

The Chinese Renminbi and Japan: Suppressing the International Rise of a Rival's Money?

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Abstract

This study addresses how foreign actors react to a newly-internationalizing currency—a crucial issue for thoroughly understanding the *emergence* of a new international currency, but one that is also underexplored in the literature—with a focus on the case of the Chinese renminbi in Japan, by investigating the distinct cases of non-financial corporations, financial institutions and the government. It argues that non-financial corporations tend to show reluctance about using a newly-internationalizing currency in its early stage of internationalization, while global financial institutions may have keen interest in new business involving the currency, but prefer the top global financial centers—which are *not* necessarily their home markets—as their business platforms for such business. It illustrates as well how a government uses its policy regarding a foreign international currency as a diplomatic tool for dealing with the issuing state, thereby highlighting the significant role of politics in the initial stage of currency internationalization.

Key words: currency internationalization, international currency, Japan, renminbi, yuan