country, and drawing on the experience of the internationalization of several other major international currencies, put forward countermeasures to solve the problem. It is hoped that it will help to promote the process of RMB internationalization and further improve the level of RMB internationalization.

Keywords

RMB internationalization; sustainable economic development; opening up of capital projects.

1. INTRODUCTION

1.1. The Background and Significance of the Choice of Topic

For the past decade or so, the world economic system has been in turmoil and unease. The U.S. subprime mortgage crisis, the European debt crisis and other financial crises make countries around the world aware of the fragility of the world financial system, the current U.S.dollar-led international monetary system still has greater risks, people urgently need to explore and establish a set of economic order and stable diversified international monetary system to adapt to the trend of multipolarity in the world economy. In this international context, the internationalization of RMB conforms to the economic trends of the times and the needs of the people of the world ushered in an excellent period of development.

Since the launch of the cross-border trade RMB settlement pilot in 2009, the internationalization of RMB has exceeded the world's imagination, the use of cross-border trade and direct investment has steadily increased, the use of the world has gradually expanded, and significant progress has been made in the convertibility of RMB capital projects, International cooperation has been effective. However, with the further progress of the people's internationalization process, the internationalization of RMB has been seriously restricted by the lack of impetus for sustained economic growth in China, the serious lag in the development of financial markets, and the restriction of the free convertibility of RMB. Therefore, combined

with the current actual situation of our country, the problems in the process of RMB internationalization are analyzed and studied, and the experience of the internationalization of several other major international currencies is used, and the countermeasures to solve the problem are of great significance to the promotion of RMB internationalization and the stable economic development of our country and the world.

1.2. Documentary Review

In recent years, the issue of people's internationalization has received more and more attention, and many scholars at home and abroad have studied it from different angles.

Scholars have different emphasis and opinions on the many contradictions and problems that are becoming more and more prominent in the process of RMB internationalization. Yao Cedar and Wang Zhiyong (2014) believe that in the process of RMB internationalization, it is faced with the difficulties of RMB export abroad, the impact of the opening of capital controls required by RMB asset liquidity on the domestic financial system, and the hidden dangers of sustained domestic economic growth. Zhang Yan (2011) believes that the domestic financial system is not sound, financial control is too strict, financial risk macro-control is difficult, Asian monetary cooperation is not deep enough to carry out the main obstacles to the internationalization of the RMB. Wang Hechao (2014) also raised the issue of insufficient scope of RMB use, low application in the field of international investment, weak international competitiveness of enterprises, and inadequate financial supervision. Yang kes, Hu Wei, Chen Xin (2012) think that the internationalization of RMB is not conducive to the implementation of China's monetary policy, will make our country encounter "Triffin problem", facing political pressure and other issues.

In the face of so many problems, scholars have also put forward targeted solutions. Zhang Liqing (2016) believes that we can overcome and solve these problems through the following ways. First, actively promote market-oriented economic reforms to provide new impetus for economic growth, thus providing the most basic guarantee for the internationalization of the RMB; actively promote international economic and financial cooperation. Cheng Xiangru and Wang Haibo(2014) proposed measures to promote the internationalization of the RMB through the promotion of currency swap arrangements for the export of RMB, the promotion of free exchange of the RMB, the reform of the RMB exchange rate system, the development of domestic financial markets and the opening up of the financial system.

1.3. The Content and Structure of the Paper

This paper is divided into five parts to study the problems and countermeasures in the process of RMB internationalization, as follows:

The first chapter is an introduction, mainly introduces the background and significance of the subject, the current situation of the research of the relevant content, as well as the content and structure of the paper;

The second chapter introduces the current situation of RMB internationalization, mainly from its basic concept and significance, the required conditions, the development of the status quo of three aspects to introduce;

The third chapter analyzes the problems in the process of RMB internationalization, and discusses the four aspects of economic growth, financial market development, capital project control and rmb international circulation.

The fourth chapter, in light of China's actual situation, puts forward reasonable measures and suggestions for the existing problems, such as adjusting the industrial structure, opening up capital projects steadily and orderly, developing the offshore financial market of RMB, and promoting regional trade and investment cooperation.

The fifth chapter is the conclusion part, the full text is summarized.

2. OVERVIEW OF RMB INTERNATIONALIZATION

2.1. The Concept of People's Internationalization and Its Significance

The internationalization of RMB refers to the process by which RMB can cross national boundaries and circulate abroad, becoming an internationally recognized valuation, settlement and reserve currency. The internationalization of RMB is the inevitable trend of China's comprehensive national strength, which is not only directly beneficial to China's foreign trade, promote China's economic growth, but also greatly enhance China's international status, in international economic affairs have more voice, China's future development and direction has important strategic significance.

2.2. Conditions for RMB Internationalization

If a country's sovereign currency is to become the world's currency, it is fully accepted and used by the peoples of the world, mainly depending on the demand of the market, which is the result of market choice. Mondale (2003) believed that a country's currency to become an international currency depended on confidence in its stability. Taken together, confidence in money comes from the following.

2.2.1 A highly stable political environment

A stable political environment is a prerequisite for achieving sound and rapid economic development, and only under the premise of political stability can the country spare no effort to develop the economy and protect the security of its economy. In addition, a country's currency to become the world's currency to accept and cooperate with other countries, so the country must have a strong position in world politics, have a certain voice. At the same time, a country's broad participation in global political affairs can also drive and promote the economic development of the country.

2.2.2 Strong economic base and sustainable economic growth

The strong economic strength of the country is the primary foundation and the source of the impetus for the internationalization of the country's currency. Larger economic sizes and sustained growth trends are the economic basis for building traders' confidence in this currency. The country's macroeconomic environment is stable, the size of the economy in the global economy makes the country a pivotal position in world trade, the importance to the world economy is increasing, the use of the country's currency in trade and investment will increase with it. This creates an increasing demand for this currency by traders. On the other hand, sustainable economic development is a key factor in the world's expectations of the country's future, helping to boost confidence in the currency. The sustainable development of economy depends on the country's good industrial structure, technological progress and institutional innovation, so China needs to vigorously promote the transformation of the domestic industrial structure, improve the market economy system, while enhancing the competitiveness of enterprises, actively encourage scientific and technological innovation, to provide a steady stream of new vitality for the sustainable development of the economy.

2.2.3 Mature financial markets with both liquidity and security

A financial market with sufficient breadth and depth is an important basis for the internationalization of money. There are a large number of financial instruments and derivatives and other various investment methods in the developed financial market, which provide a place for currency holders to store value and increase in value, and the power of individual investors in financial markets is limited enough to affect the large fluctuations in asset prices, so the market is not susceptible to external shocks. The risk is also greatly reduced.

The larger the market's trading scale, the more frequent lying, the increased liquidity of the currency and the lower transaction costs, prompting more international settlement and financing through the country's market, in the country's currency, to enhance the international status of the currency.

2.2.4 Financial liberalization

Financial liberalization requires, first and foremost, governments to reduce capital controls. Although the internationalization of a currency does not imply the liberalization of capital items and the full convertibility of the local currency, the liberalization of capital items and a certain degree of convertibility of the local currency are essential prerequisites for the internationalization of a currency. Insufficient liquidity in currency increases the transaction costs of international currency holders and reduces the attractiveness of the currency. The second is the marketization of interest rates and exchange rates. Market-oriented interest rates and exchange rates can more truly and accurately reflect the supply and demand of money, give full play to the role of market mechanisms, improve the efficiency of the use of money.

2.2.5 Stable currency

People are more inclined to hold stable value of monetary assets due to risk aversion, and international currencies need to maintain currency stability if they want to play a good role as "currency anchors". This requires the state to achieve moderate inflation internally, so that the currency to maintain a certain degree of purchasing power, external exchange rate stability, so that the value of assets denominated in RMB stability. Higher exchange rate fluctuations will bring higher risk to currency holders, increase transaction costs and affect the value storage function of international currencies. Zhou Xiaochuan, president of the Chinese Min min Bank, said that "there is no basis for a sustained depreciation of the renminbi." "In the medium to long term, the yuan's valuation has stabilized, especially as China's supply-side structural reforms continue to grow strongly.

2.3. The Process of RMB Internationalization and the Status Quo

Since the financial crisis of 2008, the process of internationalization of RMB has made a series of important progress. China has taken active policy measures to deal with the crisis and challenges, so that the impact of the crisis on China has been better controlled, the process of the internationalization of RMB has not been affected by too much, the RMB internationalization index has been increased year by year and the rate of increase has been significantly accelerated since 2008. According to the RMB Internationalization Report 2015 released by Chinese Min University, the RMB Internationalization Index (RII) has been 0.02 To be promoted to 2014 End of the year 2.47. At the same time, the internationalization of the currencies of other major countries has declined as a result of the financial crisis. However, compared with the old capitalist countries such as Britain and the United States, China's economic strength and economic development is still at a low level, there is still a large gap between the RMB and the traditional international currency. Throughout the process, the internationalization of RMB is full of opportunities and challenges, and there is still a long way to go.

2.3.1 Range of use

From the scope of use, the use of RMB to go through the peripheralization - regionalization - globalization three stages. Due to China's frequent border trade with neighboring countries and the promotion of border tourism, the RMB as a payment and settlement currency has been accepted and recognized by most countries. Today, the yuan has become a hard currency in Southeast Asia, known as the "small dollar". In these countries, more and more shops are accepting the purchase of goods in renminbi, and exchange shops and banks that can exchange yuan for their own currency are also beginning to appear. In South Korea, for example, more

well-known shopping malls, hotels, hotels and so on are published daily RMB and local currency, local currency and the United States dollar ratio. As of the end of 2014, the balance of non-resident RMB deposits in china (excluding Hong Kong, Macao and Taiwan) banks was RMB2283billion. Therefore, we have reason to believe that the internationalization of RMB has basically completed the "peripheralization" and is in the initial stage of "regionalization".

2.3.2 Monetary function

From the point of view of currency function, RMB internationalization should follow the path arrangement of "trade settlement currency - investment-denominated currency - international reserve currency" from low to high. According to SWIFT, in December2015, the RMB was the world's third largest trade finance currency, the fifth largest foreign exchange currency. The fifth largest payment currency. As of the end of May 2015,the People's Bank of China had signed bilateral currency swap agreements with central banks or monetary authorities in 32countries and territories, with a total size of approximately 3.1trillion yuan, significantly increasing the substantive role of local currency swap agreements, RMB clearing arrangements in 15 countries and regions covering Southeast Asia, Western Europe, the Middle East, North America, In South America and Oceania, the RMB is supported to become a regional clearing currency. At present, Malaysia, South Korea, Cambodia, Thailand and other countries have the yuan as part of foreign exchange reserves. According to incomplete statistics, as of the end of April2015, the balance of RMB assets held by overseas central banks or monetary authorities was approximately 6667 Billions of dollars.

On December1, 2015, Beijing time, the International Monetary Fund (IMF) announced that the 2016Year10Month1stDay to join SDR. As the world's second largest economy and the world's largest trading nation, the yuan is the third largest currency in the Special Drawing Rights (SDR) currency basket with a weighting of 10.92%. This is a key and phased achievement in the six years since the internationalization of RMB, which has greatly enhanced the confidence of the world in the RMB and enhanced the international status of the RMB.

3. PROBLEMS IN THE PROCESS OF RMB INTERNATIONALIZATION

3.1. There Are Big Problems with the Economic Growth Model

The internationalization of RMB needs China's strong economic strength as the basis, and although China is currently the world's second largest economy, economic growth rate of about 7%, but also at a relatively high level, but China's overall strength and Europe and the United States compared with the larger gap. And china's economic development still has many disadvantages, such as insufficient domestic demand, foreign trade dependence is large, unreasonable industrial structure.

3.1.1 Lack of momentum for sustained economic growth

In recent years, China's economic growth has slowed, economic growth is too dependent on investment-led, the long-term downturn in domestic consumption demand has little effect on economic growth. China's investment is mainly for the real estate industry and the government's infrastructure investment, and the real estate industry has accumulated a large number of bubbles, local governments are also bear a greater debt pressure, these investments are not long-term sustainability. On the other hand, due to the wide gap between the rich and the poor in China, the social security system is not perfect and other reasons, China's national savings rate remains high, consumption tendency is small, China's domestic demand has been depressed for a long time, has not played its role in promoting the economy. How to maintain high-quality sustained economic growth is the most important problem facing our country now.

3.1.2 High external dependence on import and export trade

China's demand for energy and raw materials is growing rapidly, relying heavily on imports from abroad, thanks to rapid economic growth and a large proportion of investment. At present, the global economic situation is grim, weak external demand, coupled with the appreciation of the RMB trend, so that China's export demand significantly slowed down, the foreign trade situation further deteriorated. China's highly export-dependent development model is also unsustainable from the perspective of currency internationalization, and it is difficult for an economy highly dependent on external demand to maintain currency and exchange rate stability.

3.1.3 Unreasonable structure of the industry

Since the reform and opening up, China has gradually played the role of "world processing plant" in the international division of labor, while China's exports are dominated by low-value-added products, less innovation and technology, less competitive enterprises, no advantage in the bargaining process, and less likely to use RMB in trade. With China's rising labor costs, the cost advantage of foreign trade gradually shrinks, and will be replaced by other countries, which is not conducive to China's economic growth, but also hinder the internationalization of the RMB.

3.2. Inadequate Development of Financial Markets and Systems

The internationalization of RMB needs the support of a domestic financial market with a certain breadth and depth, the internationalization of the currency in Europe and the United States has its own mature financial market as the carrier, and the developed degree of China's financial market is far from sufficient to support the internationalization of RMB. At present, China's financial market is small in scale, a large number of capital flows will make market prices fluctuate significantly, market risk is high. Due to the late start of the domestic capital market, single domestic financing channels, the main financing risks concentrated in the banking system, the number of financial products is small, the main income of residents into savings, resulting in the savings rate is too high, the economy's monetization rate is too high, resulting in greater inflationary pressure, these are due to the financial market backwardness and imperfection caused. Interest rates and exchange rates reflect the supply and demand relationship of currencies, the current two rates have not yet achieved marketization, can not effectively play the guiding role of price signals, so that the use of funds less efficient. The internationalization of RMB will inevitably increase the cross-border flow of RMB, expand the scope of use, put forward higher requirements for the ability of international financial services of Chinese financial institutions, while the operating capacity of domestic financial institutions and the international level still exist in a large gap, lack of competitiveness, which to a certain extent restricts the internationalization of RMB.

3.3. Capital Projects Cannot Be Fully Opened

Strong liquidity of currencies and the assets they represent is one of the necessary conditions for internationalization of currencies to meet the demand slots of holders of free exchange and investment risk aversion, and people are more inclined to hold more liquid assets. However, China still has strict the capital controls, the cross-border movement of RMB and free exchange is greatly restricted, which will inevitably affect the willingness of the main trading body to hold THE RMB. Due to the fragile financial system, imperfect development of capital market, lack of competitiveness of financial institutions and other reasons, the full opening of capital projects will have a great impact on China's financial system.

3.4. Less International Circulation of RMB

At present, the RMB is mainly in the surrounding countries and regions to achieve wide circulation, which is the prosperity of border trade and population movements brought about

by the internationalization level is still relatively low. If the renminbi is to truly internationalize it, it must have enough liquidity abroad and occupy a major role in trade pricing and investment activities. China's huge trade surplus, foreign direct investment is small, the RMB can not be effectively large-scale export, the growth of international circulation is insufficient. This reduces overseas demand for the renminbi and is not conducive to the internationalization of the renminbi.

4. COUNTERMEASURES TO EXISTING PROBLEMS

4.1. Promoting Economic Restructuring

China should actively expand exports, maintain high-quality trade surplus and promote economic restructuring. In the process of internationalization of a country's currency, the size of a country's foreign trade is an important factor affecting whether the country's currency can become an international currency, the larger the scale of a country's foreign trade, the greater the demand for domestic importers and exporters to use local currency to pay, pay, settle, the greater the acceptance of local currency in international trade, The more international it is, the more it becomes. China should seize the time window of industrial upgrading, vigorously encourage scientific and technological innovation, improve the core competitiveness of enterprises, and realize the transformation from "Made in China" to "Created in China", so as to gain more pricing power in foreign trade.

4.2. Steady and Orderly Opening of Capital Projects

Free exchange under capital items is an inevitable requirement of currency internationalization, China's open capital project should adhere to the principle of gradual progress, learn the lessons of the internationalization of the yen, can not be rushed. China should first improve the domestic financial system, actively commit to the continuous promotion of the reform of interest rate marketization, further improve the exchange rate formation mechanism, and enhance the competitiveness of domestic financial institutions; At the same time, strengthen financial supervision, establish and improve risk mechanism, to avoid large-scale flow of foreign funds to China's financial markets have a huge impact.

4.3. Strengthening the Construction of RMB Offshore Financial Market and Financial Service System

The offshore RMB financial market needs to be large and liquid enough to reduce the management and transaction costs of RMB market participants and increase the attractiveness of the offshore RMB. Therefore, China should encourage the establishment of more offshore RMB trading market abroad, and maintain close cooperation between the RMB offshore markets to develop offshore RMB business. In addition, more renminbi-denominated financial products and investment vehicles will be introduced to provide more channels of circulation for the renminbi, reduce the cost of overseas financing, and stimulate incentives to hold renminbi overseas. On the other hand, a sound financial services system is the guarantee of rmb internationalization, which can make the RMB circulate more efficiently abroad, thus effectively reducing the cost of RMB use, improving the convenience of transaction settlement, and enhancing the willingness of people to use RMB. Therefore, China should speed up the construction of RMB cross-border payment system, actively establish branches of Chinese banks overseas, correspondent banks, clearing houses, etc., improve the quality of service of banks and other financial institutions, and provide more perfect and thoughtful financial services for RMB foreign traders.

4.4. Actively Promote Regional Trade and Investment Cooperation

China should adhere to the principle of "open and inclusive, win-win cooperation" in foreign development, actively carry out economic and trade cooperation with neighboring countries and regions, seek the convergence of interests and the maximum number of conventions for cooperation, and achieve mutual benefit and win-win results and common development. We should make use of the differences in resource endowments between countries, different industries, exchange and learn from each other, form complementary advantages, optimize trade structure and expand the field of trade. For example, actively use international economic dialogue mechanisms such as the G20 to make good use of their voice in major international economic affairs, actively promote monetary and financial cooperation in Asia, including the multilateralization of the Chiang Mai Initiative and exchange rate cooperation among countries in the region, and actively promote the construction of the Asian Infrastructure Investment Bank and the Belt and Road Initiative. The implementation of the initiative, etc., in various foreign trade to promote the use of THE RMB, so that the settlement of the RMB, investment pricing and other monetary functions are fully developed, the formation of RMB currency inertia, promote the regionalization of the RMB, and finally by all countries widely accepted.

5. CONCLUSIONS

With the deepening of global economic integration, the world economic system is undergoing major changes, the world economy shows the trend of diversification. The internationalization of RMB can enhance China's economic strength and international status, so that china can participate more in the formulation of the world economic order, with greater influence, so as to protect the interests of the country to a greater extent. China should seize the opportunity to fully realize the positive impact of RMB internationalization on China, attach importance to the process of RMB internationalization, and plan a reasonable and effective development path for it. The internationalization of RMB is a long-term process, and China should strive to achieve sustainable economic growth, steadily and orderly open up capital projects, speed up the reform of the domestic financial system, strengthen the construction of RMB offshore financial market and financial service system, actively promote regional trade and investment cooperation, and finally realize the process of RMB internationalization steadily and effectively.

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