



RESEARCH ON CHINESE YUAN ASEAN REGIONALIZATION



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To

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RESEARCH ON CHINESE YUAN ASEAN REGIONALIZATION

ABSTRACT

Title: Research on Chinese yuan ASEAN regionalization
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After the 2008 financial crisis, it exposed the weaknesses of the current international monetary system and also changed the status of the US dollar and the Chinese yuan in the ASEAN region. The Chinese yuan is quietly becoming a settlement currency or even a reserve currency recognized by all parties. On the agenda, the internationalization of the Chinese yuan is a systematic strategic financial process: "regionalization, offshorization and internationalization" are the three phases of this strategic process. The basic connotation of regionalization is the ability of the Chinese yuan to assume international currency in the surrounding areas of China. Asian economies hope to effectively resist the impact of the financial crisis by further strengthening regional currency cooperation which provides new opportunities for the development of Chinese yuan regionalization. The China-ASEAN Free Trade Area (CAFTA) was officially launched in 2010. The economic and trade cooperation between the two sides has become increasingly close and the scale has continued to expand. The Chinese yuan as a settlement currency has gradually gained ground in Southeast Asian countries. At the same time, the rapid and steady growth of the Chinese economy and the rapid development of the country's science and technology have also continuously increased the influence of the Chinese yuan on ASEAN countries. In view of various factors, the conditions for the regionalization of Chinese yuan in the ASEAN region are already in place.

This paper mainly includes the following four parts:

The first part: This part is the introduction part of the article. This article first introduced the research background and significance of the article, then described the research method of the article, and pointed out the innovation and inadequacy of the

article, and finally the Chinese yuan ASEAN. The status quo of regionalization was examined.

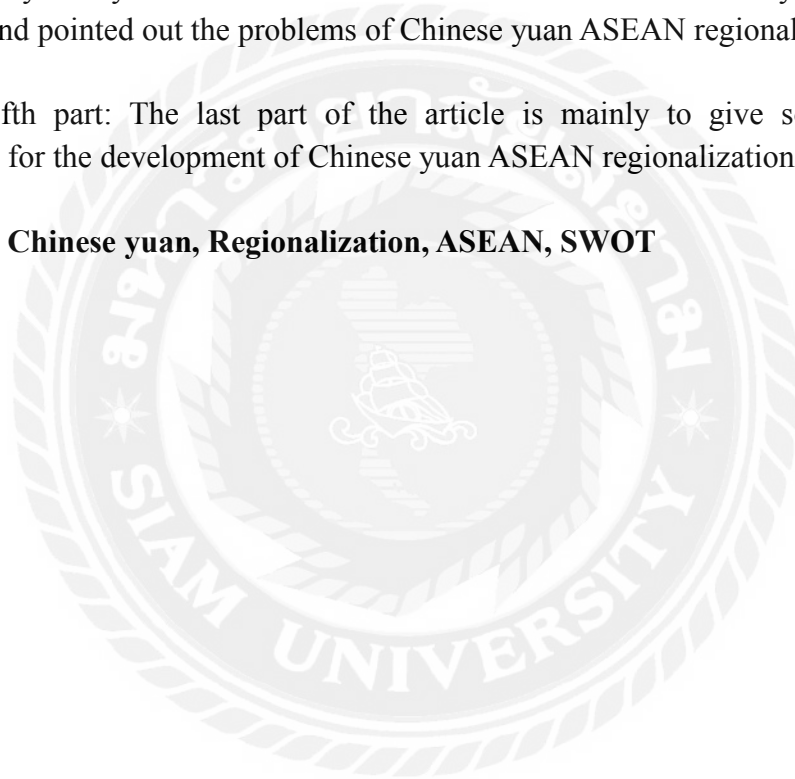
The second part: This part is a review of the literature referenced by the article and the theoretical support of the relevant international currency theory for the article.

The third part: Based on the SWOT analysis method to study the advantages, disadvantages, risks and opportunities of Chinese yuan ASEAN regionalization, the article mainly adopts this method to study the regionalization of Chinese yuan in ASEAN.

The fourth part: The comprehensive SWOT analysis method and internationalization related theory analyzed the circulation characteristics of Chinese yuan in ASEAN countries, and pointed out the problems of Chinese yuan ASEAN regionalization.

The fifth part: The last part of the article is mainly to give some operational suggestions for the development of Chinese yuan ASEAN regionalization.

Keywords: Chinese yuan, Regionalization, ASEAN, SWOT



摘要

标题：人民币东盟区域化研究

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学位：工商管理硕士

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2008 年的金融危机发生之后,暴露了当前国际货币体系的弱点,也使美元和人民币在东盟地区的地位发生了变化,人民币正在悄然成为各方认可的结算货币甚至储备货币,人民币区域化被提上日程。人民币国际化是一个系统的战略性财务过程: "区域化, 离岸化和国际化" 是这一战略过程的三个阶段。区域化的基本内涵是人民币在中国周边地区承担国际货币的功能。亚洲经济体希望通过进一步加强区域货币合作来有效抵御金融危机的影响, 这为人民币区域化提供了发展新机会。中国 - 东盟自由贸易区 (CAFTA) 于 2010 年正式启动。双方的经济贸易合作日益紧密, 规模不断扩大。而人民币作为定价结算货币, 在东南亚国家也逐渐站稳脚跟。同时, 中国经济的快速稳定增长和国家科技水平的迅速发展也不断提高了人民币对东盟国家的影响力。鉴于各种因素可见, 人民币在东盟地区的区域化的条件已到位。

本论文主要包括以下四个部分:

第一部分: 这部分是文章的绪论部分, 本篇文章最先介绍了文章的研究背景和研究意义, 然后对文章的研究方法进行描述, 并指出了这篇文章的创新与不足, 最后对人民币东盟区域化的现状进行了考察。

第二部分: 这一部分是文章所涉及借鉴的文献综述以及相关货币国际理论对文章的理论支持。

第三部分: 基于 SWOT 分析法对人民币东盟区域化存在的优势和劣势、面临的风险和机会进行研究, 文章主要采用该方法对人民币在东盟实现区域化进行研究。

第四部分: 综合 SWOT 分析法和国际化相关理论对人民币在东盟国家的流通特点进行了分析, 并指出人民币东盟区域化出现的问题。

第五部分: 文章的最后一部分主要是给出一些操作性建议对于人民币东盟区域化的发展。

关键词: 人民币, 区域化, 东盟, SWOT

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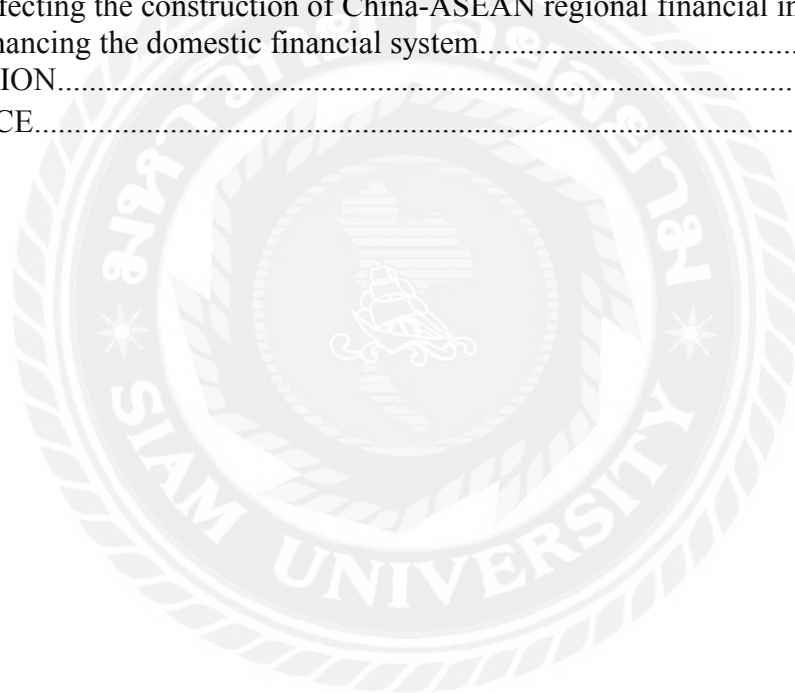
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RESEARCH ON CHINESE YUAN ASEAN REGIONALIZATION

CHAPTER 1 INTRODUCTION

1.1 The background and significance of the topic

1.1.1 Background

International level:

As the euro's operating mechanism became more mature, the idea of the dollarization of the unified currencies of the Arabian Gulf countries and the Latin American currencies in the 1970s seemed to reflect the law of the world's economic development: when the economy and business activities develop to a certain extent in the most dynamic regions, The demand for international currency (regional) will be stimulated. In-depth monetary cooperation has improved the efficiency and flexibility of regional economic activities, while resisting the impact of investment funds and enhancing regional capabilities to deal with financial risks. With the continuous improvement of China's economic strength, the Chinese yuan is increasingly used in the surrounding areas of China, especially cross-border commercial transactions in the ASEAN region. This has become the strongest driving force for the Chinese yuan to achieve regionalization in ASEAN, and at the same time in 2008 After the outbreak of the financial crisis in the United States, the demand for monetary integration in the Asian region has become more and more important. The historic opportunity for the regionalization of the Chinese yuan has emerged.

Domestic level:

China's economic scale and overall national strength have been significantly improved, its foreign trade structure has been constantly optimized, the reform of the foreign exchange system has been effective, and China's market economic system has gradually improved. These conditions are all gradually realized by the Chinese yuan. It created conditions. The Chinese yuan has begun to be widely accepted in neighboring countries and regions due to the expansion of border trade. But although China's border trade is expanding, the degree of trade is not enough. At the same time, China's financial industry is still not mature enough. There is a structural imbalance in China's economic development: economic growth relies mainly on investment and exports. In order to facilitate the transformation of economic growth patterns, the Chinese government has promulgated active fiscal and monetary policies to stimulate domestic demand. This practice has masked the hidden dangers of inflation within the Chinese yuan to a certain extent. In order to transfer internal economic contradictions and stimulate their own economic recovery, some countries in the world have repeatedly demanded that the Chinese yuan appreciate. The fundamental reason for this public opinion is that the

Chinese yuan has not been internationalized (Fully convertible). In order to improve this contradiction, the Chinese government has adopted a series of measures to accelerate the implementation of the Chinese yuan internationalization strategy. For example, the State Council approved the PBC's San Ding program, and the newly established Exchange Rate Department has the functions of "developing the offshore Chinese yuan market in accordance with the process of Chinese yuan internationalization".Liu (2016) "In June 2014, the Chinese yuan global clearing network was deployed frequently, and Chinese yuan clearing arrangements were established in 15 countries and regions to support the Chinese yuan as a regional pricing settlement currency."

1.1.2 Significance of the topic

A large part of China's economy is in the hands of the United States. The strategy of internationalization of the Chinese yuan will greatly weaken the control of the US dollar on the Chinese economy. This is the fundamental significance of the Chinese yuan's internationalization, and the ASEAN region is the first choice for the internationalization of the Chinese yuan.

The past Bretton Woods system overemphasized the global monetary cooperation and ignored the regional monetary arrangements and collapsed. Its failure enlightened us that global-level monetary cooperation can first take a substantial step forward from regional monetary cooperation and monetary integration. And then laid the foundation for the unification of the global currency. At the same time, taking a panoramic view of the internationalization process of currencies such as the US dollar and the euro, they all have an Optimal Currency Area (OCA) that can fully exercise international currency functions. Therefore, regionalization is not only the initial stage of the internationalization of a country's currency, but also Basic stage. The first thing China needs to do to achieve regionalization in ASEAN is to replace the United States as the main provider of the ASEAN currency market, and further take the lead in unilateral or bilateral Chinese yuanization to take the lead in realizing Chinese yuan-Asthonyization. Then, are the conditions for Chinese yuan regionalization in ASEAN already in place? What are the risks and challenges faced by ASEAN regionalization in Chinese yuan? What kind of development strategies will be formulated in the ASEAN regionalization of Chinese yuan Answering these questions can be a strategy for Chinese yuan internationalization (regional) The formulation provides a certain theoretical reference.

1.2 Research scheme

1.2.1 The main content of the study

Research objectives:

Based on the systematic analysis of Chinese yuan ASEAN regionalization based on the SWOT analysis method, combined with the analysis results and related international

currency theory, the concept of Chinese yuan ASEAN regionalization is proposed.

Main content:

The internationalization of the Chinese yuan is in line with the global economic development trend, and is also in line with China's own interests and development. Before establishing an offshore center to achieve internationalization, the Chinese yuan must first take over the role of international currency in a certain region. The currency must take the lead in taking over the international currency in a region around it. We call this process the regionalization of the Chinese yuan. With the full official launch of the China-ASEAN Free Trade Area (CAFTA), the economic and trade relations between the two sides have been further improved. Therefore, the ASEAN region is the preferred area for the Chinese yuan to become an international currency. It can be seen that the conditions for ASEAN regionalization have become more mature. This article is mainly composed of the following:

(1) Survey on the Current Situation of Chinese yuan Regionalization in ASEAN. From the perspective of trade, investment and Chinese yuan financial sector describe the circulation of ASEAN countries, and then analyze the regionalization of Chinese yuan in the ASEAN region.

(2) based on the SWOT analysis, it discusses the strengths, weaknesses, opportunities, and threats of the Chinese yuan regionalization in ASEAN.

(3) the strategic concept of Chinese yuan in ASEAN regionalization. Combining related monetary internationalization theories (Currency Substitution Theory, Optimal Currency Area Theory, and Mundellian Trilemma) and SWOT Analysis, Proposing Strategies for Chinese yuan-ASEAN regionalization conception.

1.2.2 Research methods and technical routes

1.2.2.1 Research methods

(1) Literature analysis

This article focuses on the research background, current research status, and research results of the Chinese yuan ASEAN regionalization. It selects relevant theories and literature on currency internationalization to ensure the scientific nature of the topic, the authenticity of the argument, and the accuracy of conclusions.

(2) Management research method

This article mainly uses management SWOT analysis method to analyze the situation of Chinese yuan ASEAN regionalization, and discusses the article with the theory of currency internationalization. The two methods complement each other in the research and improve the arguments of the article argument. This topic first analyzes the background of Chinese yuan internationalization and the status of Chinese yuan

circulation in ASEAN region. SWOT analysis is mainly used in the research of Chinese yuan ASEAN regionalization. SWOT analysis is intended to analyze the four parts of things, namely Strength, Weakness, Opportunity, and Threat. The article divides these four parts into two parts:

In the first part, the advantages and disadvantages are mainly the internal factors that analyze the existence of Chinese yuan-ASEAN regionalization;

In the second part, opportunities and risks are mainly to analyze the external factors faced by the Chinese yuan-ASEAN regionalization.

Finally, the four types of factors are arranged in a matrix (see Attached Table 1). After a systematic analysis of the matrix and a corresponding development strategy is formulated.

(3) Qualitative research

Form conclusions and theories from the original data, conduct thorough holistic inquiry into research phenomena, and collect relevant data, in order to achieve meaningful construction and rational interpretation of research objects.

1.3 Innovation and deficiency

This article applies the SWOT analysis method in the management discipline to the Chinese yuan-ASEAN regionalization study. The traditional methods of political science and economics lack some systemic and hierarchical aspects on this issue. Therefore, the article adopts the SWOT analysis method. Combining the internal and external factors of this issue, the overall study of the issue will be thorough, and it will also make up for deficiencies that are not covered in traditional political science, thereby increasing the credibility of the article.

In addition, due to limitations of his own theoretical knowledge and his own vision, the study of this issue has certain limitations, so the article still has some deficiencies.

1.4 An investigation on the status quo of Chinese yuan ASEAN regionalization

The "21st Century Maritime Silk Road" is a major strategic decision for China's opening up to the outside world and has significant historical and practical significance. The core and essence of the "21st Century Maritime Silk Road" construction is the regional cooperation strategy in the new era. It provides new ideas and new opportunities for economic and trade cooperation between China and ASEAN member countries, and the Silk Road on the Sea is further developed. It deepened the trade exchanges and cooperation between China and ASEAN countries. While opening up a new era of trade

and economic cooperation between China and ASEAN, it also expanded the Chinese yuan into Southeast Asian countries. The earliest inflow of the Chinese yuan in Southeast Asia was Myanmar, which first circulated in the northern part of Myanmar, then extended to Laos and northern Vietnam, and finally entered Thailand. In recent years, the flow of overseas Chinese yuan has continued to increase. ASEAN, which has close cooperation with China's economy and trade, has undoubtedly become the most active region in which Chinese yuan is currently circulating. The Chinese yuan ASEAN regionalization refers to the steady and rapid development of China's economy and the gradual improvement of relevant financial mechanisms. Along with the continuous expansion of the Chinese yuan circulation and use in ASEAN countries, the Chinese yuan has gradually become the recognized pricing, settlement, and reserve currency of the ASEAN region. process.

Chinese yuan as a reserve currency(John,2014).The road to the Chinese yuan Internationalization is far from complete.First, the size of the home economy must be large relative to others. In this, China is clearly justified.Second, economic stability in the form of low inflation, small budget deficits and stable growth is also important. China's record of supportive government policies and macro-economic stability has undoubtedly contributed to the Chinese yuan's appeal in recent years. The bursting of Japan's bubble in the early 1990s was arguably one of the main reasons why yen internationalization stalled.Third, strong official and institutional support. This was an important reason for the dollar's adoption as a global currency after the Second World War, formalised through the Bretton Woods system. China has been doing that in the last few years, promoting the use of Chinese yuan and its infrastructure with ASEAN, Russia, United Kingdom, Germany, Canada, Australia, etc. At the China Development Forum in March 2014, the People's Bank of China (PBOC) stressed the importance of strengthening financial regulations, establishing a deposit insurance scheme and improving market-driven exit mechanisms for financial institutions, while pushing forward reforms.

1.4.1 Chinese yuan in Cambodia

Table 1-1 Bilateral trade volume between China and Cambodia(unit: USD 100 million)

	2010	2011	2012	2013	2014
Bilateral trade volume	14.41	24.99	29.23	37.7	37.6
Year-to-year growth rate	52.60%	73.50%	17%	29.10%	0.39↓

China and Cambodia have a long history of establishing diplomatic relations. China provides Cambodia with a large number of subsidies and preferential loans, and provides Cambodia with engineering construction support. In recent years, trade and personnel exchanges between the two sides have grown rapidly. Over the years, China has become

Cambodia's major foreign investment country and Cambodia's third largest source of tourists. When speaking in the Economic Forum, Cambodian Prime Minister Hun Sen said: "The Chinese yuan is considered to be the most stable currency in Asia," and he called on the Cambodian people to use the Chinese yuan more. Cambodia stated that it will include Chinese yuan in foreign exchange reserves. In 2011, Bank of China and Industrial and Commercial Bank of China established branches in Cambodia. The Bank of China's Phnom Penh branch will help the Central Bank of Cambodia establish an Chinese yuan clearing system.

1.4.2 Chinese yuan in Laos

Laos borders Yunnan. The economic and trade relations between China and Laos have been developing smoothly. The two sides have signed a series of trade and economic cooperation documents on trade exchanges, investment protection, tourism, and automobile transportation. Bilateral trade amounts to several billion U.S. dollars a year, most of which are settled in Chinese yuan, and the Chinese yuan circulating in Laos each year is worth about tens of billions of Chinese yuan Chinese yuan Chinese yuan. In the three provinces of northeastern Laos, the Chinese yuan can completely replace Laos's domestic currency and circulate in Laos. Although Laos does not regulate the circulation of Chinese yuan, the bank only handles deposits and loans of the Lao National Bank, US dollars and Thai baht. Foreign exchange transactions do not handle Chinese yuan business. With more Chinese yuan, banks can apply for custody. Chinese yuan exchange activities can only be handled by "land banks" and "underground banks." The Lao Central Bank does not allow domestic financial institutions to handle the Chinese yuan business, which is mainly affected by the following aspects: First, there is not yet a Chinese commercial financial institution in Laos so far, and other financial institutions are not familiar with the Chinese yuan business; Second, the current Chinese yuan reserves in Laos are insufficient; The third is that there is no effective pricing mechanism between China and Laos. In December 2011, an ICBC branch officially opened in Vientiane, Laos. At present, the Lao Central Bank has made it clear that domestic financial institutions will liberalize the Chinese yuan business as soon as possible to meet bilateral trade growth and investment settlement requirements.

1.4.3 Chinese yuan in Vietnam

The Chinese yuan currency is relatively stable, so Vietnamese residents relatively prefer and accept the Chinese yuan. The Chinese yuan is playing a currency function of trading media, value scales, and value storage in the China and Vietnam border region. The Chinese yuan settlement of China-Vietnam border trade accounts for more than 90% of the total settlement amount. Chinese tourists can use Chinese yuan to consume in Vietnam's border areas. With the economic development of China and Vietnam, especially through the economic development of the tourism industry, the use and

acceptance of the Chinese yuan by the Vietnamese people are continuously increasing. At present, commercial banks in Vietnam can open Chinese yuan businesses at branches in the China-Vietnam border. According to Article 3 of the "Rules and Regulations for Commodity Transaction Settlement Business in Border Areas and Port Economic Zones" (implemented in 2004), Vietnamese traders who have China and Vietnam import and export trade or have been approved by the National Bank to receive Chinese yuan cash services may be granted Vietnam Commercial Bank opened a Chinese yuan account. However, due to the restrictions imposed on the opening of Chinese yuan accounts by Vietnam Commercial Bank, the management is more stringent, the Chinese yuan business of the bank is monotonous, the Chinese yuan is difficult to increase in value, and the Chinese yuan deposits in Vietnam have no room to raise interest rates. Therefore, many Vietnamese people choose to use small amounts. The Chinese yuan is held in the form of cash notes or overseas large-scale deposits.

In addition, Vietnam has already formed a private-run Chinese yuan distribution market. As Chinese yuan has long dominated the settlement of China and Vietnam bilateral trade in local currency, the Chinese yuan and Vietnamese dong have been circulated in the northern region of Vietnam, resulting in a huge exchange demand for the Chinese yuan and the Vietnamese dong. Due to the restrictions imposed by the Vietnam Commercial Bank on Chinese yuan business and the low Chinese yuan funds absorbed by the banking system, the allocation of Chinese yuan to banks in Vietnam is limited, resulting in the limited ability of Vietnam Commercial Bank to provide Chinese yuan and Vietnamese dong exchange services. Driven by the needs of the foreign exchange market and the huge interest space, Vietnam has gradually formed a large-scale, actively traded, foreign exchange market for the exchange of Chinese yuan-denominated Chinese yuan.

1.4.4 Chinese yuan in Myanmar

Myanmar is bordered by China's Yunnan Province. After the border trade between China and Myanmar was launched, the Chinese yuan was widely used as a settlement currency for border areas. With the continuous development and growth of China's economy and national power, the Chinese yuan low position and use in the minds of the Burmese people continue to grow. The Chinese yuan has a long circulation history in central and northern Myanmar. During the Southeast Asian financial crisis, the value of Myanmar's currency continued to depreciate, but the Chinese yuan remained strong, boosting Myanmar's trust in the Chinese yuan. In order to attract more Chinese tourists and promote the development of tourism in Myanmar, the Myanmar government decided to start in 2002 and allow Chinese tourists to use the Chinese yuan to pay for the period of travel during their trip to Myanmar. From July 2002 onwards, Chinese tourists traveling to Myanmar can carry 6,000 Chinese yuan Chinese yuan Chinese yuan into Myanmar without reporting to Myanmar Customs. The Chinese yuan can be used directly in public shopping malls and individual stores in Yangon, especially in the brave zone of

Myanmar, where the Chinese yuan is the most common. It is estimated that the amount of Chinese yuan held in Myanmar exceeds 5 billion Chinese yuan Chinese yuan Chinese yuan.

1.4.5 Chinese yuan in Thailand

Table 1-2 Thailand's Bilateral Trade with Major Trading Partners in 2013(Unit: US\$100 million)

No.	Major trading partners	2013	
		Trade volume	Proportion
1	China	644.4	13.61%
2	Japan	629	13.29%
3	United States	373.3	7.89%
4	Malaysia	259.4	5.48%
5	United Arab Emirates	199.6	4.22%
Total foreign trade (including year-on-year)		4734.2	-

Table 1-3 Thailand's Bilateral Trade with Major Trading Partners in 2012

No.	Major trading partners	2012	
		Trade volume	Proportion
1	China	640.9	13.36%
2	Japan	733	15.28%
3	United States	352.7	7.35%
4	Malaysia	255.6	5.33%
5	United Arab Emirates	186.2	3.88%
Total foreign trade (including year-on-year)		4798.3	6.71%

Driven by Thailand-China bilateral trade cooperation and Thailand's tourism industry, the Chinese yuan has been widely circulated in Thailand. As early as 1978, China and Thailand signed a trade agreement. This is one of the most important economic cooperation in Southeast Asia. In particular, on April 19, 2012, the two countries formally established a comprehensive strategic trade partnership and built China and Thailand railways. Seven bilateral cooperation agreements were reached in the fields of agricultural products processing, natural resources protection, etc. One year later, China became Thailand's largest trading partner (see data in figure 1-3). In 2012, there were only 2.7 million Chinese tourists to Thailand. In 2015, the number of Chinese tourists traveling to Thailand was as high as 8 million, and the consumption factors such as Thai tourism, credit card, shopping, entertainment and catering were integrated for the Chinese people. The circulation of Chinese yuan in Thailand has increased year by year. Especially in the tourist cities of Thailand, Chiang Mai, Phuket and other places, the Chinese yuan has

gradually been accepted as a consumer currency.

Compared to the U.S. dollar and the Thai baht, the proportion of Chinese yuan held in the hands of Thai local residents is increasing year by year. This is not only related to factors such as the increasing strength of China's economy and the stability of the value of the Chinese yuan, but also to Thailand's own economic structure and financial system. Relationship. Compared with other ASEAN countries, Thailand's economy is relatively developed. This is mainly due to Thailand's earlier implementation of a free economy policy and the development of its own economy based on the three pillar industries of foreign trade, agriculture, and tourism. In the 1980s, Thailand began to implement economic transformation and gradually changed from an agricultural country to an emerging industrial country. At the same time, it lifted restrictions on domestic capital flows and realized the free exchange of Thai baht. It can be said that Thailand's financial market is more open than other ASEAN countries. China should be early. The Thai government has attracted a large number of foreign capital to enter the country by continuously improving the domestic investment environment, reducing taxes, and lowering interest rates. After several years of development, Thailand's economic strength has become ASEAN's economic leader after Asia, Japan and South Korea. As a result, Thai baht has a high reputation and liquidity in the ASEAN region and commercial banks in many ASEAN countries. In China, the Thai baht is freely convertible like the Chinese yuan. However, the construction of Thailand's own financial system is not perfect. While the over-opening of financial markets has brought rapid prosperity to the Thai economy, it has also frequently triggered high domestic inflation and frequent fluctuations in the Thai baht currency value. The over-opening of financial markets has also led to Thailand. The domestic economy is very vulnerable to the impact of the world economic situation. This can also explain why in the Asian financial crisis in 1997 and the US financial crisis in 2008, compared to other Asian countries, Thailand has suffered the brunt and suffered huge economic losses. When currency substitutions take place, the Thai authorities and the public, who have a lesson from the past, have little confidence in the Thai baht. In 2008, the US financial crisis weakened the position of the US dollar in Thailand. According to the theory of currency substitution, the Chinese yuan will become the official and public of Thailand. The best choice for holding currencies.

1.4.6 The summary of the status of Chinese yuan in ASEAN countries

In addition to Cambodia in the countries of ASEAN, other countries such as Myanmar and Vietnam have brought a large amount of Chinese yuan to circulation because of geographical reasons and the close trade exchanges with China.

The characteristics of Chinese yuan circulation in the ASEAN region are as follows:

First, the Chinese yuan in circulation is mainly located in the border areas between

ASEAN countries and China and is the result of market selection. However, since these countries have not included Chinese yuan in their foreign exchange reserves, the Chinese yuan is mainly used for private ownership.

Second, due to the lack of financial facilities and other reasons, Southeast Asian countries cannot handle Chinese yuan-denominated value-added services such as Chinese yuan deposits and loans. Chinese financial institutions established in China are rare in these Southeast Asian countries, resulting in the inability of Chinese yuan financial services to cover all areas of Southeast Asian countries. As a result, the Chinese yuan is circulated in the private sector in the form of cash.

Third, the currency exchange business between the Chinese yuan and the ASEAN countries is provided by non-government financial institutions such as "banks with land sharing", among which the private financial institutions in Vietnam are the most prominent, and interest rates are raised through the opening of Chinese yuan accounts in commercial banks in China. And the final settlement of the Chinese yuan position between the "land bank".

It can be seen that, due to the lack of institutional arrangements, financial services infrastructure and service products of local financial institutions in Southeast Asian countries have failed to keep pace with market demand, which has limited the market and has caused limitations in the regionalization of Chinese yuan and ASEAN. Therefore, the circulation and exchange of Chinese yuan in Southeast Asian countries can only be operated through private finance, thus affecting the scale of Chinese yuan circulation in the country.

CHAPTER 2

LITERATURE REVIEW AND INTERNATIONAL THEORETICAL BASIS

2.1 Literature review

With the deepening and development of the international financial system, the internationalization of currency is a strategic financial issue that must be resolved in the economic development of Europe and the United States (regions) to a certain stage. Most of the Western researchers' research and improvement of the theoretical system was done by them. The study of the initial stage of currency internationalization focused on its importance, concepts, etc., and has gradually expanded to the requirements of currency internationalization and its impact. Since the Chinese yuan has not yet reached the level of internationalization, domestic researchers have started to study the internationalization of the Chinese yuan relatively late. Therefore, the references selected in the paper are mostly derived from the internationalization theory of developed regions. In the 1990s, national researchers studied the topic of Chinese yuan internationalization in theory and operation. The purpose of theoretical research is to provide theoretical support for the formulation of the Chinese yuan internationalization strategy, focusing on the costs and benefits of Chinese yuan internationalization and its impact on the economy. Trade with China. The study of operability conforms to the needs of the development of the times and concretely elaborates the conditions and path choices for the internationalization of the Chinese yuan.

2.1.1 Currency internationalization

Marx's "Capital" gave the five functions of currency as value measure, circulation method, storage means, payment means, and world currency. The world currency is the initial study of currency internationalization due to the occurrence of international trade and With development, the circulation of money goes beyond the scope of one country and plays a role in the world market. Then the currency has the function of the world currency. Benjamin (1971) starts from the perspective of monetary functions, and believes that currency internationalization is the transnational use of domestic currency. The essence of this is that the monetary function "spills" from the domestic level to the international level.

An alternative definition of a world or global currency refers to a hypothetical single global currency or supercurrency, as the proposed terra or the DEY (acronym for Dollar Euro Yen) produced and supported by a central bank which is used for *all* transactions around the world, regardless of the nationality of the entities (individuals, corporations, governments, or other organizations) involved in the transaction. No such official currency currently exists.

Advocates, notably Keynes (George, 2014) of a global currency often argue that such a currency would not suffer from inflation, which, in extreme cases, has had disastrous effects for economies.

In addition, many (George, 2014) argue that a single global currency would make conducting international business more efficient and would encourage foreign direct investment (FDI).

A limited alternative would be a world reserve currency issued by the International Monetary Fund, as an evolution of the existing special drawing rights and used as reserve assets by all national and regional central banks. On 26 March 2009, a UN panel of expert economists called for a new global currency reserve scheme to replace the current US dollar-based system. The panel's report pointed out that the "greatly expanded SDR (special drawing rights), with regular or cyclically adjusted emissions calibrated to the size of reserve accumulations, could contribute to global stability, economic strength and global equity."

Research on the conditions of currency internationalization:

According to Kindleberger (1967) and Eichengreen (1994), the first condition for becoming an international currency is the economic strength of a country, because powerful economies can provide a solid economy for their currencies. Basic and sufficient financial capital market capacity. They believe that the currency of a country is recognized by other countries and held in large quantities not because of the value it contains, but because of the economic power of the issuing country behind it. In addition to the economic strength factor. Bergsten (1975) believes that the country's political power can also play a decisive role in the internationalization of a country's currency. He believes that the internationalization of a country's currency depends on the country's strong economic strength. Based on strong political strength. Liao Chinese yuan Chinese yuan three generations (Su, 2015) believe that one of the important conditions for becoming an international currency is the military power possessed by the currency issuing country. For example, the unmatched military strength that the United States possesses in today's world makes it possible for foreign governments and people to become fully equipped. The reason is that the U.S. dollar is the safest currency in the world, but he does not deny that the strength of the military power is still based on strong economic forces. Frederick (2016) and Kenen (2002) Systematic analysis of the decisive role played by the degree of perfection and openness of domestic financial mechanisms on the internationalization of currency. The domestic scholar. Zhao (2014) To realize the regionalization of RMB, we must start with the domestic economy. This should be based on an economic power, not an economic power. Zhu (2013) Analyze the trade base of RMB-ASEAN regionalization from the scale of import and export trade between China and ASEAN, the tightness of trade exchange, and the diversity of trade products, and

study its impact on RMB regionalization from the trade structure, and finally put forward relevant policy recommendations.

Research on the influence of currency internationalization:

The impact on the tax revenue: Robert. z. Aliberg (1964) After systematic verification and analysis, it was discovered that the coinage tax revenue brought by currency internationalization will be affected by the international economic environment, political environment, and related policies. Benjamin (1971) believes that the more countries that participate in the internationalization of currency, the less the tax revenues they earn; on the contrary, the fewer participating countries, the easier it will be for a country's currency to form a monopoly position in the currency international market. The tax revenue and economic influence brought by converting into a currency issuing country will become very significant. The impact on the financial system: Tavlas (1997) believes that currency internationalization can have an impact on the domestic and international financial systems. The concrete manifestation is that with the process of currency internationalization, both the domestic and international communities of currency issuing countries will Relevant financial institutions are formed around the pricing, trade, distribution, and loans of the currency, and the degree and level of internationalization of the currency will affect the organization and operation methods and income of these financial institutions. Pones discovered through research that the integration process of the Euro has improved the operational efficiency of European financial markets, strengthened the regional mobility of the Euro, and promoted the development of European financial integration. The effect of currency internationalization on the issuing country:Aliber (1964) found that people ignored the negative effects of currency internationalization through related studies on the internationalization of the US dollar. He believes that the internationalization of the US dollar is a double-edged sword. The "over" internationalization of the US dollar makes it difficult for the United States to Interests are taken to formulate and implement more independent fiscal and monetary policies, which in turn lead to the United States' use of the U.S. dollar to control the world economy. At the same time, the U.S. has also been "backlashed" by the international community to a certain extent. The internationalization of the U.S. dollar has affected the U.S. domestically to some extent. The normal development of the economy. Some scholars also believe that the internationalization of currency can increase the demand of the international community for the currency, which in turn will lead to the continuous appreciation of the currency. This will, to some extent, affect the development of foreign trade of the currency issuing country.

2.1.2 A survey of research on Chinese yuan internationalization

The feasibility of Chinese yuan internationalization:

Su (2013) The monetary and financial cooperation between China and ASEAN member countries is still only in the primary stage. The first is the combination of

monetary and financial cooperation between governments, and the cooperation is limited to financial supervision and assistance. Second, the basic structure and service functions of bilateral bank settlement are still weak. Third, although the Chinese yuan regionalization has a certain foundation, it is a slow process.

Since the middle and late 1990s, China has continued to maintain a stable and stable growth of its economy, a huge market potential, and an increase in the world's political status. This has created a good internal and external environment for the internationalization of the Chinese yuan. The internationalization of the Chinese yuan is an inevitable trend. It will have an important impact on the Asian economy and the world economy Gu (2009). Yu (2011) believes that as the world's second-largest economy, the largest trading nation, and the foreign exchange reserve country, China's Chinese yuan should acquire a position equal to China's economic and political power. Eichengreen (2011), by enumerating the history of the U.S. dollar instead of the pound sterling, believes that the current situation in China is similar to that of the U.S. prior to the Second World War. That is to say, the economic strength is strong but the currency's status in the international community is negligible, which implies that the rise of the Chinese yuan is inevitable. Liu (2008) analyzed that the factors affecting the internationalization of a country's currency through an econometric model, and concluded that the economic output of a country is the most important determinant. At present, China's total GDP is already the second largest in the world. In recent years, the economic growth rate has remained at around 7%-8%. The process of internationalization of the Chinese yuan is the dominant choice in the market for economic development, but the role of the government in stimulating the internationalization of a country's currency cannot be underestimated. The subjective will of the Chinese government to promote the internationalization of the Chinese yuan has been strengthened (Zhao, 2009). However, some scholars believe that although China's economic development is rapid, there are still problems in economic structure, financial market development, and exchange rate reforms. Yang (2013) compared the four aspects of interest rate liberalization, central bank independence, capital account liberalization, and free exchange rate fluctuations with international monetary economies, and concluded that China has not yet had the conditions to promote Chinese yuan internationalization. However, they do not deny that the internationalization of the Chinese yuan is an inevitable trend. It is only necessary to carry out domestic reforms first to create favorable conditions for the internationalization of the Chinese yuan.

The constraints of Chinese yuan internationalization:

Judging from historical experience, countries that have achieved currency internationalization must have certain basic conditions, such as the steady growth of the real economy, an important position in the international economy and trade, the level of domestic financialization, and a relatively high degree of openness to the outside world. Eichengreen (2013) believes that whether Chinese yuan can be used extensively in

international financial transactions and as a reserve asset of the central bank depends on four factors, namely, the promotion of liquidity construction in China's financial markets and how to transition to a more open capital. The account, how China solves its slow economic problems and the controversy over China's political system. The rapid development of China is obvious to all. However, economic powers are different from economic powers. Financial powers are different from financial powers. Considering the influence of political and military factors, the degree and completion time of Chinese yuan internationalization should not be overly optimistic (Guo, 2013). The rise of the Chinese yuan internationalization is not something that can be accomplished in one or two years. To cope with the pressure from abroad, the Chinese government is unlikely to agree to the changes in the exchange rate system and the liberalization of the general financial system. More major changes will need to be made in the next five years. Plan implementation. Li (2011) discussed the perspective of Chinese yuan settlement in cross-border trade and considered that the cross-border trade settlement of Chinese yuan is an important step in promoting the internationalization of the Chinese yuan. However, the results are minor. The main problems are the constraints of the system and the market. Joe (2011) believes that China has significant obstacles to the internationalization of the Chinese yuan. First, the Chinese yuan is freely convertible. Second, there is no large Chinese yuan-denominated bond market.

2.2 Theoretical support

In the current era background, with the formation of the integration of the international economy, it gradually evolved into a journey of national currency and economic integration. The internationalization of currency is essentially the internationalization of the economy and is the currency of a country. Reflected in its economic strength. With the sustained and steady growth of the Chinese economy, the Chinese yuan is expected to become another international currency following the dollar and the euro. The internationalization of the Chinese yuan is a kind of internationalization of the world currency. It will surely follow the rules of currency internationalization. Therefore, the article draws on the theory of the existing currency internationalization and combines China's economic development and national conditions with the Chinese yuan. Regionalization for strategic ideas.

2.2.1 Currency substitution theory and Chinese yuan ASEAN regionalization

Currency substitution is an inevitable financial phenomenon in an open economy. Currency substitution essentially appears as a substitute currency for foreign currency in monetary functions, and can also be analyzed from the motivation of money demand. Through several decades of development, the theory of currency substitution has formed four more typical theoretical schools. They are: the theory of money service production function , the marginal utility theory of money demand, Portfolio Theory of Money

Demand and Currency Prevention Demand Theory. The theory of currency substitution believes that economic globalization provides a highly free exchange rate environment for all economies in the global economy. When the economy is expected to be low, the public will choose a stable currency to replace the local currency, thereby reducing the opportunity cost and ensuring relative returns. However, currency substitution also has its own disadvantages. Currency substitution will have a wide impact on a country's economy, and it will weaken the effectiveness of macroeconomic policies and even make macroeconomic policies counterproductive.

(1) Currency service production function theory

The data model of money service production function theory is Marc A. of Rutgers University. Established by, this theory is based on the "economic person" nature of the public seeking to maximize the function of money services.

According to the explanation of money service production function theory, the fundamental reason why people hold money is money services. In order to maximize the function of the currency, people spontaneously adjust their own national currency and foreign currency holdings. As a result, currency substitutions have occurred. With the growth of trade between China and ASEAN countries, in order to increase the trade convenience and efficiency of both parties and maximize currency services, the Chinese yuan must be responsible for the monetary functions of payment instruments and book-keeping units in the economic exchange between both parties. . Under the perspective of the theory of money service production function, under the premise of pursuing the maximization of currency services, as long as China strengthens economic exchanges with ASEAN countries in the foreseeable future, the holding of Chinese yuan in the hands of ASEAN countries will surely increase year by year.

(2) Marginal utility theory of money demand

The phenomenon of currency substitution will become an inevitable trend. The reason for this is the service function of money itself and the nature of "economic man" whose people pursue the maximization of monetary value. However, even if the theory of money services provides a certain theoretical basis for the development of the nationalization of money, its overly simple assumptions inevitably overlook people's other needs. So revised the theory of money service production function, taking into account the economic variables such as the interest rate level of foreign currency countries, the level of national income, the expectations of foreign currency exchange rates, and the degree of substitution of foreign currency against domestic currency, and raised the demand for money. The theory of marginal utility. The establishment of the China-ASEAN Free Trade Area and the increasing economic and trade trade between China and ASEAN countries have created opportunities for the Chinese yuan-ASEAN regionalization. According to the marginal utility theory of money demand, when the local currency and foreign currency can assume the function of money, the ASEAN countries will prefer Chinese tradable goods, thus making the possibility of Chinese yuan

regionalization greater. On the other hand, with the deepening of economic globalization and financial integration, once the investment projects in the ASEAN region are fully opened to the Chinese yuan, while the value of the Chinese yuan continues to be stable, according to the marginal utility theory of money demand, domestic and foreign interest rates are different. It will inevitably trigger the Chinese yuan to replace other currencies in the ASEAN region.

(3) Portfolio theory of money demand

From the point of view of the currency's value storage function, proposed a relatively complete currency alternative asset portfolio. The theoretical premise of this theory is to treat the balance of non-renewable currency as a form of holding assets. The pursuit of the "economic man" form of maximizing the value of assets will lead currency holders to adjust the proportion of domestic and foreign currencies in the hands of different monetary asset returns and costs. This is like our well-known, "Theory of Eggs" by James Tobin, winner of the 1981 Nobel Prize in Economics, "Do not put all your eggs in the same basket, and don't put too much in the basket."

(4) Currency prevention demand theory

Precautionary money demand refers to people's demand for money in order to cope with unexpected accidents. In the early theory of money substitution, the liquidity transaction cost of money and the impulse of consumer spending were ignored. The reason why people used foreign currency to replace local currency was positive. It is because of the precautionary and safety of consumption. Currency substitution often occurs when people realize that there is a risk of devaluation of a certain currency asset in their hands. To reduce the loss of self-interest, people usually reduce the amount of currency holdings that have a devaluation risk. On December 1, 2015, the International Monetary Fund officially announced that the Chinese yuan will join the SDR on October 1, 2016. The Chinese yuan participation in the SDR represents the world's recognition of China's influence in the world economy, which will help strengthen the ASEAN market. With the confidence of the Chinese yuan, the SDR currency is usually regarded as a safe-haven currency, and gaining this status will undoubtedly greatly increase the ASEAN countries' confidence in the Chinese yuan. The continued "high-quality" performance of the Chinese yuan in the international market will to a large extent satisfy the people of the ASEAN countries. The need for psychological prevention.

2.2.2 The theory of optimal currency area (OCA) and regionalization of Chinese yuan ASEAN

In economics, an optimum currency area (OCA), also known as an optimal currency region (OCR), is a geographical region in which it would maximize economic efficiency to have the entire region share a single currency.

The underlying theory describes the optimal characteristics for the merger of currencies or the creation of a new currency. The theory is used often to argue whether or not a certain region is ready to become a currency union, one of the final stages in economic integration.

An optimal currency area is often larger than a country. For instance, part of the rationale behind the creation of the euro is that the individual countries of Europe do not each form an optimal currency area, but that Europe as a whole does Baldwin (2004). The creation of the euro is often cited because it provides the most modern and largest-scale case study of an attempt to identify an optimum currency area, and provides a comparative before-and-after model by which to test the principles of the theory.

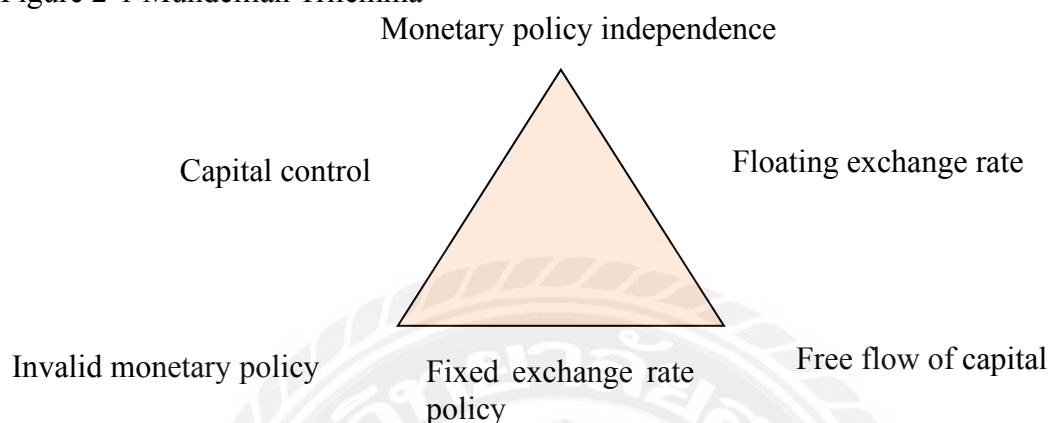
The Optimal Currency Areas (OCA) is a geographical area with some kind of "optimal" economic conditions. The "optimal" monetary system is established between the economies of this region and uses a unified currency. The theory of optimal currency area is by Robert. In 1961, Robert A. Mundell proposed that some of his theories were later applied to the establishment and operation of a single euro in the European Union currency, Robert. Mundell is therefore also known as the "Father of the Euro." Afterwards, economists such as R.I. Mckinnon, P.13. Kenen, and J.C. Ingram supplemented the theory of the optimal currency area from different perspectives. Revised, the core of OCA theory is to find the "optimal" standard or condition for establishing an optimal currency area. Therefore, in the view of optimal currency area theory, the essence of Chinese yuan regionalization is to create an OCA with Chinese yuan as the core.

Now ASEAN countries are gradually realizing that the dollar-centric monetary system is no longer able to safeguard the interest demands of the ASEAN region. The fragility of the existing financial system has awakened the strong currency awareness of ASEAN countries, and the formation of the core currency or the further establishment of OCA is undoubtedly ASEAN. The most effective form of regional monetary and financial cooperation has undoubtedly provided an opportunity for the Chinese yuan to be regionalized in ASEAN. First of all, we must build on the China-ASEAN Free Trade Area (CAFTA), continue to strengthen economic and trade ties with ASEAN countries, increase the mobility of both production factors, and promote the formation of the ASEAN currency area; Second, although ASEAN does not currently have capital Projects and financial markets are completely open to China, but this does not hinder the operation and circulation of Chinese capital in ASEAN countries. China should actively intervene in ASEAN's investment and capital operation market, increase the amount of Chinese yuan capital of ASEAN countries, and promote ASEAN from the capital level. The establishment of the currency zone; Finally, actively participate in and promote the construction of a fixed exchange rate mechanism in East Asia, in strengthening the economic ties with ASEAN countries, while strengthening the political level of

cooperation, and constantly improve the necessary conditions for the establishment of OCA.

2.2.3 Mundellian trilemma and Chinese yuan ASEAN regionalization

Figure 2-1 Mundellian Trilemma



The impossible trinity (also known as the trilemma, or the unholy trinity) is a concept in international economics which states that it is impossible to have all three of the following at the same time: a fixed foreign exchange rate, free capital movement (absence of capital controls) and an independent monetary policy. It is both a hypothesis based on the uncovered interest rate parity condition, and a finding from empirical studies where governments that have tried to simultaneously pursue all three goals have failed.

In terms of the diagram above, the options are:

Option (a): A stable exchange rate and free capital flows (but not an independent monetary policy because setting a domestic interest rate that is different from the world interest rate would undermine a stable exchange rate due to appreciation or depreciation pressure on the domestic currency).

Option (b): An independent monetary policy and free capital flows (but not a stable exchange rate).

Option (c): A stable exchange rate and independent monetary policy (but no free capital flows, which would require the use of capital controls).

The Mundellian Trilemma, also known as The Impossible Trinity, was proposed by the American economist Paul Krugman (Say Mundell) on the issue of policy choices in an open economy. The implication is that under the conditions of an open economy, the independence of the country's monetary policy, exchange rate, and capital mobility cannot be achieved at the same time. At most, it can satisfy two goals at the same time. And give up another goal to achieve the purpose of regulation.

According to Mundell's ternary paradox, there are three economic goals for a country: (1) Independence of monetary policy of each country; (2) Stability of exchange rate; (3) Complete liquidity of capital. Of these three countries, only one country can only select two of them, but it is impossible for them to have both. For example, in the "Bretton Woods System" from 1944 to 1973, the "independence of monetary policy" and "stability of exchange rates" of various countries were realized, but "capital flow" was severely restricted. After 1973, "independence of monetary policy" and "free flow of capital" were realized, but "exchange rate stability" ceased to exist. The beauty of the "eternal triangle" lies in the fact that it provides a clear method of dividing the various forms of the international economic system.

China's current monetary policy is the left side of the triangle. It is to abandon the complete liquidity of capital and to achieve the independence of monetary policy and the stability of exchange rate. Because the independence of monetary policy is a prerequisite for any country, so to maintain In its own fundamental interests, China can only choose one from the perspective of stabilizing the exchange rate and the full mobility of capital. Before 2005, China chose to maintain the stability of the exchange rate and limit the free flow of capital. After the exchange rate reform in 2005, China chose a more flexible exchange rate mechanism and relaxed its control over capital flows. With the deepening development of China's economy, China's monetary policy is gradually shifting from the left side of the triangle, that is, the independence of monetary policy and the stability of the exchange rate to the right side of the triangle, that is, the independence of monetary policy and the free flow of capital. The change in monetary policy is reflected in At the macroeconomic level, the performance of the Chinese yuan is internationalized. However, according to the Mundellian Trilemma, there is no guarantee that China will abandon the fixed exchange rate in the future. If China can form a sound economic system in the future economic development, then this conjecture may be realized. This may be achieved because if the exchange rate is liberalized too fast and it is also rich in other economic problems, then the Chinese government will have difficulty controlling the outflow of Chinese capital. In the development of the trade between ASEAN and China, it will also disrupt the stability of trade.

CHAPTER 3

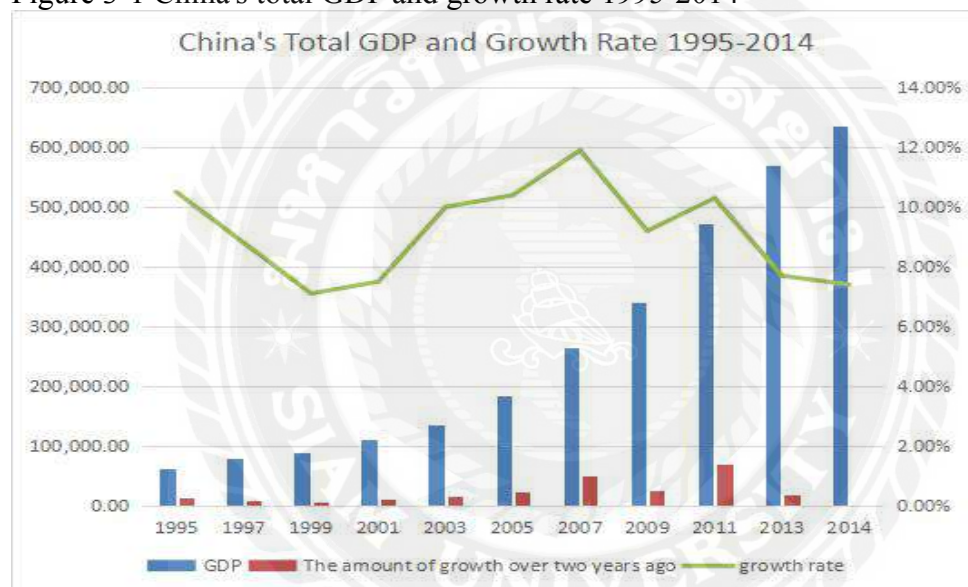
THE SWOT ANALYSIS OF CHINESE YUAN REGIONALIZATION IN ASEAN

3.1 Strength analysis of Chinese yuan internalization in ASEAN

3.1.1 Increasingly strong economic strength

At present, the Chinese yuan has become the world's second-largest trade financing currency, the fifth largest payment currency in the world, and the seventh largest reserve currency(Xinhuanet, 2015). With its strong economic strength, China has made people more confident about the Chinese yuan solvency. Since China's reform and opening up, China's economic development has become even more rapid. Figure 3-1 shows China's total GDP and growth rate in the past 20 years.

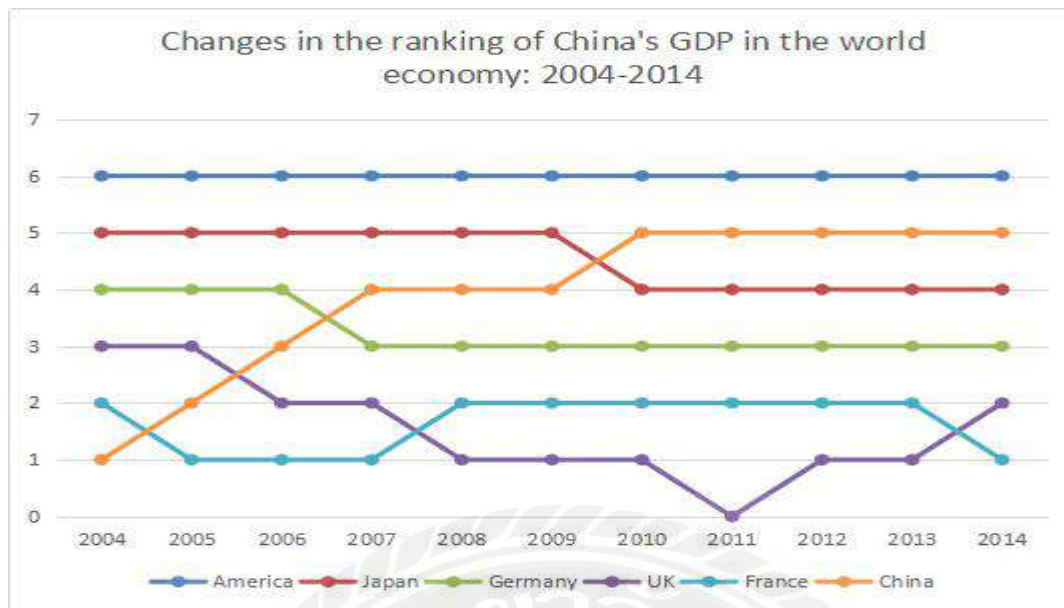
Figure 3-1 China's total GDP and growth rate 1995-2014



Note: ■ Gross Domestic Product (100 million Chinese yuan)

From the figure we can see that China's economic growth was very rapid from 1995 to 2014, especially in 2007, when the growth rate of GDP reached the highest, exceeding 13%. Since 2004, China's economic strength has achieved a breakthrough in the global rankings. During the three years from 2005 to 2007, China's GDP grew rapidly and gradually threw away France, Britain and Germany, and was promoted to be the third largest economy in the world. In 2010, it surpassed Japan and became the world's second-largest economic power. It has remained so far. This shows that China's economic strength and the status of the world's second-largest economy have laid the economic foundation for the Chinese yuan internationalization strategy. As can be seen from Figure 3-2 below, China's GDP continues to advance in the world rankings.

Figure 3-2 Changes in the ranking of China's GDP in the world economy: 2004-2014



According to previous experience of the United States and other world powers, when a country can contribute more than 8% of GDP to the world, then the country can gradually promote its currency to become an international currency. According to data from the National Bureau of Statistics, China's gross domestic product reached about 67 trillion Chinese yuan in 2015, which accounted for 12% of the world's total economy. China has effectively formed a growing economic level and a diverse economic structure. The barriers to resist the unexpected risks of the international market also provided guarantees for the stability of the Chinese yuan exchange rate. The regionalization of the Chinese yuan ASEAN became increasingly mature.

Table 3-1 Domestic Domestic Inflation Rate Unit:%

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Inflation rate	0.4	0.73	-0.77	1.17	3.9	1.82	1.47	4.77	5.9	-0.68
Year	2010	2011	2012	average value						
Inflation rate	3.33	5.42	3.01	2.34						

The stability of currency includes two aspects: the stability of the currency to the internal currency and the stability of the foreign currency value. The stability of the currency versus the domestic currency refers to the stability of domestic prices. The

stability of foreign currency values refers to the stability of the exchange rate. At the domestic level, the stability of currency values is mainly reflected in lower inflation levels; for the international level, the stability of the currency ratio is reflected in the stability of the exchange rate. From figure 3-3, we can see that from 2000 to 2012, the average inflation rate in China was 2.34%. Generally speaking, developed countries hope to set the inflation target at around 2%, but the developing countries and the reform and transformation These countries, in general, our goals may be set slightly higher than those of mature market economies. And China's economic development has been twice as fast as that of developed countries, so the Chinese currency is generally stable.

Foreign exchange reserve is not a decisive factor in the internationalization of a country's currency, but it may indirectly affect the development of a country's currency internationalization from other aspects. First, adequate foreign exchange reserves help maintain the stability of the exchange rate, which directly affects the stability of the country's currency. Second, sufficient foreign exchange reserves can ensure that the domestic economic environment and foreign exchange market are not affected by the external economy; finally, a country is adequate. The foreign exchange reserves can help the domestic currency to return after a large amount of output. In 1994, China reformed its foreign exchange management system and began to establish a managed single floating exchange rate system. With the implementation of the exchange rate system, foreign exchange reserves have increased year by year (see figure 3-3 for details). In 2007, with about 1.5 trillion US dollars of foreign exchange reserves, China has become the world's largest foreign exchange reserve country, indicating that China has a strong international solvency. This means that the possibility of China's debt crisis is very low, which also means that China has a high ability to withstand financial risks, and will undoubtedly increase the confidence of the international community in the Chinese yuan. China should make full use of its foreign exchange reserves and expand its economic relations with ASEAN countries through currency swaps. The economic influence of the ASEAN region has also created favorable conditions for the continuous flow of Chinese yuan into ASEAN countries.

3.1.2 The international status of the Chinese yuan continues to increase

China's reform and opening up have enabled China's goods and culture to move toward the world, thereby conducting economic and trade exchanges with more and more countries, thus allowing more and more countries to accept the Chinese yuan, especially in Southeast Asia. According to data from the People's Bank of China, the total Chinese yuan settlement business of China's current account in 2014 was 6.55 trillion Chinese yuan, with an annual growth rate of 41.6%, and the growth rate was extremely fast. By the end of 2014, China had already received Chinese yuan payments abroad with 189 countries(Website, 2014). The scope of the RQFII pilot has been extended to 10 overseas countries and regions, totaling 870 billion Chinese yuan. In addition, China has also

signed Chinese yuan clearing agreements with 15 countries and regions such as Britain, France and Germany, and the Chinese yuan clearing system has been gradually improved. A total of Chinese yuan 3.1 trillion bilateral currency swap agreement was signed with 32 central banks or monetary authorities such as South Korea, Argentina, Switzerland, and Canada.

3.1.3 Financial reform advances and enhances financial competitiveness

After the Third Plenary Session of the 18th CPC Central Committee, China's financial reforms began to be on the right track, and comprehensive deepening of reforms is ongoing. As China's current financial system is still unable to meet the platform standards required for Chinese yuan internationalization, financial reforms are imminent. China's financial reforms and innovations include the reform of the financial organization system, the reform of the financial factor price system, the reform of financial supervision, and the establishment of the Shanghai Free Trade Zone.

First, the reform of China's financial organization system mainly focuses on expanding the opening level of the financial industry, advancing the reform of policy-based financial institutions, improving the system of multi-level capital markets, and improving the insurance economic compensation mechanism. The establishment of these mechanisms will enrich financial instruments in China's financial markets. As for the development of Internet finance under the current era, it is increasingly a matter of course, and it is gradually infiltrating its role as a payment intermediary into financial management services. This will help further promote the establishment of China's multi-level capital market and promote the diversification of financial products.

Second, the reform of the financial factor price system mainly focuses on the continuous promotion of interest rate and exchange rate marketization.

Third, the regionalization of the Chinese yuan cannot be separated from a sound financial market, and the effectiveness of financial supervision directly determines the soundness of the financial market. The establishment of a deposit insurance system will effectively improve the stability of the financial system.

3.2 An analysis of the inherent weakness of Chinese yuan in ASEAN regionalization

3.2.1 The Chinese yuan capital account has not yet fully opened

As the precondition for the internationalization of the Chinese yuan is that it is recognized by other economies and is willing to use Chinese yuan for trading and settlement, if the Chinese yuan itself has a flow barrier, then the Chinese yuan will lose its basis as an international currency. On the basis of the preconditions, the internationalization of the Chinese yuan requires the full liberalization of the Chinese yuan capital account. The traditional economic theory believes that the liberalization of

investment projects will lead to the optimization of resource allocation, concrete proof that for the liberalization of capital account can get more investment, higher yields and more efficient domestic financial markets, and for the global economy Sustainable growth brings about new motives. The related theories of currency internationalization also believe that fully convertible currency is a prerequisite for the international currency of a country's currency. Unfortunately, the Chinese yuan is currently only able to achieve free trade in current accounts. In other words, the convertibility of all assets has not yet been fully realized, which has, to a certain extent, restricted the circulation of Chinese yuan overseas and hindered the return of the Chinese yuan. Because China currently lacks a system for effective supervision of capital, if all investment projects are opened prematurely, the results of free circulation of capital across borders can easily be occupied by developed countries, and the national economy is also vulnerable to the impact of international speculative capital. The internationalization of the Chinese yuan requires the Chinese yuan to achieve full convertibility, and the incompleteness of China's financial system prevents China from prematurely lifting its financing requirement. This structural contradiction will certainly limit the internationalization of the Chinese yuan in the long run.

3.2.2 Structural contradiction in Chinese yuan economic growth

What is needed behind the internationalization of the Chinese yuan is an economic power, not just an economic power. If we only look at China's total GDP from the data, China is indeed an economic power. However, from the perspective of the national economic structure, China is not a truly economic power. The imbalance in China's economic structure is mainly reflected in China's economic development. The domestic consumption of economic growth is seriously insufficient. China's current industrial structure is mostly investment-oriented, and the upsurge of investment can often promote the rapid development of some domestic industries, but it is easy to cause excess capacity in some industries. Over time, overcapacity can only rely on national domestic consumption to be slowly digested, because production is not driven by domestic consumer demand, and China's development is mainly focused on foreign investment, domestic demand growth is slow, and the domestic market absorbs this Surplus capital capacity is very limited. When economic development cannot rely on domestic consumption, it must rely on foreign investment. However, with the continuous growth of the investment phase, more and more excess capacity, the level of domestic consumption is also getting lower and lower, and economic growth is in a vicious cycle. Investment income has formed a large amount of surplus funds, some of which are used for investment-oriented emerging industries. Most of them are put into financial markets and become venture capital funds. This is followed by huge risks of economic stability. An important prerequisite for the internationalization of the Chinese yuan is currency stability. This is the only way to increase the international market's confidence in the Chinese yuan. However, the imbalance in the domestic economic structure will lead to instability in the domestic economy and it will easily lead to fluctuations in the value of

the Chinese yuan, which will weaken the Chinese yuan. The stability has caused people to reduce their holdings and hindered the development of the Chinese yuan internationalization.

3.2.3 The domestic financial system is still underdeveloped

The internationalization of the Chinese yuan requires the support of a certain breadth, depth, and breadth of the domestic financial market, buffering and diluting the risk effects of the international financial market, and keeping the Chinese yuan exchange rate stable. At present, China's financial system reform has achieved initial success, but the development of the financial system lags far behind the speed of economic development and lags far behind developed countries. The current weakness of the Chinese financial system is mainly reflected in the following: First, the People's Bank lacks independence. Most of the time, the formulation and implementation of various policies of the People's Bank of China are reported to the State Council and cannot be implemented in accordance with market trends. They have certain limitations and are weak in macroeconomic control. Second, the global banking system has not yet formed. At present, China's banking system is still not strong. Whether it is state-owned banks or other commercial banks, it involves the international financial division of labor, the degree of financial globalization is low, and the level of transnational operations is far behind and it is difficult to provide the necessary carriers for the internationalization of the Chinese yuan. Third, the regulatory system is incomplete. The opening up of the capital account will lead to full capital inflows and outflows, which will bring enormous challenges to our regulatory system.

3.3 Analysis of opportunity of external opportunity of Chinese yuan in ASEAN regionalization

3.3.1 Establishment of China-ASEAN free trade area

The establishment of the China-ASEAN Free Trade Area in 2010 has made it the third-largest free trade area in the world, making the economic trade between China and ASEAN countries more and more frequent. This has created a rare external opportunity for the Chinese yuan-ASEAN regionalization. From January to October 2012, China and ASEAN countries imported and exported a total of 323.9 billion U.S. dollars, an increase of 9.4% year-on-year, which was 3.1 percentage points higher than China's import and export growth over the same period. The establishment of the ASEAN Free Trade Area will facilitate the settlement of the Chinese yuan cross-border trade in the ASEAN region.

3.3.2 The "One Belt and One Road" strategic vision strongly supports

"The Belt and Road" is the abbreviation of "Silk Road Economic Belt" and "21st Century Maritime Silk Road". In September and October 2013, Chinese President Xi

Jinping proposed the construction of the "New Silk Road." "The Economic Belt" and the "21st Century Maritime Silk Road" cooperation initiative.

It covers the Asia Pacific Economic Circle, the European Economic Circle, 26 countries along the way, has a population of more than 4.4 billion people, an economic scale of about 210,000 U.S. dollars, and accounts for 29% of the world total. Such a scale will provide new development models for China's economic and trade cooperation and monetary cooperation with other countries, and will also become a new driving force for cross-border use of the Chinese yuan. China should use the "One Belt and One Road" initiative as an opportunity to actively promote energy trading using Chinese yuan as a settlement currency, and at the same time expand China's share of investment and trade in countries along the economy, continue to break through, and promote the internationalization of Chinese yuan.

As a major strategic layout of China, the "Belt and Road" is complementary to the goal of Chinese yuan regionalization. It can effectively solve the problem of excess capacity and foreign exchange surplus in China and promote China's own economic development.

3.3.3 An analysis of Chinese yuan regional opportunity in ASEAN

In the global financial crisis in 2008, the US dollar was exposed as a defect of the global international core currency, and the international position of the US dollar was hit. This financial crisis also brought a heavy blow to the development of the global economy. The United States took measures to save its own economy. Quantitative easing monetary policy, but the U.S. dollar is the core of the current international currency world. Quantitative easing of monetary policy will lead to the large-scale outflow of U.S. dollar, which will result in the depreciation of the U.S. dollar and bring great economic development to the world, especially in developing countries and regions. Risks and abuses. Nowadays, the United States' taxation measures in response to the economic crisis have seriously damaged the US dollar's credibility in the international community. At the same time, the crisis caused by the depreciation of the US dollar has also weakened the confidence of global sustainable economies in dollar-denominated and U.S. dollar-denominated assets, inciting the U.S. dollar as a world reserve currency. The financial crisis in the United States has caused Asian economic development to cease gradually. Not only that, the debt crisis of the sovereignty of Greece has a great influence on the economic recovery of the euro area and the degree of confidence of the euro as a reserve currency. As a result, the status of international currencies such as the euro and the yen has been loosened. The international community is gradually realizing that there can be no stable monetary system without a solid real economy. Realizing international currency diversification is truly in the common interest of the international community. Under the background of this era, the international recognition and function of the

Chinese yuan are exercised. The scope is gradually expanding, which provides external space and opportunities for the Chinese yuan ASEAN regionalization.

3.4 An external threat analysis of Chinese yuan regionalization in ASEAN

3.4.1 The central position of the dollar is difficult to shake

For a long time, the U.S. dollar reserve has remained at over 60% of the world's share of foreign exchange reserves. In particular, after experiencing this financial crisis, countries with large U.S. dollar reserves have purchased large amounts of U.S. treasury bonds in order to maintain the stability of U.S. dollar assets. The control of the dollar is very powerful. Second, in 2010, the share of the U.S. dollar in the foreign exchange market reached 84.9%, which is much higher than that of other currencies. On the other hand, the U.S. dollar controls the pricing power of petroleum resources, and other currencies, including the euro and the yen, cannot replace the U.S. dollar. This shows that the U.S. dollar's position in international transactions is difficult to shake.

The existence of structural hegemony in the United States has also made it difficult for the ASEAN region to get rid of its dependence on the US dollar so far. This is mainly reflected in three aspects: First, Asia's regional trade develops rapidly, but the level of trade products is mainly dominated by intermediate products. The main trade object of the products is still the Western developed countries represented by the United States; secondly, the lack of ASEAN financial system limits the circulation scale of regional capital, foreign exchange reserves have to seek the US Treasury market space; finally, trade in the ASEAN region The dollar is still at the forefront of the settlement currencies and the currency of the foreign exchange market. In summary, the existence of structural dollar hegemony makes it difficult to shake up the position of the international monetary center of the US dollar in a short period of time. It is very difficult for the ASEAN region to shake off its dependence on the US dollar in a short period of time.

3.4.2 The great resistance faced by Chinese yuan regionalization in ASEAN

As there are huge differences in the political, cultural, customs, history, and economic development levels of ASEAN countries, there will be a lack of mutual understanding and trust among the countries, which will cause the Chinese yuan to face enormous resistance in the regionalization process of ASEAN countries. ASEAN adheres to the principle of non-interference in the ASEAN countries to engage in relevant trade. It only emphasizes voluntary rather than obligatory, which makes it difficult to reach a consensus when carrying out monetary and financial cooperation in Southeast Asia because of the level of economic development among ASEAN countries. Different, different openness, ability to accept foreign things is also different. Therefore, there are still obstacles in the process of establishing a regionalization of Chinese yuan.

3.4.3 Other countries hinder the regionalization of Chinese yuan ASEAN

Once the Chinese yuan is regionalized in ASEAN countries, it means that changing the traditional economic structure of the ASEAN countries will also directly affect the US dollar's position in the Southeast Asian region and affect the vested interests of the US dollar. Therefore, the United States will certainly obstruct it. Meanwhile, the Chinese yuan The realization of ASEAN regionalization has greatly reduced the international status of the yen. China and Japan are both East Asian countries, and the dominance of the currency between the Chinese yuan and the yen in East Asia is inevitable.

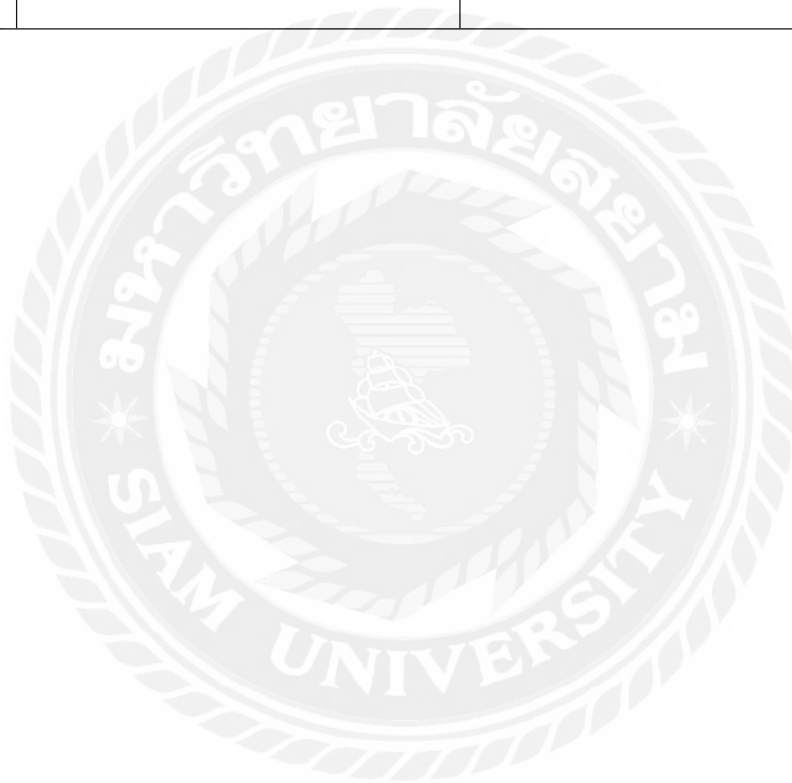
3.4.4 There is resistance to reach relevant cooperation consensus

From the ASEAN internal analysis, on the one hand, there are certain differences in the history, economic development, culture, and political systems between ASEAN member countries. When ASEAN moves toward higher goals and directions, ASEAN member countries will also follow suit. The Council will use more energy to draw on the benefits that ASEAN has brought to them, and often overlook the interests of the collective. This has led to the introduction of relevant policies that will make it difficult for all ASEAN countries to reach a consensus in a short period of time; on the other hand, As the economic development level of ASEAN countries is generally low and domestic funds are scarce, most of them adopt an outward-oriented economic development strategy. This means that it is easy for ASEAN countries to abandon the interest of ASEAN countries in order to attract capital and technical cooperation among large countries, resulting in easy regional cooperation. It is controlled by big powers.

Table 3-2 STWO model analysis results

	Strength	Weakness
Internal factors	1. Increasing economic strength 2. The international status of the Chinese yuan continues to increase 3. China's financial reforms and innovations continue to advance and enhance financial competitiveness	1. Chinese yuan capital account has not yet fully opened 2. The structural contradiction between the stability of Chinese yuan value and economic growth 3. The domestic financial system is still underdeveloped
	Opportunity	Threat

<p>External factor</p>	<p>1.Establishment of China-ASEAN Free Trade Area 2.The "One Belt and One Road" strategic vision strongly supports 3.The weakening of the hegemonic position of the dollar by the financial crisis and the rise of the international status of the Chinese yuan</p>	<p>1.The U.S. dollar is hard to shake in the central position of the international currency 2.The Great Resistance Faced by Chinese yuan Regionalization in ASEAN 3.Other countries hinder the regionalization of Chinese yuan ASEAN 4.There is resistance to reach relevant cooperation consensus</p>
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CHAPTER 4

THE CHARACTERISTICS AND DIFFICULTIES OF CHINESE YUAN ASEAN REGIONALIZATION

4.1 The characteristics of Chinese yuan cross-border circulation in ASEAN

The characteristics of Chinese yuan cross-border circulation in ASEAN are as follows:

First, although the Chinese yuan has not been fully convertible, the Chinese yuan cash has been circulated and used on a larger scale and in a wider range. This is relatively rare in the world.

Second, the value of the Chinese yuan is long-term stable, and it remains relatively strong in competition with the currencies of neighboring countries and regions. It has a second dollar status.

Third, as China's economic and trade ties with neighboring countries and regions have become increasingly closer, the demand for Chinese yuan from neighboring countries and regions has also increased. These have laid a good foundation for the development of Chinese yuan regionalization.

The Chinese yuan is a hard currency in the Greater Mekong Subregion. Although the Chinese yuan is not yet a freely convertible currency, she has gradually been accepted by the people of Southeast Asia in the private sector and can be directly used for shopping, consumption, and settlement. The currency exchange points in the countries of the Greater Mekong Subregion and some of the banking institutions such as the Chinese yuan and the US dollar, the euro, the British pound and other international currencies have mostly adopted acquiescence in their internal circulation. In practical terms, they are tightly attached to Nei Song, and even participate implicitly in the Chinese yuan. Transactions, some also use the Chinese yuan as their international reserve currency.

4.2 The difficulty of regionalization of Chinese yuan in ASEAN

4.2.1 Chinese yuan has not yet achieved free exchange in circulated countries

Nowadays, due to the lack of financial facilities in many ASEAN countries, it is unable to handle the exchange of Chinese yuan and local currency, limiting the Chinese yuan ability to exert its currency abroad. The Chinese yuan is mainly circulated in cash overseas, which limits its investment function.

4.2.2 Limitations of China's Chinese yuan listing business

For the currencies of ASEAN countries, China's commercial banks have not yet listed Kyat and Cambodian Riel on the counters. Besides the exchange of Chinese yuan/Thailand and Vietnamese dong, the currencies of other ASEAN countries have no inter-bank listing business, making it difficult for formal financial institutions to use the price discovery function of the market formed the exchange rate of Chinese yuan against the ASEAN countries' currencies, and had to use US dollar bridging to obtain the exchange rate of Chinese yuan against ASEAN countries' currencies.

4.2.3 China commercial bank lags behind overseas branches

There are too few branches of financial institutions established by Chinese commercial banks in countries outside China, such as Cambodia, Laos, and Vietnam. Each country has only one or two branches of Chinese commercial banks, and branches are often set up in national capital cities or Central cities cannot cover the border areas of these countries, which greatly limits the development of the Chinese yuan regionalization.

4.2.4 The Chinese yuan cash cross-border transfer system is incomplete

At present, ASEAN countries have problems in the cross-border transfer and transportation of Chinese yuan cash. China once negotiated with Vietnam that China and Vietnam could impose Chinese yuan-free cash in and out of the border between the border trade banks of the two countries. However, after all, there are great risks in currency transportation, such as armed transportation, regulatory control, and cash handover. More difficult.

4.3 Analysis of the path of Chinese yuan ASEAN regionalization

The way to realize regionalization of Chinese yuan in ASEAN is to first become a regionalized settlement currency, gradually convert Chinese yuan into intra-regional during the period when the settlement of Chinese yuan international trade reaches a certain scale and the domestic financial market is relatively perfect. The borrowing and investment currencies in the financial market eventually became the international reserve currency in the region. In order to eventually realize the regionalization of the Chinese yuan in the ASEAN region, the Chinese yuan will be transitioned to Asian dollars, which will encourage the world to form the three major currency areas of the US dollar zone, the euro zone, and the Asian dollar zone.

4.3.1 Promote Chinese yuan to become the settlement currency of ASEAN

The first step in the regionalization of the Chinese yuan in ASEAN should be to become the settlement currency of the ASEAN region. The Chinese yuan regionalization

settlement can be realized under the condition that the Chinese yuan cannot be fully converted.

The currency swap agreement provides financial support for cross-border settlement of Chinese yuan. According to the arrangement of the Chiang Mai Agreement, China and the 10 ASEAN countries have signed a bilateral currency swap agreement between the Chinese yuan and the counterpart currency, which provides a basis for the cross-border settlement of Chinese yuan. The direct purpose of a currency swap agreement is to promote international trade and direct investment. To resist the shrinking of trade caused by the financial crisis and maintain regional financial stability. Reducing the pressure on the demand of the United States against the U.S. dollar, avoiding the use of the U.S. dollar exchange rate risk, and saving exchange fees. Currency swaps in fact abandon the East Asian countries' long-term counterparty exchange rate mechanism, that is, any two currencies are actually converted according to their US dollar exchange rate. Currency swap measures have overturned the dominant position of the U.S. dollar in these countries. Any currency that truly becomes an international currency must rely on another opportunity that cannot be met. The performance of the US dollar in this financial crisis has enabled the Chinese government to seize the opportunity and adopt a series of actions to promote the regionalization of the Chinese yuan.

4.3.2 Promote the Chinese yuan to become the investment currency

The Chinese yuan becomes the investment currency of the ASEAN region. It is the second phase of Chinese yuan regionalization. As the cross-border circulation of Chinese yuan continues to expand, China needs to provide Chinese yuan holders with offshore Chinese yuan financing markets to address overseas Chinese yuan liquidity demand and investment. Demand, this market consists of two parts: 1. The offshore Chinese yuan lending market; 2. The Chinese yuan capital market, including the offshore Chinese yuan bond market and the stock market. There are two necessary conditions for becoming an investment currency: the exchange rate is stable and freely convertible. Moreover, the Chinese government is gradually adopting methods such as creating Chinese yuan investment instruments, establishing regional investment guarantees, and improving the exchange rate mechanism to gradually realize the Chinese yuan regional investment function.

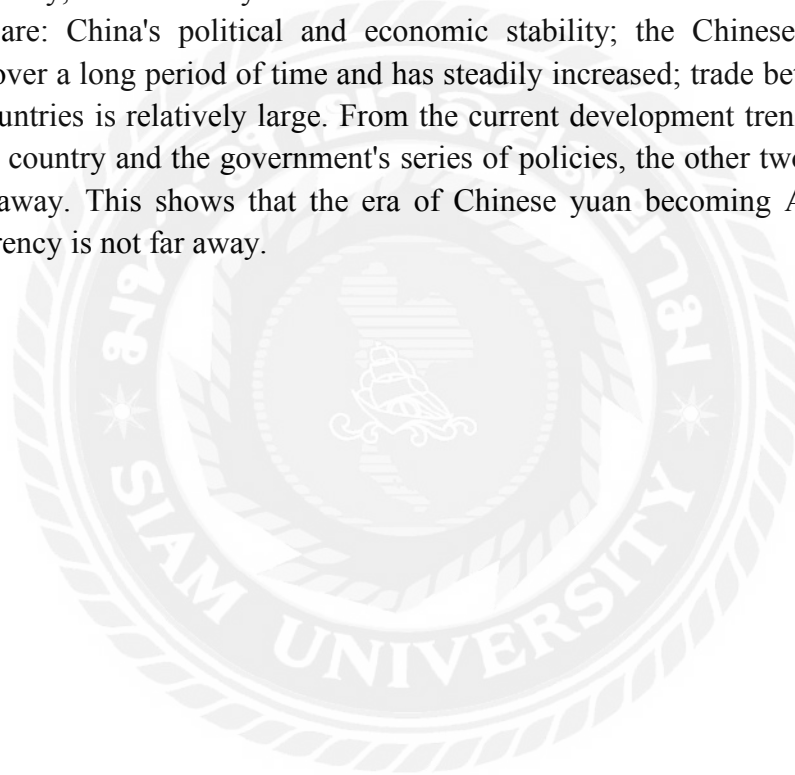
4.3.3 The Chinese yuan becomes the reserve currency of the ASEAN region

The financial crisis has exposed the weaknesses of the international monetary system. The US dollar as the main international reserve currency is one of the direct causes of the current crisis. The new monetary system requires that excess savings of some economies can no longer be concentrated in a single economy. It is required that the reserve currency must be diversified. If such a centralized solution with the SDR Special Drawing Rights

as an international reserve currency is not adopted, then the policy of diversification of reserves for the rich and the rich countries will not be implemented.

Only when a country has diversified financial and physical assets, and these assets have good liquidity and can provide attractive yields, then the country's currency can become a reserve currency. Therefore, it is necessary to have five basic conditions for becoming an international reserve currency: first, political and economic stability; second, large-scale transactions in the international market; third, allowing foreign non-residents to use their local currency deposit accounts for settlement; and fourth, implementing floating exchange rates for major reserve currencies. Mechanism; Fifth, the trend of not depreciating in the long run.

Fortunately, the Chinese yuan has matured in the above five conditions. These three conditions are: China's political and economic stability; the Chinese yuan does not depreciate over a long period of time and has steadily increased; trade between China and ASEAN countries is relatively large. From the current development trend of the Chinese yuan in our country and the government's series of policies, the other two conditions will not be far away. This shows that the era of Chinese yuan becoming ASEAN regional reserve currency is not far away.



CHAPTER 5

REGIONAL OPERATIONAL RECOMMENDATIONS FOR Chinese yuan ASEAN

5.1 Continuing to maintain a stable and rapid growth of China's economy

Want to carry out the development of Chinese yuan ASEAN regionalization, we must first ensure that China's internal economy grows steadily, relying on China's overall economic strength to achieve a leap-forward economy, and maintaining its own domestic economic stability will lay the foundation for economic restructuring. So the suggestion for this point is as follows: First, China should transform its foreign investment industry into its own domestic consumption. The government should promote the income level of citizens, increase income, actively adjust the proportion of government fiscal expenditure, increase fiscal expenditure on national education, health care, social welfare, and security so as to boost the income of the people and boost the domestic consumption level of China as a whole; Change the original crude economic model, rely on technological innovation to drive economic growth, supervise and control high-pollution, high-consumption industries, cherish the use of natural resources, and establish new energy industries. Only by first achieving internal economic development can we achieve external economic development.

5.2 Continue the development of trade between China and ASEAN

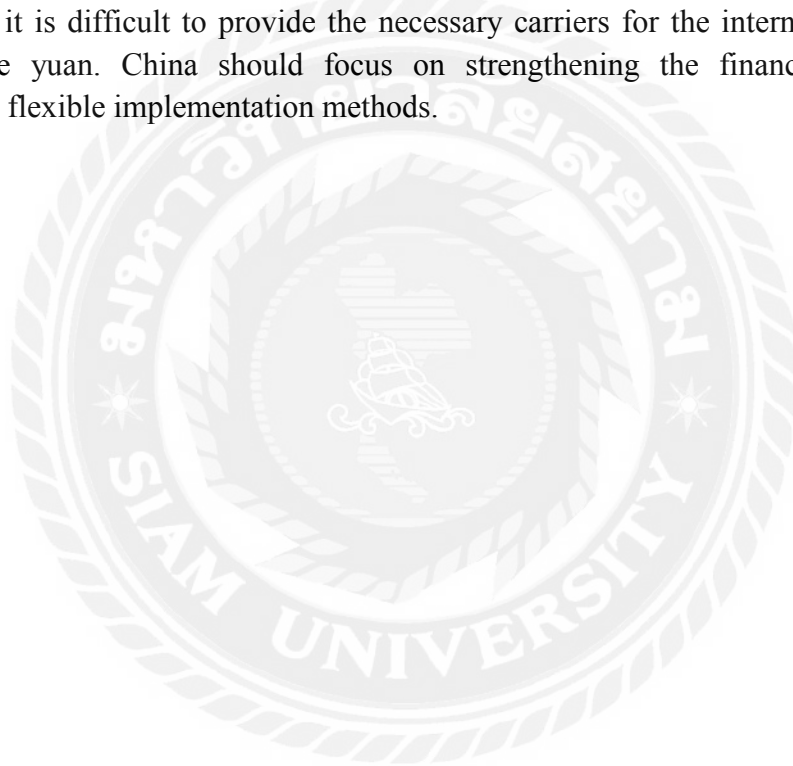
Under the conditions of a developed commodity economy, currencies have five functions: value scale, circulation means, storage means, payment means, and world currency. The Chinese yuan functions as a means of payment in the trade exchanges between China and ASEAN, and also serves as a means of circulation and storage in the private areas of Southeast Asia. Therefore, the ASEAN regionalization of the Chinese yuan is closely related to the trade between China and ASEAN countries. Therefore, in terms of trade, China should actively export scientific and technological innovative commodities to ASEAN countries and gradually shift from labor-intensive industries to technology-intensive industries so that they can gain a firm foothold in the ASEAN region.

5.3 Perfecting the construction of China-ASEAN regional financial institutions

There are too few branches of financial institutions established by Chinese commercial banks in countries outside China, such as Cambodia, Laos, and Vietnam. Each country has only one or two branches of Chinese commercial banks, and branches are often set up in national capital cities or Central cities cannot cover the border areas of these countries, which greatly limits the development of the Chinese yuan regionalization. Therefore, we should pay attention to this issue. We should not only open Chinese yuan financial branches in central cities, but also set up in the border areas of these countries.

5.4 Enhancing the domestic financial system

At present, the development of China's financial system lags far behind the speed of economic development and lags far behind developed countries. The current weakness of the Chinese financial system is mainly reflected in the following: First, the People's Bank lacks independence. Most of the time, the formulation and implementation of various policies of the People's Bank of China are reported to the State Council and cannot be implemented in accordance with market trends. They have certain limitations and are weak in macroeconomic control. Second, the global banking system has not yet formed. At present, China's banking system is still not strong. Whether it is state-owned banks or other commercial banks, it involves the international financial division of labor, the degree of financial globalization is low, and the level of transnational operations is far behind and it is difficult to provide the necessary carriers for the internationalization of the Chinese yuan. China should focus on strengthening the financial system and formulating flexible implementation methods.



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