

Research on the RMB in the Global Financial Market Analysis of the Current Situation and Development Prospects

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Keywords: the RMB; Financial Market: Analysis of Status; Development Prospects

Abstract: Since 2021, under the leadership of the Party Central Committee, the People's Bank of China has insisted on implementing the leadership of the State Council with a new concept of development, continuing to promote reform and opening up, mutual benefit and win-win, promoting the survival and development of the RMB in the global financial market, provide a strong guarantee for the real economy. The overall situation of the RMB in the global financial market is better, the RMB's payment function and reserve currency are continuously enhanced, and investment and financing currency functions have also been further deepened. This article introduces the dynamic evolution process and development of the RMB in the global financial market, and it is explained that the RMB in the international financial market is gradually being widely accepted. It shows that the RMB has an important seat in the financial market and analyzes the future development prospects of the RMB in the international financial market.

1. Introduction

With our country's increasingly strong national strength and the further expansion of the abroad pattern, the RMB has successfully moved to the international stage. The development of the RMB in the international financial market can be traced back to 1993; at that time, our foreign exchange reform officially started; China first launched currency cooperation with the Asian region, and it was also thrown out of the RMB area "Currency Anchor." This article summarizes important measures that have moved towards the global financial market since the 1990s; the clear context of the dynamic evolution of the RMB in the global financial market, combined with the current development status of the RMB in the global financial market, draw a new blueprint for the development of the RMB in the international financial market.

2. The Development of RMB in the Global Financial Market

2.1 "Liberalization" Promotion Period

During this period, the RMB frequent projects gradually opened while steadily promoting the opening of capital projects; it is therefore summarized as a period of "liberalization" for the RMB [1].

2.2 Open Promotion Period of Financial Markets

During this period, our country further opened up the domestic financial market and improved the exchange rate formation mechanism, providing infrastructure for developing the offshore financial market; the offshore financial market is open and promoted.

2.3 Accelerate Development Period

The outbreak of the international financial crisis has accelerated the development of the RMB in the global financial market to a certain extent. Take this as an opportunity, the People's Bank of China cooperates with other countries and regions on currency swaps, and the corresponding RMB cross-border trade settlement pilots have expanded vigorously. After two financial crises, my country tried to promote the internationalization of the financial market; the reform of the RMB exchange rate

formation mechanism has always been the core of this major measure. In the process of advancing the internationalization of the RMB, the reform of the RMB exchange rate formation mechanism is needed [2]. At the same time, our country takes the lead in establishing a regional currency cooperation system in Asia, constructing the RMB regional currency anchor to prepare to deepen the internationalization of the financial market further.

3. The Current Situation of the RMB in the Global Financial Market

Compared with the development of currencies in developed countries in the international financial market, the development of the RMB in the international financial market shows its own characteristics: Relying on the transformation and change with the economic system, using international regional economic and trade cooperation as the link, the surrounding transformation path, compared with the development of currency internationalization in developed countries, RMB internationalization has its own characteristics [3]. In general, in the case of the economic foundation that has not been fully established with the international region, a number of unbalanced contradictions have appeared; the specific manifestations are: the role of the RMB in the global financial market, the role of ordinary currency, but also assumes the role of the international, regional currency, the relatively weak economic strength is coexisting with the internationalization of the RMB, the economic transformation and the internationalization of the currency.

From the current point of view, China is still a developing country; the internationalization of the RMB must be promoted by peripheralization for a long time, the Asian region will be the primary implementation area of the RMB internationalization, so the role of the world's financial market is limited. In addition, the RMB capital project has not yet achieved completely free exchange, the internationalization of the RMB needs to be established, and the implementation of regional RMB international development goals around the surrounding areas is the best choice in line with the current situation.

4. Facing Problems of the RMB in the Global Financial Market

4.1 The Function of Pricing and Value Reserve Lags Behind

The currency pricing function is essential for whether it can become an international currency judging from previous international experience; in order to enhance its development position in the global financial market, the RMB must move towards internationalization of the RMB. One of the problems facing the current RMB is that the emphasis on currency settlement functions is greater than the currency denomination function [4]. At the same time, the development of the RMB value reserve function is not enough, only relying on trade settlement and the development of the offshore market cannot make the RMB reach the status of international currencies. From the current point of view, the RMB pricing and value reserve functions lag behind the settlement functions. It is affected by the inertia of currency transactions and the degree of development of the financial market, and the RMB cannot compete with the US dollar and euro in the pricing of trade, finance, and commodity transactions. The foreign exchange reserves of the RMB also could not catch up with the US dollar, euro, yen, pound, etc., for a long time.

4.2 The Breadth of the Financial Market Needs to be Expanded

Although our country has basically established a financial market system composed of stocks, bonds, gold, commodity futures, foreign exchange, etc., however, compared with stock markets, financial futures markets, and GEM markets, the development progress is slow; as a result, the expansion of the overall financial market is not conducive to the innovative function of financial products. In addition to the breadth, the depth of my country's financial market is not enough; for example, there are few transactions circulating in the financial market, and the amount of financial derivatives is small, these factors will restrict the development of my country's financial market, and it is not conducive to the development of RMB in the international financial market [5].

4.3 The Total Amount of Financial Infrastructure is Insufficient and the Market is Uneven

For the RMB circulating overseas, the construction of financial infrastructure that can meet the needs of investment, even if there is a built offshore RMB financial center, the number, type, liquidity, etc., provided by foreign investors cannot be compared with other international currencies. Although we have been working on the construction of offshore infrastructure in the past, financial infrastructure still shows the characteristics of insufficient total amount and uneven distribution, which has brought many inconveniences to the settlement of overseas RMB. In addition, the return of RMB assets abroad lacks effective ways; instead of participating in the domestic financial market, foreign investors lack capital accounts, proportions, and quotas, and they are also limited. Therefore, we must improve the construction of coastal financial infrastructure as soon as possible and provide effective guarantees for the smooth circulation of RMB at home and abroad.

4.4 Driven by Speculative Demand and Ignore the Real Market Demand

Our country's interest rate exchange rate marketization has not been completed, and the existence of interest rate exchange rates will inevitably exist in the shore and offshore markets; conditions are provided for speculative arbitrage activities, and the demand for RMB is more inclined to speculative demand. Just like the RMB before 2015 was in the rising cycle, the difference in interest rate exchange rates drove cross-border trade and investment activities, and the RMB developed well during this period. However, speculative dividends will no longer exist when the exchange rate is expected to change, and the development of the RMB in the international financial market has also been greatly restricted. Therefore, it is necessary to promote cross-border settlement and offshore RMB market construction, and it is also one of the basic conditions for promoting the sustainable development of the RMB in the global financial market.

4.5 Complex External Environment

In the future, the international environment will usher in a new situation, and the contradictions and levels of the country will become sharper, and the differences between international financial relations in the country and regions will further differentiate [6]. The United States is still at the high level of the world's financial level, and its set of US dollar hegemony systems has well controlled the international financial market. In the future, the RMB will be its potential competitor, which is also the challenge and risk we will face.

5. The Prospect of the RMB in the Financial Market

5.1 Enter the New Development Cycle

Since 2018, the development of the RMB in the global financial market has gradually recovered, and many signs have shown that the development of the RMB in the global financial market has entered a new cycle. In 2020, the Central Committee of the Communist Party of China on the formulation of the 14th Five-Year Plan and 2035 Vision Goals "clarified that the international development of the RMB will be market-oriented and adhere to the principle of cultivating the real needs of the RMB. Through the introduction and implementation of this series of policies, the development strategy of the RMB in the global financial market will kick off a new curtain, and it can be summarized as a new "Trinity" strategy at its core of "big commodity futures transactions to promote RMB commodity futures-accelerate the use of RMB in the shore financial market-encourage the use of RMB along the Belt and Road."

5.2 Two "Three Steps" Strategies

With many scholars' recognition, the RMB's strategic trend in the international financial market is based on the gradual process of two "Three Steps." Two levels, which are regional expansion and monetary functions, are expanded regional, from peripheralization to regionalization to internationalization; In terms of currency functions, promote the expansion of the RMB to expand its settlement in international trade and then help the RMB to become the main investment currency in

the global financial market. Finally, the RMB's foreign exchange reserve currency functions are realized. According to this development step, the RMB will have the following trends in the global financial market:

The "Asian RMB" fund market has risen. In recent years, the amount of RMB inflows has increased, and a large number of overseas RMB retention will support the expansion of the scope of overseas RMB business so as to make the Asian bond market emerging and developed; The RMB will become the core currency of East Asia, and the regionalization of the RMB will be launched from East Asia. In East Asia, the yen that entered the international financial market earlier did not assume the function of regional currencies in East Asia. And if the Chinese economy can continue to develop steadily at a high speed, the yen will rely on the Chinese economy to a greater extent; at that time, the regionalization of the renminbi and even Asia have considerable prospects. After completing the previous two steps, the RMB will remove the title of ordinary international currency and become an influential currency in the global financial market.

5.3 The "Belt and Road" Battle Road Cooperation Will Promote the Improvement of the RMB Pricing Function

The "Belt and Road" strategy is committed to joint maintenance, promoting the development of countries and regions along the route, and optimizing the allocation of resources along the line, increasing employment opportunities will work together to promote co-construction sharing and economic globalization. Along the "Belt and Road" line, trade investment will be liberalized and facilitated, the industrial division of labor will be rationalized, and the vitality of global economic development will be enhanced. Engineering contracting, cross-border trade, and other projects in the "Belt and Road" strategy provide opportunities to pay and settle the RMB [7]. On the other hand, the reform of the RMB exchange rate market deepens, especially after the RMB joins SDR, and the RMB will get more attention and recognition along the "Belt and Road." The "Belt and Road" construction will be a major cross-border trade and investment circle for RMB that is still in its infancy in terms of price and currency reserves; while continuing to stabilize cross-border trade settlement currencies, and it will promote the improvement of RMB denomination functions and reserve currency functions.

5.4 Based on the Advantages of RMB Assets, the Attraction to International Investors has Further Enhanced

The "Internationalization White Paper" released by the Bank of China in 2021 pointed out 61.3% of the interviewed overseas financial institutions said that it would increase the allocation of RMB-denominated financial assets; nine percentage points were increased compared to the results of the investigation in 2020. The attractiveness of RMB to international investors is further enhanced; it is related to the advantages of RMB assets and the potential for the long-term growth of China's economy; in addition, my country is also taking measures to help foreign investment in domestic financial assets and simplify investment processing procedures. For investors, the relative stability of the RMB value can reduce investors' investment risks and investment pressure. In recent years, whether the RMB exchange rate is rising or falling, it can maintain normal two-way fluctuations and stability.

5.5 Foreign Planning Further Promotes the Internationalization Process of the RMB

The digital currency has become a wide range of attention and research in the information age, giving play to our country's advantages in the research and development of electronic technology; opening an international channel with the rise of digital currencies will be a page of innovation in the RMB internationalization process. Digital RMB was officially piloted in 2020; However, the current digital currency cannot be used for cross-border trade, it only supports the retail terminal, but digital currency will provide new ideas for opening up the global financial market. However, because there is no reference to international experience, it will take time and practice to prove how to carry out the competition of digital currencies in the future and how to help the RMB internationalization. In addition, my country's green finance also shows a good development momentum, and the number of financial products will increase, creating a new development space for RMB internationalization.

Make full use of digital currencies and green finance to bring new opportunities for RMB internationalization.

6. Conclusion

In recent years, my country's economic development has shown a new development trend, the development level of the domestic economy is obvious to all, and the RMB has also received widespread attention in the global financial market. This article has discussed and analyzed the development of the RMB in the global financial market from theoretical analysis, practical analysis, and prospects. The international financial market is related to the internationalization of the RMB and affects each other; therefore, in order to promote the internationalization of the RMB and promote the development of the RMB in the global financial market, it is necessary to analyze the new situation of the current international financial market and fully understand the opportunities and challenges of the development of the RMB under this situation, take effective measures to improve the financial market environment and introduce relevant strategies.

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