

# GAINING CURRENCY

*The Rise of the Renminbi*

Eswar S. Prasad

**OXFORD**  
UNIVERSITY PRESS

## CONTENTS

<i>List of Figures and Tables</i>	<i>ix</i>
<i>Preface</i>	<i>xiii</i>
1. A Historical Prologue	1
2. Currency Concepts	23
3. Capital Account Opening	37
4. The Exchange Rate Regime	73
5. The RMB Goes Global	100
6. Reserve Currency	120
7. The Mirage of Safety	150
8. House of Cards?	173
9. Rising Global Influence	213
10. Conclusion	245
<i>Appendix A: Implications of the RMB's Rise for the U.S.</i>	<i>249</i>
<i>Appendix B: Data Tables</i>	<i>255</i>
<i>Notes</i>	<i>263</i>
<i>References</i>	<i>297</i>
<i>Acknowledgments</i>	<i>305</i>
<i>Index</i>	<i>307</i>

## LIST OF FIGURES AND TABLES

### FIGURES

- P.1 China and the world *xiv*
- 1.1 Marco Polo at the court of Kublai Khan 6
- 1.2 Yuan dynasty currency note and its printing plate 7
- 1.3 Ming dynasty currency note 9
- 1.4 Kuomintang Fa Bi banknote 12
- 1.5 Chairman Mao Zedong announces the establishment of the People’s Republic of China at Tiananmen Square, Beijing, on October 1, 1949 15
- 1.6 Fourth series of RMB banknotes, first issued in 1987 18
- 1.7 Fifth series of RMB banknotes, first issued in 1999 19
- 2.1 Beijing headquarters of the People’s Bank of China, China’s central bank 27
- 3.1 Yi Gang, Deputy Governor of the People’s Bank of China and former head of the State Administration of Foreign Exchange 38
- 3.2 China’s external assets and liabilities 41
- 3.3 Zhou Xiaochuan, Governor of the People’s Bank of China 56
- 3.4 Returns on external assets and liabilities 63
- 3.5 Structure of capital outflows 66

3.6	President Xi Jinping and Premier Li Keqiang of China	70
4.1	RMB per dollar	80
4.2	Effective exchange rates	84
4.3	Current account and trade balances	85
4.4	Foreign exchange reserves	86
6.1	IMF Managing Director Christine Lagarde and People's Bank of China Governor Zhou Xiaochuan	121
6.2	The People's Bank of China's currency swap arrangements go global	139
7.1	The Politburo Standing Committee, 2012–2017	160
8.1	Net errors and omissions	183
8.2	Shanghai and Shenzhen stock market indices	199
9.1	Jin Liqun, President of the AIIB	228
9.2	ADB President Takehiko Nakao and China's Finance Minister Lou Jiwei	232
9.3	Leaders of the BRICS nations	235
9.4	The new Silk Road	239
A.1	China's investment position in the U.S.	250
A.2	China's holdings of U.S. Treasuries	251
A.3	Currency composition of world foreign exchange reserves	253

## TABLES

B.1	Configuration of Global Gross Domestic Product	255
B.2	Country Shares of World Trade	256
B.3	China's International Investment Position	257
B.4	Currency Distribution of Global Foreign Exchange Market Turnover	258
B.5	International Bonds and Notes Outstanding	258
B.6	Interest Rate Derivatives by Currency	259

[x] *List of Figures and Tables*

B.7	Recent Offshore RMB Clearing Arrangements	260
B.8	Stocks and Turnover of Government and Corporate Bonds	260
B.9	Central Bank Swap Arrangements with the People’s Bank of China	261