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