
CHINA WG Currency statecraft, central bank policies and transaction costs: the case of RMB internationalization

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Abstract

Especially after the 2008 crisis, the international use of the RMB has substantially increased. A body of literature in international political economy (IPE) has reemerged to discuss the determinants of currency internationalization. Within the IPE literature, the role of market-forces is usually much emphasized to the detriment of studies on the role of governmental actors. This article aims to fill this gap by arguing that Central Banks policies are very important, notably at early stages of currency internationalization processes. For the Chinese case, so far, the path chosen by the PBOC is an attempt to reduce transaction costs related to the use of the currency abroad and thus reducing the barriers of entrance of the RMB in the international arena. Interviews with senior level officials from the PBOC Shanghai office, Chinese and foreign companies operating in Guangdong and Zhejiang provinces during October/ November 2018 will provide evidence for my arguments. The theoretical background of this article are the theories of Currency Statecraft (Cohen 2019) and Financial Statecraft (Katada, Roberts and Armijo (2013)).

Keywords: Currency Statecraft, Financial Statecraft, RMB internationalization

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