

### RMB "basket" is a milestone

#### Aesthetics praises China for reform

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On January 30, the Executive Board of the International Monetary Fund (IMF) completed a five-year review of the SDR basket of currencies. The Executive Board considered that the Renminbi had met the existing currency Standard, the meeting decided, October 1, 2016, the yuan will be officially added to the special drawing rights currency basket.



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#### China's economic integration into the global financial system milestone

"The decision of the Executive Board to incorporate the yuan into the SDR basket is an important milestone in the integration of China's economy into the global financial system," said Christina Lagard, President of the International Monetary Fund, at the end of the executive

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board. China's continued reform in this area will lead to the establishment of a more dynamic international monetary and financial system, which will also support the stability and development of China and the global economy. "

The major US media have reported, comment, almost all with the "milestone" to describe. "On Monday, China has shaped an economic milestone in which the IMF has incorporated the yuan into a special currency basket," the New York Times reported. "On Monday, the yuan became one of the world's elite currencies," the Wall Street Journal said. This is a milestone decision by the International Monetary Fund, which is an emphasis on China's rising financial and economic strength. "The report also argues that this will help to pave the way for the wider use of the renminbi in financial and trade activities Roads to ensure that China's global economic power status. "Los Angeles Times" that the International Monetary Fund this move recognized the RMB enough stable, can be widely used as a safe haven of assets.

Some scholars believe that the International Monetary Fund is China's international financial system in the indispensable recognition. Yannis M. Ianannides, a professor of economics at Tufts University in the United States, said in an interview with the International Monetary Fund that the IMF decided to include the yuan in the special drawing rights currency basket. Normal, this move is not only beneficial to China, but also beneficial to the world.China will assume more responsibility, China's initiatives will be more seriously. "He also said that because the renminbi, the world will reduce the risk Small, because the international financial system is an important force is no longer ignored.

#### RMB international status was recognized

The International Monetary Fund has imposed two conditions for the inclusion of a currency in the currency of a special currency: the first volume of goods and services in the country is at the forefront of all member states; and the currency of the country should be "free to use" That can be widely used and traded. Five years ago, the Executive Board of the International Monetary Fund rejected China's accession to the SDR currency basket, saying that the renminbi did not meet the "free use" conditions. The International Monetary Fund audits through the RMB into the special drawing rights currency basket, mainly that the RMB has been achieved "free to use."

In early August this year, the International Monetary Fund released the "special drawing rights valuation method assessment - preliminary consideration" report, that "different indicators show that the RMB has been in international trade and the use of a significant position." The report emphasizes that the renminbi in recent years in cross-border payments and in the global financial markets, as an active trading currency position has increased rapidly, nearly 20% of China's trade in goods settled in Renminbi.

There are scholars believe that, adding a special drawing rights currency basket, will continue to promote the RMB market-oriented reform. In fact, in order to join the "basket", the Chinese government has taken a series of reform initiatives, such as opening to the foreign central bank bond market and foreign exchange market.

Ben Bernanke, a senior researcher at the Brookings Institution in the United States and chairman of the former Federal Reserve Board in the United States, says the yuan as a "basket" is not only a recognition of China's economic strength, but also for China over the years Financial regulation of international norms, to improve the market value of the decision to take the value of the open capital market initiatives recognized.

#### Promote the "basket" more world representation

The International Monetary Fund believes that the inclusion of the yuan in the special drawing rights currency basket, making the currency basket more diversified, more attractive, but also more representative of the world's major currencies. This is an important change in basket money since 1980.

Scholars generally believe that the inclusion of the yuan in the IMF special drawing rights currency basket, for China, is the RMB to the internationalization of the landmark event, and it is in the global economy in the important position is also matched.

Nicolas Lardy, a senior researcher at the Peterson Institute for International Economics at the American think tank and a Chinese economic research expert, said the matter was really important to China, but at the economic level, there would not be too much in the short term influences. He believes that the inclusion of special drawing rights currency basket does help to improve the image of the renminbi. In the short term, only a few central banks will change their monetary reserves according to the "basket", and most of them will be

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complete. In the short term, only a few central banks will change their monetary reserves. Independent decision.

Harvard University Department of Economics, former US Deputy Secretary of State Richard Cooper (Richard Cooper) in an interview with this reporter said that "special drawing rights" only for the IMF member countries between the currency authorities Transactions are sometimes used for transactions between two authoritative monetary institutions, but the second is rare. As a result, the SDR currency basket is not so obvious for the actual international financial system and the short-term impact of international trade.

Cooper believes that from the world economic point of view, this is a symbolic significance. But there will be some substantive changes from the date of the decision in October next year. For example, the valuation of the daily SDR currency and the interest rate will be affected by the RMB exchange rate and its short-term interest rate. Some central banks may be encouraged to hold and hold Chinese bonds, and if the increase in the number of stocks may lead to a significant appreciation of the renminbi, This would in turn hinder China's exports and encourage other countries to export.

Bernanke believes that in the next few decades, the liberalization of the renminbi brought about by its international status, both for China, the United States and the world, will be positive.

( Newspaper Boston, December 2 )

Editor: Wu Yong

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