

# Accepted Manuscript

A New Financial Order in Asia: Will a RMB bloc emerge?

Takatoshi Ito

PII: S0261-5606(17)30039-6

DOI: <http://dx.doi.org/10.1016/j.jimonfin.2017.02.019>

Reference: JIMF 1763

To appear in: *Journal of International Money and Finance*



Please cite this article as: T. Ito, A New Financial Order in Asia: Will a RMB bloc emerge?, *Journal of International Money and Finance* (2017), doi: <http://dx.doi.org/10.1016/j.jimonfin.2017.02.019>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

**A New Financial Order in Asia:****Will a RMB bloc emerge?**Takatoshi Ito<sup>1</sup>

November 2, 2016

## Abstract

The objective of this paper is three-fold. First, the monetary and exchange rate regimes of the Asian countries are described and analyzed. The degrees of flexibility in exchange rates and capital controls vary across countries. Some countries have adopted a flexible inflation targeting framework, while others have pursued exchange rate targeting. The paper presents a new result of a tradeoff between price stability and exchange rate stability in the hyperbolic relationship of Asian countries. Second, a framework that analyzes and quantifies the degree of currency internationalization is proposed and applied to the RMB. In every indicator, the RMB's weight in private-sector international finance has grown in the last several years, both in the private and public sectors. In the settlement role of currency, the RMB is ranked 8<sup>th</sup> in the BIS survey and 7<sup>th</sup> in SWIFT usage. This paper exploits data of a recent period when the RMB became de-pegged from the USD and show some of the emerging Asian currencies co-moving with the RMB, more so than the USD. In the official sector, RMB is also increasing its weight. The Chinese central bank has extended the currency-swap agreements with 30-some countries, so that the RMB can be used for trade finance and liquidity assistance. The RMB is adopted as a composition currency of the Special Drawing Rights (SDR), effective in October 2016, with 10.92 percent, ranking number 3, surpassing the JPY and GBP. Finally, potential impending changes in the Asian monetary and exchange rate regimes in Asia are discussed. Projecting the growth of the Chinese economy into the future, the weight of the RMB in the financial markets will increase globally as well as in Asia.

Key words: Asia, financial architecture, self-insurance, Chiang Mai Initiative (CMI), Renminbi internationalization, Special Drawing Right (SDR), central bank currency swap, Frankel-Wei regression

---

<sup>1</sup> Professor, School of International and Public Affairs, Columbia University. Email: [ti2164@columbia.edu](mailto:ti2164@columbia.edu). An earlier draft was written and presented in a conference at the University of Tokyo on July 25-26, 2016. The author is grateful to participants of the conference.

Download English Version:

<https://daneshyari.com/en/article/5101125>

Download Persian Version:

<https://daneshyari.com/article/5101125>

[Daneshyari.com](https://daneshyari.com)