

The Future of the Yuan: Measuring the "Power" of Renminbi (RMB)

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ABSTRACT

Money is one of the most important "creatures" of the state. It has both soft and hard power at the same time. The power of a country can be seen from the strength of its currency exchange rate and its spread, and it is found that the use of Yuan has increased significantly, especially in trade between China and its trading partners. This is driven by various factors, such as the Chinese government's policy to promote the internationalization of Yuan, the establishment of an offshore Yuan market in Hong Kong, and Yuan's role in the Belt and Road Initiative. Although the Yuan is not yet a global reserve currency, this article concludes that the Yuan's Power as Hard Power and Soft Power is increasing, and the Yuan has strong potential to play a greater role in the international monetary system in the future, supported by China's economic growth and the government's efforts to increase its use globally.

Keywords: yuan, currency internationalization, power

1. Introduction

What has become a phenomenon related to "money" since the last two years is the rise of dedollarization efforts, especially in ASEAN countries. One of the causes is the trade war between China and the US. Dedollarization will intentionally reduce the power of the dollar as a means of purchasing transactions, which can happen if the use of the dollar is reduced and many transactions use other currencies. This will result in a decrease in the global dominance of the US dollar, a weakening of its exchange rate, a decrease in US dollar foreign exchange reserves, and will pose challenges to US monetary policy (Kamli-

na, Soehandoko, 2023). In 2023, five ASEAN countries (Indonesia, Thailand, Malaysia, Singapore and the Philippines) agreed to dedollarize. This is due to several reasons such as reducing dependence on the US dollar and strengthening local currency stability, reducing the risk and impact of global economic turmoil, building more just and equitable world order, enhancing ASEAN regional financial integration (Rachama, 2023).

Not only in the ASEAN region, the BRICS cooperation also agreed to dedollarise with the aim of reducing dependence on US dollars and, of course, on American dominance. This cooperation suggests its members to conduct transactions using local currencies or create a special gold-based currency to be used by its members (Sorongan, 2023). One of the countries included in the BRICS membership is China which is the main motor of BRICS. China makes a significant economic contribution to this group. In 2022, BRICS contributed 28.96% to global gross domestic product, with the largest contributions from China (34.9%) and India (15.4%)(Hooijmaaijers 2021).

China's continued involvement in the global economy has brought currency into the mix. The share of Chinese yuan (CNY) in Russian import invoices has increased significantly from 3% in 2021 to 20% by the end of 2022. The use of CNY as a vehicle currency has increased on average by 4% among BRICS trading partners that have active currency exchange lines with the People's Bank of China. The yuan has overtaken the euro as the second most dominant currency in Brazil's foreign exchange reserves. Countries such as Argentina, Brazil, Iran, Russia and Saudi Arabia have used the yuan for bilateral trade settlement with the PRC (Jennings, 2023).

Experts in China have differing opinions on the potential for the Chinese yuan (renminbi or RMB) to play a greater role in the international monetary system. Liu Qing, a professor at Tsinghua University, stated that recent data on the yuan's share in global currency payments shows its increasing importance as a global currency. The yuan has experienced a rapid increase in popularity as a reserve currency and a currency used for international transactions, reaching the point where it is now the eighth most traded currency in the world. (Liu Qing 2024) This positive affirmation is almost similar to what Professor Qingshan Tan from Cleveland State University said in an offline discussion at Central China Normal University in April 2024, he argued that, the RMB's position in the international is more stable from shocks so that it is increasingly used in international trade and exchange, this shows a positive prospect in the next few years. (Qing Shantan, 2024) .

However, the good news is not without concerns that may be detrimental to the Renminbi's strength. According to Wing Wong (2019), a student at McGill University, argues that despite China's efforts, the chances of the Yuan overtaking the US Dollar as the world's major currency are slim due to several factors: China has yet to fully develop its economy to its full potential. It needs to liberalize its economy further. China's

financial institutions still lack efficiency and transparency. Wong suggests the more likely scenario is that the yuan will become the dominant regional currency rather than the next global currency. These concerns are still valid today, as Keyu Jin has explained in her book *New China Playbook* (2023) that he states that China's ability to make the Renminbi a global financial currency depends on the depth, size and scope of China's financial system. However, he sees no signs that China will liberalize capital controls in the near future, which is an important condition for developing China's still immature financial markets.

In addition to China's trade transactions that continue to bring Yuan into greater popularity, Yuan is also carried by Chinese travelers to various countries. Some major tourist attractions and shopping malls in Indonesia, Thailand, Vietnam, Cambodia, and other countries have accepted yuan payments in certain places, such as Bali and Phuket. The Alipay application can be used immediately. Especially in Phuket Thailand, some hotel and shopping center owners have adopted Alipay and Wechat as payment transaction tools. This phenomenon is inseparable from the new tradition of Chinese people who prefer to travel and shop. This consumptive nature is a new culture of Chinese reform that has grown since decades ago. If Chinese people in the past had a very strict saving habit, then young Chinese who grew up in the late 80s to 2000s have the opposite habit (Jin, 2023).

The widespread use of Yuan has led to speculation, both positive and negative. However, the widespread use of Yuan is believed to help China strengthen its economy and reduce the power of Western economies (the US dollar) (Fitri, 2017) and is accompanied by the potential for currency wars in the Asian region (Herman, 2015).

In China, money has become entrenched and cultured. China has a deep-rooted and complex cultural attitude towards money that has evolved over centuries. In ancient China, the wealth and stability of the country were highly valued because more farmland and resources meant stronger and healthier communities. This historical context continues to influence modern Chinese society's views on money. Confucianism has played a major role, emphasizing the importance of balance - not being obsessed with money but also not neglecting it, as wealth can allow one to do good for family and society. Social hierarchy in China is closely linked to money and work, with wealth and status inextricably linked (Ricky, 2023). There are many theories about Chinese culture and money, but what is certain is that the old Chinese were known for saving and being stingy with their money, but the current of Chinese generation are known for being more generous, consumptive and preferring to travel for holidays (Jin, 2023).

2. Literature Review

China's continued economic growth and growing global influence are expected to drive the internationalization of the Yuan. As China becomes a bigger player in the global economy, there is a growing consensus that the Yuan will challenge the domi-

nance of the US dollar as a reserve currency. Researchers have found that policy reforms by the PRC government, such as capital account liberalization and exchange rate flexibility, have helped increase the international use of the Yuan. These reforms are seen as an important step towards the yuan's ascension as a global currency (Mallaby & Wethington, 2011).

However, the Yuan also faces challenges in becoming a true international reserve currency. Issues such as capital controls, limited convertibility, and the lack of deep and liquid financial markets in the PRC may limit the yuan's global reach, Mallaby and Wethington (2011) note that "far from confirming the inevitability of the yuan's rise, the PRC's uncertain efforts to internationalize its currency have exposed the enormous struggle that lies behind the country's efforts (Orăștean, 2023)."

From historical perspective, Yuan has not followed the same path as the rise of the US dollar. Cohen argues that "the use of international currencies is clearly path-dependent" and "new entrants, therefore, start with a distinct competitive disadvantage that may be difficult to overcome." This article traces the evolution of the renminbi from its origins as a "unifying currency" for the Chinese Communist Party to its current status as a tool for expanding China's global influence. Geographically, Yuan's global reach is closely tied to the PRC state, with RMB-denominated loans used to fuel infrastructure projects in countries participating in PRC's Belt and Road Initiative. This is in contrast to the more organic and market-driven internationalization of the US dollar in the 20th century (Lim, 2023).

The Yuan has the power to play a greater role in the international monetary system, but its full potential as a reserve currency depends on continued economic and financial reforms in China. While the Yuan is likely to become more prominent globally, its path to reserve currency status will be shaped by China's specific situation and may not follow the same trajectory as previous reserve currencies.

According to Shen Wei and Zhao Erya (2023), nowadays digital RMB can facilitate the internationalization of the RMB, which is both an expression of international monetary power and a means to acquire such power. In terms of theoretical feasibility, central bank digital currencies can help reduce the ongoing adjustment and transition costs of sovereign monetary states and help build the identity of participants. In terms of practical possibilities, although the hegemony of the US dollar is still the biggest obstacle to the internationalization of the renminbi, the frequent imposition of financial sanctions by the West provides an opportunity for the digital renminbi to reconstruct its identity as a participant. The digital RMB can also provide a basis for the creation of a comprehensive hegemonic currency, thereby reducing the spillover effect of dollar value fluctuations and promoting the multipolarity of the international monetary and financial system.

3. Theoretical Framework

3.1 Concept of Power

Scholars often refer to the different dimensions of power, leading to different perspectives on their nature and implications. While some define power as the ability to influence others to act in a certain way, others emphasize additional aspects, such as soft power, smart power, and sharp power (Drezner, 2021).

Power is seen as an essential element in international politics, with a focus on survival in the absence of global authority. Realists believe that states must prioritize survival over all else in an anarchic world where power is ever-present. The accumulation of power is considered necessary for survival, leading to a self-defeating cycle of power competition among states. Realists emphasize the balance of power as the primary mechanism in international relations, in which states choose to balance rather than go along to ensure their security. The pursuit of power is considered inevitable, but also counterproductive, as it triggers reactions from other actors that increase costs and risks. Realists also emphasize the limited compatibility between powers, especially military power, highlighting the importance of military power in empirical research and the causes of war.

In liberalism, power has a positive feedback effect over time. The successful creation of international institutions is believed to result in increased benefits for creators. Liberals emphasize focal points, transaction costs, legitimacy, and credible commitments as key processes that lead to the preservation and enhancement of power through institutions. This approach differs from realism's belief that institutionalized power leads to negative outcomes. Liberals argue that institutions play an important role in shaping and reinforcing power dynamics, creating complementarities that strengthen the liberal order.

While in constructivism, power is naturalized, moved away from the status quo, and placed in a political and historical context. Constructivists emphasize longer time gaps, focusing on how power dynamics evolve over time. Unlike realism and liberalism, constructivism highlights the potential for changing identities and interests, especially over long periods. Power is an integral part of social construction and influences the content and trajectory of the interactions between states. Constructivism challenges the notion that power is not a priority in its theories, by recognizing the pervasive role of power politics in shaping social constructions.

Various types of power are discussed in the document, including hard, soft, smart, sharp, network, social, ideational, discursive, productive, protean, symbolic, structural, and relational power. Scholars argue that the list of power types is endless, and some even believe that a single definition of power cannot be achieved because of the many variations and dimensions associated with the concept.

However, among the many powers that exist, "hard power and soft power" are still

common and more frequently used power concepts.

First, hard power is a direct and practical form of power that relies on economic resources or military force to achieve desired outcomes. This involves the use of inducements (carrots) or threats (sticks) to influence others. Hard power is resource-based and emphasizes the accumulation of tangible resources to impose will. Hard power manifests through the ability to threaten and potentially use physical violence or coercion to achieve goals. The effectiveness of hard power lies in the ability to carry out threats and demonstrate a willingness to use violence if necessary (Pallaver, 2011).

Second, soft power. Soft power refers to the ability to attract others to one's side without coercion. It involves shaping the preferences of others through attraction, persuasion and influence. It involves building influence through non-military and non-economic means, focusing on creating attraction and appeal to achieve desired outcomes. Soft power assets are the resources that generate this attraction and influence (Wilson, 2008).

3.2 Money and State Power

Money is essentially a "creature of the state"—the state has the power to create and control currency, which has a significant influence. The state's ability to determine the unit of account and enforce the use of its currency through taxation and other policies allows the state to shape economic and political outcomes (Cohen, 2013).

Money is a major source of state power in international relations, as it allows states to shape economic and political outcomes, project influence, and maintain a degree of sovereignty and policy autonomy. A state's control over its currency can be utilized as an instrument of power and politics. For example, a state can use its currency to influence trade, investment and financial flows, or as a tool of economic coercion through sanctions (Bell, 2001).

In his article, Zhong (2023) explains the evolution of currency in terms of its medium and underlying credit. Starting with commodities such as shells and gold, the medium of currency evolved into fiat backed by national credit, and now digital currency. Despite the new medium, the nature of currency has not fundamentally changed. Meanwhile, from being gold-based, currency credit shifted to national credit after the collapse of the Bretton Woods system. Major international currencies such as the US dollar, euro and yen represent the economic power and policies of the issuing country. Internationalization of currencies can be achieved through the "asset" path where the interests of residents and non-residents are aligned in wanting appreciation, or the "liability" path which tends to weaken the currency. Exchange rates themselves reflect investor confidence which is influenced by expectations of economic growth, balance of payments, and interest rate differentials. As such, a strong international currency is a reflection of the economic strength, policies, and national power of the issuing country.

A state's control over its currency can be utilized as an instrument of power and politics. For example, a state can use its currency to influence trade, investment and financial flows, or as a tool of economic coercion through sanctions (Tcherneva, 2016). Money is a state instrument with two powers. Money can be a hard power as well as a soft power. Money can be considered a form of hard power for a state in international relations, in several ways.

Economic Coercion: A state can use its economic resources and financial influence as a hard-power tool to coerce or pressure another state. This can include imposing economic sanctions, trade restrictions, or withholding financial aid to force other countries to change their behavior or policies (Chen, 2022).

Economic Incentives: Providing economic incentives, aid, or investment can also be a form of hard power as it allows a state to influence the interests and decision-making of another state. The promise of economic benefits or the threat of not providing them can be used to shape the behavior of other states (Charlton & Gao, 2024).

Economic Dominance: A country's overall economic power, including the size of its economy, control over key resources, and financial capability, can be a source of hard power. Economic dominance can give a state the leverage and ability to coerce or pressure another state through economic means (Wagner, 2014).

Debt Trap Diplomacy: Providing predatory loans and investments to other countries can enable powerful economies to exert influence and control over debtor countries. This allows the lending country to gain political concessions or shape its policies (Charlton & Gao, 2024).

Meanwhile, money also functions as a country's soft power in the following ways.

Money as a Store of Value: When money is accepted as a reliable store of value, it can provide leverage and attractiveness to a country or an entity. People are more willing to hold and use the currency, thereby increasing the economic and political power of the country. Money also serves as a medium of exchange; a widely accepted currency that facilitates transactions can make a country's economy more attractive and influential globally. This gives the issuing country influence and soft power. **Seigniorage:** Governments can benefit from seigniorage, the profits made from issuing currency, which can fund soft power initiatives such as cultural exchanges, foreign aid, and public diplomacy. **Foreign Aid Money:** Providing foreign aid and development assistance, can be a way for states to exercise soft power by building goodwill, influence, and attractiveness. **Investment and Trade:** Strategically directing investment, imports and trade flows can be a way to project soft power and influence (Angeulov & Kaschel, 2017).

Currently, China is working to promote the development of the digital economy. Some of the key tasks and measures taken include accelerating the construction of new digital infrastructure such as 5G networks and data centers, promoting the in-

tegration of the digital economy with traditional industries through initiatives such as smart manufacturing, cultivating leading digital economy companies and specialized industrial parks, strengthening governance through legal and security improvements, and expanding international cooperation through platforms such as the Digital Silk Road. China believes in the importance of the digital economy to drive economic transformation in China. Therefore, China has made significant progress in areas such as e-commerce and mobile payments due to the growth of the digital economy, but also recognizes challenges such as unbalanced regional development and insufficient innovation capabilities that need to be overcome. The ultimate goal is to leverage the digital economy to achieve high-quality development through measures that include infrastructure, integration, market entities, governance, and global cooperation (The State Council Information Office of the People's Republic of China 2023)

Money can be used to attract and co-opt others through economic influence, rather than coercion. A state with significant economic resources and wealth can use this to shape the preferences of other actors and make them desire the state's desired outcomes (Nye, 2004). A state's economic prosperity and ability to provide development assistance, foreign aid or investment can make it an attractive partner to other states. This can increase a country's influence and soft power, as other countries may be more willing to align with its interests and policies (Stokke, 2010). Additionally, providing development assistance, funding international organizations or investing in other countries' economies allows a country to project its values, norms and interests globally. This can enhance a country's soft power by making it appear benevolent, responsible and a leader on global issues. A country's economic resources can also be used to fund cultural exchanges, scholarships, and other programs that promote the country's language, values, and way of life. This can increase a country's cultural appeal and attractiveness, further increasing its soft power.

4. Methodology

This research uses qualitative approach with literature study method. The literature study was conducted by collecting, reading, and analyzing various sources related to the internationalization of the Yuan and China's role in the international monetary system. The data used in this study are secondary data derived from various sources such as, books, scientific journals, and articles that discuss the internationalization of the Yuan and China's monetary policy.

Data collection is done by library research through literature searches both print and electronic that are relevant to the research topic. Literature was collected from various sources such as books, scientific journals, reports, and online articles. The data that has been collected is analyzed qualitatively with the steps of Identifying and classifying, Conducting content analysis to understand and interpret the data, Comparing and contrasting findings from various sources to get a comprehensive picture, Drawing

conclusions based on the data analysis conducted.

This research uses a conceptual framework that includes concepts such as the internationalization of currencies, the role of currencies in the international monetary system, China's monetary and financial policies, as well as the Belt and Road Initiative (BRI) and its influence on the use of the Yuan. By using a literature study-based qualitative research methodology, it is hoped that this article can provide a comprehensive analysis of the Yuan's prospects as an international currency and China's role in the global monetary system.

Regarding the development of the Renminbi, the latest data shows that the Chinese yuan (renminbi or RMB) is gaining importance and a growing share in global currency payments. In March 2024, Yuan's share in global payments reached a record high of 4.7%, approaching 5%. (Bloomberg 2024) This marks an increase from the previous high of 4.6% in December 2023. (Bloomberg 2023) The yuan has surpassed the Japanese yen to become the fourth most used currency in global payments, behind the US dollar, euro and British pound. While the US dollar ranks first with a 47% share, the euro's share has declined below 22%, allowing the yuan to move up the rankings. (The Economist 2024).

5. Discussion

5.1 The Reasons China's Money is Getting More Popular

The popularity of the Renminbi or Yuan cannot be separated from its internationalization efforts. The internationalization of the RMB occurred after the Chinese government promoted the RMB as an international currency after the 2008 crisis and the decline in the credibility of the dollar. The RMB internationalization process began in July 2009 with the launch of a pilot project by the People's Bank of China in five regions of China and Hong Kong. RMB is not driven by market demand but rather by a top-down government-led project. By using measures such as full control of capital flows by liberalizing capital account transactions, the use of financial statecraft such as the Belt and Road Initiative to expand the cross-border use of RMB, the inclusion of RMB in the IMF's Special Drawing Rights in 2016, the policy of not opening a full capital account in an effort to avoid financial crises and inflation (Eichengreen & Kawai, 2015).

Internationalization of a country's domestic currency is motivated by a variety of factors, such as incentives arising from large-scale trade, the reduction of trade transaction costs, and cross-border activities that can change monetary geography with the emergence of hierarchical relationships between other countries' currencies. As China's economy grows and the demand for commodities and supply is low, producers in international markets must adjust to "Chinese prices" in order to survive in the market (Ramadhani, 2011).

In addition to this internationalization, there are several reasons why the yuan (RMB) is growing in popularity:

First, Increased Use of RMB in International Payments. As China is the world's second-largest economy, the RMB is increasingly important and widely used in international trade. The RMB was officially included in the IMF's Special Drawing Rights (SDR) basket in 2016, making it one of the major international currencies. China's reforms and liberalization of the RMB, such as expanding its forex trading hours and issuing more RMB-denominated debt, qualified it to become an international currency followed by The use of the RMB in international payments continues to increase (Pamudi, 2020), supported by China's economic growth and China's efforts to promote the use of the RMB globally, such as through the Belt and Road initiative so that the RMB is considered a stable alternative to conventional and crypto currencies, especially amid global volatility due to the COVID-19 pandemic and the Russia-Ukraine conflict. Particularly developing countries including in Southeast Asia, are increasingly pushing for the use of RMB in the global payment system as an effort to reduce dependence on the US dollar (Hasibuan, Cherry, Damanik & Larasati, 2022).

Second, the Chinese Government licensed banks in Hong Kong to provide banking services related to RMB deposits and exchange rates, thus creating an offshore RMB market in Hong Kong. The availability of this offshore market service facilitates and eases trade transactions between China and its trading partner countries, increasing the demand for the RMB as a transaction tool. China has allowed Hong Kong residents to convert between RMB and Hong Kong dollars as well as allowing overseas direct investment in RMB, further encouraging the use of RMB in the offshore market. The Chinese government has also expanded Qualified Foreign Institutional Investor (QFII) and RMB Qualified Foreign Institutional Investor (RQFII) schemes to allow foreign institutions to invest in China's stock and bond markets using RMB. Chinese companies are also allowed to issue offshore RMB bonds, further increasing the liquidity and usage of RMB in international markets (Lai, 2015).

Third, China's economic and trade roles are increasing. China has become the largest trading partner among many countries in the Asia-Pacific region. The use of the RMB in trade and investment reduces the risk of exchange rate fluctuations for China's trading partners. The use of RMB in international payments continues to increase, supported by China's economic growth and China's efforts to promote the use of RMB globally, such as through the Belt and Road initiative.

For these reasons, it is very difficult to reject China's dominance of money; therefore, until now, many countries have adopted RMB as a payment reference, so that the Yuan is converted into various world currencies.

5.2 BRI as a Tool to Increase the RMB's "Power"

One of China's efforts to strengthen Yuan is the BRI. The Silk Road Fund, the main financing vehicle for the BRI, has been injected with additional RMB capital by the Chinese government to strengthen the RMB through the BRI channel. This allows

the fund to provide financing for BRI infrastructure projects in RMB, promoting the use of the Chinese currency (Meczner & Norsic 2021).

In addition, China has also established RMB clearing centers: China has established RMB clearing centers in countries along the BRI route, such as in Europe, to facilitate cross-border RMB transactions and settlements. This helps increase the use and circulation of RMB globally (Casarini, 2015).

Encourage trade and investment settlement in the RMB: The BRI aims to increase trade and investment flows between China and the participating countries. China encourages the use of RMB for these cross-border transactions, reducing reliance on the US dollar and expanding the global footprint of the Chinese currency (Liu 2023).

Reduce currency risk for Chinese investors: By denominating BRI projects in RMB, the PRC can reduce the currency risk for companies and investors involved in the initiative. This makes the RMB a more attractive currency for international transactions.

Promote RMB internationalization: Leveraging the BRI to increase the use of the RMB is in line with the PRC's broader goal of internationalizing its currency and reducing its reliance on a global financial system dominated by the US dollar. The BRI provides a platform to gradually expand the convertibility of the RMB and its status as a reserve currency (Deng, 2024).

The continuous efforts above have made the RMB crucial exchange rate today. Its use is becoming more widespread, not only for certain parties.

5.3 Looking at the Yuan in the Future

Looking at its movement and development, RMB is not only favored in the form of trade transactions, but its spread is also comprehensive. This cannot be separated from the system used by China to manage its economy and money. China is not only good at trading and controlling the market, but the Chinese communist government also has strong control over RMB. At least for now, Yuan's future will be strong for several reasons. From the perspective of domestic businesses, the Chinese government participates in controlling the economy. The hybrid capitalist and socialist system implemented by China can reduce the risk of the overstatement of the Chinese economy and the value of its money. RMB internationalization efforts are also important because RMB internationalization provides several benefits for China, such as obtaining Seigniorage (profit from currency issuance), the ability to finance the balance of payments deficit with its own currency, and increasing monetary power (Seth, 2023). In addition, RMB internationalization can also create sustainable economic development and societal stability for China and if this internationalization continues then in the next 10-15 years, the use of the RMB could become more popular than the US Dollar (Simmons, 2014).

If we look outside China, the use of RMB is increasingly in line with Chinese people who like to travel and make business trips. The central destination countries of these travelers certainly do not stutter with Chinese money, along with many transaction interests (hotel reservations, tickets, tourist attractions, and even the purchase of goods from China). The exchange of local money against the RMB is also facilitated, and many local money exchange agents against the RMB, clearing centers, and Chinese banks are also established in local countries, and China seeks to connect with local banks through payment applications such as Alipay. In a sense, China always strives to make RMB accessible to everyone everywhere without complicating matters, not only for international trade or other large needs but thoroughly. This effort makes RMB increasingly popular and difficult to resist because it causes dependence in many ways.

6. Conclusion and Recommendation

Basically, money is a "creature" of the state that can determine the economy and politics, determine tax units, and other things (hard power), but it does not rule out the possibility of being a soft power for a country, which is related to the amount and exchange rate obtained and how a country's currency runs social control. For China, the RMB as a currency not only functions as a hard power, but also as a soft power. In the sense of the word, RMB for China is not only used for its economic and trade will, but the use of RMB when it functions as a global medium of exchange, seignore, is also a tool for China's assistance. When the RMB are more widely used outside China and the international community holds a lot of wealth in the form of RMB, it is difficult for this currency to resist the growth of its strength. Supported by the efforts of the Chinese government, which has systems and obligations to control money such as capital flow control, central bank intervention, reference rate setting, and convertibility restrictions, the Chinese government can maintain control over the RMB exchange rate and prevent the exchange rate from plummeting in the international market, the value of the RMB is not only maintained, but also remains stable from certain shocks. With the supervision and control of the Chinese communist government and the popularity of the RMB internationally, the RMB will retain its strength in the coming years.

However, this does not mean that the Renminbi is free from obstacles and concerns. As mentioned in the introduction, making the renminbi a global financial currency depends on the depth, size, and scope of the Chinese financial system and liberalizing the renminbi requires a wise calculation with the right combination of timing. Overtaking the United States dollar is out of the question at this point, but China has its own path to becoming a regional currency. In other words, the renminbi's strength is increasing very well, but there are still not enough conditions to replace the dollar in the near future.

Some efforts that can increase the strength of the renminbi include:

First, continued financial reform and liberalization: The PRC should continue its

efforts to liberalize its financial markets and promote the use of RMB globally. This includes further opening up the capital account, expanding the overseas RMB market, and allowing greater convertibility of the RMB. Reforms that increase the flexibility and transparency of the PRC's exchange rate regime will also enhance the attractiveness of the RMB as an international currency. Provided that liberalization is done with careful calculation.

Second, capitalize on the Belt and Road Initiative (BRI). The BRI provides a platform for the PRC to promote the use of RMB in trade and investment settlements with partner countries. Encouraging RMB-denominated contracts, setting up RMB clearing houses, and reducing currency risk for PRC investors can increase the global footprint and internationalization of the RMB.

Third, develop deep and liquid financial markets. To support the RMB's role as an international currency, the PRC should continue to develop a deep and liquid financial market for RMB-denominated assets. This includes expanding the issuance of RMB-denominated bonds, both at home and abroad, and promoting the use of RMB in international financial transactions.

Fourth, maintaining economic growth and stability. A strong and stable Chinese economy is critical to the RMB's prospects as an international currency. Sustained economic growth, coupled with prudent macroeconomic policies and structural reforms, can enhance the attractiveness of the RMB and strengthen its role in the global monetary system.

Fifth, encouraging the use of RMB in commodity trade, especially energy and natural resources, can increase global acceptance. This can be achieved through initiatives such as making commodity futures contracts denominated in RMB and promoting the use of RMB in commodity pricing and settlement.

Sixth, continue to strengthen China's international cooperation. China should continue to engage in international cooperation and participate in global economic governance forums. This can help build trust and confidence in the RMB among other countries and facilitate its acceptance as an international currency.

With the above efforts, the strength of the renminbi has a great opportunity to increase its strength or at least not decrease from what it is today.

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