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CHANCES FOR CHINESE YUAN TO BECOME WORLD'S MAJOR INVESTMENT AND RESERVE CURRENCY

In about 20-25 years, Chinese yuan has a chance to become the world's major currency. China's rapid economic development leads to political domination in the world. According to World Bank, China had overtaken Germany in 2007 and became world third-largest economy. In 2010 China overtook Japan, and it is projected to overtake the USA by 2029. And while it is not yet enough to declare its superiority, it can be expected that the yuan will become the world's most influential currency, replacing US dollar. In the long term, the same is expected for the Chinese language.

For a long time, Chinese yuan has been tied to the dollar, however, on July 21st, 2005, China for the first time raised the national currency rate by 2.1%, increasing the yuan's rate against the dollar from 8.28 to 8.11. It was one of the main steps in the strategy of reorienting China's economy from export production to domestic consumption. China continued to pursue its slow but consistent reforms of foreign exchange policy and started investing increasingly in the development of domestic demand and major state projects, so the global financial crisis did not have a significant adverse impact on China's economic growth.

However, it affected China's exports. China's exports declined after the yuan's exchange rate had grown. Its overproduction turned into plenty of local projects not being able to pay off, and a lot of investors losing money. After first two years of the crisis, Chinese yuan rose by 19% and in July 2007 reached 7.6 yuan. At the same time, China's foreign exchange reserves increased. They reached \$2 trillion in 2009 and \$3,109 trillion in 2017.

In 2009 China announced a goal to make the yuan the new global currency. The main step towards Chinese yuan becoming an international currency is the transformation into an international, investment and reserve currency. At the peak of the global financial crisis, the Chinese government announced its orientation towards the "internationalization" of the yuan. In 2012, China gave all Chinese trade enterprises with an export-import license the right to conduct foreign trade transactions in yuan. Since 2009, China has increased the share of payments for exports in Chinese yuan,

and signed agreements with South Korea (180 billion yuan), Indonesia (100 billion yuan), Malaysia (80 billion yuan).

An important step to develop the opportunity to trade in Chinese yuan is to make it a freely convertible currency so that companies that make transactions in Chinese yuan can use this money for other operations, not necessarily with China again. China has concluded agreements with other countries on converting the yuan into other currencies. Today, it is possible to directly convert it into such currencies as US dollar, Australian dollar, Japanese yen, Malaysian ringgit and Russian ruble. At the same time, China signed currency swap deals. The first currency swap deal was signed in 2009 with Belarus. In 2011, eight more agreements were signed with other countries. In 2011, the People's Bank of China signed a deal with the Central Bank of Russia on foreign trade settlements in yuan and rubles. Nevertheless, the dollar had remained the primary monetary unit for transactions until 2014, when Western countries announced sanctions against Russia. In October 2014, China and Russia signed a currency swap deal of 150 billion yuan for three years with the possibility of renewal. Nowadays, China has agreements on currency swaps with central banks of more than 20 countries for more than 3 trillion yuan.

Euro still has the first place in transactions on currency turnover, though such a large number is achieved through operations between EU countries, while the percentage of the euro transactions with other countries is small. Chinese yuan was on the 7th place in 2016, ahead of the Swiss franc. The most deals with the Chinese currency accounted for foreign trade and export transactions, which is not surprising, given that China is second after the United States in terms of GDP.

In 2010, China opened Shanghai Stock Exchange for the listing of foreign companies. Today it is considered one of the most promising stock exchanges in the world, though because Chinese economy is not a fully market economy, number of foreign investments is comparatively low. Since China's financial markets are still inferior to the corresponding markets in the US and Western Europe, Chinese yuan will yield to dollar and euro for a certain amount of time. China has every chance of making the yuan a reserve currency, but according to the IMF, in addition to being a rapidly developing economy, it requires a well-developed and stable financial infrastructure and stability of the currency. However, since export trade is one of the essential conditions for the development of China, it is beneficial for China to keep Chinese yuan's rate low, which makes it not a very popular currency for creating reserves.

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