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China's One-Belt-One-Road (OBOR) Policy Initiative: The Internationalization of the Renminbi

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Abstract
The last decade having witnessed China's meteoric resurgence has created a paradigm shift that has resulted into not only a massive structural adjustment, but also caused a shift in attention of international relations discourse towards itself. It is partly in respect of the rise and the tailoring of the One-Belt-One-Road policy that this academic research is conducted. Using much of secondary data, the thrust of this study is to examine the impact of the policy and its potential, particularly, in relations to its contributory prowess to the monetary system of china and also, its immense spread effect in contributing to the internationalization of the renminbi. Using the Strength, Weaknesses, Opportunities and Threats (SWOT) model, holding the strengths and opportunities which are internal on one side and holding the weaknesses and threats which are extraneous on the other side, the model conclusively asserts that, capitalizing on the strengths and opportunities will help Beijing override the threats and the weaknesses to turbo-charge the Chinese Renminbi currency into internationalization heights whiles same time helping to rake in social, political and economic benefits including the ability to create the strategic position not only in Eurasia, but in other part of the world.
Keywords: One-Belt-One-Road (OBOR), Belt and road initiative (BRI), Renminbi (RMB), Internationalization, Strengths, Weaknesses, Opportunities, Threats (SWOT).

1. Introduction

Chinas conspicuousness and activeness as a global player on the field of the league of nations before the turn of the past two decades has been one either reduced to the level of an inactive participant or one conscribed to the rungs of a silent player within the precincts of International relations. The recent policy initiatives finely tailored and executed by Chinese authorities demonstrate a commitment to an outward proactive strategy to chart an all-engaging global path of mutual benefit. This is undergirded by the notion of the centrality of exchanges that drive bilateral and multilateral relations which constitutes a source of huge capital for nation building. It is against this backdrop that china pursues the One-Belt-One-Road policy, also called, the belt and road initiative. After the launch of the One-Belt-One-Road policy, the year 2013 marked a phenomenal epoch for China's foreign policy. It has since remained a cardinal pet project for Chinese president- Xi Jinping and still continues to occupy a centerpiece position in so far as China's diplomacy is concerned. In the views of Wang Shang (2015), among other proximate reasons, the OBOR policy is designed and streamlined to foster and promote regional and cross continental connectivity between China and Eurasia.

This research subject matter is expected to contribute to the building of a better analytical framework for the study of the inextricably intermeshed relations between policies and international currencies in general and more particularly to the OBOR and its potential impact on the internationalization of the RMB. The ongoing Chinese experiment in internationalization of the renminbi provides a valuable opportunity to study these issues. Given the history encircling the emergence of key international currencies like the sterling and the dollar, a literature revisit is more likely to provide a motherlode of contribution to the discourse under review. In this paper, our baseline definition of the internationalization of the yuan is defined as "a rise in the yuan in international portfolios".

2. Research/Literature Vacuum

The issue of international currencies particularly in connection with how country-specific international policies have bearings on currency internationalization within the framework of political economy literature has been an under-discoursed subject matter. Because this has been the situation, this area of study has received little attention, thereby stifling fairness in scholarship. The growth and unabated rise of china to some extent occasioned by the institution of the OBOR, however calls for a substantial shift in attention to focus on how the policy could inform the propelling of the currency. On this threshold, one factor that stands as a worthy of note element is the unprecedented and all too same, unfamiliar fashion the Chinese government has since the global financial crisis suddenly begun to push enthusiastically ahead with internationalization of its currency, the renminbi. This has incited and excited intense debate over the feasibility of the objective lining the belly of the mammoth project. Against this background, political economy research on international currencies have gradually been gathering steam in recent years. This paper attempts taking a sharp turn away from previous discourses on currency internationalization to undertakes a systematic review of the literature on international currencies with much emphasis on providing useful foundations aimed at helping develop a better analytical basis for subsequent discussions bordering on currency internationalization, Chinas renminbi and the One-Belt-One-Road policy, the determinants of currency internationalization, and the future prospects of the renminbi as an international currency- all in the face of OBOR.

Alogoskoufis and Portes (1992), Aliber (1966), Bergsten (1975); Black (1989) Cohen et al (1971, 2003) have undertaken seminal academic works in relations to currency internationalization. Given the academic inquiry made, and its focus on purely economics index without much or equal attention to the relationship between currency internationalization and policy, inter alia other factors, the dearth of literature which this paper attempts to fill- more particularly with respect to Chinas OBOR, this study also seeks to highlight and address a couple of issues salient to currency internationalization. Given that currency internationalization is still in its early gestation stage, there are in fact a plethora of significant policy-related issues awaiting further investigation. This study is organized as follows: It first discusses the concept of an international currency and then examines the pertinence or expedience of an international currency. Factors that influence the internationalization of currencies are subsequently captured in the ensuing segment. It also discourses on the historical antecedents, international currencies conceptualizations, possible externalities and uncertainties related to OBOR and the RMB internationalization. In the final segment, it discusses the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of OBOR and the renminbi internationalization. It then moves on to consider conclusions in the closing part.

3. Research Methodology

The paper relied entirely on written documents: both primary and secondary sources. The primary sources mostly included reports, predominantly print and electronic. The Secondary materials included books as well as journal articles. It also undertook a content analysis of both primary and secondary data written documents and employed the content analysis documentary research method in analyzing the primary and secondary documents with bearing on the subject matter under review.

The paper also drew strength from comparative case study method in trying to compare economies, instances and historical developments that characterized the different currencies, polities and epochs in different polities and economies with similar if not same fashion of transitions in the internationalization of currencies and more especially where certain catalogue of events and activities can be traced and arranged. To grant essence and underscore the research efficacy of comparative analysis or studies, we emphasize that, comparison is a way of scientific analytical tool deployed to systematically probe two or more entities with respect to certain tenets such as their similarities and differences in order to arrive at understanding, explanation and further conclusions.

4. The One-Belt-One-Road Policy

The one belt one road policy is an inchoate catalytic policy at its nascent stage designed to foster the creation of an inter connected, transcontinental cooperation partnership. It is designed to focus on improving and creating new routes, links and business opportunities with China passing through over 60 countries. This according to Nadege Rolland (2015) accounts for 60% of the world's population around Asia, Europe, the middle east and Africa. The OBOR seeks to develop prosperity for undeveloped parts of china, developing new opportunities for china to partner and possibly cooperate with countries along identified trading routes. It seeks to step up integration efforts, connectivity and economic development. It refers to the proposed silk road economic belt and the maritime silk road with a common interlaced policy thread connecting five major areas including: Policy coordination, unimpeded trade, financial integration people-to-people ties and infrastructure construction- which is the salient amongst all. Connectivity revolves around economic, financial and legal integration, interrelationships between cultures, and the connections that tie societies.

The OBOR corridors include the following:

1. New Eurasian Land Bridge
2. China - Mongolia - Russia Corridor
3. China - Central Asia - West Asia Corridor
4. China - Indochina Peninsula Corridor
5. China - Pakistan Corridor
6. Bangladesh - China - India - Myanmar Corridor

Given the grandiosity, wide expanse and coverage of projects tied to OBOR, it is palpable it is not free from shortfalls and devoid of unforeseen hiccups. The varying prevailing economic and political conditions in the targeted polities epitomizes just an iceberg tip of the potential policy challenges and risks ranging from legal, financial, socio-political unrest, economic instability etc. This calls for an exercise of due diligence and a cautious conduct of risk assessment to ascertain viability. This notwithstanding, the benefits of OBOR are lucidly immense and overwhelming. It has the potential to grow into a model for setting the standards of inter country global policies and revolutionizing their frontiers whiles same time, being deployed and utilized as a tool for altering the architecture of global political economy towards creating a new world order not limited to but encompassing the Internationalization of the renminbi.

5. What Is an International Currency

The discourse on currency internationalization which is gathering academic attention in recent times has generated interesting and quite revealing responses. International currency has been defined variously by different scholars from a multiple of perspectives. The varying lenses through which these definitions are made, are mostly chiefly informed by the study background of the scholars and/or authorities. Among some of the scholars who have endeavored to give academic prominence to the discourse on international currency include Boughton. According to Boughton (2010), an international currency is usually defined as a currency that is used elsewhere beyond its home country. Whiles Frankel (1992, 1995), Eichengreen and Frankel (1966), Chinn and Frankel (2007) share in same perspective by asserting that “an international currency is one that is used outside its borders”, they further attempt to premise the determinants of an international currency on certain sound cardinal factors elaborated for more systematic analysis through two broad distinct avenues. One conceptualizes an international currency in terms of its functions. The other categorizes international currencies in accordance with the nature of the factors supporting their international use. The former approach is widely adopted in economics research, while the latter is increasingly used in political economy study.

In the same vein Frankel (2010) on the other breath offers a much detailed definition by integrating the characteristics of money which comprises the three (3) classical functions of money : thus, as a medium of exchange, a unit of account, and store of value) with certain four (4) prerequisites including: an international currency accounting for a preponderant share of the official reserves of central banks; a currency used "hand-to-hand" in foreign countries; a currency in which a disproportionate share of international trade is denominated; and a dominant currency in international financial markets. But this paper seeks to dwell in part on the currency denomination of trade; a currency used "hand-to-hand" in foreign countries; which fulfils only two of the four characteristics defined by Cohen (2003) and which for years has been the core of a country's role in international trade which is significant to the importance of currency internationalization. When official reserves were in gold, any other metals or physical benchmark, and when international financial markets did not allow for the exchange of non-merchandise related assets and liabilities, an international currency was essentially a currency used for trade purposes - fulfilling the roles of medium of exchanges: i.e. a currency that reduces transactions costs and inefficiencies of barter trade, and of a uniform unit of account, i.e. a currency allowing for the valuation of merchandises between two or more countries.

These results are consistent with McKinnon (1979), who asserts that, industries producing homogeneous goods tended to trade in currencies with low transactions costs. Helleiner (2008) defines an international currency as “one in which a disproportionate share of international trade is denominated”. Krugman (1980) also explains that inertia, plays a role in currency invoicing. He argued that the more a currency is established, the more difficult it is for users to shift to other currencies: there are clearly lower transaction costs in using a widely available and liquid currency. Economies of scales emerge as a large level of transactions in a currency ends up lowering the spreads for that currency in foreign exchange markets and in bank charges, for either cash transactions or transfers. He posits that the resilience of the dollar as an international reserve and transaction currency was based on overall US strength in international relations and also came to another important conclusion that, the currency formed in a monetary union is likely to be used more extensively in trade than the sum of the currencies it replaces.

5.1 Pertinence or Expedience of An International Currency

This brings us to the theme of the pertinence of international currency. How pertinent or expedient is it or would it be for a sovereign state to have an international currency? In as much as it has some overt implications for the economy than the currency's exchange rate does, it is nonetheless important and/or expedient. The relationship between the exchange rate and international currency status have always not been discrete and mutually exclusive. They are causally interrelated, though with exceptional historic instances in the1990s when they divergently moved in direction for the US dollar.

In discussing the advantage(s) of international currencies, Cheung, Ma, and McCauley (2011) argue on the line of convenience for the country's residents, more particularly, exporters, importers, borrowers and lenders to be able to transact in their own currency. They further stress that, whiles "cutting down on currency mismatch, the internationalization of the RMB would carry for China the advantage of sharing some of the foreign exchange risk that China runs with the rest of the world- essentially that it would reduce currency mismatch, and in this case excessive exposure to dollars on the asset side". They also assert that, in expanding operation space, it is offers an opportunity for institutions like the financial institutions and banks to extend their operation frontiers. To them, there need be no firm connection between the currency in which banking undertakings are conducted and the nationality of the banks, or between the nationalities of savers and borrowers and the nationality of the intermediating bank.

Nevertheless, it stands to reason that U.S. banks have a comparative advantage at dealing in dollars, British banks at dealing in pounds, Chinese banks at dealing in renminbi, and so on. Seigniorage is another advantage of an international currency. According to Cheung et al (2010), this is perhaps the most well-known advantage of having other countries hold one's currency. They must give up real goods and services, or ownership of the real capital stock. This would allow for a run up of huge debts denominated in its own currency at low interest rates. According to Boughton (2001), international currency helps to build political power and prestige. For example, the British pound rose to an international currency status when Britain was at the peak of its global power heights. A run on the British pound however as a key global currency impacted on its steady decline in political and military preeminence. In terms of international currency issues, it is not all that cast in steel strengths. It comes with burdens. Among some of the possible underlying shortcomings of a country having an international currency may include instability or fluctuations in demand for the currency. The issue of a constant demand for an international currency isn't something guaranteed or assured, as there is the tendency for a change or variability in demand to set in.

According to Frankel (2010), such instability is probably more likely to follow from an increase in the degree of capital mobility than from key currency status per se. Nevertheless, the two are related. He succinctly states in this regard that, "*Central banks are sometimes concerned that internationalization will make it more difficult to control the money stock*". And he also states that this problem need not arise if they do not intervene in the foreign exchange market. But the central bank may view letting fluctuations in demand for the currency be reflected in the exchange rate as being just as undesirable as letting them be reflected in the money supply.

Besides the above mentioned, the other disadvantage is that, it results in a surge in the average demand for the currency. According to Cline (2005), as cited by (Subramanian 2011: Boughton 2001: Cheung et al 2010), the internationalization of the RMB would carry for China the advantage of sharing some of the foreign exchange risk that China runs with the rest of the world, essentially that it would reduce currency mismatch, and in this case excessive exposure to dollars on the asset side. Another disadvantage is the attendant deadweight burden of responsibility likely to be imposed on china in the event of the renminbi achieving international currency status. Rather than being free to devote monetary policy solely to domestic objectives the monetary authorities in the country of a leading international currency may be called on to take into account the effects of their actions on world markets.

5.2 Factors that Influence the Internationalization of Currencies

Substantial inroads have been made with respect to the academic mileage traversed, much especially aligned to the literature on international currencies. Many scholars including Portes and Rey (1998): Rey (2001): Tavlas and ozeki (1992): swoboba (1969): Mckinnon (1979) Matsuyama et al (1993) have contributed to adding scholarly currency to the discourse on international currencies. Others include: Kindleberger (1981): Krugman (1984); Kenen (1983), Frankel (1992, 1995), Eichengreen and Mathieson (2001) and Eichengreen and Frankel (1996).

In their respective discourses, one common theme that features poignantly includes the factors that determine whether a currency is appropriate and/or suitable to be an international currency. High ranking among the list of factors which influences and/or determines the internationalization of a currency according to Eichengreen (2005:2010) for instance include the expanse of the jurisdiction within which the currency is used. He stresses on relevance and relation of economies of scale as well as network externalities and the role they play in influencing and/or determining the internationalization of a currency. Though the tendency for countries to use a currency largely used by other countries exist, the possibility isn't straightforward and assured or guaranteed (Bergsten 1975). He then supports by asserting that, *"counteracting the arguments about network externalities and tipping, particularly in determining the reserve currency function, is an argument in favor of multiple simultaneous international currencies or competition for the affections of investors"*.

The second element that determines and/or influences the internationalization of a currency is the financial markets factor. For a country's currency to be internationalized requires the currency to get to a certain standard or status, which includes, but not limited to the fact that the capital market must not only be broad, and free from restrictions, but must also be advanced and well developed. This is evidenced in the benefits, as reflected in transactions and trade volumes of larger world markets in Europe and the US and their respective trading currency benefits in the dollar and pound respectively, as against the major trading currency benefits of other relatively smaller and less advanced and/or developed financial markets of say Lisbon or Madrid.

In addition to the factor of confidence reposed in the worth of the currency: thus, owing to the currency stability and its irregular periodic swings or switches, is the inertia factor generated by network externalities (thus, how currencies are used because others are using it). Krugman 1984: Kenen 1983 & Frankel 1992:1995 reiterate that, however slow it takes for a currency to gain international status, currencies that enjoy usage and circulation in the past are likely to enjoy usage in the future- owing to greater inertia in usage and patronage.

Moreover, the elevation of a currency to international status is greatly influenced by trade and its output. Demonstrably, it is evident that, countries with large shares in international trade output enjoy a currency patronage and/or use(r) edge over other currencies of countries with smaller share(s). Part of the reason(s) why the US dollar still dominates is because of its staggering contribution and output in international trade. Also, frequency of use of a currency in the invoicing and financing of international trade is also a relevant contributory factor to internationalizing a currency. The implication is that small changes in the determinants will not produce corresponding changes in the reserve currency numbers, at least not in the short run. Changes may show up only with a long lag. As noted, the pound remained an important international currency even after the United Kingdom lost its position as an economic superpower early in the century. In the present context, the initial bias favors the continued central role of the dollar.

5.3. Historical Antecedents

Ensuring a full and wholistic treatise of the subject matter of the internationalization of the yuan, naturally would require some historical revisits and inquisitions. A careful study of the history of major currencies demonstrate the dynamic, yet interesting trend of transitions of some major currencies including the dollar, the deutsche mark and the yen which respectively had their profound peculiar features characterizing their peaking rise to international prominence and otherwise. Regardless of the peculiarities and differentials in factors that characterized their respective rise and fall, they all seem to have common convergent feature grounds which cannot be discounted in the discourse of china's one belt one road policy and its attendant effect on the internationalization of the Renminbi. One striking factor that characterized the internationalization of the Dollar, deutsche mark and the yen, which could fit as a mold, especially in relations to this discourse, and possibly dovetail into the internationalization of the Chinese renminbi discourse may include the steady, deliberate and well thought through policy steps charted to efficiently oil the wheels of internationalization.

A typical example is the Chinese renminbi trade liberalization policy through trade invoicing policies and the development of the offshore renminbi market policy initiated in Hong-kong. The historical trajectory, aptly described above isn't far from the one in which the one- belt-one-road policy or the belt and road initiative (OBOR/BRI) of china and the renminbi internationalization is encased. This policy, could be a subtle strategic way for china's currency to gain international status.

5.4. Currencies Conceptualizations

In analyzing international currencies, a myriad of concepts aimed at conceptualizing international currencies have evolved over the years. In doing so, one of the ways is to conceptualize an international currency in terms of its functions. This theory, as espoused by Cohen (1971) in his writings, and later refined by Kenen (1983), Krugman (1984) and others conceptualizes currencies on the basis of their monetary functions. This is the most widely used concept. In their views, a currency, domestic or international performs the three functions as a medium of exchange, a unit of account, and a store of value. Cohen (1998), in the subsequent years went further to classify currencies according to not only the scopes of their monetary functions but also the geographical ranges of their use. The other perspective, which constitutes the thrust of this paper is the conceptualization of an international currency taking into cognizance, factors undergirding their dominance or global use as an exchange medium. This may be spurred or influenced by an important factor- trade which drives it to fulfills certain features as transaction, medium of exchange and unit of account motives of currency demand. This paper seeks to discuss in detail terms, the potency and/or efficacy or otherwise of china's one-belt-one-road policy (OBOR) also christened the belt and road initiative (BRI) in internationalizing the Chinese currency-renminbi.

Given the social, political and economic forays of china, and its economic giant status, all against the major expansion of trade with other countries as expressed in the rapid expansion of off-shore trade payments in that currency, there is little doubt, that in the medium-to-long term the RMB will become a major currency of settlement in international trade. Though currently the US dollar and the euro are enjoying a currency duopoly. This to a larger extent is not only greatly influenced by the market, but also policies. In this instance, the OBOR/BRI is not an exception. This currency duopoly could partly be attributed to the stability the extensive economic policy and trading partnerships of the united states of America and Europe respectively. This is an ample evidence to demonstrate that, the OBOR/BRI policy, like all other national policies when implemented could be an efficient to aid the increasing of china's share in global trade, invoicing and payment of international trade and the internationalization of the renminbi. Cohen Benjamin J. (2003) strengthens the argument in his concept of the global roles of the currencies. He elucidates on how policy pedals could accelerate cross-border and the domestic uses of currencies to accentuate their overall importances in the world economy.

Other concept is the political economy conceptualization postulated by Strange (1971). Laying another foundation for the international currency discourse, and shifting its focal lens, he introduced a salient dimension- the politics/political conceptualization of international currencies. In the course of his treatise, he raised the questions of: "Under what political, as distinct from economic, circumstances do people start to use—either for all or for only some monetary purposes—a currency which is either issued or controlled by a state other than their own?". In the views of Helleiner (2008), discusses some instances in which politics affects international currency standing by taking a neck turn to Strange's (1971) concept of international currencies which emphasizes on power play and policy initiatives. Helleiner (2008) who finds strength in that view opines that, politics and currencies or currency internationalization are inextricably interlocked variables and that dominating currencies derive their international standings mainly from their inherent economic attractiveness with the role of politics being relatively limited.

6. POSSIBLE EXTERNALITIES AND UNCERTAINTIES

That China's one-belt-one-road policy or belt and road policy is an evolving and a purposefully engineered strategic policy vehicle designed to carry Beijing's long-term vision and aspiration is an incontrovertible truism. It is obvious that, it has the potential to open up markets, increase and open up investment opportunities, whiles creating job opportunities not only in china, but largely in other parts of the world. However, whiles the audacious policy remains one gravid with opportunities, it cannot be said to be without inherent pitfalls and potential challenges. Whiles scores of people have unceasingly expressed loads of doubts about the ability of the xi jinping-led government to efficiently and effectively roll out the policy, others also have issues with understanding the real or hidden intention behind Beijing's gargantuan policy project of enhancing transnational connectivity. Allied to these are social, cultural and more importantly, political and economic hurdles that seem to lie ahead of the policy. A consideration and perhaps, a successful jump, would ensure and bring out the best expectations and unleash china into a different level in the international sphere. The internationalization of a currency requires the interplay of a plethora of factors. It is influenced by the level of diplomatic rapport between the issuing state and the subscriber states supporting the currency. The depth of coordination and interaction between these two parties tellingly sets the pace of acceptance and recognition, and subsequently, the internationalization of the legal tender as a medium of exchange. Clearly invariably, the will of the parent state issuing the currency, rests on its domestic and international relations across multi inter-state relations divide.

As captured in the views of Helleiner (2008: 365-366), *A state's decision to give backing to a foreign currency's international use can also be informed by diverse political economy factors at both of these levels—for example its political, security and economic relations with the issuing state, the pressures from private domestic interests with close ties to the issuing state, the ideational beliefs of key policymakers, and other states' choices concerning whether or not to support the currency's international standing.* Given the possible policy weaknesses and threats, vis avis the predictable uphill policy implementation hurdles likely to confront OBOR/BRI policy, there is little doubt, that in the medium-to-long term, capitalizing on the strengths and opportunities, the RMB will become a major currency of settlement in international trade. This, to an extent would be predicated on a host of contingent factors not limited to purely economic indices, but also, including political cum international relations- driven factors. The above assertion isn't a distant description in so far as OBOR/BRI and currency internationalization tenets are concerned.

7. MODEL - SWOT ANALYSIS OF CHINA

As earlier on reiterated, the credentials of an international currency may be said to hinged on, but not strictly restricted to the issuing country's material capabilities and underlying power resources. Associated to these include the size and sophistication of its economy and the depth of its connections with the global economy; the liquidity, depth and resilience of its financial markets; and its diplomatic assets. Other may include the issuing country's ability to translate its capabilities into effective action, which in this case may be a matter of statecraft.

China has demonstrated a resilient and a high level strategic sensibility that arguably is beyond anything that we have yet to see come out. In the face of the gradual rising of the renminbi today, whiles it is a minor player in the community of currencies, it still remains a currency with a huge global acceptance prospect. The goal of internationalization is openly acknowledged and has been pursued with diplomatic tact and tenacity.

Internationalization can enhance China's international status and competitiveness significantly and will increase its influence in the international economy. China will have a greater say and will enjoy a rise in power standing'. It is therefore fair to say that the renminbi still has a considerable way to go to match Beijing's aspirations for its internationalization. Achievements have been considerable and most likely will continue into the future. In this regard, the imperative critical forces to come into play may comprise a well-balanced geopolitical ambition and economic policy autonomy. This constitutes a sine qua non for any country whose currency begins to gain international prominence. In drawing an analogy Armijo and Katada (2015) assert that, *the choice is literary between a 'sword' and a 'shield' – between an instrument of international influence and an insulation against external pressure*. Given china's diplomatic incursion, it is obvious the sword is the only option. In the eyes of many experts, China's successes to date, relative to its 'growing size bilateral trade, direct investment economic growth and economic dominance are likely to translate into currency dominance,' predicts one prominent economist (Subramanian, 2011: p. 5). The growth to become an exchange rate reference currency is crucial to achieve currency dominance. The SWOT analysis reveals the bridgehead or otherwise position of the People's Republic of China in respect to its internal and external environment, vis avis the OBOR/BRI policy and the internationalization of the renminbi- its major trading currency.

STRENGTHS

1.Large Markets
2.Finance
3.Political Influence

WEAKNESSESS

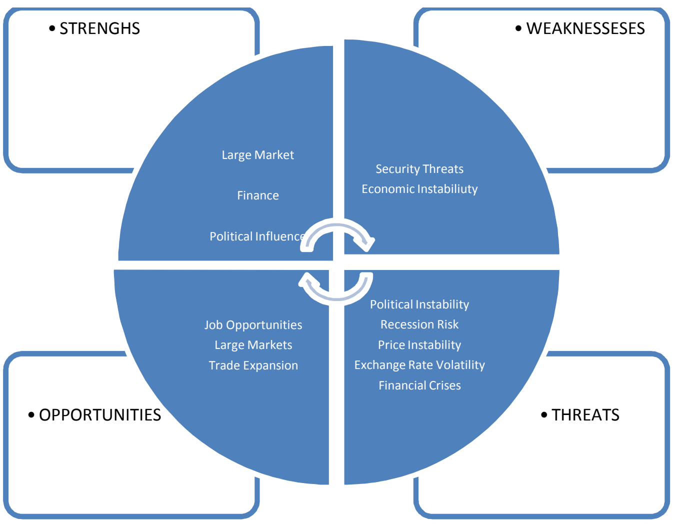
1. Security Threats
2. Economic Instability

OPPORTUNITIES

1.Job Opportunities
2.Large Markets
3.Trade Expansion

THREATS

1. Political instability
2. Recession risk
3. Price instability
4.Exchange rate volatility
5.Financial Crises



8. CONCLUDING REMARKS:

Given the expanse, relative to the geographical coverage area of the OBOR/BRI, its certainly clear that stakes are high. It is against this backdrop that a case of the possibility that the Chinese renminbi may soon rise to the ranks of international currencies has generated much fears, particularly within the ranks of the "real world power brokers", amidst much excitement in china. Drawing strengths and lessons from history, this paper evaluates and assesses the factors likely to inform or influence the prospects of the internationalization of the renminbi as earlier stressed on in the case of the rise of the dollar (1913-1945), the Deutsche mark (1973-1990), and the yen (1984 to 1991) respectively. The rudimentary determinants of international currency status include the economic size, confidence in the currency, and depth of financial markets. The widely held new view is that, these foundational factors ought to be in place- as a propelling prerequisite to drive the internationalization of a currency. Relative to the third, the Chinese government could decide to create that depth, by accepting an open capital account, diminished control over the domestic allocation of credit, and a flexible exchange rate.

Considering the diplomatic efforts exerted by Beijing over the years to push its currency into international prominence- including promoting offshore use of the currency since 2010, it would be appropriate to suggest that, internalization of a currency-oriented national policy like OBOR/BRI is tailored to take an acute divergent direction from the historical precedents. A concatenation of recent policy initiatives show that Chinese authorities have assumed a proactive strategy to increase the international use of the RMB. The increasing use of the RMB combined with China's economic weight and large stock of foreign exchange transactions would underpin China's geopolitical ambition. The RMB's rise will continue even if China's authorities do not implement market-driven reforms of financial and monetary policy. This paper argues that the RMB which is already an important currency in Asia, with OBOR/BRI, it's on track of ascendency to gaining a significant international relevance.

As suggested by Brake and Bunda (2012) China has become not only a novel nerve centre, but also a fulcrum around which the world economy revolves. Its worthy of note that, other currencies that depend on trade with China have moved closer to the RMB. The RMB is likely to intensify its anchor role and shape a currency and an economic bloc beyond Asia. It is remarkable to note that, until recently, what was a minnow or an underling in the community of currencies is now robustly coming out as a major contending currency. This paper has argued that closer transcontinental trade and the financial integration between China and the rest of the world, as sought to be achieved by OBOR/BRI could possibly be a key hold to anchor the internationalization of china's currency- the RMB

In its commitment to bringing this into fruition, China has taken significant steps towards the progressive internationalization of the yuan. It has allowed domestic exporters to invoice their cross-border sales in yuan; it has timidly opened the gate to foreign capital inflows (as a first step, only on the off-shore market and through foreign direct investment in mainland China); it has developed bilateral swap agreements in yuan with central banks in partner countries; it has liberalized the use of deposits in yuan in Hong Kong. Although the path towards internationalization will still be long (see, e.g., Dobson and Masson, 2009; Eichengreen, 2011; Prasad, 2012; Yu, 2012), it is significant that the first steps have been carried out while the currency remained carefully managed with respect to the US dollar. It may seem to be an extremely casual and oversimplified way to think about the internationalization of the renminbi. Oversimplified it certainly is; we would very much like to be able to treat the subject rigorously. But this analysis seems demonstrates that, the currently nascent OBOR/BRI initiative, in the face of the currency development of China, political/diplomacy efforts, historical precedents of other currencies etc., the OBOR/BRI, could be a major efficacious policy vehicle to drive the RMB to an international currency status. Overall, the growth outlook for the Chinese renminbi appears positive.

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