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SEQUENCING RMB INTERNATIONALIZATION

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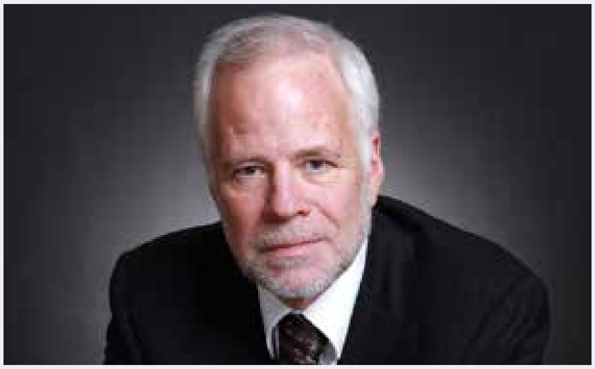

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ACRONYMS

CBRC	China Banking Regulatory Commission
FDI	foreign direct investment
FTAs	Free-Trade Accounts
FTNs	Free-Trade Accounts for Non-residents
IMF	International Monetary Fund
OTC	over-the-counter
PBoC	People's Bank of China
QFII	Qualified Foreign Institutional Investor
RMB	renminbi
RQFII	RMB Qualified Foreign Institutional Investor
SFTZ	Shanghai Free Trade and Financial Zone

EXECUTIVE SUMMARY

Chinese officials are committed to promoting wider international use of their country's currency, the renminbi (RMB). RMB internationalization will entail a series of steps that will have to be implemented over time. This paper asks how the process of RMB internationalization will unfold. It analyzes in what order those steps should be taken and how they should be related to one another.

In order to successfully internationalize the RMB, in the sense of enhancing its attractiveness as an international unit of account, means of payment and store of value, China will have to build deep and liquid financial markets open to the rest of the world. In practice, such markets, like Rome, are not built in a day. Nor is building them without risk. Financial liberalization and opening are fraught with difficulty. The experience of the euro area illustrates the problems that can flow from removing capital controls before prudential supervision and regulation have been adequately rationalized and strengthened. This is not an experience that China should seek to emulate.

Consequently, the country is likely to adopt a cautious and gradual approach to financial development, capital account liberalization and RMB internationalization. But the problem with a gradual approach is that the train may never reach the station. This, in turn, points to the desirability of strategies capable of accelerating the process of currency internationalization without also exposing the financial system and the economy to unnecessary risks. Selective capital account liberalization that focuses on buy-and-hold investors and capital inflows rather than outflows, the negotiation of swap arrangements with foreign central banks and the promotion of offshore financial centres are three obvious means to these ends. They are the options on which the Chinese authorities have focused so far. They are the options that they should continue to pursue.

INTRODUCTION

RMB internationalization is a process as well as a state and a goal of Chinese policy. Whether the RMB is widely used as a unit of account, means of payment and store of value in international transactions by private and public sector entities — these being the core functions of an international currency — is not a question that admits of a yes-or-no answer. There are different degrees of RMB internationalization, and the degree to which the currency has been internationalized is something that has changed and will continue to develop over time. Internationalizing the RMB will entail a series of steps by Chinese policy makers that similarly have to be implemented over time. Those steps will not all be taken at once. Rather, they will be sequenced — sensibly, it is hoped.

This paper focuses on this sequencing problem — on the *process* of RMB internationalization. It does not revisit the question of whether RMB internationalization is an appropriate goal of Chinese policy. Nor does it assess its implications for the rest of the world.[1] Instead, this paper asks how the process of RMB internationalization will unfold, seeking to identify key steps. It then analyzes in what order those steps should be taken and how they should be related to one another.

There are parallels between this question and the questions in related literatures in economics. Most obviously, there is the literature on sequencing capital account liberalization, where questions include what components of the capital account should be liberalized first and what components should be liberalized later, and how the removal of restrictions on transactions on capital account should be related to other economic and financial reforms. Since capital account liberalization is a necessary condition for currency internationalization by a country starting from China's position, the literature on the former is directly relevant to the latter.

More generally, there is the literature on the order of economic liberalization in the transition from a controlled or planned economy to a market system.[2] Here questions include how the liberalization of international transactions should be sequenced with the privatization of state-owned enterprises (including banks) and the removal of controls on prices (not least the prices of bank loans and deposits). China may no longer be a planned economy in the classic sense, but significant elements of central control remain. Neither is it a fully marketized economy, in other words. Its banks are still majority state owned, which affects their lending and how they are viewed by international investors. Although Chinese policy makers have taken steps to liberalize interest rates, significant controls on rates remain, which is something that has implications for RMB internationalization.

Then there is the literature on financial development, which asks: what steps should be taken to promote the development of deep and liquid financial markets, and in what order should they be taken? In part, the connections between this literature and the literature on RMB internationalization run through work on capital account liberalization, since it is sometimes argued that capital account liberalization stimulates financial development by subjecting domestic financial institutions to the chill winds of international competition and by helping to create a more diverse investor base that makes for a more liquid market. But the literature on the sequencing of measures to foster financial development is relevant more generally,

1 I have covered these issues elsewhere. See, for example, Eichengreen (2013a, 2013b) and Eichengreen and Kawai (2014).

2 See, for example, McKinnon (1991) and Lavigne (1995).

since the development of deep and liquid financial markets is another necessary but not sufficient condition for currency internationalization.

Finally, there is the literature on the connections between economic liberalization and political liberalization.[3] Issues here include whether the prevailing economic and political regimes are compatible with one another. Or do economic reforms, in order to be fully credible and irreversible, have to be accompanied by political reforms? Conversely, do political reforms in the direction of greater openness and contestability increase the likelihood of economic reforms in the same direction? In the context of RMB internationalization, there are two implied questions: Must China transform its political system in the direction of greater openness and contestability in order for the RMB to be seen as an attractive international currency by residents and non-resident investors?[4] And will the economic and financial liberalization that is integral to the process weaken the regime's political control, with implications for the openness, contestability and perhaps even the stability of the Chinese political system?

The second section of this paper seeks to clarify what is meant by an international currency. The third section then considers these related literatures on sequencing in more detail in an effort to draw out their implications for RMB internationalization. Several possible sequencing strategies are then described, and the final section concludes in favour of one.

What Do We Mean by an International Currency?

An attractive international currency has three essential attributes: size, stability and liquidity.[5] Size refers to the fact that the issuing country must have a scale that allows it to engage in a large volume of international transactions. This will render the currency a natural habitat for residents engaged in international transactions and foreigners doing business with them, since the currency employed in that context can be used for a variety of other transactions at minimal cost. To the extent that network increasing returns are important in money and finance, a large volume of cross-border transactions by agents predisposed to using that currency, other things equal, will make it attractive for still others to follow, broadening and accelerating the process of currency internationalization still further.[6] The association between issuing-country GDP and the volume of its overseas trade and financial transactions on the one hand and the use of assets denominated in its currency as reserves and in private foreign investments on the other is one of the more robust regularities in the literature on the demand for international currencies, consistent with this view.[7]

Second, the currency in question and the financial markets of the country issuing it must possess a suitably high level of stability in order to be attractive to international users. The currency must be stable in the sense of maintaining its value, while the financial markets of the issuer must be stable in order to reassure holders that this value will similarly be maintained in the future. Instability of the real economy — deep recession or a sharp slowdown in growth — may similarly erode confidence among residents and foreigners insofar as it augurs financial problems and creates uncertainty about the policy response.

History supports this emphasis on stability. Although a variety of factors admittedly help to account for why the dollar played no international role prior to 1913, despite the fact that the United States had already been the world's largest economy in the 1870s, one factor surely was the instability of US financial markets.[8] Both sterling and the dollar then saw their international currency status damaged by the economic, financial and currency crises of the 1930s. The recurrent currency and balance-of-payments crises experienced by Britain after World War II similarly go a long way to explaining the erosion of sterling's international currency role. Stability is clearly important for the international store-of-value function — for the willingness of central banks to hold their foreign reserves in a particular unit and of private investors to include it in their internationally diversified portfolios. But it is also important more broadly, that is, for other international currency functions.

Finally, liquidity is a key attribute of an international currency. Both private and official investors want to know not just that the currency will hold its value but also that they will be able to adjust their portfolios — to buy and sell securities denominated in that unit — at low cost (with low bid-ask spreads) without moving prices against themselves. History supports this emphasis as well. The

3 See, for example, Haggard and Webb (1994), Giuliano, Mishra and Spilimbergo (2010) and Mo and Weingast (2013).

4 Residents, as well as non-residents, will presumably have a choice of what currency to hold when the RMB is fully internationalized.

5 As argued at more length in Eichengreen (2014).

6 The so-called "new view" of international currency status questions the strength of those network increasing returns, suggesting that there is room for more than one consequential international currency, but it does not dismiss their existence entirely. See Chitu, Eichengreen and Mehl (2013) and Eichengreen, Chitu and Mehl (2014).

7 Chinn and Frankel (2005) provide a review of the relevant literature and a model in which the demand for a currency as international reserves depends heavily, in non-linear fashion, on country size.

8 That "variety of factors" is treated at length in Eichengreen (2011).

market in US government bills — the dominant reserve and international asset — is far and away the most liquid market in the world, so measured. Prior to 1914, the London market in sterling-denominated assets was unsurpassed for its liquidity, and the illiquidity of US financial markets was a major factor limiting international use of the dollar.

Conversely, the relatively limited liquidity of markets in treasury bills goes a long way toward explaining why the Japanese yen failed to gain market share more rapidly as an international and reserve currency in the 1980s and 1990s (Fukuda and Cong 1994). Marc Flandreau and Clemens Jobst (2009) show more generally that differences in market liquidity, as measured by various proxies for bid-ask spreads, help to explain the number of international markets in which different national currencies have historically been used and traded.

LITERATURES ON SEQUENCING

The literature on the sequencing of reforms during the transition from a planned to a market economy focuses on issues such as whether it is preferable to liberalize goods or financial markets, and the current or capital account of the balance of payments, first. While there are dissents — such as Ronald McKinnon (1991) — most analyses conclude in favour of liberalizing goods markets and the current account first. Intuitively, if goods markets are heavily distorted, financial liberalization may cause resources to flow into the wrong sectors, where the undistorted productivity of investment is low (Brecher and Diaz-Alejandro 1977). In the Chinese context, this literature is largely academic in any case, since China has long since opted to proceed with trade liberalization first.

Another focus of this literature is the sequencing of interest rate decontrol. There is little disagreement about the need to move to market-determined interest rates once the economy has been fully opened and the commercialization and privatization of state-owned enterprises are largely complete. But whereas some authors argue that it is important to remove interest rate ceilings and floors early in the liberalization and opening process, others argue that higher borrowing costs may impose undue hardships on firms still subject to controls on the prices of their products, leading to unnecessary bankruptcies. Relevant to the Chinese case, they argue that the removal of ceilings on deposit rates may so squeeze bank margins as to lead banks to gamble for survival by making higher-risk, higher-interest-rate loans.[9] These warnings point to the need to strengthen prudential supervision and regulation, internal controls, and the balance sheets of the banks themselves before decontrolling interest rates.[10]

9 See Calvo and Coricelli (1995) for an introduction to the debate.

10 As argued, for example, by Feyzioglu, Porter and Takas (2009).

The literature on the sequencing of capital account liberalization is closely related to the sequencing of RMB internationalization, as noted, because an open capital account is a prerequisite for full currency internationalization. A closed capital account is an obvious barrier to all but the most basic trade-related international transactions, since in this case the currency will be accepted in payment for exports only if it can be used for purchases of imports from suppliers in the same country. This was the case in the early stages of RMB internationalization, circa 2009, when only select Chinese companies in select regions were permitted to settle their trade-related transactions in RMB and the majority of cross-border financial transactions in the currency were still prohibited. Circa 2009-2010, the ratio of daily Chinese RMB foreign exchange turnover to daily Chinese exports and imports of goods and services was approximately one. For other more financially developed and open economies, the ratio was considerably higher (McCauley and Scatigna 2011, 69).

If the capital account is partially open, as in China at the time of writing, then the currency will be usable for a specified range of international financial transactions as well. But it will be able to compete on a level playing field with the dominant international currency or currencies only if it can be used freely for financial transactions — that is, only if the capital account of the issuing country has been considerably, or fully, liberalized. From this flows the argument that capital account liberalization is necessary, but not sufficient, for currency internationalization.

So for China to elevate the RMB to the first rank of international currencies, it must liberalize the capital account. What do we know about the optimal and desirable sequencing of the latter? For several decades after World War II, theorists and practitioners saw capital account liberalization as appropriate only for countries with impeccably strong economic and financial credentials, which in practice meant the United States. For other countries, the view was that they should wait until their domestic financial markets and international balance of payments were significantly stronger. The fact that there was a reluctance to adjust exchange rates, making for the persistence of competitive imbalances, and that countries like the United Kingdom had large external debt overhangs informed this reluctance to move faster.

But because a liberalized capital account was a distant prospect, not much attention was paid to the sequencing of policies needed to achieve it. This changed in the next period, which saw its apex in the mid-1990s. This period was marked by a sharp swing toward the view that the capital account should be liberalized early in the reform process. The 1990s saw the growth of international capital flows following the Brady deals that drew a line under the Latin American debt crisis, encouraging the notion that there were now benefits to be had by countries capable of attracting the ample foreign funds on offer. The growing volume of capital flows also encouraged the belief that controls were ineffectual and that it was futile for countries to attempt to regulate the capital account. It was better, the conclusion followed, for governments to subject themselves to the discipline of the market by throwing open the capital account. Support for this view was nurtured as much by skepticism that policy makers could be trusted to do the right thing if left to their own devices as by confidence that market discipline was vigorous and effective.[11]

Recall that this was also a period of domestic financial liberalization and deregulation, notably in the United States. The same ideology that supported domestic financial deregulation and liberalization similarly encouraged external financial deregulation and liberalization, of which the United States was a leading exponent. The 1990s were when European countries removed their residual restrictions on transactions on capital account. Japan removed its remaining restrictions on currency transactions and foreign bank entry into the country. Emerging market countries that acceded to the Organisation for Economic Co-operation and Development, such as South Korea and Mexico, moved in the same direction, as mandated by that organization's Code of Liberalisation. Discussions within the International Monetary Fund (IMF) of whether capital account convertibility should be an obligation of members encouraged the presumption that countries should move toward an open capital account sooner rather than later. Thus, the same belief set that encouraged "light touch regulation" at the national and international levels encouraged the presumption in favour of early capital account liberalization.

This experiment did not end happily. The Mexican "tequila crisis" of 1994-1995, the Asian crisis of 1997-1998 and the global credit crisis of 2008-2009 were fuelled by volatile capital flows made possible by capital account liberalization pursued in isolation from the requisite supporting policies. This experience led emerging markets, then the international policy community and finally the IMF, to adopt a more nuanced position on capital account liberalization.

The new conventional wisdom is summarized by IMF (2012). The Fund describes two tracks — capital flow liberalization and supporting reforms — as going hand in hand. Supporting reforms include revising the domestic legal framework to strengthen creditor rights and to support the development and operation of domestic capital markets; improving accounting and statistical standards so that investors are able to make informed decisions; creating a lender of last resort to ensure the provision of emergency liquidity to the market through the establishment of an independent central bank and international agreements on swap lines and credits; and strengthening prudential supervision, financial regulation and private risk management. As these processes get underway, it becomes prudent to begin liberalizing foreign direct investment (FDI) inflows. When the supporting reforms are more advanced, it is then appropriate to begin liberalizing FDI outflows, other long-term capital flows and select short-term flows (starting with trade finance and inward investment in the equity market by qualified foreign investors). As significant capital market development occurs in response to these measures and the supporting reforms themselves become deeper and broader, it then becomes timely to relax remaining restrictions on capital flows, in particular short-term flows.

Thus, this new conventional wisdom does not recommend that countries first complete the process of financial development and reform before opening the capital account, which was, to a first approximation, the view in the 1950s and 1960s. Nor does it suggest that they should throw open the capital account early in the reform and development process, which is a crude characterization of the Washington Consensus of the 1990s. Rather, it is an "integrated approach [that] envisions proceeding through successive, and often overlapping, phases" (IMF 2012, 24).

While there is a vast literature on financial development, its determinants and its relationship to economic growth, studies focusing on the sequencing of policies to foster financial deepening and development are relatively few. One strand of literature focuses on the sequential development of markets and institutions. There, it is argued that banks tend to develop first, since they are best able to cope with imperfections in the information and contracting environment that otherwise hinder the flow of finance to small- and medium-sized enterprises by developing long-term relationships with their clients. Bond markets develop next, since debt is senior to equity and therefore will be attractive to investors in an uncertain environment. Equity markets, which allow investors to share in extraordinary profits and place bets on competing technologies, develop later. In this view, policy makers seeking to foster deep and liquid financial markets should start by promoting the growth of the banking system, followed by bond markets and finally equity markets, while recognizing that there is a role in a relatively mature financial system for all three. China's experience is consonant with this view, insofar as the country started with a bank-centred financial system before developing significantly sized bond and equity markets.[12]

11 A telling example is Dornbusch (1998).

12 The same pattern is evident in a variety of other historical instances. But there are exceptions, as noted by Rajan and Zingales (2003). They cite the case of Japan, which relied fairly heavily on securities markets in the late nineteenth and early twentieth centuries before moving to a bank-based financial system.

Another strand of literature focuses on whether financial development should start with legal reform or political reform.[13] The literature on law and finance has a considerable history, but was given new life by Rafael LaPorta et al. (1998), who provided cross-country evidence that countries with legal rules that effectively protect corporate shareholders and creditors (in particular countries with a common-law tradition) tend to have the most active and best-developed financial markets. In contrast, in countries with less investor-friendly legal systems, companies go public less frequently, banks play a larger role relative to security markets, corporate ownership is concentrated and the voting premium (the price of shares with high voting rights relative to that of shares with low voting rights) is larger. In other words, financial markets are less liquid in such countries. This suggests that China should start with legal reforms that strengthen creditor rights as it seeks to deepen and develop its financial markets in a manner consistent with the goal of RMB internationalization.

A competing interpretation of the sequencing of measures to foster financial development questions the exogeneity of legal rules and points to political reform as a precondition for financial development. Douglass North (1990), Mancur Olson (1993) and Raghuram Rajan and Luigi Zingales (2003) emphasize reforms of political institutions that give creditors voice in the choice of policies. North and Barry Weingast (1989), generalizing from the case of England's Glorious Revolution, emphasize the importance of political checks and balances that limit the arbitrary exercise of power, including the power to expropriate, by the executive. Charles Calomiris and Stephen Haber (2014) point to the role of political institutions that encourage competition among political entities. This view suggests that in order to develop its financial markets to the point where RMB internationalization becomes viable, China will first have to reform its political system.

Finally, there are the connections between financial development and capital account liberalization. It has been argued that capital account liberalization, by exposing domestic financial institutions to foreign competition and increasing the diversity of the investor base, can play a positive role in financial development. Or at least this was argued until a series of crises associated with premature capital account liberalization threw financial development off track. The empirical literature on these connections is large and inconclusive.[14] The modern synthesis, insofar as there is one, is that capital account liberalization has a positive impact on financial development only when institutions for contract enforcement, information dissemination and prudential supervision and regulation have reached a certain minimum threshold.[15] Again, this suggests that a considerable period of time may have to pass, during which the institutions in question are strengthened, before it will be productive for China to fully open its capital account with the goal of fostering financial development.

THE GRADUALIST APPROACH

The literatures on sequencing reviewed in the preceding section are consistent with the Chinese preference for "crossing the river by feeling the stone's beneath one's feet." They point to the need for very considerable progress in reforming domestic financial markets and institutions before removing the residual restrictions on international financial transactions that limit international use of the RMB. Moreover, a brief review of what China needs to do to successfully strengthen, reform and develop its financial sector underscores that considerable time will be needed to implement the financial reform measures needed for successful RMB internationalization.

Since the Chinese financial system remains heavily bank based (consistent with the experience of other countries), reform necessarily starts with the banking system. Although the big five Chinese banks have been commercialized — they have been instructed to make lending and investment decisions on a commercial, profit-maximizing basis — they remain majority state owned, and their senior executives, including their chairmen and presidents, are still appointed by the Chinese Communist Party. Consequential business decisions are still made by party committees rather than boards of directors. Bank lending still favours the state sector broadly defined. More generally, this state of affairs raises questions about whether the decisions of senior bank executives and managers are informed by non-commercial motives.[16]

The record of policy lending in other middle-income countries is not entirely positive. That record suggests that insofar as banks perceive themselves as doing the government's bidding, their management may be inclined to take excessive risks and otherwise take steps that jeopardize the profitability and even continued existence of their institutions. It follows that foreigners, in particular, will be reluctant to maintain significant deposits in Chinese banks, until the banks in questions are privatized or otherwise distanced from the policy-making process.[17]

Sound banks are well-capitalized banks. Headline numbers suggest that Chinese banks are adequately capitalized

13 In fact, there has been a lively debate over this question in the context of China. See Zhao (2006).

14 My own review and summary is Eichengreen (2003).

15 See, for example, Ito (2005) and Eichengreen, Gullipalli and Panizza (2011).

16 See the discussion in Huang, Li and Wang (2013).

17 An analysis of the World Bank report in question is Davis (2013).

and have healthy loan-to-deposit ratios.[18] But many of the banks have off-balance-sheet assets acquired through the sale of wealth-management products that are not captured by those headline numbers. Many wealth-management purveyors offer purchasers a guarantee of high interest rates. If at some point the loans and investments made by the banks' wealth-management arms are insufficient to cover the guaranteed interest payment, the banks will then be required to bring those obligations back onto their balance sheets, depleting their capital.[19] This in turn raises the question of whether the banks need to be better (or pre-emptively re-) capitalized early in the financial reform process.

Putting the banks on a firm commercial footing further presupposes the existence of a resolution mechanism so that bad banks can be allowed to fail without destabilizing the system. In late 2014, the People's Bank of China (PBoC) released the consultative draft of a retail deposit insurance scheme, which is one precondition for a bankruptcy plan for financial institutions. But a full resolution scheme remains to be developed.

Another priority is to widen the regulatory perimeter, bringing wealth-management products and other parts of the shadow banking system under formal regulation and strengthening supervision and regulation more generally. The China Banking Regulatory Commission (CBRC) took a step in this direction in 2013 by requiring commercial banks to register their wealth-management products prior to selling them to the public. But registration is still a far cry from requiring the banks to carry these assets on their balance sheets and hold capital against them. Wealth-management products might be regarded as attractive by foreign investors lured by the prospect of a guaranteed high interest rate and the expectation of RMB appreciation. Thus, liberalizing the capital account further and allowing wealth management companies to compete for foreign customers could be a fatal mistake were it to proceed prior to extension of effective oversight.

Adequate supervision and regulation will require upgrading the quality of such oversight, notably by the CBRC, which shares responsibility for financial regulation with the PBoC. The CBRC has been criticized for moving too slowly to rein in the off-balance-sheet activities of state-controlled banks and address the weaknesses of the country's small banks in particular. It is criticized for moving too slowly on deposit-rate liberalization because it is close to the state banks, which oppose liberalization that will require them to compete for deposits. Finally, the CBRC has been taken to task for failing to coordinate more closely with the PBoC. These are indications of the need to upgrade the quality of regulation, all the more urgently as domestic and international financial transactions are further liberalized.

China's remaining limits on bank lending rates were removed in July 2013; however, controls on bank deposit rates remain an issue because the state banks resist decontrol and because binding controls feed the growth of the wealth-management industry. Governor Zhou Xiaochuan of the PBoC has expressed his "personal preference" for fully liberalizing deposits and interbank lending rates by 2016, although, as noted, other branches of government may be reluctant to move in this direction. Those other observers emphasize that full interest rate liberalization is prudent only when supervision and regulation have been strengthened sufficiently to ensure that banks do not take on excessive risk simply to offset narrower net interest margins and only once the banks' management and internal controls have been strengthened so as to cope with increased volatility of both rates and margins. These challenges tend to be an issue especially for small city and rural commercial banks. That many observers expect an interval of another five to 10 years before interest rate decontrol is complete may be an indication that they anticipate it will take that long for regulators and management to prepare adequately.[20]

Financial reform and development efforts have long since extended to developing a deep and liquid market in RMB-denominated securities as well. Bond market development, in particular, is important for currency internationalization, since many investors prefer to hold their foreign currency assets in this form. Chinese bond market capitalization is significant, in excess of US$5 trillion. That said, the country has a long way to go before the depth and liquidity of its bond market rivals that of the United States. US bond market capitalization is roughly 10 times China's. The Chinese market is dominated by government issuance; although the corporate bond market is growing, it remains relatively small. Turnover, adjusted for market size, is again only a tenth of that of the US market. Many Chinese bonds are held to maturity by banks and other institutional investors, and 95 percent of transactions are on the interbank over-the-counter (OTC) market, where bonds are purchased and sold by banks and other institutions. The lack of exchange-based trading limits price transparency and discovery, since third parties are not privy to transactions, while creating additional counterparty risk.

18 The latest figures available from the World Bank at the time of writing (for 2012) put bank capital (tiers one through three) as a share of assets at 6.3 percent.

19 The problem is not unlike that created by the special-purpose investment vehicles operated by banks in the United States and Europe before the financial crisis. As in the United States, weakness in the construction sector, in which Chinese wealth-management vehicles have invested, could be the precipitating event.

20 More than half of senior executives of Chinese financial institutions surveyed by Deloitte in 2012 anticipated that it would take another five to 10 years to complete the process of interest rate liberalization (see Federal Reserve Bank of San Francisco [2014]).

The Chinese authorities have been taking a number of steps to accelerate bond market development. In 2012, they expanded the Qualified Foreign Institutional Investor (QFII) and RMB Qualified Foreign Institutional Investor (RQFII) programs through which foreign investors can gain access to the interbank bond market as a way of increasing investor diversity. Still, access of foreign investors to the interbank bond market remains limited, since the authorities are concerned to control the total volume of borrowing on the interbank market while reform of the banking system is still underway. In 2013, the State Council then required all transactions on the interbank market to be booked through the National Interbank Funding Center and required additional documentation of transfers of ownership. The council authorized trading of government debt futures as a risk management tool with the goal of encouraging participation and market liquidity. In 2014, the government authorized 10 provinces and cities to issue bonds in their own names and to assume responsibility for interest and principal payments for the first time, important steps in the development of a local government bond market.[21]

Finally, the National Development and Reform Commission, which regulates the issuance of bonds by non-listed corporations, has attempted to promote the growth of the corporate bond market by giving more issuers the status where they only need to register to issue bonds, instead of undergoing a lengthy approval procedures. But then the first bond defaults (by Chaori Solar in early 2014) caused the commission to backtrack. This reversal reflects the existence of trade-offs between the size of the bond market on the one hand and its stability and liquidity on the other, at least in the short run.

The Chaori event is viewed as positive insofar as it signals that corporate bonds do not enjoy an implicit government guarantee and highlights the need for investors and issuers to engage in due diligence. But it points also to the dangers of liberalizing and opening corporate debt markets prior to putting in place sound management practices and strengthening the incentives for responsible corporate borrowing. It highlights the importance of upgrading corporate governance as part of the financial development push. China continues to rank low relative to other middle-income countries on standard corporate governance ratings like that of KPMG.

While China has adopted corporate governance regulations resembling those of the United States, implementation lags.[22] Financial reporting standards are lax. Accountability of directors to private shareholders is limited. In 2013, China ranked eightieth in the world in terms of the strength of its auditing and reporting practices, according to the Global Competitiveness Report of the World Economic Forum. Here, China is significantly behind the economies whose currencies the RMB aspires to compete with, such as the United States, the United Kingdom, the euro zone and Japan. These corporate governance and control problems result in concentrated corporate ownership and limited private external financing, characteristics of the corporate sector that are not obviously compatible with the development of deep and liquid bond and equity markets.

The common implication of these observations is that China will require time to develop larger, more stable and more liquid financial markets capable of appealing to international investors. It will need time to develop those markets to the point where the balance of risks and rewards from opening them fully to international investors tips decisively in the direction of rewards.

THE BIG BANG APPROACH

The problem with gradualism is that it is, well, gradual. Progress may be so slow that the destination is never reached. Entrenched interests resisting specific reforms, such as state banks opposed to deposit-rate liberalization and exporters skeptical of the merits of the more flexible exchange rate that will have to accompany larger international financial flows, have more time to mobilize in opposition. The complementarities between reforms that can exist if policy makers move simultaneously on several fronts will go unexploited.

These are arguments for moving faster. In the extreme, currency internationalization might be used as a lever to force domestic reforms. Yiping Huang, Ran Li and Bijun Wang (2013) assert that "many officials" view RMB internationalization this way. By rapidly removing remaining restrictions on the use of RMB for transactions on capital account, Chinese policy makers will have no choice but to move to a more flexible exchange rate now, rather than later, in order to accommodate the larger volume of financial flows. Deposit rates will have to be decontrolled now rather than later, regardless of the preferences of the banks, since depositors dissatisfied by the rates of interest on offer will be free to shift their funds abroad.

Similarly, the authorities will have to redouble their efforts at strengthening supervision and regulation of the banking and financial system, since banks will have more scope for increasing their leverage by borrowing abroad in order to fund risky investments. Regulators will have to move quickly to strengthen corporate governance and financial transparency requirements, and Chinese firms will be compelled to comply, since investors dissatisfied by governance and transparency standards will be free to invest abroad. China will reform faster in such circumstances, the argument goes, because it has no choice.

21 Previously, local governments were able to issue debt only indirectly through local government financing vehicles, if at all.

22 See Morck and Yeung (2014) and Piotroski (2014).

The obvious objection to a strategy designed to force other entities, whether banks, firm or regulators, to do the right thing is that those other entities may not cooperate. If they do not respond as expected, the results could be unfortunate, or worse. History is littered with the corpses of countries that have liberalized financial markets and opened the capital account of the balance of payments prematurely, resulting in financial crises rather than reform and financial development.

Having seen a number of such crises in the neighbourhood, Chinese policy makers are aware of the risks. Radical big-bang-style reform, moreover, is not the Chinese way. The post-1979 history of policy reform is dominated by limited experimentation and then gradual generalization of experiments that succeed.[23] The Chinese approach of dual-track reform, where only certain sectors or activities are liberalized while others remain controlled in the interest of social, economic and financial stability, epitomizes the point. Their successful experience with dual-track reform presumably renders Chinese officialdom skeptical of the practical importance of arguments prioritizing policy complementarities.

Still, there is the possibility that the government, in its enthusiasm for RMB internationalization, is proceeding with capital account liberalization faster than warranted given the state of domestic financial reform and development. Cautious critics of Chinese policy warn of putting the cart before the horse. A related danger is that capital account liberalization may be approaching the point where the authorities lose control — where there are so many channels through which capital can flow in and out of the country that residual controls are no longer effective. At this point the capital account will open spontaneously whether the authorities like it or not.

PHASED STRATEGIES

The alternative is a phased strategy where the authorities seek to actively promote RMB internationalization while maintaining significant restrictions on the capital account. This can be done by: relaxing capital account restrictions in a manner designed to reconcile the need for continued restrictions in the interest of financial stability with the desire to promote RMB-based international financial business; fostering the development of offshore financial centres where RMB-denominated transactions can be cultivated; and creating a special trade and financial zone onshore insulated from the rest of the economy but free of barriers to RMB-denominated transactions with the rest of the world.[24]

Selective Capital Account Liberalization

China's phased approach to capital account liberalization dates from 2002, when "qualified foreign institutional investors (initially offshore subsidiaries of mainland asset managers with a base in Hong Kong) were permitted to buy and sell a limited range of RMB-denominated exchange-traded securities in China. 2004 then saw authorization for residents of Hong Kong and Macau to open RMB-denominated deposit accounts in the two offshore financial centres. 2006 saw creation of the Qualified Domestic Institutional Investor Program, which licensed Chinese asset managers to sell mutual funds of overseas stocks and bonds to local investors. The first RMB-denominated bonds issued in Hong Kong by international companies seeking to fund investments on the mainland ("dim sum bonds") were then floated in 2007.

In 2009, designated Chinese companies were authorized to settle trade-related transactions with Hong Kong, Macau and the Association of Southeast Asian Nations in RMB, and in 2010 this authorization was expanded to the rest of the world. Overseas banks involved in RMB cross-border trade settlement were permitted to invest the RMB funds they thereby accumulated in the Chinese interbank bond market. And in 2011, authorization to settle commercial transactions in RMB was extended from designated firms to the rest of the Chinese economy.

The authorities have focused on enhancing the access to the Chinese market of "qualified" foreign institutional investors expected to adopt "a long-term, buy-and-hold strategy" (Zhao and Liu n.d.). Licensing appears to be a function of location (initially, only institutional investors based in Hong Kong were regarded as trustworthy and licensed), accumulated business experience, the size of assets under management, and general business reputation, where "long-term investors" such as mutual funds, pension funds, insurance companies and sovereign wealth funds have been given preference. RQFII quotas have been increased repeatedly, and the range of assets that can be purchased by qualified foreign investors has been widened steadily. This focus on buy-and-hold investors can be seen as a strategy for liberalizing the capital account without exposing Chinese financial markets to capital flow reversals and news-induced capital flight. As for whether so-called buy-and-hold investors in fact buy and hold, time will tell.

In November 2014, China opened a link between the Hong Kong and Shanghai equity market, giving Chinese savers a channel through which to invest a portion of their savings

23 Pre-1979 policy changes, from the Great Leap Forward to the Cultural Revolution, is a different story, but their legacies only reinforce the point.

24 I explore these options in Eichengreen (2014). The present section is an update to that material.

in overseas stocks and Hong Kong residents greater scope for investing in the Shanghai market. In its early phases, the Shanghai-Hong Kong "Stock Connect," as this program is known, is only open to eligible investors in Hong Kong and China, who are permitted to trade only eligible shares. Amounts are limited to an aggregate quota of US$48 billion in purchases for Hong Kong residents, while the quota for mainland investors starts at US$40 billion.[25] If the pilot phase runs smoothly then these quotas will presumably be increased. Again, limiting the scheme to eligible investors and designated shares can be seen as a strategy for avoiding the risk of equity price bubbles and crashes due to capital flow surges and reversals.

The combined result of these measures has been to promote select types of capital flows, in practice inflows more than outflows. On the outflow side, the Qualified Domestic Institutional Investor scheme has not met its quotas; take-up is reportedly less than 40 percent (ANZ Research 2014, 3). Southbound flows via the Shanghai-Hong Kong Stock Market Connect have averaged less than four percent of its daily quota as of late 2014. All this suggests that continued progress on a phased approach to RMB internationalization will require, in addition, other measures.

Offshore Financial Centre

Promoting offshore RMB financial centres is another phased strategy for currency internationalization. Encouraging transactions in RMB-denominated assets and the extension of RMB-denominated loans and trade credits offshore allows foreign banks to familiarize themselves with the business and widens international use of the currency. To the extent that Chinese entities are active offshore, they too gain experience in doing business with foreign counterparties and in managing the associated exposures and risks. Expertise acquired offshore can then be transferred to China once mainland-based banks are permitted to engage in a broader range of RMB-based transactions with foreign counterparties and foreign banks are permitted to enter the Chinese market.

Hong Kong emerged first as a major offshore RMB centre because of its proximity, financial sophistication, the relatively large share of Chinese exports routed through it, and because of Beijing's political control of the territory (from 1997). Hong Kong remains far and away the single largest repository of offshore RMB deposits, the most important market for issuance of dim sum bonds, and the leading offshore source of RMB trade credit. But China has done a good job at ginning up competition among foreign financial markets, many of which now want to develop into offshore RMB centres in order to capture what is presumed to be a growing volume of RMB-related business.

Three constraints on banks in offshore financial centres are: the existence of only a limited pool of RMB-denominated financial instruments offshore; possession of a relationship with a Chinese bank through which RMB-based transactions can be settled; and securing RMB-denominated liquidity adequate to cover an open position. The first constraint is more binding for some offshore centres than others. Thus, Taipei was recently able to become the most important centre for offshore RMB deposits, surpassing even Hong Kong, because of its very large current account surplus with China, in settlement of which its exporters can take RMB claims. But without RMB inflows through either the current or capital account, financial institutions in other offshore centres have limited resources with which to make RMB-denominated loans and investments.[26]

To address the second problem, clearing and settlement, the Chinese authorities have designated one of their big domestic banks as the official clearing bank for each authorized offshore RMB centre. The designed clearing bank for different offshore financial centres are listed in Table 1.

To address the third problem, liquidity, the PBoC has negotiated RMB swap lines with the central banks of foreign financial centres, enabling those central banks to obtain the RMB needed by their respective domestic financial institutions and pass this on to the latter as needed. The assured provision of RMB liquidity should in turn allow foreign monetary authorities to authorize the banks they regulate to incur RMB exposures, or at least allow those foreign central banks to feel more comfortable about doing so. Those RMB swap arrangements, their amounts and their dates of negotiation are shown in Table 2.

As a result of these initiatives, competition for offshore-RMB-centre status is intense. London has emerged as a centre for the issuance of dim sum bonds, and the UK government was the first non-Chinese issuer of RMB-denominated sovereign debt.[27] Frankfurt hopes to capitalize on the presence of the big German banks and on the fact that it is home to the European Central Bank, which maintains a swap line with the PBoC. Taipei, Seoul and Singapore are all seeking to compete with Hong Kong for the status of principal Asian offshore financial

25 These quotas constrain only buy orders; sell orders, in contrast, are permitted at any time without limit.

26 It is sometimes said that China has to shift from current account surplus to deficit so that other countries can run surpluses against it and accumulate RMB-denominated claims offshore. This is not quite right, given that capital accounts are also being progressively liberalized (see above) and such claims can also be accumulated through capital flows. But given the gradual pace of capital account liberalization, which I argue elsewhere is apt to continue, the prevailing pattern of current account balances clearly favours some offshore centres relative to others.

27 It plans to use the receipts to augment and diversify the currency composition of its international reserves.

Table 1: Offshore RMB-clearing Banks

Country	City	Bank	Date	Source
China SAR	Hong Kong	BoC	2003.12	PBoC
China SAR	Macau	BoC	2004.08	PBoC
Taiwan	Taipei	BoC	2012.12	BoC
Singapore	Singapore	ICBC	2013.04	MAS
United Kingdom	London	China Construction Bank	2014.06	UK Gov
Germany	Frankfurt	BoC	2014.06	Bloomberg
South Korea	Seoul	Bank of Communications	2014.07	Bloomberg
France	Paris	BoC	2014.09	WSJ
Luxembourg	Luxembourg	ICBC	2014.09	ICBC
Qatar	Doha	ICBC	2014.11	Reuters
Canada	Toronto	ICBC	2014.11	WSJ
Malaysia	Kuala Lumpur	BoC	2014.11	Reuters
Australia	Sydney	BoC	2014.11	Bloomberg

Source: Author.

Table acronyms:

BoC Bank of China
ICBC Industrial and Commercial Bank of China
MAS Monetary Authority of Singapore
SAR Special Administrative Region
WSJ *Wall Street Journal*

centre. The peculiar absence of the United States from this competition may reflect the dominance of the dollar in both US and international markets for trade credit and international bond issuance or perhaps the political delicacy of negotiating a RMB swap line with China. In particular, were the Fed to negotiate a swap line with China, it is likely that elements in the Congress would be highly critical and accuse the central bank of, in effect, making foreign policy, given China's traditional status as a geopolitical rival to the United States and now as the second global superpower. That said, there are those in San Francisco who would seek to capitalize on the absence of other offshore RMB centres from their and adjoining time zones.

This strategy of relying on offshore financial centres is working in the sense that the volume of offshore RMB deposits, issuance of dim sum bonds and other measures of international activity involving the currency have been rising steadily. Chinese and foreign banks are growing accustomed to dealing with one another and in the currency, although the pace and extent of their learning is difficult to gauge. Chinese banks are bringing their new knowledge back home, and foreign banks are more willing to engage in RMB-based business in China. The principal source of dissatisfaction concerns the speed of progress. That dissatisfaction in turn spurs the quest for alternatives, including the one to which this paper now turns.

Onshore Free Trade and Financial Zones

An alternative to relying on offshore centres as a testing ground for liberalized financial markets and capital flows is creating a similar zone onshore, free of barriers to the rest of the world but insulated from the remainder of the Chinese economy. This is what the Chinese authorities sought to do in 2013 when announcing their intention to create a Shanghai Free Trade and Financial Zone (SFTZ).[28]

In December 2013, the PBoC issued a blueprint as to how the SFTZ would work.[29] It described those plans as:

- Trade in merchandise between the SFTZ and the rest of the world would be largely free of customs and licensing formalities.
- Entities doing business in the SFTZ would be permitted to open Free-Trade Accounts (FTAs) for use in local and foreign currency transactions. Non-residents would be permitted to open Free-Trade Accounts for Non-residents (FTNs) as soon as national treatment principles with their countries of residence were established. Holders of FTAs and FTNs would

28 An earlier attempt to create a free financial zone that has attracted less attention and activity was in Qianhai, a commercial district of Shenzhen.

29 The remainder of this description of intentions draws on that opinion as distilled in Eichengreen (2014).

Table 2: RMB Swap Arrangements

Country	Date	Amount in Yuan	Other Amount	Source
South Korea	2008.12	180 billion	38 trillion won	Garcia-Herrero and Xia (2014)
Hong Kong	2009.01	200 billion	227 billion HKD	Garcia-Herrero and Xia (2014)
Malaysia	2009.02	80 billion	40 billion MYR	Garcia-Herrero and Xia (2014)
Belarus	2009.03	20 billion	8 trillion BYB	Garcia-Herrero and Xia (2014)
Indonesia	2009.03	100 billion	175 trillion IDR	Garcia-Herrero and Xia (2014)
Argentina	2009.03	70 billion	70 billion peso	Garcia-Herrero and Xia (2014)
Iceland	2010.06	3.5 billion	66 billion ISK	Garcia-Herrero and Xia (2014)
Singapore	2010.07	150 billion	30 billion SGD	Garcia-Herrero and Xia (2014)
New Zealand	2011.04	25 billion	N/A	Garcia-Herrero and Xia (2014)
Uzbekistan	2011.04	0.7 billion	N/A	Garcia-Herrero and Xia (2014)
Mongolia	2011.05	5 billion	N/A	Garcia-Herrero and Xia (2014)
Kazakhstan	2011.06	7 billion	N/A	PBoC
Russia	2011.06	N/A	N/A	PBoC
South Korea	2011.10	360 billion	64 trillion won	PBoC
Hong Kong	2011.11	400 billion	490 billion HKD	Garcia-Herrero and Xia (2014)
Thailand	2011.12	70 billion	320 Thai baht	PBoC
Pakistan	2011.12	10 billion	140 billion Pakistan rupee	PBoC
United Arab Emirates	2012.01	35 billion	20 billion dirham	PBoC
Malaysia	2012.02	180 billion	90 billion MYR	PBoC
Turkey	2012.02	10 billion	3 billion Turkish lira	PBoC
Mongolia	2012.03	10 billion	2 trillion tug	PBoC
Australia	2012.03	200 billion	30 billion Australian dollar	PBoC
Ukraine	2012.06	15 billion	19 billion hryvnia	PBoC
Singapore	2013.03	300 billion	60 billion SGD	Bloomberg
Brazil	2013.03	190 billion	60 billion real	PBoC
United Kingdom	2013.06	200 billion	20 billion pound	PBoC
Iceland	2013.09	3.5 billion	66 billion ISK	PBoC
Hungary	2013.09	10 billion	375 billion Hungarian forint	PBoC
Albania	2013.09	2 billion	35.8 billion lek	PBoC
Indonesia	2013.10	100 billion	175 trillion IDR	PBoC
European Union	2013.10	350 billion	45 billion euro	PBoC
Switzerland	2014.07	150 billion yuan	21 billion Swiss francs	PBoC
Argentina	2014.07	70 billion	90 billion peso	PBoC
Mongolia	2014.08	15 billion	4.5 trillion tug	PBoC
Sri Lanka	2014.09	10 billion yuan	225 billion LKR	PBoC
Russia	2014.10	150 billion	815 billion rubles	PBoC
South Korea	2014.10	360 billion	64 trillion won	PBoC
Qatar	2014.11	35 billion	N/A	Reuters
Hong Kong	2014.11	400 billion	505 billion HKD	PBoC
Canada	2014.11	200 billion	30 billion CND	PBoC

Source: Author.

Currency codes used in table: HKD = Hong Kong dollar; MYR = Malaysian ringgit; BYB = Belarussian ruble; ISK = Icelandic króna; SGD = Singapore dollar; IDR = Indonesian rupiah; LKR = Sri Lankan rupee; CDN = Canadian dollar.

then be permitted to freely transfer funds between offshore accounts and onshore non-resident accounts; funds could similarly be transferred freely between FTAs and FTNs.

- Authorized commercial banks would set up an FTA clearing unit separate from their onshore clearing systems — that separation being what would presumably prevent capital controls still applying in the rest of China from being evaded. Capital account transactions such as loan repayments and FDI could then be funded with these accounts.

- Corporates with accounts in the SFTZ could invest overseas without pre-approval. Residents with FTAs could invest in foreign securities markets and freely transfer income generated in the free trade zone to offshore accounts.

- Non-residents would be allowed to use funds in their FTNs to invest in onshore securities markets without restriction, as would resident corporations with FTAs, while corporates in the free trade zone would be allowed to issue RMB-denominated bonds on the onshore market.

- Corporations, non-bank financial institutions and other institutional entities registered in the zone could borrow on offshore markets and bring that funding back onshore. They would be permitted to access offshore derivatives markets to hedge the risks of foreign currency borrowing.[30]

The goal, then, was to remove all substantial restrictions on financial transactions between the Shanghai zone and the rest of the world, and thus to use the zone as an onshore testing ground for capital account convertibility and a magnet for attracting foreign financial intermediaries. The corresponding dangers were that something could go wrong with the Chinese banks and enterprises operating inside the zone. In addition, there could be leakages between the SFTZ and the rest of the economy, undermining the effectiveness of China's capital-control regime and creating financial vulnerabilities elsewhere. Previous experience suggests that the longer these "Chinese walls" remain in place, the better financial markets become at finding ways of evading them. It is not clear why the SFTZ should be different.

Officials are clearly aware of these risks. They have been moving deliberately in implementing their blueprint, disappointing the over-optimistic expectations of naïve observers, some of whom were led to believe by the initial announcement that the free trade and financial zone would be completed within a year.[31] In fact, progress in the first year through September 2014 was widely characterized as modest. In the first nine months of 2014, cross-border fund flows in the Shanghai zone totalled US$25 billion, only 15 percent total cross-border flows in and out of Shanghai-based entities.[32] The zone has done more to facilitate the inward and outward movement of goods than financial services, at least to date.[33]

To be sure, there have been accomplishments.[34] Banks in the SFTZ have been permitted to open some of those special free-trade-zone accounts designed to allow easier transfer with overseas accounts, although use of those accounts for foreign transfers remains tightly controlled for the moment. Multinational corporations have been permitted to more freely transfer capital from and to their overseas accounts via their special RMB cash pools in the SFTZ. In March 2014, the central bank removed the upper limit on foreign-currency deposit rates offered by lenders in the zone (in contrast to the rest of the economy where such ceilings remained — see above).

Finally, to facilitate foreign trade and investment, a simplified reporting procedure was introduced, also in March 2014, whereby companies in the zone only need to issue an annual report as a public announcement instead of going through an annual inspection. There has been an effort to encourage FDI in the SFTZ, by banks and others, by streamlining approval procedures and eliminating red tape. In particular, the authorities have moved to a "negative list" system where forms of FDI in the zone that are not expressly prohibited are now presumed to be permissible.[35]

Permitting authorized Chinese banks and firms along with foreign-headquartered banks and firms doing RMB business in Shanghai to engage in cross-border financial transactions without restriction is a faster and more powerful way of encouraging them to acquire expertise in such business, compared to their relying on limited contacts with banks and firms in offshore financial centres. It is also riskier. Leakages between the SFTZ and the rest of the economy could undermine the effectiveness of

30 In this way foreign exchange positions would be squared or covered within the free trade zone and offshore markets (positions elsewhere in China will not be able to be used to square positions in the free trade zone, again reflecting the assumption of binding capital controls between the free trade zone and the rest of China).

31 See, inter alia, Palmioli and Heal (2014).

32 See Du (2014).

33 Shen (2014) describes the most visible change within the zone as the availability of cheap directly imported shellfish from Vietnam and Mozambique.

34 Described at more length by Palmioli and Heal (2014).

35 As Jane Jiang (2014) put its, "the negative list constitutes an affirmative statement that a business may conduct any activity unless specifically restricted or prohibited. This approach is fundamentally different from the regime in the rest of China, where businesses are told what they can do."

the prevailing capital-control regime, with unintended financial consequences. It should not be a surprise in this light that the authorities, given their penchant for caution, have moved slowly in developing their free trade and financial zone. More likely than not, they will continue doing so.

CONCLUSIONS AND RECOMMENDATIONS

China will soon be the largest economy in the world, if it is not already.[36] Since it will be not only the largest economy but also the single most important trading nation, it makes sense that its currency should play a consequential international role. But size and the volume of a country's trade alone do not international currency status make, as the experience of the United States in the late nineteenth and early twentieth centuries similarly underscores.[37]

In order to successfully internationalize the RMB, in the sense of enhancing its attractiveness as an international unit of account, means of payment and store of value, China will have to build deep and liquid financial markets open to the rest of the world. In practice, such markets, like Rome, are not built in a day. Nor is building them without risk. Financial liberalization and opening are fraught with difficulty. The experience of the euro area illustrates the problems that can flow from removing capital controls before prudential supervision and regulation have been adequately rationalized and strengthened. This is not an experience that China should seek to emulate.

Consequently, the country is likely to adopt a cautious and gradual approach to financial development, capital account liberalization and RMB internationalization. But the problem with a gradual approach is that the train may never reach the station. This, in turn, points to the desirability of strategies capable of accelerating the process of currency internationalization without also exposing the financial system and the economy to unnecessary risks. Selective capital account liberalization that focuses on buy-and-hold investors and capital inflows rather than outflows, the negotiation of swap arrangements with foreign central banks and the promotion of offshore financial centres are three obvious means to these ends. They are the options on which the Chinese authorities have focused so far. They are the options that they should continue to pursue.

36 Different metrics and conversion factors produce somewhat different results.

37 Again, this is a central point of Eichengreen (2011).

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Le CIGI a été fondé en 2001 par Jim Balsillie, qui était alors co-chef de la direction de Research In Motion (BlackBerry). Il collabore avec de nombreux partenaires stratégiques et exprime sa reconnaissance du soutien reçu de ceux-ci, notamment de l'appui reçu du gouvernement du Canada et de celui du gouvernement de l'Ontario.

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