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Convertibility as a step for the RMB Internationalization[*]

Abstract: The paper concentrates on the issue of currency convertibility in the context of Chinese strategy of the RMB internationalization. It argues that the motive for that strategy was ignited by China's dissatisfaction with the long lasting unstable international monetary system. Recent global financial crisis intensified China's urge to get rid of "dollar trap" and look for a diversified international reserve currency system where the Chinese yuan could take a place. The paper investigates the step-by-step approach from the trade settlement to more comprehensive policy measures. It also emphasizes the importance of domestic financial reforms for the RMB full convertibility, including flexible exchange rate, market determined interest rate and deepened domestic financial market.

Key Words: RMB internationalization, convertibility, domestic financial reform

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Introduction

There is a strong argument that changing distribution of world economic weighs needs a parallel change of global financial power (Bénassy-Quéré and Pisani-Ferry 2011). China, as an emerging power, should increase its importance in international monetary system. In 2009, Zhou Xiaochuan, the governor of the People's Bank of China (PBoC, thereafter), proposed the idea of "super-sovereign reserve currency" (Zhou 2009). It immediately drew attention from the world. Supporters believed that a super-sovereign reserve currency should be an ideal format of international reserve currency, given the fact that a sovereign currency has some fundamental flaws to play a role globally. It also delivered a strong message to the world: China is dissatisfied with current international monetary system and eager to change the situation of its over-reliance on the US dollar. Meanwhile, China is realistic to seek for other options. One of which is to encourage its currency to be used internationally.

Since the Chinese government launched the Pilot Program of RMB Settlement for Cross-border Trade Transactions in 2009, the RMB has gained popularity in China's neighboring economies. The use of the RMB has been expanded from trade settlement to bond issuance denomination. Lately, some Asian central banks even considered to put the RMB in their foreign reserve portfolio. However, the progress made so far has been small steps for the RMB to be used internationally. Currently, the RMB is neither a well recognized reserve currency, nor an anchor, and far away from a vehicle. There is a catalogue of conditions for a currency to become an international one: the economic size, degree of currency convertibility, stable intrinsic value, central bank's credibility, developed financial market, and the factors beyond economy. The RMB meets only few of them and is still in progress of making. Furthermore, domestic market-oriented financial reform, capital account opening, exchange rate flexibility and some other domestic development have become an issue of concern for an optimal sequencing for RMB internationalization.

The paper discusses the issue of currency convertibility in the context of Chinese strategy of the RMB internationalization. It concentrates on the following questions: what are the motives for the RMB internationalization? How to understand the Chinese step-by-step approach to achieving the RMB full currency convertibility? Why are domestic financial reforms so important? The paper concludes with some debatable issues.

1. What are the motives

China's desire to have its currency internationalized was ignited by long lasting unbearable subsequences of unstable international monetary system. Recent global financial crisis intensified China's urge to get rid of so called "dollar trap". Among all the concerns, the followings are standing out.

First of all, China, among many other Asian emerging economies, is subject to the so called "dollar standard": the US dollar is dominantly used in China's trade settlements and exchange rate currency basket, and as a major reserve currency. The dominance of US dollar is, of course, not an intention of the US's policy. However, it has become a major source for excessive reserve accumulation in China where export-oriented strategy applied and weak and small domestic financial market existed in the past decades. That is what McKinnon described "conflicted virtue" (McKinnon and Schnabl 2004).

Secondly, recent financial crisis placed China in a situation of huge potential capital loss. Whilst the world complaining China's excessive saving for global imbalance, China is suffering shrinking value of its treasure which is mainly in the form of US treasury assets. By the end of June 2012, China's foreign reserves reached to \$3.24 trillion, of which over 30% was held in the form of US dollar assets. China now has become the biggest dollar asset holder of the world (Chart 1).

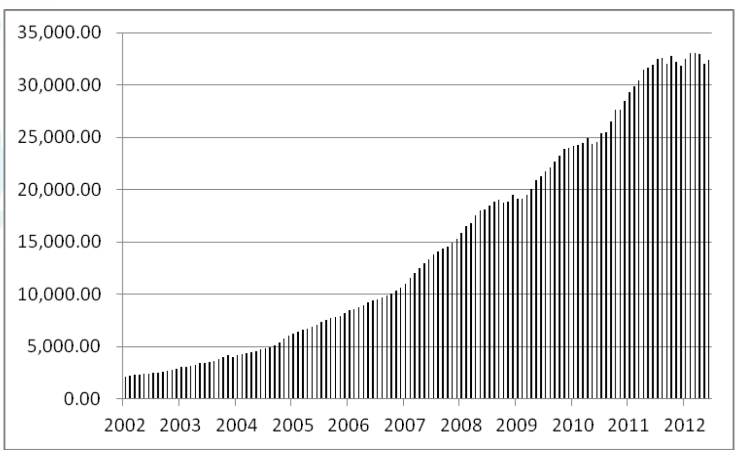

Chart 1: China's foreign reserves (2002-1~2012-6, monthly)

Source: PBoC.

As the US continued its expansionary monetary policies, China's worry turned into fear. On May 17, 2011, the Chinese newspaper *People's Daily* criticized the irresponsibility of the US debt policy. It was the first time that the Chinese official newspaper expressed such a strong attitude against the US's macroeconomic policy. From January 2002 to September 2012, the dollar index depreciated by 34.1%, although it was interrupted by some upward episodes (Chart 2) China is desperate more than ever to diversify its foreign reserve's portfolio.

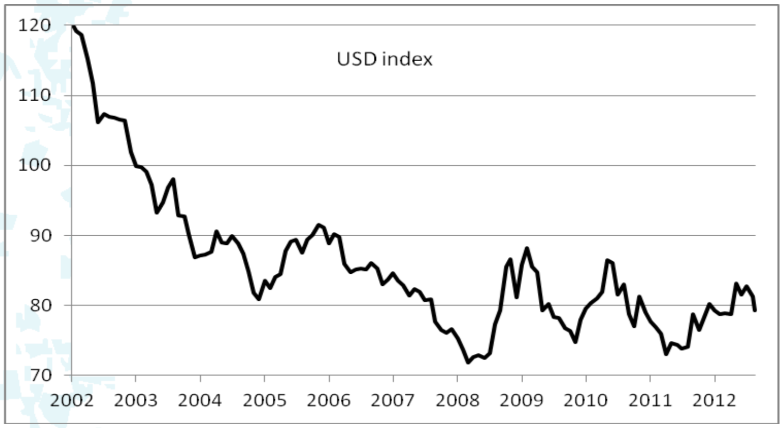

Chart 2: The rest of the world suffers: US dollar index (2002-1-31~2012-9-14, daily).
Source: Wind.

Euro remains the second choice as an alternative to the dollar. In international bond and notes market, euro has overtaken the dollar and become the largest denominating currency of the world. A unified and strong euro is not only the interest of Europe, but also a supporting factor in China's foreign reserve management. However, the uncertainties of debt problem have casted shadows on euro's merits as a safe-haven.

Looking elsewhere, there seems limited 'high quality' paper money in the world. The public debt in G7 countries has reached the highest level of 60 years. The traditional alerting ratio of 60% is no longer applied. Fiat money seems encountered confidence crisis. The SDR, a collective form of currency under the IMF's account has been put under the spot light along with Stiglitz's proposal. The proposal aimed to enlarge the SDR's role as a supplement to the US dollar under the supervision of the IMF. However, there has been so consensus reached among the IMF member countries. Apart from paper currencies, gold has become a popular hedge instrument in the market. It has also drawn attention of its possible role to play in the reform of international monetary system. In 2011, Chatham House set up a global Taskforce of experts to assess the possible role that gold could play, including an anchor, a hedge or safe haven, collateral or guarantee and a policy indicator (Chatham House 2012)

The world is now in the transition from the US dollar hegemony to a diversified reserve currency system. China, among many other countries, is looking for dollar's alternatives and its own currency is certainly one candidate for consideration.

The rationales of RMB internationalization also come from China's domestic needs. China realizes that using its own currency in international transactions has potential advantages, such as, to reduce the risk of exchange rate for Chinese firms, to improve Chinese financial institutions' funding capacity and their competitiveness, to foster financial center, Shanghai, as an onshore center complementary to the offshore market in Hong Kong (HK), and to reduce seigniorage paid to the US (Gao and Yu 2009). The RMB internationalization is, of course, not cost free. It has uncertain impact on money aggregate, risky arbitrage, offset effect on domestic monetary policy, etc. (Gao 2010). However, the overall answer to the question of whether China wants the RMB to become an international currency is positive.

2. A step-by-step approach

What is an international currency? An international currency should play the role of store of value, medium of exchange and unit of account for both residents and non-residents. The functions of an international currency can be divided into two categories: functions for private uses and for public uses. When it is used for public purposes, it is used as reserve currency, vehicle currency for intervention currency and an anchor. When it is used for private purposes, it is used for currency substitution, invoicing and denominating trade and financial transactions. This framework has been frequently used for analytical reference in several literatures, although there is an argument on the classification of functions. For instance, Chinn and Frankel (2005) and Gao and Yu (2009) have put invoicing trade and financial transactions under medium of exchange, whilst Ito (2011) arguing that it should be under unit of account. Kenen (2009) gave a comprehensive explanation from the perspective of capital account liberalization. He has concentrated the capital account opening as a crucial definition of currency internationalization.

The scope and scale of international use of the RMB is still limited, and is mainly facilitated by official agreements. A brief summary is provided in the table 1. For instance, for public purpose, the RMB is used in bilateral swaps between central banks; in swap lines under Asian liquidity supporting mechanism, the CMI; as a reserve currency for some central banks, including Nigeria's, Thailand's and Japan's. For the private purpose, the RMB started being used in cross-border trade settlement, bank loans in HK, bond issuance in HK, equities in domestic market by qualified foreign institutional investors (QFIIs) and RMB QFIIs (RQFIIs) for Hong Kong subsidiaries of Mainland Chinese asset management securities brokers, outbound direct investment (ODI) and interbank bond market for authorized foreign central banks.

Private use	**Public use**
- Trade settlement/Trade credit - Bank deposit - Bond - Equity (QFIIs, RQFIIs) - Direct investment (ODI) - Money market (few banks) - Project financing (BRICS) - Crude oil transaction (in barter form)	- Currency swaps between central banks - Swaps under Chiang Mai Initiative - Foreign reserve for central banks - Anchor for currency baskets

Table 1: Current use of the RMB

Source: the author's calculation.

At current stage, the RMB is far from an international currency. However, the initial moves of the RMB internationalization reflect China's strong policy ambition and a step-by-step approach.

Firstly, China began to use the RMB in crisis bailout. The very first RMB swap line was signed between the PBoC and the Bank of Korea in December 2008 when Korean financial firms faced severe liquidity shortage. In the following months, several more RMB swaps were signed between the PBoC and other central banks. As of June 2012, the PBoC has signed 19 RMB swap lines, amounted RMB 1.6862 trillion yuan, with other central banks and monetary authorities. Some recent swaps are not only used for liquidity support, but also for bilateral trade financing.

April of 2009 was the defining timeline for RMB internationalization, when the Chinese government launched the Pilot Program of RMB Settlement for Cross-border Trade Transactions in 5 cities with HK, Macao and the ASEAN countries. It was expanded to 20 provinces with all the countries in June 2010. Since then, thanks to the policy push, the transactions settled in the RMB have increased steady. From 2009 to 2010, the number of exporters using the RMB increased from 365 to 67359. The volume of the RMB settlement increased 141 times during the same period. For the first four months in 2011, the volume amounted to RMB 530 billion, accounted for 5% of China's total trade in the same period. Now, the role of the RMB is extended to investment. In January 2011, China launched the Provisional Rules for the Pilot Program of RMB Settlement for Overseas Direct Investment, allowing the Chinese banks and enterprises to use the RMB in their overseas direct investments. By the end of 2011, China's cross-border trade settlement in RMB under the current account amounted 2.58 trillion yuan (US $409.65 billion).

In order to achieve a goal set out in China's 12th Five-year Plan (2011-2015), in March 2012, the Chinese government announced that all companies engaging in goods and service trade or other activities under the current account can choose to settle in the RMB. Therefore, all the restrictions on the RMB trade settlements have been eliminated.

Secondly, at initial stage, China concentrated on the use of the RMB at regional level in Asia. The major consideration is as follows. (1) China's trade and investment integration with the rest of Asia has increased significantly. More importantly, China has become a production hub in the region. Parts and components imported from Asia increased steady in the past years. Now it accounted almost half of China's import from Asia. Meanwhile, 60% of China's FDI came from Asia. (2) China is running trade deficit with most Asian economies. The largest deficit partners include Korea, Japan, Malaysia and Thailand. Running deficit implies a fundamental need for the RMB liquidity in the region. (3) China is involved with some existing institutional establishments in Asia. For trade, China has signed multiple Free Trade Areas (FTAs) with trade partners in Asia; In the area of finance, China has become the biggest fund provider in the Chiang Mai Initiative Multilateralization (CMIM), the only existing regional liquidity response mechanism with capacity of $120 billion regional reserve pool. China has been also active in building regional financial infrastructure, developing domestic currency denominated bond market, Asian Bond

Market Initiative (ABMI), Asian Bond Market Forum (ABMF), so on and so forth. Those institutional arrangements can facilitate the RMB to become a regional currency. (4) Historic experience suggested that countries with higher trade proportion, higher foreign short-term debt, lower GDP per capita, closer geographical distance with China have strong tendency to use the RMB in their trade and financial transactions with China. The growing importance of the RMB in Asia could partially crowd out the US dollar as a third currency or a vehicle in the region.

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Trade	Asia[1]	8.3	8.2	8.8	9.2	9.2	9.2	9.1	9.3	9.0	--
	P&C[2]	31.8	33.3	36.2	37.6	39.6	42.8	45.9	47.2	-	-
FDI	Asia[3]	-	55.6	52.8	56.0	55.2	44.9	43.5	46.5	48.7	60.7

Table 2: China's trade and investment link with Asia (% of China's total)

Note: 1: ASEAN (10); 2: China's P&C import as percent of total import from Asia; 3 includes ASEAN(4), Japan, Korea and HK.

Source: IMF Directions of Trade Statistic, CEIC, Asian Development Outlook 2010 Update, and author's calculation.

Thirdly, China is taking advantage of HK as a testing ground for the RMB offshore. The starting point was the RMB loans launched in February 2004. It soon turned into a so called "RMB oversea pool", a major container of the RMB circulated outside mainland China.

In order to retain the RMB overseas, China launched the RMB corporate bond issuances in HK in 2007. The RMB bond issuers expanded form Chinese policy and commercial banks to foreign banks, non-financial firms and international financial organizations. By the end of 2010, 43 RMB bonds were issued in HK, amounted to RMB 59 billion in total.

HK has become a multi-currency financial platform for investors to raise the RMB funds. Particularly, the RMB Real Time Gross Settlement (RTGS) system was launched in June 2007. At the end of 2010, the average daily Payment versus Payment (PvP) transactions grew from a limited amount to RMB 6.4 billion a day. Those developments indicate an increasingly active offshore foreign-exchange market in the RMB. With the help of infrastructure building, HK has become the RMB clearing hub.

There has been a strong correlation between the size of the RMB loans and RMB appreciation. For instance, in June 2011, China lessened its intervention in the foreign exchange market and claimed to have a new exchange rate regime with a greater degree of flexibility. Correspondingly, the RMB loans in HK increased sharply (Chart 3). One implication is that, with an offshore RMB market in place, strong appreciation of the RMB will trigger one way bet which is very likely to result in arbitrage. This is also reflected in the asymmetric trading between the RMB payment and receptions, i.e. the RMB is more welcomed as assets than as liabilities. Some Chinese economists even believed that asymmetric trading caused foreign reserve accumulation and domestic welfare loss (Zhang, B.2011; RCIF 2011). Unless China's control over its capital account is effective, arbitrage on exchange rate differentials and interest rate differentials can certainly bring "hot money" into the onshore market in China. However, some others argued that in spite that the RMB offshore markets could pose risks to the onshore markets, they provide space for the Chinese authorities to increase the use of the RMB in global market within limited capital account convertibility (He and McCauley 2010).

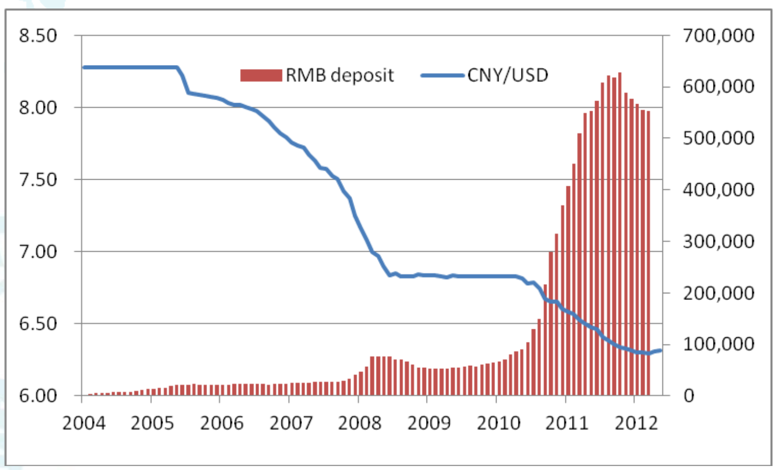

Chart 3: RMB deposit in HK (2004-2~2012-7; right: million yuan; right: RMB exchange rate against USD)

Source: PBOC and HKMA.

3. Domestic financial reform: a bottleneck

There are divergent views on the speed and path of domestic financial reform with regard to the internationalization of the RMB, especially on three aspects: capital account liberalization, domestic financial market development, and exchange rate regime.

Capital control

China's attitude on capital account openness has been very cautious. The opening up was started in 1993 as a political decision by the ruling party. In December 1996, China accepted article 8 of the IMF and committed to lift the foreign exchange restrictions on current account. The 1997-98 financial crisis in Asia slowed down the speed of capital account liberalization in China until 2001 when China obtained accession to the WTO. Since then, China started carefully opening its capital account to facilitate RMB internationalization. The important timelines include: (1) opening equity market in 2002, although most transactions were limited to QFIIs; (2) opening bond market for non-residents in 2007, followed by the RMB financing and capital account transactions carried out on a case-by-case basis; (3) allowing overseas central banks and monetary authorities, the designated the RMB clearing banks in HK and Macao, and overseas participating banks to invest in interbank bond market with their legally acquired RMB assets in the beginning of 2011. That was the very first time for China to open its domestic money market. Overall, the policy intention of RMB internationalization is very much following the same pattern as China has done before: gradual instead of radical.

According to the Chinese official classification, there are four layers in respect to capital controls: convertible (no restrictions, such as lending by domestic banks to foreigners), few restrictions (subject to registration, such as outbound direct investment); more restrictions (subject to approval, such as domestic banks borrow from overseas), and strictly controlled (no permission, such as domestic household can't lend to non-residents). China's current framework of capital control indicates that the direct investment and bank loans are the most convertible of all items. The stock market, bonds and other debt securities are mainly subject to institutional investors. Inflows are more open than outflows. The money market and collective market are subject to relatively more restrictions. Derivatives and other instruments are subject to tight control, and are principally closed to non-residents. Overall, in respect of 40 items of transactions in the capital account specified by the IMF, the most recent self-assessment by the PBoC indicated that 14 items were subject to relatively few restrictions, 22 items were subject to relatively more restrictions, and 4 items were strictly controlled. There was no item subject to free convertibility (Sheng 2012). The current framework of China's capital control is summarized in Table 3.

Table 3: framework of China's capital control as of end of 2009[**]

Note: R refers resident; NR refers non-resident.

Source: IMF (2009) Annual Report on Exchange Arrangements and Exchange Restrictions, and author's calculation.

There is a debate on to what degree that convertibility matters in respect to currency internationalization. Some believe that a certain degree of currency internationalization can be achieved under limited convertibility. In an extreme case, regulations on the use of domestic currency could create incentives for offshore market. The emerging of the DM-offshore markets in 1960s was an example. There are also examples of fully convertible currencies not being recognized as international currencies. However, inconvertibility is certainly a barrier because it limits accessibility of the currency. How to balance between currency internationalization and convertibility becomes a major challenge for the Chinese government. Some Chinese economists strongly argued that careless and fast convertibility can only jeopardize the success of RMB internationalization, inviting arbitrage and financial instability (Yu 2011).

Is there any timetable for capital convertibility in China? It is interesting to note that China's position in respect of capital account convertibility has been on the following principles: gradualism, coordinated planning, tackling easier areas before more difficult ones and reserving grounds. The world may not regard it as an official timetable.

However, it is noticeable that the full convertibility has already put into the 12th Five Year Plan. Some Chinese economists even argued that the next 3 years would be the golden window period for full convertibility, believing that some conditions for full convertibility has already been in place: stable macro-economy, well-established financial supervision, sufficient foreign reserves and sound financial institutions (Huang 2011).

On February 23, 2012, Sheng Songcheng, an official from the PBoC, gave an interview to the Chinese newspaper "China Securities Journal". According to the Sheng (2012) and a

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report written by the PBoC project team (2012), China would achieve capital account convertibility in the next 10 years. The timeline consisted three phases. In the first phase of next 1-3 years, China would lift the restrictions on direct investment and encourage Chinese enterprises to "go abroad"; in the second phase of 3-5 years, China would relax controls on commercial credit; in the last phase over 5-10 years, China would open property, equity and bond market in a careful manner, and would accelerate domestic financial market development. A complete road map and relevant risks for China's capital account convertibility are summarized in table 4.

Table 4: Stages and risks for capital account convertibility

Note: Stages 1 to 4 represent short-term (1-3 years), medium-term (3-5 years), long-term (5-10 years) and future arrangement (unspecific), respectively.

Source: PBoC Project Team "The Basic Conditions Are Mature for Accelerating China's Capital Account Opening," China Securities Journal, February 23, 2012.

In response to the increasing worry about the risks of capital account opening, the PBoC report and the interview emphasized four elements that can mitigate the potential risks: (1) the assets of Chinese commercial banks are mainly denominated in the RMB, so that the risk of currency mismatch is limited; (2) Chinese foreign reserves are mainly invested in bond market, so that the market fluctuation has minimal impact on the revenues; (3) the short-term foreign liabilities accounted small portion of China's overall foreign debt, which is far below the standard warning level; (4) real estate and asset bubbles are under control.

This was the first time the Chinese government announced a timeline with regard to RMB internationalization. However, right after the publication, an instant critique appeared in both Chinese and overseas media. Some believed that without market-oriented domestic financial reform and well-established domestic financial sector's competitiveness, opening the floodgate would be equivalent to inviting foreign "wolves" into Chinese "sheep's house". It would be too risky to open up especially in the circumstance of uncertain world economy in the aftermath of the global financial crisis.

Sluggish domestic financial market

China's financial market is featured by low percentage of direct financing. From 2006 to

2010, banking share in overall financial assets declined from 80% to 75%. But it is still dominating in China's financial system. Equity share has been up and down in the same period and remained at a relative low level of 5.5% by the end of 2010. Bond share increased slightly from 13.4% to 19.3% (Table 5). Bond market is regarded as a key indicator for a currency's potential to be used internationally. Unfortunately, China's bond market is extremely small. Compared with other countries, bond market sizes in relation to GDP in China was only 35.3%, which was much lower than that in most mature markets, such as in Japan, US, UK, Korea and Germany.

Table 5: China's financial structure (percent of total assets)

Source: PBoC.

Why is China's direct financing so sluggish?

Firstly, corporate bond financing is attached to multiple governmental administrations. Let's look at the structure of China's financial policy decision. The State Council is the highest policy making body. Below it are all the functioning departments, including Ministry of Finance (MoF), State-owned Assets Supervision and Administration Commission of the State Council (SASAC), National Development and Reform Commission (NDRC), PBoC, China's Securities Regulatory Commission (CSRC), China's Insurance Regulatory Commission (CIRC) and China's Banking Regulatory Commission (CBRC). Briefly, the first three are in charge of ownership; PBoC carries out monetary policy; the last three conduct supervision and regulation. The advantage of this type of system is that the State Council has an absolute final say and plays a role of the lender of last resort using the central government's credibility. However, the disadvantages include a number of problems. One is that the central bank loses its independency. Another is that information sharing among different departments is somewhat blocked, which actually sows the seeds of financial risks. Domestic market is also segmented into different parts. When a non-financial firm needs to issue bond, it has to go to different departments. The transaction cost is too high, especially for medium and small firms which have limited access to bank loans and equity financing.

Secondly, lack of credit guarantee is another factor. The State owned Enterprises (SOEs) financing heavily relies on big commercial banks and policy banks, which is presumably guaranteed by the government credibility. However, in generally, bond issuance lacks reliable credit ratings in China.

Third, direct financing (bond and equity) relies on the reform of ownership of SOEs and the growth of non-state private sector, which can only take the form of gradualism in China.

Limited degree of interest rate flexibility and constraints in fully interest rate market determination are also the reasons for China's sluggish domestic financial market. The freedom of adjustment by the market rate, retail rate and loan rate in response to changes in the official rate is very limited. Before fully taking advantage of quick response of interest rate resulted from more international use of the RMB, a more liberalized interest rate mechanism should be in place.

Exchange rate inflexibility

Although in history flexible exchange rate has not always been a requirement for currency internationalization, the following cases call for a flexible exchange rate in China. (1) Triangle problem applies in the circumstance of free capital flows, because flexible exchange rate can help the central bank maintain its autonomy of monetary policy, which, in turn, can ensure the credibility of the central bank's policy, hence the credibility of the currency. (2) Over-emphases on exchange rate stability will turn its role as a policy tool into a policy objective, implying that continuous market intervention has become a source for monetary expansion that put fuel onto the fire of current inflation in China. (3)China now realizes the necessity of overcoming "fear of floating". It is time for China to reduce over-protection for domestic financial sectors by inviting exchange rate fluctuation. Inflexible exchange rate provides guarantee for domestic financial sector, so that domestic financial sector has no motivation to hedge or even leant to hedge against the risk of exchange rate, not mention that it is capable of dealing with external shocks in the circumstance of freer capital flows. In fact, there has been a strong voice suggesting a flexible exchange rate policy in accordance with the strategy of RMB internationalization (Yu 2011). In view of a long term, RMB internationalization will certainly bring along with flexibility of RMB exchange rate.

Concluding remarks

In the beginning of 2011, Chinese government took some bold moves in opening its capital account, such as, to invite foreign banks to do the RMB loans in interbank market and to allow the RMB to be used in outbound direct investment. Those moves raised a concern about the policy intention of RMB internationalization. Should RMB internationalization be a policy objective, or leave it to be determined by the market? The Japanese experience in the 1990s was highly relevant in this regard, because the Japanese government used to give a serious policy push for yen internationalization. Normally, policy push can be helpful at the initial stage for a currency to be used by non-residents. But to what degree the currency is accepted in international transactions is determined by the market force. Therefore, RMB internationalization should be a market-driven result rather than a policy objective.

A step by step approach to make the RMB accessible has becomes a consensus in China. However, sequencing is still an issue. There are many proposals in regard to sequencing, among which the followings are most relevant: how to expand the role of the RMB from trade to financial transactions; from regional focus to global coverage; from a denominating currency to an anchor, from a reserve currency to a vehicle; and how to carry out parallel domestic reform, like, interest rate liberalization and domestic financial market development. The domestic reform, in my view, is actually bottleneck for the success of RMB internationalization.

There are divergent opinions in this issue. Some have a fear that putting the RMB in the SDR will invite foreign pressure for RMB convertibility, currency revaluation and rapid domestic financial deregulations. However, some others believe that to be in the SDR basket can make the RMB more recognized by the world, which can help the RMB become an international currency. Up to now, the Chinese government is not yet convinced what the benefit is from being included in the SDR and to what degree China can keep it own pace of reform and opening if China agrees to let its currency join the basket of the SDR.

Recognizing the risks and limitations, the Chinese government gives no clear agenda of RMB internationalization. However, China's more tolerance with slower growth, higher inflation, freer capital flows, flexible exchange rate, liberal interest rates and more other market-oriented reforms, will be certainly on the domestic reform's agenda, which will gradually put the RMB on the path of increasingly international use. The bottom line: the process of internationalizing the RMB is more enjoyable than the outcome itself.

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