

Internationalization of the Renminbi: where have we come from and where do we go next?

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Amidst all the background noise about possible trade wars and retaliatory measures, it seems like a good time to take a step back and reflect on one of the most emblematic representations of Chinese global 'soft power': the internationalization of the Renminbi ("**RMB**"). China's efforts to internationalize the RMB to date have been driven by the desire to ensure that the influence of China and the Chinese currency is commensurate with that of the world's second largest economy.

The determinants of international or global currency status are threefold: economic size, market confidence in the currency, and depth of financial markets. Successful internationalization of the RMB would manifest itself in many ways, perhaps most obviously when the RMB becomes a major pricing and settlement currency in trade, a preferred financial transaction currency, and an international reserve currency.

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