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Great Powers Have Great Currencies: Popular Nationalist Discourse and China's Campaign to Internationalize the Renminbi

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Abstract

Why did the Chinese government begin promoting the internationalization of its currency, the renminbi, after the 2008 global financial crisis? Only a few years earlier, Beijing balked at U.S. demands to reform its currency regime, which would require dismantling many of the country's long-preferred tools for promoting growth and maintaining domestic stability. Similar concerns about the dilution of monetary policy independence motivated previous rising economies Germany and Japan to proactively discourage the internationalization of their currencies. While China's central bank had long explored promoting greater international use of the renminbi, and such a policy would generate some benefits for China, I find that both institutions and interests fall short of explaining this policy shift. Rather, I suggest that beliefs, influenced by popular nationalist sentiment, are central to explaining *why* the central bank chose to focus its policy efforts on renminbi internationalization as well as *how* it finally overcame political opposition to currency reform. In the years leading up to the financial crisis, nationalist voices increasingly stressed the need for China to boast a global currency commensurate with its growing international stature. Leveraging cognitive framing theory, I argue that nationalist sentiment shifted the lens through which policies of currency reform were evaluated, from a logic of economics - conducive to determining domestic winners and losers - to that of global politics, which stressed more abstract goals of power and prestige. Using a mixed-methods approach of qualitative discourse analysis and quantitative content analysis of an author-assembled corpus of primary texts, I find that this change in evaluative frame caused some previously-opposed officials in the bureaucracy to begin to support currency reform. While there is no evidence that the central bank or China's senior leaders intentionally invoked nationalist themes to promote renminbi internationalization, I argue that this change in popular sentiment presented an unprecedented opportunity for the central bank to advance its policy agenda. Renminbi internationalization was thus in large part the political outcome of a popular idea that, as voiced by economist Robert Mundell, "great powers have great currencies."

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Why did the Chinese government begin promoting the internationalization of its currency, the renminbi, after the 2008 global financial crisis? Only a few years earlier, Beijing balked at U.S. demands to reform its currency regime, which would require dismantling many of the country's long-preferred tools for promoting growth and maintaining domestic stability. Similar concerns about the dilution of monetary policy independence motivated previous rising economies Germany and Japan to proactively discourage the internationalization of their currencies. While China's central bank had long explored promoting greater international use of the renminbi, and such a policy would generate some benefits for China, I find that both institutions and interests fall short of explaining this policy shift. Rather, I suggest that beliefs, influenced by popular nationalist sentiment, are central to explaining *why* the central bank chose to focus its policy efforts on renminbi internationalization as well as *how* it finally overcame political opposition to currency reform. In the years leading up to the financial crisis, nationalist voices increasingly stressed the need for China to boast a global currency commensurate with its growing international stature. Leveraging cognitive framing theory, I argue that nationalist sentiment shifted the lens through which policies of currency reform were evaluated, from a logic of economics—conducive to determining domestic winners and losers—to that of global politics, which stressed more abstract goals of power and prestige. Using a mixed-methods approach of qualitative discourse analysis and quantitative content analysis of an author-assembled corpus of primary texts, I find that this change in evaluative frame caused some previously-opposed officials in the bureaucracy to begin to support currency reform. While there is no evidence that the central bank or China's senior leaders intentionally invoked nationalist themes to pro-

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LIST OF ABBREVIATIONS

AFC - Asian financial crisis
BSA - Bilateral swap agreement
CBRC - China Banking Regulatory Commission
CIPS - China International Payments System
CIRC - China Insurance Regulatory Commission
CSRC - China Securities Regulatory Commission
CCP - Chinese Communist Party
CMI - Chiang Mai Initiative
CASS - Chinese Academy of Social Sciences
CSRC - China State Regulatory Commision
DV - Dependent variable
GFC - Global financial crisis
HKMA - Hong Kong Monetary Authority, Hong Kong’s de facto central bank
IMF - International Monetary Fund
IMS - International monetary system
IG - Interest group
IV - Independent variable
NDRC - National Development and Reform Commission
MFA - Ministry of Foreign Affairs
MOF - Ministry of Finance
MOFCOM - Ministry of Commerce
MPC - Monetary Policy Committee
PBC - People’s Bank of China, China’s central bank
PBSC - Politburo Standing Committee
QFII - Qualified Foreign Institutional Investor scheme, allowing institutional investors who meet certain qualification to invest in a limited scope of domestic Chinese securities products
RMB - renminbi, official currency of the People’s Republic of China
RQFII - Renminbi Qualified Foreign Institutional Investor scheme, allowing a small number Chinese financial firms to establish renminbi-denominated funds in Hong Kong for investment in the mainland
SASAC - State Asset Supervision and Administration Commission
SAFE - State Administration of Foreign Exchange
SOE - State-owned enterprise
SDR - Special Drawing Rights, the official currency unit of IMF member reserves, valued as a weighted basket of major international currencies

CHAPTER ONE: INTRODUCTION

In the wake of the 2008 global financial crisis (GFC), China launched an ambitious campaign to increase the international use of its currency, the renminbi. Since 2009, the Chinese government has implemented unprecedented reforms to promote trade settlement, cross-border investment, and offshore trading in the currency. During this period, China's central bank also signed over thirty local-currency bilateral swap agreements (BSAs) with many of the country's trading partners. These efforts quickly bore fruit. The "redback" surpassed the euro to become the second-most-active currency in trade finance in 2013, and became the fifth-most-active currency for international payments in 2015, up from 21st and 35th, respectively, since the start of the decade (SWIFT 2016). In 2015, the International Monetary Fund (IMF) approved the renminbi's incorporation into its Special Drawing Rights (SDR) basket, the official unit of IMF member reserves. This nominal endorsement brought the renminbi into an elite club of major international currencies alongside the dollar, euro, pound sterling, and Japanese yen. While the renminbi's rapid ascent has since slowed, and remains constrained by a fraying but still quite comprehensive curtain of capital controls, this is remarkable progress for a currency that little more than a decade earlier played almost no role beyond China's borders. In the words of one observer, the renminbi has not just taken off, it "has soared, perhaps becoming the fastest growing currency in the world" (Qu et al. 2010, 1).

China's internationalization drive was a striking course reversal. Only a few years earlier, Beijing balked at U.S. demands for monetary reforms not unlike those necessary to promote renminbi internationalization, insisting that China would never reform its currency regime under pressure. In addition, internationalization all but requires dismantling many of China's long-preferred tools for promoting growth, maintaining stability, and ensuring a constant flow of cheap credit to state-owned enterprises, favored industries, and the export sector. Until the GFC, powerful conservative interests had succeeded in preventing any significant monetary liberalization that could threaten this ability to target financing to politically-important sectors of the economy. China's move was unusual from a comparative historical perspective as well. The dilution of domestic monetary policy effectiveness as a result of currency internationalization motivated previous rising economies—most notably Germany in the 1960s and 1970s and Japan in the 1970s and 1980s—to resist currency internationalization long before promoting it.

Given this puzzle, why did the Chinese government reverse course and begin to promote the internationalization of the renminbi in 2009? China's leaders have offered little official explanation for why raising the renminbi's global profile had become a major policy priority. In the face of such a dearth of authoritative sources, this dissertation adopts a mixed-methods analytical approach focused on official and public discourse relevant to the internationalization debate. I leverage both qualitative methods as well as quantitative content analysis of an author-collected corpus of over 100,000 texts culled from official and popular media, government policy documents, and historical website data going back nearly 15 years. This dataset incorporates texts representative of the bureaucratic institutions with a voice in China's monetary policymaking as well as popular treatments of the issue. This approach enabled granular understanding of who argued for and against renminbi internationalization, when they did so, the nature of their argument, and how these positions changed over time.

Argument in Brief

I argue in this dissertation that popular nationalist sentiment, which stressed the need for China to boast a global currency commensurate with its growing international stature, is central to explaining both why the central bank chose to focus on renminbi internationalization as well as how it overcame political opposition to currency reform. Central bank Governor Zhou Xiaochuan conceded in an interview that "an economic point of view" suggests that China should implement fundamental monetary liberalization before attempting to internationalize its currency, but that the institution had nonetheless pursued the latter because it was the most feasible policy from a political perspective (Zhou 2011). In other words, renminbi internationalization was probably not the central bank's first priority, but was the easiest place to start in pushing toward its greater policy agenda of monetary opening.

I leverage cognitive framing theory to explain how this occurred. In short, I argue that nationalist sentiment shifted the frame through which policies of currency reform were evaluated, from a logic of economics to that of global politics. This matters tremendously because the goals of currency reform as narrow economic policy are typically presented in a manner conducive to determining domestic winners and losers. In contrast, nationalist understandings of renminbi internationalization stressed abstract goals of increasing China's power and prestige on the international stage, while insisting that its identity as a major power must include a global currency. The global financial crisis further popularized the idea, suggesting that China finally had the opportunity to challenge a weakened dollar and vulnerable United States for international economic dominance. While subtle, I submit that such changes to the lens through which a policy is evaluated can cause policymakers to support a policy change that they would otherwise oppose because the policy could harm their interests. For example, some officials from the Ministry of Commerce, which had previously strongly resisted currency reform due to its negative impact on China's export sector, had since become supportive of renminbi internationalization.

This is not the conventional account of how China came to embrace renminbi internationalization. The predominant explanation in the academic literature is that the global financial crisis served as a wake-up call, underscoring the urgent need for China to move away from an export-led growth model dependent on Western demand, decrease reliance on the dollar for liquidity, promote international monetary system reform, and diversify foreign exchange reserves overwhelmingly denominated in dollars. A significant proportion of this scholarship relies heavily on theoretical economic assessments of these and other potential gains from currency internationalization to infer the policy's likely motives. I argue that interests alone cannot explain China's policy shift because the costs of currency internationalization would very likely eclipse such benefits, at least in the near term.

Other scholars have suggested that the reformist central bank or even China's senior leaders themselves took advantage of the popular appeal of a rising renminbi, co-opting the language of nationalism to force needed but politically-difficult reforms. According to this argument, reformers promoted currency internationalization not for its own sake, but as a kind of "Trojan horse" that would generate irreversible pressures to achieve their true goal of forcing open China's long-insulated financial system. However, analysis of the texts revealed that neither the central bank nor senior policymakers significantly invoked nationalist themes to promote renminbi internationalization. In fact, the central bank was exceedingly restrained in publicly promoting renminbi internationalization, rarely using the phrase in official documents or on its website until several years *after* it had begun implementing policies to promote the currency's global use. This is very likely because it would be held responsible for any negative repercussions of liberalizing too quickly, and did not want to overplay its hand. Official media sanctioned by China's senior leaders demonstrated considerable ambivalence on the issue, regularly giving voice to opposing views on currency internationalization, and frequently emphasizing its long-term and gradual nature.

Renminbi internationalization was thus neither driven primarily by economic interests nor was it the result of "top-down" elite manipulation of nationalist sentiment. Rather, it was the political outcome of a change in thinking from an increasingly-popular nationalist idea. Robert Mundell famously quipped that "great powers have great currencies" (Mundell 1993, 10). While pragmatism, not conspiracy, explains the central bank's decision to promote renminbi internationalization, this research finds that it was popular nationalist sentiment and constructed notions of what it means to be a "great power" that had made currency internationalization politically tractable in the first place.

Understanding Currency Internationalization

There has been a lot of hype in recent years around the competition among international currencies, with their rise and fall a frequent topic of investigation for scholars. Assessing the renminbi's global prospects is no exception. Subramanian (2011, 99), for example, suggested that the renminbi could "rival or even overtake the dollar as the primary reserve currency as soon as the early years of the next decade," and by 2030 could resemble the United Kingdom in 1870 or the United States after World War II. In other words, the renminbi could be poised to dominate the international monetary system much like the British pound sterling and U.S. dollar before it. However, what does it mean to be an international currency? How do countries internationalize their currencies? What distinguishes an internationalized currency from one primarily used by domestic residents? Before proceeding further, some clarification of terms and concepts is in order.

The most basic definition is that an international currency is one used beyond the borders of its issuing country, having been adopted "by nonresidents to invoice trade, to make payments, and to denominate assets and liabilities" (Gao 2013). Blinder (1996) argued that a currency is internationalized when it accounts for a preponderant share of the official reserves of central banks, is used "hand-to-hand" in foreign countries, denominates a disproportionate share of international trade, and is a dominant currency in international financial markets. In short, "an international currency is one that is used instead of the national currencies of the parties involved in an international transaction, whether the transaction in question involves the purchase of goods, services, or financial assets" (Kenen 2011, 9).

However, the international use of currencies can take many forms, which are difficult to capture in such pithy definitions. Therefore, a number of more nuanced taxonomies have been proposed. First, functional explanations, used largely in the economics literature, typically involve mapping the private and public uses of an international currency to the three classical functions of money—as a medium of exchange, unit of account, and store of value (Cohen 1971; Kenen 1983; Krugman 1984; Chinn and Frankel 2005; Gao 2013; Ito and Chinn 2013; Bowles and Wang 2013). As a medium of exchange, private uses include the settlement of trade and financial transactions, while public uses include bilateral swap agreements (BSAs) and using the currency to intervene in foreign exchange markets. BSAs permit central banks to provide local-currency liquidity to domestic banks and firms, particularly for use in settling cross-border trade. As a unit of account, private uses include the invoicing of international trade in the currency, while public uses include the adoption of the currency as an exchange rate anchor or peg. As a store of value, private uses include the use of the currency for investment purposes, while public uses include its adoption in foreign exchange reserves.

Building on this understanding, Cohen (1971) then distinguished "fully developed" international currencies, which perform all six money roles, from "partial" international currencies, which perform only some of them. Cohen (1998) later combined this functional approach with the geographical ranges of their use to assess the level of internationalization of a particular currency.

The traditional functions of an international currency are summarized below:

Table 1: The Public and Private Uses of International Currencies

	Private Uses	Public Uses
Medium of Exchange	Settling International Trade and Finance	Vehicle Currency for Foreign Exchange Intervention, Swap Agreements
Unit of Account	Invoicing International Trade	Anchor for Currency or Peg
Store of Value	Investment Currency	Reserve Currency

Another way to understand currency internationalization is in terms of the cross-border flows denominated in the currency. Indeed, Kenen (2011) pointed to capital account opening as a central definition of currency internationalization. This clarifies the point elaborated upon in greater detail below, that currency internationalization almost by definition requires opening the capital account before the currency can play a meaningful global role. Finally, political economy approaches, spearheaded by Strange (1971), put more focus on the political reasons countries adopt international currencies. This approach to understanding the internationalization of a currency distinguishes the economic reasons for adopting a particular currency from the more coercive political drivers behind their spread.

There are numerous political and economic advantages to the issuer of the dominant international currency, which will be explored in much greater depth in the fourth chapter. However, as Subramanian suggested above, the rise and fall of international currencies have tended to correspond with the rise and fall of dominant global powers. Therefore, China's move to promote the renminbi has generated significant popular and academic interest. The following section explores China's efforts to internationalize its currency and how it has fared against the measures detailed above.

China's Campaign to Internationalize the Renminbi

For most of the post-World War II era, the renminbi[1] was rarely used outside China, apart from limited adoption of the currency in a few border regions. Around 2009, however, the Chinese government began implementing a series of policies designed to increase the use of the renminbi in denominating international trade, finance, and global reserves. These efforts have focused on promoting cross-border trade settlement in the currency, issuance of renminbi-denominated "dim sum" bonds in Hong Kong, the establishment of an offshore renminbi market, settlement of overseas direct investment in renminbi, local-currency BSAs, allowing foreign firms to issue renminbi-denominated "panda" bonds in mainland China, and programs to allow foreign investors to invest in renminbi-denominated domestic stocks. While not publicly acknowledged, there is evidence that China has been promoting the use of the renminbi in global foreign exchange reserves as well.

This is not meant to imply that China implemented no reforms aimed increasing the international profile of the renminbi prior to the GFC. The Chiang Mai Initiative (CMI), formed in the wake of the 1997 Asian Financial Crisis (AFC), led to the signing of a number of multilateral swap agreements. However, these swap agreements were denominated in U.S. dollars, intended for use in protracted financial crises, and were never activated. Local-currency BSAs signed after the GFC, on the other hand, supported regular trading activities as well as crisis response, and were thus fundamentally different in character. In addition, the Qualified Foreign

[1] The *renminbi*, literally "people's currency," measured in units of *yuan*, is variously referred to as *renminbi*, RMB, *yuan*, or CNY, the International Organization for Standardization (ISO) code for the currency. The offshore variant traded mostly in Hong Kong is given the ISO code CNH. The renminbi has officially circulated since the founding of the People's Republic of China (PRC) in 1949, though the People's Bank of China began issuing banknotes under various names within communist-controlled territory starting in 1948.

Institutional Investor (QFII) scheme, introduced in 2002, allowed some foreign entities, generally offshore subsidiaries of mainland asset managers, to purchase and sell a limited range of renminbi-denominated exchange-traded securities in China (Eichengreen 2014). In 2004, residents of Hong Kong and Macau were allowed to open renminbi-denominated deposit accounts in approved local banks. In 2007, corporations were allowed to issue renminbi-denominated "dim sum" bonds in Hong Kong.

However, all of these schemes were limited in scope, highly regulated, and focused primarily on opening new channels of financing for domestic enterprises. Starting around 2009, however, the flood gates flung open. According to influential Chinese academic Yu Yongding (2014, 54), the issue of renminbi internationalization "had barely been mentioned in the PRC before 2009," but had "quite suddenly become one of the hottest topics among Chinese economists, and one of the most important, if not the single most important, international economic policy of the Chinese government." Moreover, analysts regularly characterized the new renminbi push as "vigorous" or "aggressive" (Yu 2015). For this reason, Gao and Coffman (2013, 75) conclude that 2009 was the "defining timeline for renminbi internationalization."

The following chart shows how policy measures to internationalize the *yuan* increased substantially after the 2008:

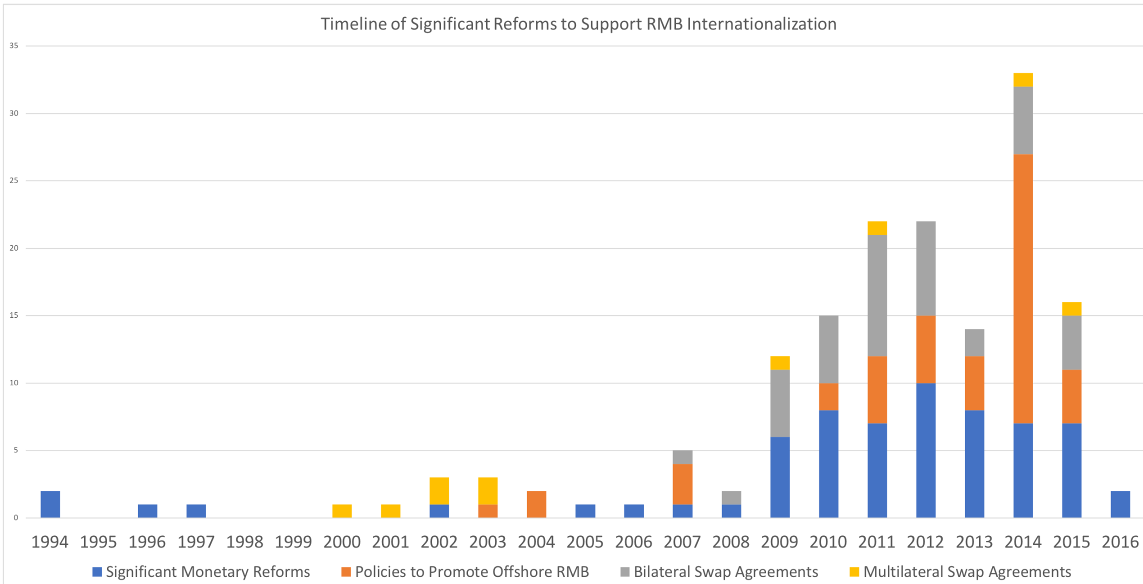

Figure 1: Policy Initiatives to Promote Renminbi Internationalization

A full listing of events used to produce this chart is included in the second appendix. Its use in the process tracing methodological approach is explored in the following chapter.

Policy Changes to Support Renminbi Internationalization after the Financial Crisis

In the summer of 2009, China introduced a pilot program permitting settlement of foreign trade in renminbi for the first time. Initially limited to five cities trading only with Hong Kong, Macau, and ASEAN countries, it was quickly expanded over the next two years. Also in 2009, Chinese corporations and financial institutions were allowed to conduct cross-border foreign direct investment (FDI) in the currency, eliminating review and approval requirements for outward remittances of funds for FDI abroad. In 2010, the pilot program for renminbi-denominated trade settlement was expanded to allow select Chinese provinces to settle import and export transactions with the rest of the world, not just ASEAN members. Foreign entities were further permitted in 2010 to open nonresident renminbi bank settlement accounts with onshore banks and use these accounts for cross-border renminbi business (Formichella and Toti 2013). The Renminbi Qualified Foreign Institutional Investor (RQFII) scheme, an extension of the 2003 QFII scheme, allowed unprecedented access to China's domestic "A share" stock market, previously off limits to foreign investors (Wang and Liu 2011). Moreover, qualified foreign institutional investors, including foreign central banks as well as overseas financial institutions, were permitted to invest in the Chinese interbank bond market rather than the small number of exchange-traded Chinese bonds allowed previously.

Over the next several years, incremental reforms continued. In 2011, the trade-settlement scheme was opened up to the entire country. The ceiling on QFII investments was increased from US$30 billion to US$80 billion, and were offered for the first time to investors as far as London and Singapore in 2013. That year, HSBC became the first foreign-owned bank to obtain a license under the QFII scheme, and the ceiling on investment was raised again to US$150 billion. These are just a few examples of the reforms introduced after 2009 that increased opportunities for overseas use of the renminbi.

Political Efforts

During this period, China also promoted the *yuan* through diplomatic channels. In December 2008, the PBC signed its first local-currency BSA with South Korea, negotiating 34 such swap agreements by the end of 2016. There are also indications that Chinese authorities quietly promoted the renminbi's international adoption beyond these formal efforts. For example, at least 50 central banks have acknowledged diversifying their foreign exchange reserves into renminbi. Chinese central bank officials have suggested that this number could be well over 60 (Sina Finance 2015). According to a 2016 confidential survey of 77 central bank reserve managers, 32 were investing in renminbi—up from only three in 2012—and five others were considering it in the near future (HSBC 2016).

This rapid adoption of the *yuan* is surprising given the fact that the currency has yet to meet most of the generally-accepted basic requirements of an international reserve currency, remaining largely illiquid and illiberal, almost wholly inconvertible on the capital account, and subject to frequent manipulation of the exchange rate (He and Yu 2016). These foreign acquisitions strongly suggest that either the PBC lobbied other central banks to hold renminbi, or foreign central banks recognized the importance of renminbi internationalization to China, possibly as a result of private discussions among central bank officials, and acquired renminbi holdings to curry favor with Beijing.

China's desire to see the renminbi incorporated into the IMF's SDR basket, the official unit of Fund reserves, is more obvious. China actively lobbied the IMF on behalf of its currency, and the effort was well documented in the Chinese press. In this case, China was also successful, with the renminbi's adoption formally announced in 2015. This move, earlier than expected by most analysts and unprecedented for an emerging currency like the renminbi, amounted to nominal endorsement of the yuan as a major global reserve currency. Nicholas Lardy (2015) deemed this recognition of the *yuan* analogous to a *Good Housekeeping* "Seal of Approval." However, the renminbi barely met IMF requirements for inclusion in the SDR, again suggesting Chinese lobbying or at least Fund recognition of the importance of the move to China's leaders. In either case, it would not be inappropriate to claim that the campaign to internationalize the renminbi played out not just in changes to economic policy, but as a foreign policy priority as well.

Finally, Chinese leaders have increasingly tied renminbi internationalization to Chinese President Xi Jinping's much-touted "Belt and Road" or "One Belt, One Road" (OBOR) initiative, which is clearly a high priority for China. OBOR is a major push by China to promote infrastructure investment and economic cooperation within the region. The campaign is tied to the creation of the Asian Infrastructure Investment Bank (AIIB), and focuses on countries along the "Silk Road Economic Belt," including Central Asia, the Middle East, and Eastern Europe, as well as those on the "21st-Century Maritime Silk Road," linking countries in Southeast Asia, South Asia, the Middle East, and Africa. The plan is commonly interpreted as an attempt to export overcapacity while fostering regional economic ties. Most importantly for present purposes, most of the outward direct investment (ODI) under the OBOR umbrella has been denominated in renminbi, and has been another important channel through which renminbi internationalization has been officially bolstered.

Commitments for Further Monetary Reform

This is not the end of the story. Chinese authorities have repeatedly signaled their intention to continue monetary reform efforts, most notably by fully liberalizing the capital account in the near future. These goals were codified in both China's 12th and 13th five-year plans (for 2011-2015 and 2016-2020, respectively), promising continued reforms to the financial sector, increasing capital account convertibility, and fostering Hong Kong as an offshore renminbi trading center (People's Republic of China 2011, 2016). These documents, produced by the State Council, China's highest governing body, remain the most authoritative strategic vision on the direction of the country's economic and social policies. Second, it was announced in 2013 that free trade zones in Qianhai and Shanghai would feature full capital account convertibility. At the Third Party Plenum later that year, Chinese policymakers announced additional steps to be taken in the direction of capital account liberalization, including the launch of an international payments system adhering to global standards.

Even if China had not publicly committed itself to capital account reform, most academic observers agree that realizing China's ambitions for the *yuan* will require foundational reform in the years ahead (Otero-Iglesias and Vermeiren 2015). This is not only because such reforms are commonly seen to be integral to the renminbi's prospects for success as an international currency, but also because reforms already in place are beginning to strain and introduce holes in China's capital controls. Moreover, continued monetary opening was a stated expectation of the IMF when it admitted the renminbi into the SDR basket (IMF 2015). In the Fund's announcement of the SDR reform, it indicated that China "should allow market forces to have a greater role in determining the exchange rate" (Donnan 2015) and should "aim to achieve an effectively floating exchange-rate system within two to three years" (Xinhua 2015).

China has not provided an official explanation of its motives for internationalizing the renminbi. However, the preceding discussion should make clear that it has implemented a long succession of reforms since the financial crisis, demonstrating that raising the renminbi's global profile is a high priority for the Chinese government.

The Puzzle

These policy changes, taken together with official commitments for further reform, herald an overhaul of the country's financial system unprecedented since the beginning of the reform era over 30 years ago. This apparent embrace of monetary opening is a striking course reversal. China's political system has long been strongly biased against financial reform. This bias is rooted in the use of financial repression to promote growth, maintain stability, and ensure a constant flow of cheap credit to state-owned enterprises, favored industries, and the export sector. Powerful conservative interests have long dominated Chinese politics, and up until the GFC had succeeded in preventing any significant monetary liberalization that could threaten this ability to target financing to politically-important sectors of the economy.

Moreover, economic crises have in the past only worked to strengthen the conservative opposition. For example, China's response to the Asian Financial Crisis (AFC) was a retreat from, not a rush toward, monetary opening, even though open capital flows were found equally culpable in both crises. In fact, the prudence of unhindered global capital flows has scarcely been more in doubt than after the global financial crisis. As Breslin (2009, 832) argued, 2008 was the year "in which the appeal and legitimacy of unregulated global neo-liberalism were severely undermined."

Financial Repression and the Domestic Bias Against Financial Reform

China's remarkable economic success since the launch of market-oriented reforms has occurred on the back of a system of financial repression, which has remained in place for the entirety of the reform era. Financial repression is "at the heart of the Chinese financial machine" (Sender 2012, 22; see also Huang 2014; Cao 2014; Lardy 2012; Ito and Volz 2013). It "constitutes the most important foundation of China's current economic growth model" and is a "key element to the Chinese Communist Party's influence over the Chinese economy" (He 2015, 13; see also Eichengreen 2011, 146). Moreover, both Western and Chinese scholars have concluded that this system of financial repression, long relied upon to achieve China's broader economic goals, is the primary reason for its continued resistance to financial reform.

The system works as follows: the government uses interest rate ceilings, manipulation of bank deposit and lending rates, liquidity ratio requirements, high bank reserve requirements, government ownership or domination of banks, capital controls, restrictions on market entry into the financial sector, credit ceilings or restrictions on credit allocation, and other economic measures to direct financial support to the industrial sector and state-owned enterprises (SOEs). The government directly or indirectly controls most of the banking system, which have demonstrated a large lending bias that favors SOEs (Ferri and Liu 2010; Firth et al. 2009; Poncent et al. 2010; Shih 2011; Prasad 2016). Financial repression is also used to cover government fiscal deficits, particularly for local governments with large underfunded fiscal obligations (Otero-Iglesias and Vermeiren 2015; McKinnon and Schnable 2014; Ito 2010; He 2016).

This system has provided a reliable source of subsidized capital, but has resulted in low or negative real returns on savings deposits for households. However, households have few other options than to channel savings into low-yielding deposits in the domestic banking system (Rajan 2006; Pettis 2009; Lardy and Douglass 2011). Indeed, household banking deposits in China amounted to 80% of GDP, while corporate deposits weighed in at 89% of GDP in 2014, roughly twice that of the United States (Prasad 2016, 39). According to Xiao Gang, former chairman of the Bank of China, Chinese banks earn almost double compared to what they would otherwise earn in a liberalized interest rate environment (quoted in Lardy and Douglass 2011, 5). Moreover, net interest spreads on domestic banking activities are much higher than the net spreads that banks achieve on their other activities. With a ceiling on deposit rates and a floor on lending rates, banks have enjoyed a "comfortable margin of around 3 percent," providing 80 percent of total bank income (Borst 2012). According to Lardy and Douglass (2011, 6), an increase in the average deposit rate of only 110 basis points in 2009 would have eliminated all bank profits. This ability to manipulate interest rates is dependent upon capital controls (Breslin 2014), making financial repression largely incompatible with monetary liberalization and, by extension, renminbi internationalization. Indeed, even eighteen years after market-based interest rate reform began in 1996, the important deposit rate remained untouched as of 2015 (Prasad 2016).

The End of Financial Repression?

By almost all accounts, internationalizing the renminbi will require completely dismantling this system of financial repression (Otero-Iglesias and Vermeiren 2015). By its nature, internationalizing the renminbi will expand the roles of the equity and bond markets relative to the banking system, increase foreign ownership and competition across the financial sector, and reduce current mechanisms of control over the economy. The corresponding opening of capital controls would make continued manipulation of interest rates almost impossible, and strain efforts to maintain a stable exchange rate. In addition, households would have many more investment options, and would likely channel their savings toward higher-yielding foreign financial markets. Finally, the costs of years of over-investment in SOEs would come clearly into the light, as the state sector struggles to compete without the financial support to which it had long been accustomed. SOE debt would thus constitute quasi-public contingent liabilities in the form of non-performing loans. As Eichengreen (2009, 65) notes, China would no longer be able to rely on a "growth model of which bank lending and a pegged exchange rate have been central pillars."

Entrenched Interests

This arrangement has produced a broad swath of vested interests benefiting from the status quo, including a central government concerned most with stability and growth, regional and local governments subject to ambitious growth targets without sufficient local income for capital investment, state-owned enterprises that might otherwise face insolvency, and banks profiting from this financial repression scheme. All of these interests are well-represented among the senior leadership, who frequently advocate directly on their behalf. This constellation of powerful conservative interests has produced "strong domestic resistance to the liberalization of financial markets" (Cheung 2014). This makes the sudden arrival of policies signaling the end of the arrangement of financial repression after the GFC highly surprising in the Chinese context.

Resisting Western Pressure for Currency Liberalization

Maintaining this tightly-controlled financial system has complicated China's foreign relations as well. As China became increasingly integrated into the global economy, its restrictive monetary policies began to generate considerable external pressures for reform. While China had successfully resisted demands for radical economic liberalization from international financial institutions and Western governments since the 1980s (Pickel 2002), the pressure for reform because much more intense in the early 2000s, when China experienced increasingly strident criticism of its fixed exchange rate regime. As the U.S.-China trade imbalance grew rapidly, U.S. policymakers began pushing China very hard to liberalize its currency, which they saw as advantaging Chinese exporters at the expense of American competitors. At that time, many observers claimed the renminbi had become significantly undervalued, some estimating by as much as 40% (Preeg 2003).

China strongly resisted such pressures. Its leaders denied accusations of an undervalued renminbi, complaining that foreign pressure constituted an encroachment on its sovereignty and management of internal affairs. Moreover, China's leaders never believed the trade imbalance to be their problem (Bowles and Wang 2006). In November 2004, Chinese Premier Wen Jiabao even insisted that "China will never revalue its currency under external pressure" (*ibid.*, 246). China did acquiesce in July 2005 with a 2% revaluation while moving to a tightly-managed float against an undisclosed currency basket, which produced modest appreciation in the years that followed. However, China's government remained firmly against further opening of the currency regime. Yet the renminbi internationalization campaign aims at the very reforms China opposed only a few years earlier.

Historical Precedent

These concerns about relinquishing monetary control are not unique to China. The costs associated with issuing an international currency have led previous rising economies to resist currency internationalization long before—if ever—supporting it. For example, Japan, Germany, and Switzerland long resisted the internationalization of their currencies. Even Singapore, which has ranked among the top five global centers for currency trading, "strongly discouraged the use of the Singapore dollar as an international currency" (Kenen 2011, 9). Historical evidence demonstrates that national policymakers have often been reluctant to support currency internationalization because they, or powerful domestic actors that influence national monetary policies, see it more as "a burden to be avoided than a privilege to be sought" (Eichengreen 2013, 3). In addition, the implications of currency internationalization for monetary policy autonomy have made central banks infrequent advocates for such efforts (Genberg 2010; Henning 1994; Iwami and Sato 1996; Tavlas 1990).

For example, Japan attempted to discourage the international use of the yen through the 1970s and well into the 1980s, worried that extensive foreign holdings of the currency would reduce their control over the money supply and increase exchange rate instability, particularly at the expense of the export sector (Henning 1994; Takagi 1997; Tavlas and Ozeki 1992). In fact, exchange rate stability, rather than price stability or growth, was one of the primary goals of the Bank of Japan until the 1997 amendment of the Bank of Japan Act (Yu 2015), and capital controls were an important tool of exchange rate policy well into the early 1980s (Takagi 2007). It has been argued that Japan only began to support yen internationalization around 1984 under foreign pressure, after the establishment of the Yen/Dollar Working Group in late 1983 (Takagi 2011; Yu 2015). This committee was set up against the background of a large and widening trade imbalance between the United States and Japan, with the former believing that this was due to an undervalued yen. However, others have pointed out that the rapid growth in primary and secondary bond markets in the 1970s began to produce pressures from the financial community to improve the efficiency of the financial market, changing attitudes about yen internationalization. In either case, Japan did not become clearly enthusiastic about promoting yen internationalization until after the Asian Financial Crisis (AFC) in the late 1990s. Unfortunately, its aspirations fell short. The yen failed to significantly increase its international status during this period. By the time of the GFC, "even the most ardent of the currency's supporters appear to have lost their enthusiasm for the struggle" (Cohen 2010, 157).

Similarly, the German Bundesbank from the late 1960s to the early 1980s attempted to limit the international use of the Deutsche mark to avoid swings in capital flows that could interfere with domestic stabilization (Tavlas 1991; Thimann 2007). The German Bundesbank focused its monetary-policy strategies on the control of monetary aggregates, and feared that greater international use of the Deutsche mark would render the demand for money less stable, complicating such efforts. Germany began to relax its anti-internationalization stance in the mid-1980s, after its financial market had developed significantly and it had become better insulated from external disturbances.

The similarities to China's stage of development are striking, even as the policy choices diverge. Indeed, Helleiner and Malkin (2012) note that the context of an economy determines whether currency internationalization would be perceived as a benefit or cost, and that countries that hope to maintain a credit-based, tightly-regulated financial system would be resistant to such liberalization. As explained previously, this captures quite well the present state of China's financial system. In fact, China's financial sector today is far less developed than that of Germany and Japan in the 1970s and 1980s. Furthermore, Germaine and Schwartz (2014) argue that even the euro lacks the institutional capacity to become an international currency, despite the region's strong financial sector and highly-developed economies. Finally, Chinese observers are keenly aware of the Japanese experience, and commonly blame forced liberalization of the yen for Japan's "lost decade" of low or negative growth. China's decision to proactively pursue renminbi internationalization is thus highly surprising in light of the historical precedent.

Research Question

Based on the above puzzle, why did the Chinese government reverse course and begin promoting renminbi internationalization after the global financial crisis?

Producing a convincing argument requires reformulating the question with a bit more precision. Specifically, *who* in the government initiated renminbi internationalization? What were their reasoning and motives for the change (the *why*)? *How* did they garner sufficient support to prevail over vested interests and conservative opposition? Finally, *why now*? What had changed that made renminbi internationalization a focus on Chinese policy after the financial crisis?

Dependent variable: China's policy shift after the global financial crisis to promote the internationalization of the renminbi

Preferred Hypothesis

I argue in this dissertation that popular nationalist sentiment in support of renminbi internationalization explains both *why* the central bank—the primary architect of China's currency internationalization policies—chose to focus on renminbi internationalization as well as *how* it overcame political opposition to currency reform. I leverage cognitive framing theory to explain how this occurred. I argue that nationalist sentiment shifted the frame through which policymakers evaluated currency reform. Previously, monetary policy was understood as narrow economic policy, with concrete goals measured in absolute terms presented in a manner conducive to determining domestic winners and losers. In contrast, popular nationalist understandings of renminbi internationalization characterized the policy as one with largely abstract goals of increasing China's power and prestige, measured in relative terms vis-a-vis the United States.

This shift began in the years leading up to the financial crisis. The Chinese public had become sensitized to the politics of international currency competition in the 2000s, when U.S. pressure to liberalize its currency regime was widely interpreted in China as a desperate attempt to retain the exorbitant privileges of a global dollar. This focused national attention on international currency competition as a new battleground for dominance between a rising China and a declining United States. The 2000s witnessed the emergence of a fervent domestic debate on the politics of international currencies, including the best-selling book series starting with *Currency Wars* (Song 2007), which popularized a number of conspiracy theories about the historical use of currencies and money to build and maintain international dominance. Dozens of popular treatments of renminbi internationalization and other books focused on the politics of global monetary affairs followed. This fostered a widespread belief within China that the United States had long used the dollar's global role to maintain its global status and to undermine challengers to its power. Indeed, analysis of the texts demonstrates that nationalist media was the first to strongly advocate for internationalizing the renminbi, focusing on the international power dimensions associated with its global adoption.

Analysis of the texts demonstrates that these nationalist ideas were already becoming increasingly mainstream by 2008. However, the global financial crisis convinced many that China finally had its opportunity to challenge a weakened dollar and vulnerable United States for international economic dominance. That America continued to pressure China to liberalize its exchange rate regime even after the crisis was understood as "evidence" of conspiracy theories about dollar hegemony and U.S. fears of a rising China. It had thus become a widespread belief that China's future as a global power must include a global currency, and that the only way China could challenge America's monopoly on international economic power was to internationalize the renminbi. Constructed notions of what China as a great power should look like clearly included an international currency as an important and necessary component.

Rather than being intentionally invoked, this explanation sees currency nationalism largely as a grass-roots or "bottom-up" phenomenon. In the context of popular support for currency internationalization, the central bank saw an opportunity to advance its policy agenda, even though it did not intentionally promote such nationalist ideas. I argue that as nationalist ideas about the currency became increasingly mainstream, many policymakers—including both senior leadership as well as others in the bureaucracy—became sympathetic to such arguments and began to support monetary opening where they previously had opposed it. Moreover, it was the power of the *idea* of a global renminbi in changing attitudes about reform that proved central to removing barriers to its implementation. To reiterate, popular nationalism had shifted the cognitive frame through which currency internationalization as a policy option was evaluated, which tilted the scales in favor of support of currency reform.

The campaign would not have been possible had the central bank not already developed a strategy for internationalizing the *yuan*. Renminbi internationalization was probably not the central bank's first priority, but was the easiest place to start in achieving its greater policy agenda of monetary opening. I argue that the central bank had become a very professional and politically-savvy organization that was able to navigate this sea change in public support extremely effectively. It tempered its initial response, promoting policies of renminbi internationalization while remaining largely silent in public—recognizing the political sensitivities of the issue as well as the genuine need to steady the pace of monetary reform. While currency reform was clearly in the bank's interest, rapid and potentially destabilizing liberalization was not.

However, this popular nationalist sentiment placed pressure on China's leaders to take substantive steps to increase the status of the renminbi, a force that they would have to both encourage and manage. Indeed, renminbi internationalization has followed a pattern consistent with other topics of nationalist import. As interest in the currency grew, China's leaders became more focused on producing results to satisfy a nationalistic domestic audience—even if they were largely symbolic in nature—while attempting to manage expectations for further achievements. Securing the renminbi's inclusion in the SDR basket is consistent with this logic.

The preferred hypothesis can be summarized as follows:

- *Who*: The Chinese public (and later the central bank)
- *Why*: To challenge dollar hegemony and increase China's international power
- *How*: Fostering nationalist sentiment and focusing on the balance of power implications of renminbi internationalization
- *Why Now*: The global financial crisis signaled an opportunity to challenge the primacy of the United States and the dollar in the international order

Alternative Arguments

As stated previously, the Chinese government has offered no official accounting of its motives for pursuing renminbi internationalization. This reality greatly expands the number of potential competing explanations. However, these competing hypotheses can be roughly captured by dividing the literature into those emphasizing economic drivers from those focusing on political causes at the level of the state. These stand in contrast to the preferred hypothesis, which also emphasizes political drivers, but explains renminbi internationalization as a result of "bottom-up" nationalist sentiment rather than "top-down" policy.

Economic Arguments

This research builds upon a sizable extant literature on renminbi internationalization in both English and Chinese. I begin by making explicit the argument most common within the English-language literature on renminbi internationalization. To be clear, there is no single accepted explanation for China's currency internationalization campaign. Rather, what binds the various hypotheses that I refer to here is partly substantive and partly methodological. First, these explanations invariably look to the primarily economic benefits of renminbi internationalization, presenting the GFC as a cautionary tale against the dangers from an imbalanced international monetary system (IMS), an unsustainable domestic growth model, and an at-risk accumulation of dollar-denominated foreign exchange reserves, making the need for overdue economic liberalization clear to China's leaders. Second, they explicitly or implicitly use rational actor theory to derive Beijing's likely interests, which are then assumed to constitute its motivations, sometimes with little or no evidence from Chinese officials or official documents to back such claims. Finally, they generally assume a top-down or "whole-of-government" strategy.

The economic argument can be summarized as follows:

- *Who*: China's senior leaders or government consensus
- *Why*: To reduce dependence on the dollar and export-led growth
- *How*: Using ultimate authority as leaders of the state
- *Why Now*: The global financial crisis shifted China's interests by making clear the unsustainability of its current growth model

This explanation will be explored at length in the fourth chapter, which details both the benefits of renminbi internationalization that could have motivated China to pursue the policy as well as the costs that make these benefits alone an insufficient explanation.

Moreover, these explanations fail to explain the mechanism by which currency internationalization was the policy chosen to achieve these ends. Such objectives could arguably be achieved by other means without incurring the potentially steep costs associated with currency internationalization. In fact, this literature frequently conflates renminbi internationalization with monetary and financial liberalization, which could easily be implemented without a focus on the former. In this light, it remains unclear why conservative political opposition would accept currency internationalization when other policy options were available.

International Political Explanations

A significant but much smaller literature explores the political gains to China from renminbi internationalization, yet still leveraging an "interests as motives" approach to explaining the policy. First, some commentators have pointed out that issuing an international currency can increase a country's political power through economic means (Frankel 2011). For example, dependence on a country's currency for liquidity can give the issuing country political leverage over other countries, especially during times of crisis (Eichengreen 2014; Schenk 2010; Subramanian 2011). This dependence can encourage foreigners to increasingly associate their interests with those of the issuing country. Finally, this increased political influence would decrease China's reliance on the dollar and increase its "power as autonomy" (Kirshner 2014). For example, Oliva (2015) concluded that the renminbi campaign was actually a power play in the Asian region, seeking to solidify China's regional leadership, rather than building an international role for the renminbi per se.

China would also benefit from renminbi internationalization by enhancing its status in international institutions, which would have to increasingly take into account its currency and international financial policies (Ito 2011; Fratianni 2011). It could also increase China's status in the international monetary system more generally (Yi 2006), driven by a desire to "assume a place in world affairs in which its political power is more commensurate with its economic power" (Paradise 2016, 169). In this vein, renminbi internationalization is part of a greater strategy to create new institutions to achieve foreign policy goals such as South-South cooperation or the creation of a regional economic order led by China.

These international political explanations can be summarized as follows:

- *Who*: China's senior leaders or government consensus
- *Why*: To increase China's international prestige and political influence
- *How*: Using ultimate authority as leaders of the state
- *Why Now*: China's rise has created new opportunities to expand its influence and highlighted areas where its global reach lagged the country's overall capabilities, possibly highlighted by the GFC

These explanations will be tested against the empirical evidence alongside other interest-based drivers of renminbi internationalization in the fourth chapter.

Domestic Political Explanations

Other scholars have focused on domestic political factors to explain China's renminbi drive. First, some analysts have concluded that renminbi internationalization was simply a maneuver to force liberalization of financial markets in the face of domestic opposition (see He 2015 and Feng 2012 for typical examples of this view; for less extreme variations of this hypothesis, see Bell and Feng 2013; Cheung 2014; Chin and Wang 2010; Davis 2011; He and Ma 2011; Huang 2009; Kroeber 2013; Lo 2013; Thornton 2012; Volz 2014; Wang 2011; Wu 2011; Yu 2014; Zhang 2015). In this view, *yuan* internationalization could be used by China's policymakers as they "navigate their fraught exit form mercantilism" (Helleiner 2013, 12; see also Subramanian 2011, 158), using the broad appeal of a global renminbi to force painful but necessary reforms. Some observers have suggested that China's leaders intentionally invoked the language of popular nationalism to achieve such ends. China's 2001 WTO accession is frequently cited as an example of Chinese leaders pushing difficult domestic reforms through its international commitments, deflecting blame to foreigners for the negative consequences (Ma 2011; Zhang 2015).

Similar to the economic explanations above, deep monetary reform was increasingly becoming a "race against time," with former Primer Minister Wen Jiabao arguing that China's economic model was "unsustainable, uncoordinated, unbalanced, and unstable" (de Jonquieres 2014). However, the difference here is that the goal of renminbi internationalization was not to achieve the benefits currency internationalization, but to break the logjam of domestic opposition to more fundamental monetary liberalization and dissolution of the financial repression model. For example, Cheng (2014) argued that Chinese top leaders had a clear plan for financial reform, in which renminbi internationalization was only one part of a greater agenda. Chinese Premier Li Keqiang indicated in 2013 that China's financial reforms were a "key move of a chess piece to revitalize the whole game of the Chinese economy" (quoted in He 2015, 8). Therefore, renminbi internationalization was not the ultimate goal, but the first domino to fall in a greater strategy to break bureaucratic inertia against reform.

These domestic political explanations can be summarized as follows:

- *Who*: China's senior leaders
- *Why*: To force painful but necessary reforms
- *How*: Using the appeal of renminbi internationalization to distract from its ultimate consequences
- *Why Now*: The global financial crisis shifted China's interests by making clear the unsustainability of its financial repression model

The fifth chapter evaluates these claims that China's renminbi internationalization drive was merely a means to an end of deeper financial liberalization.

The "Trojan Horse" Hypothesis

Other analysts believe that the true motivation lies in the central bank's, not the senior leadership's, desire to use the offshore renminbi market as a tool to accelerate the pace of domestic financial sector reform (Kroeber 2013, 21, see also He 2015; Davis 2011; Feng 2012; Thornton 2012). This is generally referred to as the "reverse coercion" mechanism (He 2015), "Trojan horse" strategy (Prasad 2012; 2016, 258), or "external commitment device" approach (Yu 2014). Thornton (2012) calls the idea "reform by stealth," as it is seen as forcing monetary reform under the guise of renminbi internationalization onto an otherwise unwitting leadership. Chinese scholars have also recognized this possibility. For example, Yu (2012) asserted that "internationalization of the renminbi is capital account liberalization in disguise…the use of the renminbi as a trade settlement currency has stealthily forced open China's firewall of capital controls."

Alex He summarized the Trojan horse argument as follows:

> The fundamental reason for the reversed coercing method of financial reform lies in the difficulties of the market-oriented exchange rate and interest rate reform…the market-based interest rate system takes up the core of China's current financial reform and is a fundamental constraint for real market-oriented exchange rate reform and liberalization of the capital account. (He 2015, 13)

Chinese Academy of Social Sciences researcher He Fan surmised that China's central bank sought ways to commit China to further reform to overcome the "clumsy" and "inefficient" approval system for regulatory reform, influencing this process through capital account liberalization (China Daily 2014). According to Yang (2013, 161) liberals "hope that currency swaps, offshore renminbi centers, and trade and investment settlement in renminbi will have a 'spillover effect' and pave the way for renminbi internationalization as well as capital account and exchange rate regime liberalization" with "unstoppable momentum."

As with the previous domestic political explanation, a few scholars have suggested that reformers in the Chinese government intentionally invoked nationalist rhetoric in order to advance their cause. According to this logic, the "trumpeting of symbolic and nationalist gains could serve to drown out the protests of those who might suffer substantive losses" (Subramanian 2013, 22). Most forcefully, Feng (2012) suggests that Zhou Xiaochuan "conned the leadership in approving renminbi internationalization…using the language of economic nationalism to push an agenda that ultimately would loosen state control of the economy by making the yuan," making "the policy arguments so attractive that decision makers will approve the ideas without realizing the implications—like the Trojans accepting that beautiful horse form the Greeks without realizing what was inside."

The "Trojan Horse" explanation can be summarized as follows:

- *Who*: Reformers in the Chinese government
- *Why*: To force politically-difficult reforms
- *How*: Using the appeal of renminbi internationalization to distract from its ultimate consequences
- *Why Now*: Taking advantage of the opportunity presented by the increasing popularity of a global renminbi

This hypothesis is also tested against the evidence in the fifth chapter.

Null Hypothesis

Finally, because China has not made clear its motives for the internationalization of the renminbi, it is plausible that the preceding explanations find greater meaning in these policy changes than is really there. In other words, efforts to increase trade settlement and cross-border investment could be for those reasons alone, with only the *effect* of increasing the international use of the currency. For example, Chen and Hu (2013) concluded that "the current developments of the internationalization of the renminbi is not intentionally orchestrated by the Chinese government, but [is] rather an inevitable outcome of the economic and market development and historical evolution."

It is unlikely that a series of policies with the scope and scale of China's recent currency policy changes does not fit into a greater strategy. Such modularization of policy would be unusual in the Chinese context. In addition, the preceding accounting of China's efforts to internationalize the renminbi should serve as evidence of the remoteness of this possibility. However, analysis of the texts allows for evaluation of the prevalence of this kind of "market demand" argument. Overall findings from analysis of the dataset will be reviewed in the concluding chapter, including the null hypothesis.

Summary of Potential Drivers

To conclude this treatment of competing hypotheses for China's internationalization drive, the potential drivers detailed above are reviewed and summarized below:

Table 2: Potential Drivers of China's renminbi Internationalization Campaign

Economic Drivers	International Political Drivers	Domestic Political Drivers
Promote IMS Reform	International Prestige	Make Painful Reforms More Palatable
Change Growth Model	Power As Influence	Externalization of Reform Pressures
Reduce Dollar Exposure	Power As Autonomy	Nationalist Sentiment
Lower Costs for Domestic Industry	Status in International Financial Institutions	
Lower Costs for External Financing		
Develop Financial Sector		
Increase Macroeconomic Flexibility		
Seigniorage		
Promote Regional Integration		

From the perspective of actor motivation alone, these competing explanations are not mutually exclusive. Different policymakers could have supported (or opposed) renminbi internationalization for different reasons. However, I submit that support for a policy *for any reason* is a necessary but hardly sufficient condition for policy change. In order for a proposal to become policy, support for it must pass a certain threshold where support outweighs opposition. This can occur when the former increases, the latter decreases, or with some combination of the two. The alternative arguments are reasonable in terms of the narrow actor-motivation conception of causality, but fall short in providing a satisfactory explanatory model in light of the broader question posed here. They give a sense of the *why*, but lack a convincing explanation for the *how*, *who*, or *why now*. The structure of the dissertation that follows is organized around using this more stringent test to evaluate the competing and preferred hypotheses.

Structure of the Dissertation

The dissertation proceeds as follows: Chapter 2 details the research design, including sources of data, specification of the dependent and independent variables, and the qualitative and quantitative methodologies used in the analysis. Chapter 3 outlines the preferred hypothesis, proposing a theoretical model to explain China's policy shift, drawing from theories of cognitive framing, perception, nationalism, and economic nationalism in the context of constructivist theory. Chapter 4 explores the potential economic and political benefits of currency internationalization as well as its costs, presenting an argument for why the advantages of a global currency alone prove insufficient to explain China's policy shift. Chapter 5 evaluates domestic political explanations that suggest a "top-down" effort to use the popularity of renminbi internationalization to achieve broader reforms, detailing the role of China's senior leaders and the central bank in the campaign. Chapter 6 traces the origins and evolution of nationalist sentiment around the currency, and how the GFC sparked a new wave of nationalist rhetoric that reshaped Chinese foreign policy in general and the country's international economic policies in particular. The chapter then explores how institutions in China's bureaucracy that had previously opposed currency reform had now come to accept it. Chapter 7 concludes, reviewing the overall results of the analysis, assessing the impact of the dissertation's findings within the broader academic literature, evaluating the generalizability of the findings, and suggesting next steps for research. A technical appendix provides additional detail on the computer-assisted content analysis component of the research design, including precedents in the literature for the approach as well as a detailed accounting of the rules used to map Chinese-language terms and phrases to quantitative measures of arguments found in the texts.

CHAPTER TWO: RESEARCH DESIGN

In order to discriminate among the competing hypotheses described in the opening chapter, this dissertation adopts a sequenced mixed-methods approach using both qualitative and quantitative methods. The research design consists of process tracing to understand the primary players and the sequencing of events, discourse analysis to identify language representative of divergent positions, and computer-assisted content analysis to weigh their relative importance over time. Empirical data is drawn from an author-collected corpus of over 100,000 texts representative of each major interest group with a stake in the internationalization debate, culled from official and popular media, government policy documents, and historical website data going back nearly 15 years.

Language figures heavily in the research design, and is rooted in the epistemological assertion that word choice—particularly in persuasive discourse—can tell the researcher a great deal about a political actor's internal motives, external influences, and cognitive frames in supporting or opposing a policy. This approach is all the more pertinent due to the lack of authoritative sources explicating the government's motives for renminbi internationalization. By detailing who argued for and against renminbi internationalization and when they did so (the *who*), the reasons they cite for promoting the policy (the *why*), and the nature of their language and argument (the *how*), I can build a strong argument as to the deep drivers of the policy change.

This chapter clarifies the research design, including the levels and units of analysis, the variables under investigation, the methodological approach to measuring and assessing relationships among these variables, and explanations of the process tracing, discourse analysis, and content analysis methodologies. A technical appendix (Appendix A) contains additional technical details on the quantitative content analysis approach, including a complete listing of data sources from which the texts were taken, the process by which the dataset was constructed, and the coding strategies used to map Chinese-language terms and phrases to quantitative measures of arguments found in the texts. The technical appendix also surveys theoretical treatments of quantitative content analysis as well as examples of its application in the social sciences that support the methodological choices made in this dissertation. Appendix B contains a timeline of events related to renminbi internationalization derived from the process tracing methodology described below.

The Challenges of Studying the Chinese Political Process

Explaining the circumstances leading to China's renminbi internationalization campaign is anything but straightforward. First, many actors across the country's vast bureaucracy were involved, holding divergent interests and exerting various levels of influence on China's currency policies. Moreover, strong public interest in the campaign introduced additional context to the policy debate. There is thus significant potential for equifinality, interaction effects, and tangled chains of intervening economic, political, and social variables.

Second, peering into the black box of China's internal decision-making process is never easy, offering few easily-accessible sources of empirical data. Indeed, the policy process in China is conducted almost entirely behind closed doors. As noted previously, the lack of official explanation for China's focus on currency internationalization only exacerbates this limiting dearth of authoritative sources. However, in a one-party system reliant on subtle and carefully-crafted messaging to signal leadership intentions and initiate intra-party debate on important policy topics, *words matter*. Proponents of renminbi internationalization would have advanced their case in their own publications as well as in the pages of Chinese Communist Party (CCP) newspapers and periodicals. If China's leaders offered their endorsement of a policy, even if it was not publicly acknowledged, these would still be reflected in government documents and the official media.

Indeed, despite an overall decline in the traditional propaganda state, the Party has been "quite adept at using media commercialization to enhance and strengthen the propaganda apparatus" (Shambaugh 2007, 58). Moreover, the government has continued to spend considerable resources on "proactive" propaganda, by which it creates large volumes of content in the official media that it believes should be transmitted to the populace. A number of studies support the continued relevance and influence of China's propaganda system (Shambaugh 2007; Alvaro 2013; Zhang 2011; Brady 2009; 2015). According to Brady (2015, 51), the Chinese Communist Party (CCP) has "long regarded persuasion and information management as top government priorities," devoting "considerable resources to them" with "an extensive bureaucracy in place to carry out propaganda initiatives." These efforts are generously funded with budgets in the billions, and even supported by a specific "propaganda industry tax" (Dale et al. 2012). In addition, propaganda work has taken on a "new level of assertiveness, confidence, and ambition" since President Xi Jinping assumed office in 2012 (Brady 2015, 55).

Furthermore, Tsai and Kao (2013) describe how some units in the CCP (which parallels the government structure) have established networks of propaganda writing teams that advance the policies or perspectives of a particular unit or even a particular leader by publishing feature articles in Party journals. These writing teams often make use of a pseudonym appearing to be a person's name, leading outsiders to believe that the work is written by a journalist while allowing inner Party members to recognize which unit's views an article reflects. Of course, none of this is meant to imply that China does not also boast a vibrant and diverse media landscape, with many voices modestly (and sometimes significantly) departing from the official line. This interplay between the state propaganda machine and the broader national conversation is a fascinating starting point for political analysis.

Overcoming Data Limitations

My research design takes advantage of these political dynamics publicly played out in linguistic channels, even as private policy negotiations remain out of reach. While the fact that the media operate under very strict constraints in contemporary China is often taken as a drawback of such research, this is actually a positive for this project. By examining how ideas and language disseminate across the media, I can observe changing government priorities over time. This produces a wealth of data upon which to base my analysis. I am particularly interested in the extent to which officially-sanctioned discourse on the currency does or does not spread to popular and social media, or the extent to which the reverse occurs. Moreover, language provides subtle indicators of the sources of influence behind an argument, offering clues as to the progenitors of the policy shift even when the political leaning of the author is unclear.

This approach helps to compensate for the fact that access to senior policymakers involved in producing the renminbi internationalization campaign was not possible for this project. While I was able to leverage other studies that did have this access, and also was able to interview Chinese scholars with some such access, I make the epistemological gamble here that interview data would not constitute as objective or effective a means of assessing the influence of nationalism on foreign policymaking. Political actors might not be willing to admit, or might not even be aware of, the subtle influences nationalist discourses can have on their policymaking calculus. Rather, I argue that focusing on the texts produced by key actors, and studying how they have been influenced by different kinds of arguments—including nationalist literature—forms the empirical basis for a more rigorous argument than anecdotal evidence.

Introduction to the Methodological Approach

Based on these insights, this dissertation adopts a sequenced mixed-methods research design focused on key texts relevant to the internationalization debate. However, rather than adopting the common methodological approach of first conducting large-scale quantitative analysis of broad sample of data before qualitative comparative analysis of a few specific cases (Lieberman 2005), I proceed in the opposite sequencing.

First, I take the interest group as the primary level of analysis, identifying relevant actors within the Chinese government and across Chinese society with a stake in renminbi internationalization. The emphasis here is on the institutions within the bureaucracy with a voice in China's economic policymaking process, but includes public interest groups as well. Based on group preferences and prior behavior, I determine expected policy preferences, probable arguments for them, and the kinds of language likely to be used. Second, I turn to process tracing to understand the sequence of events that led to China's internationalization agenda, and how these policies evolved in the years that followed. Third, I employ discourse analysis of a sampling of texts from an author-collected corpus of communications representative of senior leadership, the central bank, other government agencies, local governments, state and private industry, academia, and the general public. The purpose of this analysis is to identify representative arguments for and against renminbi internationalization, and the kinds of language used to advance them. Finally, I develop rules for scoring documents based on these criteria, and employ computer-assisted techniques to analyze the complete corpus for overall trends.

The Dependent Variable

First, I review the dependent variable (DV). In short, the DV is:

"China's policy shift after the 2008 global financial crisis to promote the internationalization of the renminbi"

By "China," I am referring to the Chinese government, including China's senior government and Party leaders, senior governing bodies, the central bank, and, to a lesser extent, the Ministry of Finance (MOF), Ministry of Commerce (MOFCOM), China Banking and Regulatory Commission (CBRC), National Development and Reform Commission (NDRC), and other governmental organizations with some level of influence on China's currency policies. However, the DV does *not* include the actions, interests, or desires of other elements of the bureaucracy not significantly involved in forming or implementing the country's currency policies, nor does it include advocacy for renminbi internationalization among industry, academia, and the general public. If any of these groups took action to support or promote the internationalization of the renminbi, this would only be relevant to the extent that such actions influenced the official policy process, and would thus constitute—for the purposes of the broader research question—an independent variable, not the dependent variable. The question is, why did those *with the authority to do so* decide to promote the internationalization of the renminbi?

As will be explained below, changes in the policy preferences of interest groups outside the decision-making process would in turn be driven by other independent variables, and would thus be relevant in their own right as a measure of the causal power of such variables to alter actor preferences regarding currency policy, in addition to such interest groups' potential influence on the preferences of those with actual policy authority. Their exclusion here is only to emphasize that changes in the policy advocacy of these groups would not constitute variation on the DV.

By "policy shift," I refer to the *change* in government policy to promote currency internationalization in 2009, *measured* by the large number of new policies and agreements aimed at increasing the international use of the renminbi compared to the previous period. Taken collectively as indicative of a spoken or unspoken government policy priority, this shift includes reforms and policies increasing opportunities for cross-border trade and investment in the currency as well as those fostering offshore renminbi markets. The shift also includes relaxing of capital and other controls in support of these goals, and incorporating such goals into high-level official documents, even if some of these more substantive reforms have to date failed to materialize. Finally, it includes the signing of local-currency bilateral swap agreements and the lobbying of the IMF to incorporate the renminbi into the IMF's SDR basket. While not officially designated a government "campaign," it bears all the hallmarks of a major government policy priority, and is generally understood as such among both Chinese and Western scholars.

By "after the GFC," I demonstrate variation on the DV by contrasting the period after 2008 from that which came before it, when Chinese authorities would not or could not implement such policies. Not only was renminbi internationalization not a priority, China's senior leaders generally resisted monetary reform in years before the GFC. While the central bank maintained a strong interest in financial reform in both periods, it did not or could not significantly direct this interest into internationalizing the currency before 2008. To be sure, discussions and some policies of renminbi internationalization occurred before this period, but they were rare, isolated, working-level, and entirely lacking in the fervency and high-level advocacy that characterized the later period. As demonstrated in the opening chapter and explored throughout the dissertation, there is little question that a change in government policy priorities occurred after 2008. China's leaders, senior government officials (including the central bank governor), traditional policy preferences, and the historical context, among many other factors, *did not change* in 2008. China's currency policies did. Explaining the variables driving this change is the heart of this study.

In addition, the stock market crisis and economic slowdown beginning in 2015 offers further variation on the DV, but is perhaps somewhat more subtle. While the renminbi internationalization campaign was not abandoned, enthusiasm for the effort and commitments to continued reforms have both waned since that time. Some analysts have noted a reversing of the trend of renminbi internationalization since this time, and the renminbi has, in fact, declined against many measures of currency internationalization (Steil and Smith 2017).

Defending the (Single?) Case Study Approach

The subject of this research is the currency internationalization experience in only one country, China. It could thus conceivably be criticized as a case study with only one case, hampering—as many would argue—analytic rigor and precluding meaningful results. Indeed, "single" case studies have been met with skepticism by many in the field (Achen and Snidal 1989; King, Keohane, and Verba 1994; Lieberson 1991, 1994; Njolstad 1990). Following Gerring (2004), however, I argue that this research design is not only defensible, but its characterization as having only one case is misguided. Rather, it is a study of one *unit*, but including a number of *sub-units*, which increases the number of *cases* quite dramatically. This is not a unique approach. Rather, as Gerring argues, this kind of case study work is exceedingly commonplace in political science, even if the methodological grounding for such work remains misunderstood.

As in most mainstream scholarship in the social sciences, causal relationships are exposed through covariation. Quantitative research designs typically seek to identify covariation among countries (the units of analysis) and over time, often defining a "case" as a country-year. The qualitative case study approach simply defines cases differently, while the means by which it analyzes cases or models causal relations need not differ (Gerring 2004, 241). Bennett (2010, 208) defines a case as "a temporally and spatially bounded instance of a specified phenomenon." This is a broad umbrella under which many research designs may comfortably fit. Moreover, the aim of the case study approach remains to elucidate features of a larger class of similar phenomena, despite its method of doing so through in-depth study of a single unit. George and Bennett (2005, 5) define the case study approach as "the detailed examination of an aspect of a historical episode to develop or test historical explanations that may be generalizable to other events." The departure from traditional understandings of establishing covariation is one of style, not substance.

Expanding the Universe of Cases

For the case study of a single unit, the number of cases is increased by taking into account the importance of both time and multiple levels of analysis. At its most basic, this dissertation uses the "before-after" design that divides a single longitudinal case into two sub-cases (George and Bennett 2005, 166-167). However, this can easily be expanded to comprise the study of *three* cases within a single unit, China: before the 2008 GFC, after the 2008 GFC, and after the 2015 stock market crisis that dramatically slowed efforts to internationalize the renminbi. As will be explained below, I push the level of analysis down to incorporate eight discrete interest groups relevant to the internationalization agenda. This "within-unit" analytical approach expands the number of "cases" to 24. If nationalist ideas about currency internationalization consistently produced supportive views by the financial crisis across many of these interest groups in the second time period, the preferred hypothesis gains credibility.

In addition, I begin this study by examining the deductively-derived "rational interests" of these groups, which allows me to determine expected policy behavior and preferences based on these interests as well as prior behavior. These counterfactual scenarios suggest likely outcomes absent the intervention of any independent variable, cases "in which a hypothesized causal factor is supposed to have been absent" (Fearon 1991, 169). If the *expected* interest-based policy behavior does not vary from the *observed* behavior, this suggests that either the independent variable(s) under investigation did not impact the outcome, or that the outcome was over-determined—that is, the variable in question would likely have produced behavior congruent with actor interests anyway. Because conventional treatments of renminbi internationalization focused on economic theory are largely based on these rational interests, such an outcome would be generally supportive of that set of hypotheses.

While the ability of the counterfactual approach to produce valid and plausible claims is sometimes called into question (Ferguson 1999, Carr 1964, Fischer 1970, Oakeshott 1966), its limited and particular use in this study—primarily to disaggregate actions taken out of "pure" interests from those influenced by other, largely ideational, factors—makes these concerns unlikely to affect the validity of my findings. My approach corresponds more closely to the limited adoption of counterfactuals in congruence methodology (Sinkler 2011, Blatter and Blume 2007), which in technical terms combines inductive analysis typical of qualitative case studies with counterfactual "retroduction" rooted in deductive reasoning. In short, the analytic conclusions drawn from the data do not rest heavily upon counterfactual analysis. However, if I were to push the preceding argument to its logical limits, a case could be made to include these counterfactual cases, expanding the universe of cases to 32. This is hardly the "n=1" study so frequently denigrated in methodological treatises.

Studying Rare Events

Finally, I defend this approach with the observation that the rise of new major economic powers is historically quite rare. Post-World War II Germany and Japan might not meet the threshold for such a rising power, while the particulars of the British and American cases, much less those of China's, would make direct comparison difficult. Therefore, this study seeks a middle ground between the "homogenizing assumptions" of "variable-oriented" research (Ragin 2000, 35) and case study research that risks not being able to be generalized to a larger population of cases. Between depth and breadth, I aim to draw "just enough" detail from the Chinese context to make the conclusions defensible, while constantly seeking to identify aspects of the cases that could increase our understanding of similar contexts, to present both what is particular and would could be generalized from the Chinese experience.

Again, this is not as unusual an approach as is commonly portrayed. George and Bennett argue that:

> Most successful studies, in fact, have worked with a well-defined, smaller-scope *subclass* of the general phenomenon…case study researchers often move down the "ladder of generality" to contingent generalizations and the identification of more circumscribed scope conditions of a theory, rather than up toward broader but less precise generalizations. (George and Bennett 2005, 77)

Policy research in particular "often deliberately focuses on small numbers of cases that show a unique departure from the norm—whether these are exemplary accomplishments or cautionary tales—and which therefore contain important lessons for the larger universe of policy practice" (Steinberg 2007, 185). The concluding chapter explores these potential contributions to generalized understandings, applications to similar cases, and policy relevance.

Establishing Causal Mechanism

I seek in this research project to establish not just constant conjunction between independent and dependent variables, but to identify the causal *mechanisms* at work. Mechanisms are "recurrent processes linking specified initial conditions and a specific outcome" (Mayntz 2003, 4-5), or a "set of hypotheses that could be the explanation for some social phenomenon, the explanation being in terms of interactions between individuals and other individuals, or between individuals and some social aggregate" (Hedstroem and Swedberg 1998, 25, 32-33). Mechanisms "operate at an analytical level below that of a more encompassing theory…they increase the theory's credibility by rendering more fine-grained explanations" (Johnson 2002, 230-31).

Developing explanations with a focus on the mechanisms involved is increasingly emphasized in social science research, as they promote a shift from correlational arguments and "as-if" reasoning toward theories that capture and explain the world as it really works (Elster 1998; Wendt 1999; Johnson 2006).

Given the number of potential variables and the strong possibility of equifinality described above, demonstrating mere covariation between variables would not tell us much. This dissertation is aimed at exposing the *why* of renminbi internationalization. Taylor (1970) fittingly argues that *intentionality*—the motivations of the actors involved—is a core component in establishing causal mechanisms. This is the inner psychic dimension of social science study (Dilthey 1999), and would not be easily accomplished in a larger-scale cross-unit comparative approach. Moreover, by expanding the scope of study to the interaction among public and private interest groups, I can make a case for *how* these motivations changed. I build an explanatory model based on cognitive framing theory in the following chapter.

The Independent Variables

The independent variables (IV) under study here fall into three primary categories: *external catalysts*, *internal motivations*, and *ideational drivers*. These IVs impact the DV by working to make renminbi internationalization desirable where it had previously been undesirable or a low-priority, or to make renminbi internationalization possible where it had previously been difficult or impossible due to domestic or international constraints. Implied in each IV is an assessment of a *problem* posed by external developments or a *desired policy outcome* linked to a belief that renminbi internationalization constituted part of the *solution* or *means to a desired end*.

It is useful here to also measure changes in the IVs for the general public and other interest groups without direct input into the economic policymaking process. These actors could have lobbied on behalf of their changed stance on currency internationalization, or could have simply made such policies possible by removing their opposition to them. Because one objective of this research is to determine whether nationalist sentiment around the currency was a “top-down” or “bottom-up” phenomenon, measuring public support for renminbi internationalization and the reasons popular sources cite can demonstrate whether such arguments first appeared in the official media and then propagated to popular media, or whether the reverse occurred.

External catalysts and *internal motivations* serve as the *why* portion of the research question posed in the opening chapter, while *ideational drivers* comprise the *how*. Ideational drivers also provide a sense of the cognitive frames that policy actors used to evaluate currency internationalization as a policy option. Each IV was derived from careful reading of a selection of primary texts, extracting commonly-observed arguments for and against renminbi internationalization. These variables are elaborated upon below:

- *External catalysts* would entail changes in the international or domestic environments that altered the decision-making calculus of Chinese policymakers, changes in their perceptions of the international or domestic environments to the same effect, or changes in the views and/or policy priorities of those outside the primary actors outlined above as relevant to the DV.

- *Internal motivations* would consist of specific desired policy outcomes policymakers held that independently drove the internationalization effort.

- *Ideational drivers* are more subtle changes in the beliefs, ideas, perceptions, and mental models policymakers hold that help them understand currency internationalization and evaluate policy options. For example, is it understood as mere economic policy, or in geopolitical terms? How are the potential impacts of the policy weighed? How would success be measured? What could enable or hinder success? Changes in ideational factors would make policymakers more amenable to a policy choice that they might have previously dismissed, even if their core interests remained unchanged.

It is unlikely that any one variable operated alone or independently of the others, which challenges straightforward discrimination among the potential drivers. However, this does not mean it is not possible to identify which were primary, and which were of lesser importance. Different actors involved in effecting this policy shift could have done so for different reasons. The IVs thus vary ordinally rather than dichotomously, and operate at a lower level of analysis than a single conception of "China" as an aggregated actor. The question is not "which" IV is correct, but "to what extent for which interest groups and in which contexts." These variables thus do not map directly to the competing hypotheses detailed in the opening chapter, which suggest not only motive, but also the primary actor(s) behind the internationalization drive. In fact, this research design could expose combinations of the *who*, *why*, and *how* not captured by the competing hypotheses.

Accepting this complexity is key to understanding the deep drivers of China's renminbi internationalization campaign. Therefore, this dissertation proceeds under the assumption that each IV operated at different levels of importance for each group of actors under consideration, and that these levels of importance changed over time. How they changed before and after the GFC and for whom provides the key source of evidence from which I form an argument about the origins of China's effort to internationalize its currency.

External Catalysts

First, several explanations emphasize the GFC operating as a "shock" or "wake-up call," by which the crisis clearly exposed fragilities in China's domestic growth model and/or the international monetary system. These explanations generally fall under the interest-based economic arguments outlined in the previous chapter, particularly when such motivations are applied to

China's senior leaders. However, similar motives could have operated in the minds of other actors. Three primary variations of this "GFC as wake-up call" variable (IV-1) are elaborated upon below. All three share a similar focus on the risks from excessive dependence on the United States and the dollar, and a sense of urgency after the GFC to mitigate such risks:

- *IV-1a – Global Dependence on the Dollar*: The GFC caused the actor(s) in question to conclude that the international monetary system was far too dependent on the dollar for global liquidity and other important monetary functions, and that this posed a significant risk to Chinese economic security. An internationalized renminbi could promote a "multilateral" international currency system, mitigating this dependence to a degree.

- *IV-1b – Domestic Dependence on the Dollar*: The GFC caused the actor(s) in question to conclude that China's economy was far too dependent on the dollar, which the crisis made clear was not as safe as they had previously believed. This meant that the country's large dollar-denominated foreign exchange reserves were at risk both in the short term and, given the likelihood of continued expansionary monetary policies in the United States, the long term as well. Internationalizing the renminbi would provide opportunities to increasingly channel domestic assets and liabilities into the local currency, rather than the dollar, avoiding the corresponding currency risks.

- *IV-1c – Dependence on the United States*: The GFC caused the actor(s) in question to conclude that China's economy was far too dependent on the United States for absorbing imports, as these were financed by considerable sovereign debt, fueled by unsustainable global imbalances, and highly sensitive to economic cycles in the West. Internationalizing the renminbi was thus part of a larger strategy to transition the country's growth model from exports to domestic consumption, for which a liberalized currency system would form a basic component, particularly in supporting outward direct investment and development of the financial services sector.

Other explanations emphasize the role of popular nationalism, increasingly prevalent in China during the 2000s and more-and-more focused on China's currency policies, in motivating renminbi internationalization. Depending on whether a "top-down" or "bottom-up" expansion of nationalist sentiment is observed, this variable (IV-2) could fall under either the domestic political hypotheses from the previous chapter or the preferred hypothesis. Two primary variations of this variable are identified, but all share a perception that the GFC had greatly weakened the United States in the global balance of power and the dollar in the international system, providing new opportunities to advance a nationalist agenda using the currency as a major vehicle:

- *IV-2a – Countering U.S. Hegemony*: The GFC caused the actor(s) in question to conclude that the power of the United States and the global role of the dollar had been severely undermined, providing an unprecedented opportunity to counter U.S. hegemony and dollar dominance. China could now more aggressively defend its interests abroad, to include playing the United States at its own game, using an internationalized renminbi to deprive the United States a measure of its "exorbitant privilege" while affording some of these benefits to China.
- *IV-2b – Great Power Status*: The GFC caused the actor(s) in question to conclude that the balance of power between China and the United States had shifted dramatically in favor of the former. They believed that China should now play a more assertive global role, and begin to assume the features and characteristics of its major power status. A global currency was one primary feature of a "major power," and internationalizing China's currency was a tangible demonstration of the country's newfound power and global role.

There is some ambiguity in the reasons actors might voice nationalistic motives for renminbi internationalization. Chinese policymakers could have been directly influenced by rising nationalist discourse about the currency, genuinely believing an international renminbi to be a requisite component of their strategy to counter U.S. dominance and assert Chinese ascendance.

Alternatively, they could have invoked such discourse merely to ease reforms they knew to be necessary. This challenge cannot be entirely overcome. However, a simple litmus test is asking whether the actor involved would benefit directly from renminbi internationalization, motivating the use of disingenuous discourse. If not, such language likely reflects genuine belief. In addition, is the actor a technocrat unlikely to use such language under normal circumstances? Finally, timing is important. Did such discourse come before, concurrent with, or after such nationalist ideas appeared elsewhere?

Regardless, this problem is often overstated. For example, Hooks et al. (1998) found that policymakers often fail to hide or even do not attempt to hide their true motives, at times advancing particular arguments from self-interest and at other times arguing using idealistic or ideological frames. Following the approach of Anthony et al. (1994), I can look for logical inconsistencies in the ways actors frame their arguments in order to betray potential use of nationalist language for ulterior purposes.

Internal Motivations

In addition to these external forces, a number of explanations look to the specific policy benefits of renminbi internationalization as drivers of the campaign. These "domestic economic interest" variables (IV-3) share a focus on the primarily economic gains from internationalizing the renminbi, and are also consistent with conventional economic arguments:

- *IV-3a – Cost Reductions for Domestic Industry*: The actor(s) in question were motivated to increase profits for domestic industry, and believed renminbi internationalization would reduce transaction costs and exchange rate risks by eliminating the need to conduct international transactions in a foreign currency.

- *IV-3b – New Sources of External Financing*: The actor(s) in question were motivated to make available new and cheaper sources of financing from international sources, including foreign financial institutions that would increasingly denominate loans in renminbi.

- *IV-3c – Financial Sector Development*: The actor(s) in question were motivated to increase profits for and promote the overall development of the financial services sector, believing renminbi internationalization would spur growth in the domestic finance industry. In addition, this would support other economic goals, as a more mature financial industry could increase the quality and diversity of financial products available to other sectors of the economy.

Second, some explanations emphasize the economic benefits to the Chinese government from renminbi internationalization, what I refer to as "sovereign economic interest" motivations (IV-4):

- *IV-4a – Macroeconomic Flexibility*: The actor(s) in question were motivated to develop new tools of monetary policy associated with liberalized currency and other markets, while also reducing domestic exposure to the effects of U.S. monetary policies, and believed renminbi internationalization would support such a transition.

- *IV-4b – Seigniorage*: The actor(s) in question were motivated to receive the profits from seigniorage associated with an internationalized renminbi, while decreasing seigniorage losses to the United States from dollar use.

- *IV-4c – Regional Trade and Integration*: The actor(s) in question were motivated to increase regional integration and promote trade in East Asia, and believed that an international renminbi would support the development of such linkages.

Another explanation emphasizes the international political aspects of renminbi internationalization, what I call the "sovereign political interest" motive (IV-5). There is potential overlap with IV-2 (nationalist motives). However, the distinguishing factor is that this driver is grounded in concrete channels of influence to be gained from renminbi internationalization, not abstract notions of making China a "great power." In addition, nationalist motivations to counter American hegemony would be more focused on *relative* gains vis-a-vis the United States, using the currency to promote a general shift in the bilateral balance of power, rather than being focused on the specific *absolute* political gains to China within the international system as a whole:

- *IV-5 – International Political Power*: The actor(s) in question were motivated to increase their global power and influence, and believed an internationalized renminbi would introduce new sources of dependence and political leverage over other countries as well as in international financial institutions.

Finally, several explanations emphasize the domestic political aspects of renminbi internationalization, what I refer to here as "domestic political interest" variables (IV-6):

- *IV-6a – Increased Policy Authority*: The actor(s) in question believed that an international currency would bring greater policy authority or say in the policymaking process.
- *IV-6b – External Commitment Device*: The actor(s) in question believed that reforms necessary to transition the country's economic system and growth model were too politically difficult to implement in the face of opposing interests within and outside of the government, believing that an internationalized currency would generate external pressures for inevitable reform. In this case, the stated goal of renminbi internationalization was only a means to some other end. Some have suggested that reformers in China have intentionally invoked nationalist rhetoric in order to generate pressures for reform. While these two variables could operate together, they are conceptually distinct.

Ideational Drivers

Ideational drivers of policy choice are more difficult to define and measure, but are nonetheless central to explaining policy outcomes in this case. Most importantly, these are the ideational frames within which a policy actor understands the range of available policy choices. These drivers are explored in greater detail in the following chapter on my theoretical model for explaining policy change.

First, policy actors can view renminbi internationalization using different "logics" to interpret the nature of the policy, the kinds of outcomes that could be expected, and what success would look like. The primary distinctions here are between economic and political logics, with concrete or abstract goals, and with success measured in absolute or relative terms (IV-7):

- *IV-7a – Economic Logic*: The actor(s) in question understands renminbi internationalization to be an economic policy issue with primarily economic goals.
- *IV-7b – Political Logic*: The actor(s) in question understands renminbi internationalization to be a political policy issue with primarily political goals.
- *IV-7c – Concrete Thinking*: The actor(s) in question understands renminbi internationalization to have a goal that is specific and concrete, such as increased profit or new business opportunities for the financial sector.
- *IV-7d – Abstract Thinking*: The actor(s) in question understands renminbi internationalization to have a goal that is abstract and not easily measured, such as status and prestige.
- *IV-7e – Absolute Thinking*: The actor(s) in question understands successful renminbi internationalization in terms that can be measured as absolute values independent of any external reference.

- *IV-7f – Relative Thinking*: The actor(s) in question understands successful renminbi internationalization in terms that can be measured only as values relative to an external reference like the United States, Japan, or foreign competitors.

One other primary category of ideational variables assessed is the assumed timeframe through which policy choices are judged (IV-8):

- *IV-8a – Short-Term Thinking*: The actor(s) in question understands renminbi internationalization to be an urgent or timely policy choice that can be achieved in the near term with immediate impacts.

- *IV-8b – Long-Term Thinking*: The actor(s) in question understands renminbi internationalization to be a long-term policy choice for which the benefits could take a long time to materialize.

The final category of ideational variables assessed is the understanding of China's or the Chinese government's role in implementing the policy (IV-9):

- *IV-9a – Active Thinking*: The actor(s) in question believes renminbi internationalization to be a policy that China can successfully implement unilaterally.

- *IV-9b – Passive Thinking*: The actor(s) in question believes renminbi internationalization to be a policy that China cannot successfully implement without the cooperation of external actors, or would be able to successfully implement were it not hindered by external actors.

Finally, the null hypothesis (IV-null) is measured as follows:

- *IV-null-a – Economic Controls Should Be Retained*: The actor(s) in question believes renminbi internationalization should not be pursued because China's ability to control the economy is too important to relinquish.

- *IV-null-b – Too Risky*: The actor(s) in question believes renminbi internationalization should not be pursued because it would be too risky and potentially destabilizing to China's economy.
- *IV-null-c – Too Soon*: The actor(s) in question believes renminbi internationalization should not be pursued because China is not ready for the kinds of liberalization required, but should consider pursuing the policy at a later time.

To reiterate, these independent variables are expected to operate at different levels of significance for different actors at different times. The primary goal of my analysis is to produce a matrix of motives for each major interest group at periodic intervals during the time period under investigation. Before such analysis is possible, however, these interest groups need to be identified and specified.

Unit of Analysis: The Interest Group

The basic unit of analysis for this research project is the "interest group", loosely defined as a collection of individuals or bureaucratic organizations with similar policy priorities or institutional interests. This approach largely follows Olson (1982), where the interest group is taken as synonymous to a coalition focused on the distributional or other consequences of a policy, in this case the internationalization of the Chinese currency. These interest groups include China's senior leaders and Party officials, senior governing bodies, the central bank, and a number of other government ministries and agencies involved in setting the direction of economic policy. Interest groups potentially relevant as providing inputs to the policy process include local and regional governments, state-owned enterprises, the banking sector, exporters and private industry, academia and think tanks, and the general public.

I focus on this level of analysis under the premise that these institutional and interest group dynamics best explain China's policies to internationalize the renminbi. Monetary opening has significant consequences for group interests, and renminbi internationalization is without doubt the outcome of both private negotiation and public debate among vested interests. This would be typical of the policymaking process in China today. China's policymaking process is "fractured," with inputs from the state, Party, military, local governments, private enterprises, disparate and uncoordinated bureaucracies, the media, and think tanks (Pearson 2010). China is "no longer principally led by one strong individual" (Li 2005, 388), but rather constitutes what Lieberthal and Oksenberg (1988) call a "fragmented authoritarian" regime.

Even within the one-party system, multiple factions exist with distinct policy preferences (Nathan 1973; Mertha 2009; Shih 2008) and channels of influence allowing outside interests to lobby politicians (Pearson 2010; Jakobson and Knox 2011). In addition, external interest groups can influence policy by shaping public opinion (Dür 2007), and Chinese leaders are not immune to public pressures (Reilly 2012; Shirk 2014). Nationalist discourse in particular has been shown to invoke a policy response from China's leaders (Gries et al. 2016; Hughes 2011; Shen 2011; Weiss 2014; Zhao 2013a; 2013b). These dynamics are explored further in the fifth and sixth chapters, which detail the role of the central bank and China's senior leaders as well as other components of the bureaucracy in the internationalization debate.

Aggregate interests at the national level are thus too course a measure to be analytically useful. At the other extreme, while the impact of individual politicians is not discounted, there is comparatively little reliable data on policy deliberations in China, with politicians usually speaking out only when a certain measure of consensus had been reached on a topic. Even still, there is little evidence to suggest that the policy priorities of individual leaders differed significantly enough from the institutions and interests they represent to affect overall policy directions.

Based on these conclusions, I begin my analysis by listing each interest group (IG) with a stake in China's currency policies below. Their interests are summarized here, but will be explored in greater detail in subsequent chapters.

Senior Leadership (IG-1)

At the leadership level, the highest government decision-making body in China is the State Council, lead by the premier, currently Li Keqiang. The premier is typically the most senior government official focused on economic policies, and all policy changes require the premier's approval. Ma Kai is the State Council Executive Committee member focused on the financial sector. However, the Communist Party sits atop the government power structure, and the Party's secretary general—usually also the president of the government—is the most powerful decision-maker. The current CCP secretary general is Xi Jinping. In addition, the Party's Politburo Standing Committee, comprised of seven members including the secretary general and premier, collectively makes most major policy decisions, with different committee members specializing in different policy areas. At present, Li Keqiang, Wang Qishan, and Zhang Gaoli are the most influential Standing Committee members focused on economic policy. A larger 25-member Politburo falls below the Standing Committee, as well as a 205-member Central Committee, both of which have some measure of influence. The National People's Congress (NPC) formally oversees the State Council and other senior bodies, but is generally understood to be a rubber stamp for decisions made by the Politburo Standing Committee, since the NPC is also subordinate to the Party.

For economic policy, there are also various "small leading groups" made up of senior leaders that are more directly involved in setting the direction of economic policy. These typically include heads of bureaucratic organizations with an interest in economic policy, including the central bank, Ministry of Commerce, Ministry of Finance, and the National Development and Reform Commission. These policies are also discussed at China's annual Central Economic Work Conference, which further expands the discussions to include provincial leaders (Cheung and Lin 1998; Liew 2004). The top leadership also consults experts from the Chinese Academy of Social Sciences (CASS) and the Development Research Center of the State Council.

The interests of China's leaders are complex, and can cleave along factional lines. The State Council consists of both conservative and reform-minded members, which represent similar interests both within and outside the government. While they do not publicly debate policy along these lines, such discussions clearly take place. A few themes regularly emerge at this level of leadership that cross factional lines, namely political and economic stability, maintenance of the primacy of the CCP, and consistent growth (Shirk 1993; Shih 2008). Moreover, most major policy decisions, policy documents, and external communications occur only after a level of consensus is achieved, making analysis of the positions of the factions within the senior leadership difficult. However, once an official line is determined on an issue, it is quickly adopted throughout the government regardless of an official's original position.

The Central Bank (IG-2)

One of the most important institutions for investigation in this study is the central bank. While the People's Bank of China (PBC) does not have final say on major monetary policy decisions, it manages day-to-day monetary operations and is the primary technical advisor on such matters to the senior leadership. In addition, it is responsible for forming major monetary policy proposals for consideration, and is the primary organization responsible for implementing them. The State Administration of Foreign Exchange (SAFE) is subordinate to the PBC, and is tasked with many of the details of enabling renminbi convertibility.

The PBC primarily represents the interests of the banking and financial sectors. The central bank would have much to gain by increasing its policy space to include using interest rates and other tools of monetary policy in the context of a liberalized currency regime. In other international contexts, central banks are seen to lose policy autonomy through liberalization, because corresponding tools of monetary policy are diluted. In China, on the other hand, the financial repression scheme has bound so tightly the hands of the central bank that renminbi internationalization, which would both undermine this scheme while also putting more economic policy authority in the hands of the PBC, is clearly in its interest. Finally, many of its personnel are Western-trained economists and generally recognize the benefits of liberal economic policies.

Other Government Organizations (IG-3)

A number of other government ministries and agencies have some level of interest and input into the policy process for monetary issues. These include the Ministry of Finance (MOF), tasked primarily with fiscal policy, the Ministry of Commerce (MOFCOM), concerned with matters of trade and international commerce, and the National Development and Reform Commission (NDRC), focused on economic and social development. The NDRC is a very powerful actor in studying and formulating policies to promote the overall health of the economy, and has traditionally sought to balance reforms with maintaining steady growth, employment, and international competitiveness. For example, it was a loud voice against exchange rate reform in the 2000s, fearing that revaluation of the renminbi would hurt exporters and cost jobs.

The interests of the NDRC and MOFCOM generally align with those of domestic industry, including both state-owned and private enterprises. MOFCOM in particularly is closely tied to export-oriented sectors, while the NDRC also promotes the interests of import-competing heavy industries. These industries also have strong allies in the Party.

Local and Regional Governments (IG-4)

As explained earlier, local and regional governments suffer from underfunded fiscal obligations, and rely on the system of financial repression to close the gap. Therefore, these governments would be very concerned about the implications of internationalizing the renminbi. In addition, local and regional leaders are promoted by demonstrating economic growth in their jurisdictions (Cai and Treisman 2006, Cheung 1998, Li and Zhou 2005, Shih 2008). This creates incentives to ensure continued short-term growth, again relying on a closed financial system to secure loans for pet projects. Provincial leaders also worry about potential political unrest, and would have a similar focus on employment like the NDRC.

Because coastal provinces rely heavily on exports, these leaders are often against any policy change that could undermine that sector. Moreover, provincial leaders from this region form a strong contingent of conservative interests in the Central Committee (Shirk 1993), with politicians having ties to coastal provinces holding more seats in the Politburo and Standing Committee than those of other provinces (Li 2005).

The State Sector (IG-5)

For the purposes of this study, the state sector consists of state-owned enterprises (SOEs), state banks, and the state-dominated insurance sector. As explained in the opening chapter, the state sector has been the primary beneficiary of the system of financial repression, and would largely lose from an internationalized renminbi. The banking sector could gain new sources of profit that might offset some of these losses. However, it would be sensitive to the speed with which it becomes exposed to foreign competition (He 2009). Indeed, while Broz (1997) and Katada (2008), among others, argue strongly the benefits of currency internationalization to the finance sector, others (Helleiner and Malkin 2012; Henning 1994) stress the context-specificity of such gains. The structure of the domestic economy is arguably more important in determining whether the financial sector would gain or lose from monetary opening, and in China's case would likely skew toward the latter. The insurance industry has also been cited as a potential winner from renminbi internationalization (Ba et al. 2008). SOE interests are officially represented in the government by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC).

Private Industry (IG-6)

The export sector, long supported by a favorable and stable exchange rate, would likely suffer from an internationalized renminbi, though it would enjoy some cost-savings in invoicing international transactions in the local currency. Small and medium-sized enterprises, long deprived of easily-accessible sources of funding, would gain. Interest group theories of exchange rate politics claim that tradeable industries—those whose goods are exported or compete against foreign imports in the home market—would advocate for undervalued exchange rates, whereas non-tradeable industries, such as banking and real estate, would be opposed (Frieden 1991). Helleiner (2003) similarly argues that internationally-oriented economic actors have often pressured their government to promote the national currency to minimize currency-related transaction costs or earn "denomination rents." In contrast, domestically-oriented actors often resent the costs associated with maintaining an international currency, including constrained national policymaking, competitive threats from an overvalued currency, and the costs of sustaining an international currency. The interests of private industry are thus complex and often sector-specific. However, the dominance of export-oriented enterprises, which benefit greatly from an undervalued currency, would generally be hesitant to rush too quickly into renminbi internationalization.

Academia (IG-7)

Academia cannot be said to have a specific “interest” in renminbi internationalization. However, both academia and state-run think tanks do influence policy, and tend to have a pro-liberalization bent. For example, I found in my analysis of the texts that the Chinese Academy of Social Sciences (CASS) has been a strong proponent for opening the capital account and developing the financial sector *before* internationalizing the renminbi. If there were a relative consensus on academic views of internationalizing the currency, this could impact the policy process.

The General Public (IG-8)

Like academia, the general public is not a cohesive interest group. That said, nationalist sentiment runs more strongly in the public arena, which is focused on China’s status and reputation abroad. An internationalized currency would impact the general public in contradictory ways, making public support for renminbi internationalization not self-evident. For example, it would increase deposit rates in domestic banks and expand investment opportunities, but could hurt employment prospects in state-owned enterprises and the export sector. The global role of the *yuan* has increasingly been associated with China’s great power aspirations. If there were a relative consensus on public views of internationalizing the currency, this could impact the policy process.

Process Tracing

Acquiring sufficient detail to explain renminbi internationalization, with so many different interest groups, requires a more granular approach than many methods can reliably produce. I therefore turn to process tracing, looking to understand the content, sequencing, and congruence of actual policy behaviors in light of the interests identified above.

Advantages of Process Tracing

Process tracing was first advanced as a methodological approach by Donald Campbell (1975) and Alexander George (1979), and is defined as "a procedure for identifying steps in a causal process leading to the outcome of a given dependent variable of a particular case in a particular historical context" (George and Bennett 2005, 176). One of the strengths of process tracing, which is particularly important for this study, is its ability to identify the causal chain and causal mechanism between the independent variables and the dependent variable, what Collier, Brady, and Seawright (2010) call "causal-process observations." Understanding the sequencing of significant developments in the renminbi campaign provides critical context to understanding its origins and helps to "distinguish intervening variables from true drivers" (George and Bennett 2005, 207). In addition, one of the key tasks in process tracing is the identification of "critical junctures" or "key inflection points" (Levy 2002). I use process tracing to confirm the GFC as the most important critical juncture for this analysis, and to support my claim variation on the dependent variable before and after the crisis.

Finally, it should be pointed out that process tracing is not just an inductive process. Rather, as Hall (2006) suggests, good process tracing should begin with theory formation, including the key variables, causal mechanisms, and assumptions as well as predictions based on the competing hypotheses that can be falsified in the process of analysis. Conclusions are then drawn by looking for congruence between observations and the proposed theories. This is one purpose of identifying the expected behavior of the interest groups above.

Scoping the Process Tracing Approach

One common criticism of process tracing refers to the "infinite regress problem," which is essentially a question of how "micro" to go with the analysis. This is not so much a problem as it is a recognition of the fact that one's "stopping point" in conducting analysis of this (or any) type is inevitably the analyst's judgment. In order to bound this phase of the analysis, I scoped the process tracing effort in advance. As suggested by Checkel (2005), I limited the scope of my process tracing to key categories of events. While it is possible that other, more minor, events also played a role, this analytical wager offers a tradeoff—I gain considerably insight into the process of internationalizing the renminbi without getting lost in the details. After all, the "kitchen-sink" mode of argument where *everything* matters is rarely effective in generating new knowledge (Johnston 2005).

Therefore, I created a detailed timeline of renminbi internationalization that captured the following categories of policy developments:

- Significant policy announcements and implementation
- Key leader speeches mentioning the currency
- Press coverage of government meetings where the currency was known to be discussed
- Mentions of currency internationalization in official policy documents
- Signing of bilateral and multilateral agreements to promote the use of local currencies
- Publications of official, popular, and academic full-length books on renminbi internationalization

Highlights from this timeline are included in the second appendix.

Advancing the Argument with Process Tracing

Process tracing is important for this project because discriminating among the competing hypotheses is in large measure a task of identifying who argued for renminbi internationalization first. Were China's leaders the first to signal the policy shift, or did the central bank pioneer the campaign? In addition, when did Chinese nationalists begin to argue for a more aggressive currency policy? If such discourse occurred before official policy moves, this suggests policymaker opportunism at work. If such discourse appears first among officials before it is picked up by popular media, then a deliberate strategy could be at play.

Second, because there has been no official explanation of the government's motives in promoting the internationalization of the renminbi, some question whether this is even a true government-driven agenda. Process tracing the actions of government actors clearly demonstrates the presence of a concerted effort to internationalize the currency, and shows the GFC to be the most important critical juncture in precipitating the change in policy. Indeed, Mahoney (2012) argues that process tracing tests are largely to establish that 1) an initial event or process took place, 2) a subsequent outcome also occurred, and 3) the former was a cause of the latter.

The next step is understanding *why*, and *what changed* after the GFC. The methodological answer for this stage is a careful sequence of discourse and computer-assisted content analysis, which Checkel (2005) argues can be highly compatible with the process tracing methodology.

Discourse and Content Analysis

After process tracing, I turned to qualitative discourse and quantitative content analysis of the texts. Discourse and content analysis are a set of techniques for conducting structured, qualitative investigations of texts. These techniques are used to gain insight into actor motivations for the shift in China's currency policies, the *why* as causal mechanism.

Discourse and content analysis of primary documents discussing the internationalization drive can be very revealing. First, I argue that most policy writing is fundamentally persuasive in nature, making a case—even if it is quite subtly—about why internationalizing the currency is or is not a good idea. Second, the type of language employed, including vocabulary used and *not* used, reveals a great deal about the sort of argument being advanced, the kind of audience to which it might appeal, and what kinds of sources influenced it. This is the performative component of linguistic expression, both the process and result of national political discourse, producing and reproducing identities and interests over time.

My process consisted of first conducting discourse analysis of a sampling of discussions of renminbi internationalization found in the texts. This analysis was instrumental in identifying the potential motives for currency internationalization that became the independent variables. Second, I leveraged discourse analysis to identify the kinds of language typically associated with actors arguing a particular policy stance in discussions of renminbi internationalization. These linguistic markers served as the starting point for the final component of my research design, computer-assisted content analysis used to quantitatively test each of the competing hypotheses.

Before detailing my process for mapping discourse to quantifiable rules, the following section explores at a deeper level these two research traditions, and why they are so important for this study.

Combining Discourse and Content Analysis

Discourse and content analysis are not just different methodologies, but are also a set of assumptions concerning the constructive effects of language (Burman and Parker 1993). Discourse analysis focuses on the expression of language as the target of analysis in its own right, while content analysis focuses on the thoughts and beliefs of the speaker the language reflects. More theoretically, analysts using content analysis are comfortable with the idea of a fixed and objective reality, while discourse analysis treats the social construction of reality, strictly understood, as a core assumption. Finally, the approaches differ on the degree to which their analyses focus on how relations of power permeate systems of meaning.

Combining these two research traditions to analyze political texts is thus not common. I do this because they are both methodologically useful, while the ontological and epistemological concerns that divide them are not essential to their application here. The fundamental premise of this research project is that by tracing not just how currency policies changed after 2008, but how discourse used to support these policies changed, I can form a robust empirical basis upon which to argue which actors were the primary drivers promoting renminbi internationalization and their main motivations for doing so.

The Discourse Analysis Tradition

Methodologically, discourse analysis is the study of *discourse*—"language in use" or "actually occurring language ('texts') in specific communicative contexts" (Schwandt 2015, 61). It is principally concerned with the analysis of the *process* of communication whereby speakers methodically construct their worlds of meaning. It emphasizes the performative aspect of language, getting at what is *done* through language. Bennett (2015) argued that discourse analysis is useful in social science because it can get at the inter-subjective understandings and social processes that shape norms and determine their effects as enablers of and constraints on social actors. It is deeply embedded in the social constructivist tradition. Meaning is fluid.

Discourse analysis thus rejects the notion that language can be de-contextualized, that language can give us insight into anything beyond its employment among particular individuals in a particular context (Fairclough 1995). Discourse analysis emphasizes the "precarious status of meaning" (Hardy et al. 2004, 19).

The Content Analysis Tradition

Content analysis refers more broadly to the methodological approach of comparing, contrasting, and categorizing a corpus of textual data in order to test hypotheses. It is "the intellectual process of categorizing qualitative textual data into clusters of similar entities, or conceptual categories, to identify consistent patterns and relationships between variables or themes" (Julien 2008). Content analysis is, according to Neuendorf (2004), "a summarizing, quantitative analysis of messages that relies on the scientific method." The unit of analysis is the "message component," typically summarized quantitatively.

Content analysis focuses on the beliefs, motives, interests, and other aspects of the inner psychic world to which language gives us access. Content analysis here gives access to the "frames" that inform actor behavior and decisions (Klotz and Lynch 2007, 55). Content analysis proceeds under the assumption that language can be a conduit through which more static forces can be understood.

Getting the Best of Both Worlds

My argument for combining these two methodologies is both ontological and epistemological. I argue that language can give us access to the ideas and interests of actors, but that the application of such language in persuasive discourse is necessarily also a performative act—the use of language to achieve a particular goal with a particular audience in mind. This act produces, reproduces, or changes the social contexts in which policy choices are understood. While content analysis focuses on the meaning of social reality for actors reflected in language, discourse analysis endeavors to uncover the way in which that reality was produced (Hardy et al. 2004).

My point of departure is the insistence that the linguistic manifestations of socially-constructed ideas and interests are sufficiently durable to observe through language over time. Ideas and interests do change in the course of discourse, but these changes occur sufficiently slowly to enable analyst observation of them through language. In a sense, I am applying the ontology of discourse analysis to the epistemological stance of content analysis.

The philosopher Ludwig Wittgenstein is relevant here. According to Wittgenstein, language creates the objects of our analysis, but the world is also "external to and independent of our will." (Pitkin 1972, 112). Indeed, our language games are "conventional, but the choice of games is…the result of what the world in which we live is like, and what we are like." (*ibid.*, 121) For example, when speaking of a "corpse" or "cadaver," the "thing" is whatever "it" is, but when we call it one or the other we "invoke a conceptual system with all that implies." (*ibid.*, 114) In my analysis, both the logic of an argument made as well as the *way* it is argued are relevant to understanding the dynamics at work.

Nationalism is a good example of these dynamics, demonstrating both the reflective and performative aspects of language. Such language reflects a belief that "the interests and values of the nation override all other interests and values…the discourse and rhetoric of nationhood" (Özkırımlı 2000, 10). However, it operates by establishing and reinforcing "binary divisions—between us and them, friends and foes" (*ibid.*, 230). Nationalism is an ideology characterized by its discourse, but is also goal-oriented, performative in its goal of reinforcing a particular understanding of how the world works in order to achieve a specific end, whether that is independence, national unity, or something else.

My combination of discourse and content analytic approaches is not unprecedented. According to one treatment of the topic, "while discourse analysis and content analysis come from very different philosophical bases, they can be complementary," especially "as one moves from simple counting to more complex interpretation" (Hardy et al. 2004, 20). Klotz and Lynch (2007, 19) offer support for this approach, arguing that "discourse analysis…broadly denotes methodologies that capture the creation of meanings and accompanying processes of communication," but "as long as words and activities are put into context, researchers can categorize, code, or count their use through many different—qualitative and quantitative—techniques." Another scholarly assessment of these two methods finds that "ultimately their findings can fit together quite nicely, providing a good example of triangulation of methods…approaching a research question from multiple methodological stances—is the ideal…when the findings agree, the conclusions of the researchers are strengthened multi-fold" (Neuendorf 2004, 33).

Therefore, the differences between discourse and content analysis do not preclude their combined use. In fact, the nature of language and the social construction of ideas and interests suggests that they *should* be used together to fully understand the processes at work. Rather, the ontological and epistemological commitments of discourse analysis seems to be motivated less by methodology than by a desire to reject the "scientism" of mainstream research (Millikin 1999, 226). This is a commitment that is not essential for the work of discourse analysis more generally.

Language As a Key Target of Research

Most importantly, what these two methods share is a focus on language. In the social sciences, as I have argued, language offers a useful lens into the behaviors under study, "expanding our understanding of the role of discourse in constructing the social" (Hardy et al. 2004). George (1994, 191) concludes that "textual and social processes are intrinsically connected," allowing us to "describe, in specific contexts, the implications of this connection for the way we think and act in the contemporary world." Rhetoric is not "mere rhetoric," as goes the common phrase. Rather, language is "expressive of and constituting social and political life" (Gibbons 2006, 568), mediating and enabling our distinctively human experience of the world. The ideas, concepts, and beliefs embodied in a language are "central to understanding the behavior of human beings, including an account of what they are doing, why they do what they do, and the point behind their behavior…to explain social action accurately, we must employ the language that helps to constitute that behavior" (Gibbons 2006, 565). Vocabulary and practices are thus mutually constituting, essential to constructing the reality in which actors live (Taylor 1985, 33-34).

Jennifer Millikin (1999) offers a useful guidebook on the application of discourse analysis in international relations. Millikin emphasizes that analyzing discourse reveals the "common sense" ideas with which public officials wittingly or unwittingly promote and defend policy proposals. Differences in these common sense ideas are especially vivid at the international level. Policymakers also use discourse to attempt to influence the "dominant intellectual policy perspective" that validates their policy goals (George 1994). In politics just as in other social settings, discourse is both reflective of shared ideas and interests as well as a means by which those ideas and interests are changed.

The Bridge from Discourse to Content Analysis

The starting point for my discourse analysis focused on the performative aspects of *how* actors argue their case for or against renminbi internationalization. This understanding of the *how* then clarifies the *what*: what words, phrases, tone, taboos, etc., are characteristic of such an argument. How did policymakers argue their case? Did they primarily use the language of an economist, a politician, or a popular nationalist? Did they draw primarily from foreign or domestic sources? What sources did they avoid or express suspicion of? Did they focus more on risks or opportunities? Were these benefits viewed in the short or long term? What barriers did they observe, and were these internally or externally focused? These linguistic markers not only give a sense of what an actor is attempting to *do* with language, but also offers a starting point for systematic content analysis of additional texts.

There are a number of methodological approaches to discourse analysis that can assist in identifying these linguistic markers. These methodologies include predicate analysis (the study of how nouns are described), metaphorical analysis (how objects/concepts are referred to in metaphor), deconstructive method (how the poles of opposition are constructed in the text by which it privileges certain "realities"), juxtapositional method (comparing the "truth" expounded in one discourse to other discourses that might present the same phenomenon a different way), and Foucault's (1977) geneological method (looking at the evolution of a concept and the meanings it has been assigned over time). My approach takes inspiration from all of these methodologies, looking for patterns in the kinds of language used by *particular actors* arguing a *particular case* for renminbi internationalization in a *particular way* to a *particular audience*.

This is both a deductive and inductive endeavor. I can make predictions as to the types of words and language I would expect to see consistent with each IV or competing hypothesis, but careful analysis of the texts reveals additional language characteristic of each type of argument. After the nature of the language associated with each IV has been determined, additional texts can be coded using the same methodology. This approach is similar to grounded theory (Glaser and Strauss 1967; Strauss and Corbin 1997), where theory is formulated from the data by creating provisional categorization by empirical study and abstraction, but constantly comparing the data to these categories and reformulating them as necessary.

Applying Discourse and Content Analysis To Renminbi Internationalization

In order to assess the prevalence of the IVs described above, I first determined the kinds of language I would expect to see for 1) the motives associated with each IV, and 2) the tone and rhetorical character consistent with an IV or associated with a class of actor. An example of the former would be observing the term "exchange rate risk" in close proximity to "renminbi internationalization" as an indicator of concern about exchange rate fluctuations motivating the policy. For the latter, language that is economistic, technical, or conservative in tone would be expected to characterize writings of central bankers arguing for liberalization, while language that is superlative, provocative, and lacking technical language would be expected to characterize writings of popular nationalists arguing for China to be more internationally assertive.

The process of determining these linguistic indicators was both a deductive and inductive process. For some, such as the exchange rate risk example, I deductively determined the kinds of vocabulary I would expect to see. For others, careful reading of documents or contexts around occurrences of the term "renminbi internationalization" in the course of discourse analysis revealed additional vocabulary, phrases, and other linguistic markers. Building from these linguistic indicators, I was able to produce concrete rules from which I could conduct computer-assisted content analysis against a significantly larger corpus of texts than would be possible with traditional methods. A full accounting of these rules is included in the technical appendix.

These observations would, of course, mean little in isolation. However, overall trends could be instructive. For example, observing a transition from technical to populist modes of expression in discussions of the renminbi internationalization would pair with other evidence to support the hypothesis that nationalism was a factor in motivating efforts to internationalize the currency. This kind of evidence is useful because changes not just in the arguments used, but in the kinds of language used to advance them, would indicate a change in the cognitive frames that actors were using to understand and argue for currency internationalization.

Finally, it can be noted that the relationship between an actor's preferences and the reasons they cite might not always align. Politicians in particular are known to turn to disingenuous rhetoric to achieve unstated ends. This is certainly true, and a factor that must be kept in mind when interpreting the results. However, we can know a few things to put our minds at ease here. First, a political actor would be very unlikely to argue for a policy that they actually do not want to see implemented. Second, even if the reasons they cite do not reflect their own motives, it can tell us quite a bit about what they *believe their audience believes* to be important, which in turn tells us quite a bit about the reasons upon which broader support for a policy is built. Finally, actors are sometimes not fully aware of the influences upon their mental models, and quantitative content analysis can extract some of these more subtle mental models. For this study, if political actors were increasingly citing relative and political logics in arguing for currency internationalization, this could very well reflect the subconscious influence of popular discussions of the topic. Whether it reflects their true motives, beliefs about the priorities of their audience, or subtle influences from the cultural environment, this still tells us something about the kind of factors that enabled the policy.

Establishing Causality

The arguments measured by the quantitative content analysis comprised the *why* of renminbi internationalization. The ideational drivers accounted for the *how*. Measuring these variables against the texts associated with each interest group referred to the *who*. Finally, in determining who "initiated" the policy, time became very important: who was the first to push for renminbi internationalization, and who was the first to argue for it using certain kinds of language or reasoning? If we observe an advocate for a policy initiate the call in a particular way, and then this call is echoed by others, and is finally enacted, we can build an argument that the hypothesized cause (advocation by a particular group in a particular way) produced the effect. This would be particularly powerful if we observe groups that opposed the policy, but then became supportive after being influenced by the arguments of the previous group.

Similarly, the IVs I identify and observe are to a certain degree incommensurate and not mutually exclusive. I cannot argue that nationalist rhetoric "caused" the campaign any more than I can argue that a desire to transition the domestic economy to services and consumption did so. Rather, the relative presence of the various IVs served as the conditions (motivations) for political action, combining to make the conditions "just right" for reform to take hold. Through process tracing, I can determine who ultimately "threw the match," and with the results of this content analysis, I can make an argument as to *why* as well as *how* a changed political discourse around reform made such a policy change possible to begin with. For this purpose I adopt a relatively lenient understanding of causation, that a factor is a "cause" if its presence increases the likelihood of an outcome (Gerring, 2005). Yet as Roberts (1996, 75) explains, "one event does not cause another; a match carelessly thrown away does not cause a fire. Rather, a set of conditions—a thrown away match, dry twigs, and the presence of oxygen—causes the fire." In other words, a cause-and-effect relationship is an emergent property of a set of interacting conditions.

Steinberg (2007, 190) raises the question at the heart of my approach: "how can we assess the relative significance of multiple necessary causes?" Steinberg's answer is that "causal measurement requires a metric—an axis along which one can rank the relative importance of different causal factors…causal importance refers to the position of an antecedent on a scale derived from a pragmatic analytic goal." This is the research design I adopt here, producing a metric against which I can measure the relative causal importance of different factors motivating China's renminbi internationalization campaign.

Evaluating the Competing Hypotheses with Quantitative Content Analysis

Based on the above, I trace increasing support for renminbi internationalization through the kinds of arguments used to promote it back to the original progenitor of that argument. The following summarizes what could confirm or falsify each of the competing hypotheses outlined in the first chapter.

Conventional Economic Arguments:

- *Who*: China's senior leaders would be the first promote the policy, after which other government organizations would follow in support. Alternatively, the policy would be promoted across the government simultaneously as a "whole-of-government" strategy.
- *Why*: Reasons cited would be mostly economic, such as to reduce dependence on the dollar and export-led growth. The focus would be on the sense of risk and urgency based on the lessons learned from the financial crisis.
- *How*: Using ultimate authority as leaders of the state, focusing on the positives of the policies and using short-term thinking, reflecting the urgency of the needed reforms. The language should be mostly economic and the goals measured in absolute terms.
- *Falsified By*: If senior leaders were not the first to embrace the policy, and especially if senior leaders rejected or demonstrated uneven support for the policy, this would suggest they did not originate it. If the reasons associated with this IV were not strongly correlated with senior leadership texts, this, too, would put this explanation into doubt.

International Political Explanations:

- *Who*: China's senior leaders would be the first promote the policy, after which other government organizations would follow in support. Alternatively, the policy would be promoted across the government simultaneously as a "whole-of-government" strategy.
- *Why*: Reasons cited would be economic and political, with a significant focus on increasing China's international prestige and political influence.

- *How*: Using ultimate authority as leaders of the state, focusing on the positives of the policies, but not necessarily using short-term thinking. The language would be in large part reflecting a political logic with goals measured in relative terms.
- *Falsified By*: If senior leaders were not the first to embrace the policy, and especially if senior leaders rejected or demonstrated uneven support for the policy, this would suggest they did not originate it. If the reasons associated with this IV were not strongly correlated with senior leadership texts, this, too, would put this explanation into doubt.

Domestic Political Explanations:

- *Who*: China's senior leaders and/or reformers in the government such as the central bank would initiate the policy, but possibly after public interest in the topic had first swelled.
- *Why*: Reasons cited could vary, but would likely be a mix of economic and political reasons, some of which would mirror reasons likely to be of broad interest.
- *How*: Using the appeal of renminbi internationalization, there would be positive language with short-term thinking, focusing on the urgency of implementing reforms. Strongly economistic language would be avoided in order to appeal to a broader audience.
- *Falsified By*: If obvious beneficiaries such as the central bank did not initiate or strongly support the policy, this would strongly put into question this hypothesis. If language used to advocate for the policy remained technical and economistic even as the appeal of renminbi internationalization increased, this would put this explanation in doubt.

The “Trojan Horse” Hypothesis:

- *Who*: Reformers in the government such as the central bank would initiate the policy, possibly after public interest in the topic had first swelled but greatly increasing in fervency as popularity of the idea grew.
- *Why*: Reasons cited would be overwhelmingly political and nationalistic.
- *How*: Using the appeal of renminbi internationalization, there would be positive language with short-term thinking, focusing on prestige, status, and other nationalistic concerns about China’s place in the global order.
- *Falsified By*: If obvious beneficiaries such as the central bank did not initiate or strongly support the policy, this would strongly put into question this hypothesis. If language used to advocate for the policy did not reflect nationalistic language, this hypothesis would be unlikely. Even if reformers were not the first to use such language, they would need to adopt such a tone relatively quickly after observing it in the popular discourse.

Preferred Hypothesis:

- *Who*: The Chinese public would show an early and strong interest in renminbi internationalization, after which sentiment around the policy would become increasingly positive throughout the government and other interest groups.
- *Why*: Reasons cited would be overwhelmingly political and nationalistic.
- *How*: There would be positive language with short-term thinking, focusing on prestige, status, and other nationalistic concerns about China’s place in the global order.
- *Falsified By*: If there were little public interest in renminbi internationalization, or if public modes of discourse did not transition to government channels, this explanation would be put in doubt.

Null Hypothesis:

- *Who*: Discussions promoting rapid internationalization of the renminbi would remain relatively isolated and sporadic, possibly mostly in the public domain. If the issue is addressed at all, senior leaders, the central bank, and other government officials would reject currency internationalization as a viable policy, or would focus exclusively on domain-specific policies.
- *Why*: The focus would be on why broad-based *yuan* internationalization should be delayed or avoided.
- *How*: The focus would be on the risks and dangers of liberalization, as well as the loss of control over the economy.
- *Falsified By*: If any of the other hypotheses cannot be falsified, or if there is little observation of variables associated with the null hypothesis among policymakers' discourse.

Looking Beyond Established Hypotheses

This research design does not limit possible analytic outcomes to the above hypotheses. With nine primary IVs, many variations on these IVs, eight interest groups, and more than a decade of data, there are many different configurations of possible motivations for promoting renminbi internationalization. This is especially true given the running assumption that more than one motive likely operated simultaneously, and that these drivers almost certainly shifted over time.

This granularity offers an unprecedented empirical grounding upon which to assess the relative importance of different causal drivers, and how the motives, arguments, and language of different actors influenced other interest groups in producing the renminbi internationalization drive. This focus on specific terms and phrases offers unprecedented insight into how different groups advanced arguments, and how other groups borrowed and internalized such views and language.

Staying Focused on Motives, Not Outcomes

It bears reiterating that the current project is aimed at understanding the motives of renminbi internationalization, not its prospects for success. Indeed, if China's goal for pushing the renminbi into the international arena is to challenge dollar supremacy (as argued by Murphy and Yuan 2009, Jaeger 2010), these initiatives have not yet delivered any substantial material effects. However, this does not diminish the imaginative power of such a goal, and reinforces the abstract thinking, political logic, and relative measures of nationalist drives to internationalize the renminbi. Having a deep understanding of the motives for renminbi internationalization provides a better understanding of where the campaign is likely to go, and knowing the *why* is logically prerequisite to evaluating its prospects. Otherwise, "success" is measured by the arbitrary assessments of scholars, not by China's own motives, an endeavor of questionable academic utility.

The next chapter presents a theoretical argument for understanding China's policy shift to renminbi internationalization. It proposes a theoretical model drawing from theories of cognitive framing, perception, nationalism, and economic nationalism in the context of constructivist theory.

CHAPTER THREE: A THEORETICAL MODEL OF NATIONALISM AND POLICY CHANGE

This chapter presents a theoretical argument for how nationalist sentiment can impact policy choice, which I apply to the case of China's campaign to internationalize the renminbi. Leveraging cognitive framing theory, I argue that nationalist sentiment shifted the frame through which policies of currency reform were evaluated, from a logic of economics to that of global politics. While subtle, I submit that such changes to the lens through which a policy is evaluated can produce divergent levels of support from policy actors, causing some to support a policy change even when the policy could harm their interests.

Subsequent chapters present empirical evidence that this change in evaluative frame did take place within the context of renminbi internationalization. In order to build a theoretical foundation for this argument, however, this chapter advances a theoretical model of how popular nationalist sentiment impacted policy change at a national level in favor of currency internationalization. I work from the general to the specific. First, I place the discussion within the context of constructivism and constructivist understandings of how beliefs and ideas impact the policy process. I focus in particular on framing theory and the cognitive frames that affect how policies are evaluated in order to explain how evaluative frames and the nature of cognition impact policy choice in general and renminbi internationalization in particular. I then turn to theoretical literature on perception, demonstrating how perceptions of barriers and opportunities influenced the decision to internationalize the currency. Finally, the chapter concludes by exploring how nationalism impacts these evaluative frames, and how they manifested in discussions of renminbi internationalization.

Explaining Policy Change

I argue that policy change is frequently not simply the result a confluence of interests gathered in support of it. Rather, policy change can occur as a result of a shift in not just interests, but also in the beliefs and ideas about what the goals of policy *should be* as well as perceptions of what policy goals *could be* achievable. Therefore, a theoretical model for explaining policy change must include answers to questions that include:

Interests:

- What ends do policy actors seek?
- How do they prioritize their desired outcomes?
- What do they stand to gain?
- What are the costs and benefits of the policy change?

Beliefs/Ideas:

- What do policy actors hold is the relationship between between the chosen policy and desired ends?
- Why this policy and not others?
- What cognitive frames, logics, and mental models are used to evaluate the policy change?
- What are the values, priorities, and perceptions of causal relationships that inform these models? (Sabatier and Jenkins-Smith 1999, 119)
- What are their "assumptions concerning the efficacy of various policy instruments"? (*ibid.*)
- What is the social and cultural environment within which the policy change is understood?

Perceptions:

- How do social actors evaluate their capabilities and constraints?

- What barriers or opportunities do they see?
- What is their perceptions of "world states" (including the magnitude of the problem)?

I argue in this dissertation that looking myopically through the lens of rational actor theory to the primarily economic benefits afforded to domestic actors from renminbi internationalization lays a shaky foundation upon which to advance an argument about the origins of the campaign. Rather, the focus here is on the beliefs and perceptions that drove the policy shift. The frames through which currency reform is evaluated can change levels of support for it independent of the interests of the actors involved. These frames are, in turn, derived from constructed notions of the goals of currency policy. Therefore, while a shift from economic modes of evaluation to a focus on global politics might seem inconsequential, I argue here that such a change is enormously important in garnering support for renminbi internationalization from throughout the bureaucracy and among the general public. This occured in large part because a policy viewed through the lens of economics lends itself to assessments of its impact on particular interest groups, while a global political frame abstracts away these impacts by focusing on the relative power gains that China could achieve on the international stage.

Constructivist theory thus provides an overall theoretical framework within which to situate this study, which is at its core one of understanding the socially-constructed ideas that served as drivers for China's currency internationalization campaign. The "interests" driving policy choices around the currency are deeply embedded in the social, historical, and cultural contexts from which they originate. These socially-constructed interests are themselves the product of a national dialogue influenced not just by the interplay of economic interests and institutional dynamics, but by a broader attempt in Chinese society to make sense of the foreign policy implications of China's newfound power and status in the context of an uncertain international environment after the global financial crisis.

This search for national identity is, of course, a primary concern of nationalism and nationalist discourse. Nationalism can thus color both a country's vision of what it *hopes to become* as well as where it *believes itself to be*. I therefore turn to studies of nationalism and economic nationalism to demonstrate how nationalist sentiment can influence identity, interests, and policy choice. Scholarship from the field of international political economy on the rise and fall of currencies in the global order offers a fresh look at these issues compared to the economics literature that dominates studies of renminbi internationalization.

To summarize, the causal explanation presented in this dissertation focuses on the influence of nationalist thinking in changing the commonly-understood objectives of currency policy from primarily economic drivers to those associated with China's global political aspirations. That China as a great power should have a global currency is a socially-constructed vision of the country's future identity that changed the context within which policy actors assessed policies of currency reform. Interests of course remained a part of their decisionmaking calculus, but the consideration of such ideational drivers made all the difference in tilting the scales toward support for renminbi internationalization.

Beliefs

This dissertation is firmly rooted within the tradition of social constructivism, which posits that interests, norms, conceptions, beliefs, and identities are not fixed, but socially constructed within a context of shared understandings, practices, language, culture, and history. Not only are interests constituted through these socially-constructed intersubjective meanings, but they are constantly in flux through social interaction and discourse, altering such interests even in the absence of overt coercion (Klotz 1995; Checkel 1998; Finnemore and Sikkink 2001; Perloff 1993; Zimbardo and Leippe 1991; Brody et al. 1996; Keohane and Nye 1977; Payne 2001; Risse 2000).

The counterpoint to this view is one focused on rational self-interest, which once was—and to a certain extent remains—the dominant perspective in the field. As has been demonstrated, rationalist analysis continues to color many studies of renminbi internationalization. At the outset of the constructivist research program, it was important to argue that ideas rather than interests "mattered" (Goldstein and Keohane 1993; McDonough 1997). According to Vanberg and Buchanan (1989), in order to understand policymaking, what actors *believe* can be just as important as what they *want*, and actors sometimes obey norms despite contrary material pressures. With the constructivist research program now well-established, it is clear today that *both* ideas and self-interest are needed to adequately explain policy behaviors. It is thus an empirical rather than a theoretical question as to which matters more in a particular context. In fact, how the two interact has been the topic of a number of studies (Campbell 2002; Hall 1993; Jacobsen 1995; Risse et al. 1999; Suchman 1997; Blyth 2002).

In order to understand the means by which ideas influence interests, Dobbin (2004, 6) identifies four mechanisms that operate beyond rational actor assumptions to affect what counts as "rational" economic behavior: institutions, networks, power, and cognition. Institutions are conventions and routines that guide behavior in particular spheres of society. Networks are social locations that shape identity and behavior. Power is the "ability to shape how others view the world and their own interests" and "rational behavior." Finally, cognition refers to different frameworks through which actors view and interpret the world around them. I focus on the final of these—cognition—to build a theoretical model for explaining renminbi internationalization.

Cognitive Framing

One theme that recurs regularly in this dissertation is the importance of a policymaker's *understanding* of a situation—rather than any "objective" characterization of it—in influencing the policy action ultimately taken. These understandings often manifest themselves subconsciously. Such taken-for-granted worldviews, or cognitive paradigms, work to constrain the range of policy choices actors will even consider. By establishing "collectively shared expectations" (Katzenstein 1996, 7), these paradigms also specify cause-and-effect relationships, which in turn make different policy choices appear to be more or less useful, practical, legitimate, or likely to succeed than would appear to a policymaker with a different cognitive paradigm (Block 1990, 1996; Heilbroner and Milberg 1995). These "causal road maps" (Goldstein and Keohane 1993) serve as guides to actors for how to achieve their objectives. These heuristic devices, cognitive "shortcuts," metaphors, and analogies further work to render complex situations manageable (Campbell 2002, 23).

Another body of literature gets at this same idea through the concept of framing, focusing on how policymakers use language to actively frame policies in order to make them politically acceptable (Gamson 1992; Snow et al. 1986; Snow and Benford 1992; Swidler 1986; Tarrow 1994), or even to conceal their true motives (Campbell 1995). According to Johnston (1995, 59), policymakers often use discourse to "clothe dissonant policies in culturally acceptable language." By extension, *reframing*—or the adjustment of how policies are presented in order to justify a new policy—is a large component of policy change. One example is how politicians in the United States changed welfare policies by reframing them as "stipends" provided to African Americans and other minorities paid for by blue collar white workers (Edsall and Edsall 1991; Quadagno 1994; Weir 1992). On the other hand, failure to effectively frame or reframe policy proposals can undermine such policies independent of their inherent value to policymakers or constituents (Skocpol 1997, 2000; Schmidt 2000, 2001).

Strikingly, policymaker intention in framing policies is not as important as one would expect, at least after the policymaker—or other political and social forces—successfully introduces a new frame into the policy dialogue. At that point, it does not matter whether actors actually "believe" the frames they adopted in promoting their policies. Rather, the cognitive paradigms they created can then constrain policymakers, as these paradigms become a measure against which new policy proposals would be judged (Weber 1968; Jackson 2002). Disingenuous political arguments can thus quickly "assume a life of their own" (Snyder 1991). For example, Block (1996) found that vivid images, metaphors, stories, and analogies introduced by policymakers—notably that of a "vampire state" sucking the blood out of the economy—impeded discussions in the United States of alternate policy proposals.

Therefore, I argue that any explanation of China's economic policies can be greatly enriched by exploring both conscious and subconscious cognitive frames that informed these policies. Whether these frames were intentionally invoked or were the result of larger cultural forces is an empirical question of great importance. The dominance of a particular frame—regardless of its origins—is perhaps the most important aspect in understanding policy choices. This is particularly important in explanations of intent and motivation, which of course is at the heart of the research question. The following sections explore some of the factors that influence cognitive frames.

Historical Analogies

In addition to policymaker discourse, history is another important factor in forming such cognitive frames. Historical experiences offer a framework within which policymakers understand the nature of a problem or situation as well as possible solutions. Moreover, they shape an actor's evaluation of alternative solutions, assessing in light of the past their likelihood of success as well as potential dangers (George 1969). Yuen Foong Khong (1992) similarly argues that leaders use analogies not merely to justify policies but also to perform specific cognitive and information-processing tasks essential to political decision-making. However, these analogies often do a poor job in encouraging wise or effective policy. Khong demonstrates how American leaders repeatedly invoked the "lessons of history" as they contemplated taking their nation to war.

History looms large in Chinese policy discourse, and there is a large literature dedicated to this trend. Chinese policymakers have clearly looked to the historical American and British experiences in framing the internationalization of the renminbi. I argue that this perspective skewed their understanding of the benefits of internationalizing the currency while downplaying its costs. Moreover, China's identity has long been formed by competition with the United States. If its status as a major power were perceived to depend on currency competition between these two countries, this could be a significant driver of renminbi internationalization. In the sixth chapter, I provide empirical evidence for how Chinese understandings of international history as well as their own have affected how they came to promote the *yuan* as an international currency.

How Paradigms Shift

Far from being fixed, these cognitive paradigms can vary significantly across countries (Berman 1998; Dobbin 1994; Hall 1989; Ziegler 1997) and over time (Hall 1992, 1993; Hay 2001; McNamara 1998). In fact, paradigms can change very quickly, especially in the face of new information. For example, Goldstein and Keohane (1993) demonstrate how new scientific knowledge on how chlorofluoro-carbons (CFCs) affect the ozone layer rapidly altered national policy priorities in a number of countries. Some scholars have further argued that paradigm shifts occur when policymakers face an unusual political or economic challenge for which the current paradigm offers no clear-cut solution (Dobbin 1993; Hall 1993; Hay 2001). For example, McNamara (1998) argues that the unprecedented combination of inflation and economic stagnation in the 1970s forced policymakers to reconsider Keynesian paradigms, leading to broad acceptance of monetarism as a better guide to understanding economic phenomena. Therefore, when "shocks, crises, and other disturbances create policy problems for which prevailing paradigms provide little guidance, policy makers search for new ones that help them envision new policy solutions, especially if they believe that there is evidence that the new one will work" (Campbell 2002, 23). Checkel (2005) similarly argues that the interests of social agents are more likely to be changed when the environment is novel and uncertain, making agents "cognitively motivated to analyze new information" (Checkel 2005, 5).

As Jessop and Oosterlynck (2008) conclude, in periods of major social restructuring, diverse economic, political, and socio-cultural narratives may intersect as they seek to give meaning to current problems, construing them in terms of past failures *and* future possibilities. The GFC presented a clear challenge to existing paradigms of how to promote economic growth and stability in China. At the same time, the international balance of power appeared to have shifted. Adjusting to these changes and developing new paradigms is, I argue, a large part of the story of how China came to promote the internationalization of the renminbi.

The Cognitive Frames of Renminbi Internationalization

I suggest that there are two competing frames through which policies of currency internationalization can be evaluated, through the lens of economics or that of global politics. This aspect of my study is important because an economic evaluative frame construes policy goals as concrete and in largely absolute terms. That is, the goals can be measured and do not require an external reference to assess their success, making determination of domestic winners and losers relatively straightforward. In contrast, a political evaluative frame construes policy goals more abstractly, making such determinations more difficult. Nationalist thinking in particular extends this focus to measuring goals in relative terms, requiring an external reference to determine success or failure. Goals in a nationalistic evaluative frame are thus often zero-sum, where an objective of increasing national power is only achieved when it is matched by a decrease in the power of the country's competitor. For example, PBC Deputy Governor Hu Xiaolian (2010) argued that renminbi internationalization "can help importers and exporters control costs and reduce exchange-rate risks." This is an *economic* logic with a *concrete* goal measured in *absolute* terms. The goal is concrete because its achievement can be objectively observed in reduced costs and reduced exposures to exchange rate risks, and is absolute because success does not require comparison to any other country. Other examples of absolute economic logics at work include desires to promote market reform, promote investment, and increase profits.

Nationalist understandings of renminbi internationalization stress abstract goals of increasing China's power and prestige on the international stage while insisting that its identity as a major power must include a global currency to match. The global financial crisis further popularized the idea, suggesting that China finally had the opportunity to challenge a weakened dollar and vulnerable United States for international economic dominance. In other words, currency reform was a policy understood to have abstract goals with success measured in relative terms.

Therefore, in an argument that China should internationalize the renminbi because it is a great power, and needs a currency commensurate with this status to compete with the United States, the logic is *political* with an *abstract* goal measured in *relative* terms. The goal is abstract because it is not clear what would constitute "success" in this case, and is relative because such success would only be meaningful if it corresponded to a reduction in U.S. monetary power. A desire for increased political leverage from foreign use of China's currency, especially in crises, would constitute a political logic as well, but with a concrete goal measured in absolute terms. A desire to increase China's soft power through the currency would also constitute a political logic, but would be an abstract goal measured in absolute terms. Both of these motives would hope to see increased influence in the international system, but not necessarily measured relative to a competitor.

One of the fundamental premises of this dissertation is that popular nationalism overwhelmingly focuses on goals that are political, abstract, and measured in relative terms. This stands in stark contrast to assumptions commonly advanced in conventional economic arguments, which assume that renminbi internationalization is driven by concrete economic motives measured in absolute terms. As demonstrated above, other configurations of these logics are possible, but the conventional explanations and the preferred hypothesis are characterized by these two extremes.

Rhetoric As a Medium of Normative Change

How might nationalist rhetoric influence such frames? Later in this chapter I will explore the nature and characteristics of nationalism. In this section, I first draw the connection between language and beliefs, and between beliefs and policy choice. There is a related literature on how discourse, especially persuasive discourse, works to change these cognitive frames. Indeed, Finnemore (1996, 141) argued that normative claims "become powerful and prevail by being persuasive." The targets of persuasive rhetoric "do not grudgingly comply, but rather sincerely internalize new beliefs and consequently adopt new *identities and preferences*" (emphasis added). In its ability to shape not just cognitive frames, but identities and preferences as well, persuasive discourse becomes central to constructivist analysis. In fact, Krebs and Jackson (2007, 39) argue that persuasion is central to the constructivist endeavor, with "public rhetoric as its medium."

This literature is informed by Habermas' logic of "communicative action" (for examples of its application in social science, see Johnson 1993; Lynch 1999, 2002; Müller 2001; Risse 2000). According to Habermas (1990), language is premised on mutual understandings, formed through dialogue and open-minded deliberation in a quest for truth. Politics thus becomes more about consensus of understandings than contest among interests (Habermas 1984), with deliberative exchange being key to arriving at the mutually-agreed upon "idealizations" of the "facts" that drive behavior. Hopf (2000, 1) similarly argues that "every society is bounded by a social cognitive structure within which some discursive formations dominate and compete." The act of debating through discourse can promote new collective understandings, achieving outcomes not intended at the outset (Risse 2000; Hoffman 2006; Wiener 2008; Hopf 2002; Krebs and Jackson 2007; Checkel 2005; Perloff 1993; Zimbardo and Leippe 1991; Brody, et al., 1996).

Images, ideas, or themes reflect important cultural values that help to explain behavior. As McCombs and Shaw (1972) observed, mass media sets the national agenda in which different media emphasize a relative ranking of important issues and those aspects of those issues that are most salient. The authors found a strong correlation between media coverage and public beliefs in U.S. election politics.

Klotz and Lynch (2007, 95) assert that "public discourse…may provide better evidence for the articulation of interests because it reveals normative rationalizations for policy." Discursive structures "mediate which policy programs policy makers can best perceive, understand, articulate, and as a result, which policy ideas they are likely to adopt" (Campbell 2002, 32; see also Block 1990, Bourdieu 1998, Go 1999, Hay 1996, 2001). Language, ideas, interests, and identity are closely interwoven in the human experience. These insights ground my research design, providing ontological and epistemological support for my approach to discourse and content analysis in addressing the research question.

Identity

Another way to cut into this topic is through studies of identity, particularly given the "cognitive turn" in the study of identities. Abdelal et al. (2006) define identity as "a social category that varies along two dimensions—content and contestation." The former comprises four non-mutually exclusive categories. First, *constitutive norms* are the formal and informal rules that define group membership. Second, *social purposes* are the goals that are shared by members of the group. Third, *relational comparisons* with other social categories defines a group by what it is not—the way it views other groups. Finally, *cognitive models* largely align with the preceding discussion, referring to the worldviews or understandings of political and material conditions common to the group. Contestation refers to the degree of agreement within a group over these shared understandings.

Common norms, interests, and understandings are central to this definition of identity. According to Risse et al. (1999, 157), collective identities "define and shape how actors view their perceived instrumental and material interests," including "which preferences are regarded as legitimate and appropriate for enacting given identities." Susan Weber further argues that identity does not always precede foreign policy, but the act of implementing foreign policies itself contributes to the creation of identity.

Empirical work on how identity shapes preferences is pervasive in the literature. Herrera (2005) argued that regional identities within Russia produced divergent understandings of regional economic conditions that in turn entailed different economic policy preferences. Hopf (2002) showed how the "identity topographies" of Russian foreign policy elites transformed between 1955 and 1999, in which competing visions of national identity changed its foreign policy emphases over time. Shabad and Slomczynski (1999) concluded that identity affected actors' "orientation" toward transition issues in Poland. Adler (1992) explored how international arms control specialists built an identity around shared beliefs and began to shape broader understandings of security concerns. Finally, Lynch (1999) argued that changes in Jordan's foreign policy were foremost changes in identity. I explore here some of the primary themes of this literature that prove especially important in understanding the impact of nationalism on renminbi internationalization.

The Importance of the "Other" In Identity

Relational comparisons are particularly important in the formation of identity. Formulations of relations between groups are central in "composing social reality" (Abdelal et al. 2005, 6), as identity "not only emphasizes the commonality of grievances, it also establishes the group's opposition to the actor held responsible" (Klandermans 1997, 18). Hall and Du Gay (1996, 4-5) argue that the "other" is the "constitutive outside" that allows the "positive" meaning of an identity to be constructed. Ariely (2008) even more strikingly concludes that human behavior is *fundamentally* driven by comparison. As will be demonstrated, these self-other constructions are central to nationalism and nationalist sentiment (Coleman 1995; Whitmeyer, 2004).

Jervis (1968) frames this somewhat differently, suggesting that in order to determine how to behave, a state must predict how others will act, requiring an "image" of others and their intentions. However, as explored below, this image might be inaccurate. Hopf (2000, 7) therefore concludes that a group's "treatment of difference with the Other is a critical empirical question" in understanding the causal importance of identity. This is not a one-time event, but a continuous process of identity formation. Campbell (1992, 64) notes that states are "unfinished entities in permanent need of reproduction…the state needs to constantly reproduce its identity, by articulating danger through foreign policy whereby the differences within become the differences between and the resulting domestic order is maintained." According to Barnett (1999, 9), identities are "contingent" upon constant interactions with and relationships to others.

There are many examples of studies that underscore this tendency. Neumann (1999) described the importance of a constituting "other" for the creation of European identity. Bell (2001) explored the creation of French nationalism by which France was defined in contrast to the "barbarianism" in England. Campbell (1998) demonstrated how American identity was never given, but created by conflicting with others, first Indians, then communists, then Muslims. Atanassova-Cornelis (2011) found the United States and Japan have served as significant "others" for China, contributing to constructing that country's national identity. This is, of course, part of my own explanation for China's international economic policies. In addition, Van Evera (1994) demonstrated how self-other constructions, including the tendency for self-whitewashing and other-maligning, can be induced by domestic economic crises, and exacerbated further by a lack of free press. According to Van Evera, both democracies and absolutist dictatorships are less prone to mythmaking, but the most dangerous regimes are those that depend on some degree of popular consent and are narrowly governed by unrepresentative elites. China is just such a regime.

Beliefs and Causality

Based on the above discussion, it should be clear that policy preferences are fundamentally linked to socially-constructed interests, which are in turn linked to notions of identity. Klotz and Lynch (2007, 86-87) conclude that "identities underpin interests," and like interests, "are neither self-evident nor static; their formation is a process that needs to be explained." Identities are also closely related to nationalism, explored more below, and all of these are dependent upon discourse. Indeed, Wodak (2006, 104-105) stresses the "power of language" in discursively constructing national identities, defining in-groups and out-groups, forming a "dialectal relationship between discourses and nationalism."

George and Bennett (2005, 137) define causal mechanisms as "ultimately unobservable physical, social, or psychological processes through which agents with causal capacities operate, but only in specific contexts or conditions, to transfer energy, information, or matter to other entities," thereby changing the latter entities' "characteristics, capacities, or propensities in ways that persist until subsequent causal mechanisms act upon it." As George and Bennett (*ibid.*) argue, theories about how combinations of mechanisms interact in specified and often recurrent scope conditions or contexts produce outcomes of interest. Such understandings of causality are highly compatible with constructivist analysis. Kurki (2007, 361) further opines that "the norms, rules, and discourses that many constructivists, feminists, and poststructuralists inquire into are, within the critical realist perspective, distinctly causal, although not causal in the positivist 'when A, then B' sense." Here, discourse analysis can "get at the intersubjective understandings and social processes that shape norms and determine their effects as enablers of and constraints on social actors" (Bennett 2013, 472).

On Structure and Agency

Another way to frame constructivist causal processes is through the lens of structure and agency. Structure emphasizes the social, cultural, political, and historical contexts that shape behavior taken by agents, the external forces that are often manifested in language. Agency, on the other hand, focuses on the actions and discourses of agents that reinforce or alter these structures. Rather than granting ontological priority to either structure or agency, constructivists view both as mutually constituted. In fact, Klotz and Lynch (2007, 11) argue that there is "more overlap between epistemological positions than current debates led us to expect…too much energy goes into creating and maintaining boundaries between stylized camps." That said, compared to an individualist ontology, the holism of constructivist theory asserts that context necessarily precedes agency, even as agency then goes on to alter structure (Finnemore and Sikkink 2001).

This underscores the approach taken in my research design, where I assume a durable social contexts reflected in established modes of discourse, but then explore ways that national dialogue around the currency began to change such social structures. Chinese identity is durable, but nationalist discourse can alter its overall nature relatively rapidly, especially on specific issues. China's policy interests remain in many ways the same as their were in the previous decade, but changes in the way the country frames its identity does impact interests. And of course, interests are what drive policy preferences and policy choice.

Implications for Understanding Chinese Policy

The discussion thus far has emphasized the extent to which ideas, cognitive paradigms, interests, and identity are socially-constructed through discursive interactions. In addition, these ideational understandings are shown to be particularly malleable in times of change and uncertainty. I argue in this dissertation that China's interests as a new major power are not self-evident, and cannot be cleanly derived from rational interests alone. This is especially the case in the wake of the global financial crisis, which caused Chinese observers to re-evaluate China's standing in the international order. Rather, I suggest that China's interests are constructed in the imaginations of Chinese policymakers and citizens as they determine what China as a major power should look like against this uncertain international landscape.

This is where this dissertation stands apart from the majority of work on renminbi internationalization. While most of these studies are rooted in classical economics, where actors have fixed and stable preferences, I argue that preferences can change remarkably quickly. Douglass North (2005, 23-24) noted that "the tendency of economists to carry over the rationality assumption in undiluted form to more complex issues involving uncertainty has been a roadblock to improving our understanding of the human landscape." I demonstrate in this dissertation that China's policy shift to internationalize its currency is far too complex to understand within the scope of rational actor theory.

The Chinese have an image in their minds of China's present and future role as a rising power. That an internationalized currency should constitute a core component of this new China should not be taken for granted. Rather, it is necessary to understand the sequence of events and the nature of the discourse that took place that worked to create and solidify this new image, and how the renminbi came to be a central component of it.

Perception

Closely related to the above scholarship on cognitive frames, this dissertation builds on a large theoretical literature exploring the impact of perception on elite decision-making and foreign policy (Odell 1979, 1982; Stein 2002; Vertzberger 1990; Jervis 1968, 1976). Indeed, political psychologists have long argued that perception influences how actors interpret evidence and sift through information (Jervis, 1976). As indicated above, I argue that the GFC created the perception among Chinese observers that the preeminent role of the United States in the global order had been severely undermined, and that the time had come for China to adopt a more assertive foreign policy stance. Whether or not this perception coheres with objective measures, however defined, I argue that this perception proves important in understanding the causal drivers behind China's decision to internationalize the renminbi.

According to Odell (1982, 58), behavior depends "not on reality but on how reality is perceived and interpreted…substantive ideas held by top policymakers and advisers are decisive or necessary elements of explanation." Indeed, actors' perceptions frequently diverge both from "objective reality" as well as the perceptions of other actors (Jervis 1982). Alcock and Newcombe (1970) find that these differences between "real" and "perceived" power are very common. Moreover, Hart and Jones (2010) point out that the causal connection between material capabilities and perceived power rarely approaches anything close to a one-to-one ratio. Not only are capabilities frequently misperceived, but this misperception is often the cause of conflict (Jervis 1988; Blainey 1988).

Based on these insights, perceptions and beliefs "should be elevated to an equal theoretical level" with interests (Odell 1979, 80). Indeed, Hafner-Burton et al. (2012) argue that elites are more likely than the average observer to suffer overconfidence, which degrades their decision-making skills. Crawford (2000) extends this idea further, arguing that perceptions that drive foreign policymaking are shaped not just by cognition, but emotions as well. As will be seen below, nationalism is sometimes depicted as characterized primarily by emotional ties even when individuals have little else in common (Anderson 1991).

The logical corollary to perceptions of one's power are perceptions of one's strategic vulnerabilities. Indeed, Katzenstein (1996) conceives of security as a social practice wherein state interests are not simply economically rational or material, but based upon their own normative understandings of external threats. Campbell (1993) and Klein (1994) demonstrate how the discourse of U.S. officials constructed the way they viewed threats—the "security imaginary." Aptly summarizing these insights, Hopf (2000, 16) argues that a "state's own domestic identities constitute a social cognitive structure that makes threats and opportunities, enemies and allies, intelligible, thinkable, and possible."

Perception and Policy Change

There is also a significant literature on how perception drives policy change. Much of this literature points out how ideational factors such as how a policy is understood, defined, and discussed proves to be crucially important in the power games that develop through the policy process (Baumgartner and Jones 1993, 11-12; Rochefort and Cobb 1994). Here, the policy process is not just an arena of power where self-interested actors fight to increase their own authority, resources, or benefits, but is an institution in its own right, complete with rules, practices, routines, cognitive maps, and values. In addition, the policy process is an ideational forum in which different ideas about what should be done and which values should be pursued are developed and interact, often coming into conflict with one another.

Self-Perception, Recognition, and Status

Perception of status is of particular import when explaining foreign policy choices. Scholars including Fukuyama (1992), Taylor (1994), and Honneth (1995, 2012) have cited the struggle for recognition as a common source of conflict. In international relations scholarship, Ringmar (1996), Wendt (2003), Gilpin (1981), Midlarsky (1975), Haacke (2005), Greenhill (2008), Larson and Sevchenko (2010), Wallace (1971, 1973), Wohlforth (2009), Wolf (2011, 2012), and Volgy et al. (2011) have similarly found a desire for international status to be a driver of historical change. I briefly survey here several theories advanced by different authors, but all focusing on the extent to which discordance between a country's desired and perceived international status can be a significant driver of foreign policy priorities, sometimes leading even to war. While the consequences are less dire in the case of internationalizing the renminbi, the argument here is that perception of China's status in the international monetary system—and its desire to achieve a status commensurate with its overall rise—motivated nationalist observers to argue for a global renminbi.

Galtung (1964) argued that states perceiving themselves to rank high in some categories of power but low in others, what he defines as "rank-disequilibrium," will prove most prone to aggression. East (1972) adopts a statistical approach to test this theory, offering evidence of this trend by measuring a state's prestige as the number of foreign embassies in its capital against military expenditure and gross national product as a proxy for military and economic power. Vertzberger (1990) extends the causal power of "status conception" from the international system to individual policymakers. Finally, Gurr (2011) advances a theory of relative deprivation, in which discrepancies among perceptions of what a group has, what it thinks it should have, and what it could be capable of having vis-à-vis an external reference motivate action more powerfully than absolute measures.

Gilpin (1981) calls this the "hierarchy of prestige," forming the root of great power competition in the international system. Moreover, "increased ambiguity in interpreting [the hierarchy of prestige] are frequently the prelude to eras of conflict and struggle" (Gilpin 1981, 31). On the other hand, when there is a clear international status hierarchy, international relations tend to be more peaceful (Gould 2003; Wohlforth 2009). Because of these dynamics, status attribution, status seeking, and status competition among major powers has recently received considerable attention (Deng 2008; Larson and Shevchenko 2003, 2010; Mercer 1995, 1996; Nayar and Paul 2003; Volgy and Mayhall 1995; Wohlforth 2009).

Returning to constructivist understandings of identity, social identity theory (Tajfel and Turner 1986) asserts that the creation of group identity inevitably leads to competitive behavior, not just comparisons, with outside groups. Constructivist theorists have used social identity theory as a basis for exploring major power status attribution and its consequences (Mercer 1995; Larson and Shevchenko 2003, 2010; Cline et al. 2011; Volgy et al. 2011). These studies find that differences between "status consistent" and "status inconsistent" powers are consequential for foreign policy outcomes. In other words, states that feel that their international status is lower than their capabilities warrant will compete with states for which they believe the reverse to be true.

Perception and Chinese Foreign Policy

These insights have clear implications for understanding Chinese foreign policy behavior, especially in the wake of the global financial crisis. Yong Deng (2008) argues that increasing its status remains a central goal for China's leaders, who have realized that they need international legitimacy, not just material strength, to make China a great power. According to Blanchard (2011), China's national interests include not just territorial integrity, sovereignty, and national independence, but also encompass regime preservation, economic modernization, and a role and prestige commensurate with China's power rank. Based on the preceding discussion, it could be argued that the GFC altered China's perception of its international status, which lead to the "weakening" and "discrediting" of the developed economies (Song and Song 2012, 139). However, China possibly became frustrated that this shift in the international balance of power had not yet translated into sufficient international recognition of the country's newfound power.

Hart and Jones (2010) argue that major power shifts come with major uncertainties and misappraisals of relative power. Many aspects of power are simply not fungible in all or even most policy issue areas. In fact, Chinese scholars Song and Song (2012, 139) concluded that "the financial crisis in 2008 caused a severe global recession and also changed the global economic structure" that "weakened the leading role of developed economies and lead to the consequent discrediting of the U.S.and European financial models." Such conclusions are difficult to assess objectively, but such interpretations can drive very real action even if the assessments upon which they are based turn out not to be accurate. My argument in this dissertation is that renminbi internationalization was in large part the result of a perception of an opportunity presented by the financial crisis to challenge the dollar in the international monetary system. Whether or not this opportunity was as significant as perceived is beyond the scope of my study, but is nonetheless an import causal driver of the policy.

Nationalism and Policy Change

I now advance a theoretical argument for how nationalism impacts constructed notions of national identity and, in turn, produces policy change. Nationalism is inherently concerned with a nation's identity, but is also goal-oriented—offering a vision of what the nation is and what it aspires to become. Because of this, it can be a powerful force for policy change. In this section, I lay the theoretical groundwork for understanding nationalism as it is operationalized in the study. I focus here on understanding the mechanisms through which nationalism can affect foreign policy behavior. I use this understanding to argue that nationalist sentiment in China played a key role in spurring efforts to internationalize the currency.

Defining Nationalism

Defining nationalism is not at all straightforward. The literature on nationalism, as Akzin (1964, 10) asserts, is a "terminological jungle." It is a "complex, amorphous, and often politically-charged concept," the subject of countless scholarly studies (Pickel 2003). This should not be too surprising, since "like most concepts we use in the social sciences, nation and nationalism are cognitive artifacts we invent to mark off an intellectual universe" (Haas 1986, 708).

There are, however, a few starting points. First, taking the potential risk of stating the obvious, nationalism has to do with the *nation*. For example, Gellner (1983, 1) holds that nationalism is simply a political principle that "the political and national unit should be congruent." It is "a belief by a group of people that they ought to constitute a nation, or that they already are one" (Haas 1986, 727). This, of course, begs the question of what is a "nation." According to Haas (1986, 726), the nation "is a socially mobilized body of individuals, believing themselves to be united by some set of characteristics that differentiate them (in their own minds) from outsiders, an imagined community…based on characteristics and symbols of nationhood." It is in this way distinguished from patriotism, because nationalism has to do with the nation, not the state. However, this definition returns us to the murky waters of socially-constructed identity, an "imagined community" rather than a clearly-defined unit based on borders, race, or language.

In fact, contemporary conceptions of nationalism build on the concepts of socially-constructed identity explored earlier in this chapter. Nationalism is thus "at its root a collective phenomenon" (Delanty and O'Mahoney 2002, 44), "political contention in the context of particular historical conditions, a combination of discourse, action, and structure" (Pickel

2003, 5). Lucian Pye (1993, 108) defined it as "ideals, myths, symbols, and values" that "must be directed towards the nation-state." According to Pickel (2003, 16), nationalism is "the ensemble of discourse and actors in a historically—politically, territorially, culturally, economically—defined space associated with and organized around an—existing, newly established, or disintegrating—state."

According to Anderson (1991), nationalism sees the essence of national identity as how a nation-state is understood and perceived by its inhabitants. This understanding can be manipulated by the state (Dittmer and Kim 1993), but is also a naturally-developing phenomenon due to territorial and ethnic solidarity (Bloom 1990). Such sentiments are then reinforced through lifelong political socialization (Hyman 1959; Lynd 1958). Images and metaphors are internalized and become a subconscious part of the mental models social actors use to understand the world and make decisions in it.

Moreover, Billig's (1995, 7) well-known concept of "banal nationalism" is similarly an extension of the notion of socially-constructed and often taken-for-granted cognitive paradigms. He defines nationalism as the reproduction of "a whole complex of beliefs, assumptions, habits, representations and practices," in which the concepts of nations and national identity are embedded in the way that people think, speak, and operate in the world. These ideas become "so natural as to be unassailable" (Meyer et al. 1997), with the practices and languages of banal nationalism working to construct and reproduce specific nations and nation-states in the international geopolitical order.

A number of familiar concepts have repeatedly appeared in these definitions: identity, perception, politics, belief, discourse, symbols, metaphors, ideas, and assumptions. I pause to belabor the point merely emphasize that my choices of constructivism to theoretically orient this dissertation and discourse analysis as a primary methodological approach were driven in large part by the nature of the object under study—nationalism.

Nationalism As a Social Mechanism

Further extending this logic to understanding causal processes, nationalism is a social mechanism (Bunge 1997; Appel 2000), a *process* containing both structure and agency. Barrington (1997, 714) calls nationalism the "creation of the unifying features of the nation, or the actions that result from the beliefs of the group." Pickel (2003) termed this the "nationalizing mechanism," by which nationalism works to legitimate or re-legitimate changing economic and political systems, and to facilitate their political and economic integration regionally and globally. Nationalism here is both for internal legitimation and external integration.

Early scholarship in the constructivist tradition focused on notions of modernity and the state in creating a sense of nationhood (Anderson 1991; Deutsch 1966; Gellner 1965; Hobsbawm 1992; Smith 1998), with the very concept of nationhood being dependent upon constructed meanings. Rather than being a self-evident unit of political or territorial organization, Anderson (1991) argues that the nation as we know it is a product of changes in dynastic and religious authority and the spread of vernacular languages through print capitalism, resulting in communities whose members imagine the nation to be both finite and sovereign. Anderson argued that nationalism was related to the establishment of "imagined communities" driven by communicative processes, with newspapers and novels greatly increasing the spread of such ideologies.

Goal-Oriented Nationalism

Nationalism is also inherently a goal-oriented, almost teleological ideology. Whether the goal is to mobilize action toward self-determination and sovereignty, or to serve as a source of legitimation for existing regimes (Barrington 2006), nationalist sentiment expects leaders to always be *doing* something, fulfilling their obligations to the nation. Barrington (1997, 174) thus called nationalism the "active pursuit—through argument or other activity—of a set of rights for the self-defined members of the nation, including, at a minimum, territorial autonomy or sovereignty." Delantey and O'Mahoney (2002, 126) call one variant of this understanding "irredentist nationalism," in which the nation is extended to include allegedly historical territory that must be "redeemed."

Once constituted, nationalist goals then become "indistinguishable from the state's interests" (Goode-Stroup 2015, 721). Nationalism becomes merely the "political expression of the nation's aspirations" (Mellor 1989, 4-5). These aspirations then have the tendency to grow and expand in scope. According to Wu (2007, 117), nationalism is never a "status-quo ideology," but without exception, grows out of "unsatisfied desire" that can "escalate, intensify, and quickly turn into a social and political movement."

Similar to the previous treatment of social constructed interests, ideas, and identities, nationalism is also frequently emphasized in the context of the language through which it is manifested and produced. It is not just an ideology or doctrine, but the concrete context of political interactions where ideas are developed and deployed (Beissinger 1996; Brubaker 1996; Tarrow 1994; Pickel 2005). According to Pickel (2003, 16), nationalism is "the ensemble of discourse and actors in a historically—politically, territorially, culturally, economically—defined space associated with and organized around an—existing, newly established, or disintegrating—state." In this case, nationalism is ubiquitous, even as it can take many different forms (Meyer et al. 1997).

Nationalism As a Tool of the Elite

Finally, nationalism has also been frequently analyzed as a tool of the elite to justify their monopoly on power. Indeed, Gagnon (1994) concluded that when there are problems at home, threatened elites turn the attention abroad. This is because in the international sphere, the division between the nation and significant "others" can be easily drawn, moving the focus away from domestic divisions.

The preceding observation returns this treatment of nationalism to identity, where discursively delineating the "other" is a significant means by which identity is formed. As should be clear at this point, policy preferences cannot be discussed independent of both interests and identity, which are in turn informed by nationalism—a project fundamentally aimed at creating and maintaining a nation's unique identity. This dissertation explores how nationalism—whether as a conscious tool or subconscious motivator—helps us understand policy choice in the Chinese context.

Putting It All Together: Nationalism and Currency Internationalization

This final section combines insights from the above theoretical treatments of beliefs, perceptions, and nationalism to suggest the ways in which currency nationalism has impactfully manifested itself in Chinese discourse on internationalizing the renminbi. Moreover, the preceding discussion demonstrates how even subtle changes in the lens through which policy actors evaluate policy choices can have a large impact on the outcome. As was introduced above and in the previous chapter, the cognitive frames that can function as ideational drivers include economic and political logics, concrete and abstract thinking, absolute and relative thinking, short and long-term thinking, and active and passive thinking. Economic arguments typical of a central banker are generally framed in terms of concrete goals measured in absolute terms. Nationalist arguments occupy the opposite end of the spectrum, typically reflecting a political argument framed in terms of abstract goals measured in relative terms. This is because nationalist thinking is often conducted at the analytical level of the nation looking outward to the international landscape.

In terms of *yuan* internationalization, therefore, nationalist arguments would be cast not in terms of the policy's economic benefits, but of competition with the United States and Japan, conspiracy theories about U.S. currency policies, judgments of the relative balance of power between China and the United States, the need for a currency commensurate with China's major power status, mirroring the dollar's "exorbitant privilege" in imagining the benefits of currency internationalization, tying achievements in renminbi internationalization to China's rise, and increased sensitivity to foreign praise and criticism of China's currency. Identifying these discursive markers was the primary aim of discourse analysis, and directly supports the theoretical validity of the quantitative content analysis approach.

The logic and language of an economic frame is relatively straightforward, and is not detailed further here. A listing of rational economic drivers was presented in the previous chapter, and will be evaluated empirically in the following chapter. Nationalist modes of thinking are not as straightforward. Therefore, these expressions of currency nationalism are summarized below.

Great Powers Have Great Currencies

There is a long-standing assertion that, as Nobel laureate Robert Mundell (1993) concluded, "great powers have great currencies." In this view, having an internationalized currency is part-and-parcel of becoming a major power, suggesting that China needs renminbi internationalization in order to bring the currency in line with the country's increased economic and political power. In short, if China is to be a great power, it needs a great currency.

According to Kwon (2015, 91), China strives to "rise as a great economic power based on the status of the renminbi…in becoming the world's largest economic power, China intends to raise its voice in the international community," comparing achievements in the internationalization of the renminbi to "recent modernizations of the People's Liberation Army, such as newly launched aircraft carriers and a space exploration program." According to this logic, an international renminbi would demonstrate China's arrival on the world stage as a major power.

These arguments often use language of needing a currency commensurate (*xiang shiying*, *xiang pipei*) with China's economic size. Indeed, "asymmetry" is a common theme. For example, Li (2004) contrasts China's status as a "big nation in economy" with its remaining a "small nation in currency." A China Daily article (21 October 2013) concluded that "foreign trade cleared in *yuan* acccounted for about 0.87 percent of the total global foreign trade last year," standing in "stark contrast with the fact that China makes up about 10 percent of the total foreign trade in the world." CASS economist Gao (2013a) argued that "there is a strong argument that the changing distribution of world economic weights needs a parallel change of global financial power…China, as an emerging power, should increase its importance in international monetary system." Even Yu Yongding (2015), somewhat skeptical of China's currency ambitions, concludes that "as the world's second largest economy, largest trading nation, and the largest foreign holder of United States government bonds," China "needs a currency with an international status that can match its economic status in the global economy."

Other Chinese scholars emphasize how unusual this asymmetry is. According to Zhang (2011), "it is very rare that the currency of the world's second largest economy is not an international currency." Norman Chan, Chief Executive of the Hong Kong Monetary Authority, argued that "the yuan is not an international currency…this was very abnormal and had to be rectified, first and foremost" (quoted in Bowles and Wang 2013). Therefore, as Ren (2011), concludes, "the ascendancy of the renminbi in the international monetary system is simply an inevitable byproduct of the historical rise of China in the world economic and political arena." Western scholars frequently draw this linkage as well (Salidjanova 2014; Subacchi and Huang 2013). I suggest that this perception of a gap between China's status in the global economy and the renminbi's status in the international monetary system was a powerful driver behind the campaign.

Deconstructing Currency Ambition

However, such a characterization of what it means to be a great power is a highly-constructed concept. There is no *a priori* reason that currency internationalization be on the agenda of a rising power. As noted previously, previous rising economies that have achieved the status of regional power did so without internationalizing their currencies. On the surface, this understanding does not seem illogical or controversial, as America's rise and Britain's decline more or less coincided with the relative rise and fall of their national currencies. In addition, international use of a currency is a very tangible symbol of sovereignty, and extensive cross-border use a visible mark of the status of the issuing country (Cohen 1998, 121; Helleiner 2006, 82). As Cohen (2012, 19) and Calleo (2009, 164) observed, the dollar's position as top global currency has been a "potent symbol" of American power. This point is not missed on Chinese observers. Zhang Yuyan, director of the World Economy and Politics Institute at the Chinese Academy of Social Sciences, noted that "internationalization of the renminbi is a necessary support for the rise of China" and "hegemonic powers in recent history…have had internationally dominant currencies" (Zhang 2011, quoted in Yang 2014, 177-178).

This image a being a "great power" is a potentially powerful driver behind renminbi internationalization. As He (2015, 8) argues, "an international currency implies power…renminbi internationalization itself is the core of the 'Chinese dream' in the financial field and can provide the financial support needed to realize the dream in its entirety." This casts fresh light on China's currency ambitions, as the Chinese dream—coined by President Xi Jinping to describe the nation's rejuvenation, improvement of people's livelihoods, prosperity, construction of a better society, and military strengthening—is deeply intertwined with nationalist sentiment in

China. Viewing renminbi internationalization as part of China's desire for national rejuvenation is particularly apt given the fact that, to a certain extent, a global role for the renminbi "would actually be no more than a return to the position it occupied in past epochs," when it "served as an East Asian and Southeast Asian monetary benchmark for a millennium or so before being displaced by Western coinage" (Burdekin 2014, 1).

It should be clear from the opening chapter, however, that the fact that great powers in the past have had major international currencies does not mean that a rising power necessarily needs or should actively pursue one. It is further unclear whether China has achieved a sufficient level of development to focus on its global monetary power at this juncture. Countries at a similar stage of development, as explained earlier, chose not to internationalize their currencies. In addition, notions of how great powers should manifest themselves are, in fact, context dependent. Indeed, American politicians frequently espouse *their* visions of what China as a major power should look like. The best example is Robert Zoellick's exhorting of China to become a "responsible stakeholder" (Zoellick 2005). I argue that China's vision of itself as a great power came to include the status of its currency, which became a significant motive for renminbi internationalization.

Symbolism

Extending the logic described above, these arguments also often stress the symbolic (*biaozhixing*) importance of renminbi internationalization. For example, Chen and Hu (2013, 21) conclude that "renminbi internationalization is a symbolic event for the rise of China…the internationalization of the renminbi is one of the most important national strategies for China in the 21st century." Indeed, many analysts have stressed the largely symbolic nature of the renminbi's inclusion in the SDR or even China's bilateral swap agreements (Jiang 2014).

These arguments, common in both academic and popular treatments of renminbi internationalization, also tend to place China's currency ambitions as symbolic of its status (*diwei*) in the international system.

Currency Internationalization As a Measure of China's Rise

Along a similar theme, renminbi internationalization can also serve as a new "measure" of China's ascendance, akin to GDP growth statistics or ranking of economies by size. Indeed, the International Monetary Institute of Renmin University created a "Renminbi Internationalization Index" in 2010 to track China's progress in internationalizing its currency. For example, two of the primary creators of the index argued the following in their report on the progress of renminbi internationalization:

> The strategic objective of the internationalization of the renminbi should be that the index level or the degree of renminbi internationalization rises from the current level of 0.45 to no less than 20 before 2030-2040…the internationalization of the renminbi should help form a new international monetary landscape where the USD, EUR and renminbi will be the world's three major reserve currencies, unlike the current system which is dominated by the USD and merely complemented by the EUR, GBP and JPY. (Chen and Hu 2013)

Again, this tendency is not unique to Chinese observers. Standard Chartered (2013) also created a "Renminbi Globalization Index," reinforcing this "internationalization as ranking" mechanism. As such, renminbi internationalization would be a measure against which China could clearly demonstrate its improved status vis-a-vis other countries.

Mirroring the Western Experience

In addition to aspirations for international status, nationalist sentiment around the renminbi is also frequently about depriving the United States of its enormous benefits from dollar hegemony, suggesting that China should begin to afford itself some of these advantages to itself. While the near-term prospects for actually reaping these benefits was and remains small, these incredible advantages through dollar hegemony, which Chinese observers have both resented and envied, have worked to fuel nationalist imaginations on what *could be* or even what *should be* afforded to China as an emerging great power. Indeed, Helleiner and Kirshner (2014, 218) note that perceived exploitation of a currency past its peak can spur other states to take on a more ambitious monetary role, with the "accumulation of such transgressions" encouraging "the emergence of rival lead currencies and associated financial centers" (Walter 2006, 69). By the time of the GFC, China's desire to shed its vulnerability through dependence on U.S. economy as well as to reduce America's unfair advantage through the dollar had become what Jiang Yong of the China Institutes of Contemporary International Relations called a goal "as important as New China's becoming a nuclear power" (quoted in Dyer et al. 2011).

The image of the privileges of currency hegemony is a powerful one. The United States has benefited greatly from the dollar's international role, enjoying what French finance minister Valéry Giscard d'Estaing called in the 1960s America's "exorbitant privilege" (Eichengreen 2011, 4). Some estimates have measured this advantage at about 1.2 percent of GDP annually (Cline 2005, 49), with U.S. Treasury yields for foreign holders 70 basis points lower (Bandholz, Clostermann, and Seitz 2009) or even 90 basis points lower (Warnock and Warnock 2009) than would otherwise be the case. One study estimated a windfall of $953 trillion between 1946 and 2002 purely from the dollar's status as the main global reserve currency, but potentially manyfold bigger if intangible factors are included (Chen et al. 2005). Others have found that these benefits are overstated (Bergsten 2009; Dobbs et al. 2009), but the general perception is that dollar hegemony is extremely profitable.

Through the dollar, the United States has further been able to evade the effects of market discipline on its macroeconomic policies (Chinn and Frankel 2005; Cohen 1998; Helleiner and Malkin 2012), reducing the risks of borrowing in foreign currency that was a large part of the suffering induced by the 1997 Asian Financial Crisis (Dobson and Masson 2009, 125; Genberg 2010, 66-67). Finally, the United States has enjoyed significant influence from the international role of its dollar through "asymmetric benefits associated with interstate relations" (Kirshner 1997, 12) or "structural power" because it must be considered in international discussions about money (Kirshner 2008; Hirschman 1980; Abdelai and Kirshner 1999). I argue that the image of China as a great power is strongly influenced by the characteristics of the United States as a great power. It is clear that the dollar has played a central role in U.S. power projection, causing visions of China's future power to include a global renminbi.

Competition with the United States and Japan

This focus on dollar hegemony gives renminbi internationalization a feel of great power competition, reinforcing the *relative political* logic characteristic of nationalist views. In addition to its focus on the United States, China has also long been motivated to unseat its bitter rival in Asia, Japan, frustrated for years that this "little country" had been seen by the international community as the dominant economic power in the region, even though in East Asia Japan was rarely attributed regional power status by its own neighbors (Cline et al. 2011).

The international importance of the yen and its inclusion in the SDR no doubt made unseating the yen a potentially-powerful driver of renminbi internationalization. Indeed, Chinese analysis of the SDR typically replaces the yen with the renminbi in discussions of "qualified" SDR currencies (Zhang 2015), and China's leaders were no doubt delighted by (perhaps even insistent upon) the fact that the yen was ultimately weighted at a smaller percentage of the SDR basket than the renminbi.

Reform, Fast and Slow

Another linguistic marker that can be very telling in discussions of reform is the assumed timeframe in the minds of those discussing it. Renminbi internationalization is no exception. It should be obvious that supporters of the policy would frame it in positive language associated with speed, noting how the renminbi has “taken off” or progressing in “leaps and bounds,” while opponents would stress the gradual nature of the needed reforms.

However, it runs deeper than this. Nationalist rhetoric tends to eschew the details of how certain goals would be achieved, speaking of them in terms of having already arrived or very nearly arrived. With the nitty-gritty details missing, it is far easier to speak in generalities, suggesting that the decline of the dollar, for example, is imminent, while the renminbi is a rising star. Such allusions can also refer to specific points in a process, contrasting, for example, a process “in flight” from one “beginning to sprout.” Therefore, speed is a key metaphorical device that can give us access not only to one’s level of support for a policy, but the extent to which one is willing forego the details in promoting it. I argue that the change in cognitive frame from one of economics to that of global politics was also associated with a characteristically-Chinese focus on gradualism in economic reform to language focused on short-term goals and achievements.

Revisiting the Preferred Hypothesis

This chapter has presented a constructivist explanation for renminbi internationalization, in which popular nationalist sentiment presented a new evaluative frame through which policymakers assessed currency reform policies in China. This created an environment where the central bank could more easily advance its agenda of monetary opening through renminbi internationalization, as its opponents in the bureaucracy had become more amenable to the idea of currency *internationalization* even as they remained resistant to currency *liberalization*. The irony here is of course that there is little difference in practice between the two.

This is not the dominant explanation in the academic literature, nor is it the simplest. Most studies explain renminbi internationalization in terms of rational—largely economic—interests. Before I can dismiss this approach, I must demonstrate that interests alone prove insufficient to explain the policy shift, necessitating more nuanced analysis. The following chapter explores the economic benefits to China of internationalizing the renminbi, which are frequently advanced as likely motives for the campaign. I then contrast these with its potential costs, assessing whether the benefits outweigh the costs. I find that the economic interests of renminbi internationalization are at best a mixed bag, and are thus insufficient to present a convincing argument for the roots of the policy change.

CHAPTER FOUR: INTERESTS—THE ECONOMIC CASE FOR CURRENCY INTERNATIONALIZATION

This chapter explores the economic benefits to China of renminbi internationalization. A significant proportion of the scholarship on the topic relies almost entirely on theoretical economic assessments of the potential gains from currency internationalization to infer the policy's likely motivations. The predominant explanation in this literature is that the global financial crisis served as a wake-up call, underscoring the urgent need for China to move away from an export-led growth model dependent on Western demand, decrease reliance on the dollar for liquidity, promote international monetary system reform, and diversify foreign exchange reserves overwhelmingly denominated in dollars. Currency internationalization would help to accomplish these goals. Before dismissing this approach and its conclusions, I examine these advantages to determine whether interests alone can suffice in explaining China's campaign to internationalize the renminbi.

I find some evidence in the dataset that these drivers were salient in official discourse on renminbi internationalization. To be sure, concerns about the dollar were frequent themes in official media coverage of the topic. However, I argue that interests alone cannot explain China's policy shift because the costs of currency internationalization would very likely eclipse such benefits, at least in the near term. Moreover, these explanations fail to explain the mechanism by which currency internationalization was the policy chosen to achieve these ends. Such objectives could arguably be accomplished by other means, without incurring the potentially steep costs associated with currency internationalization. In addition, these explanations lack a convincing argument for how longstanding opposition to currency reform was suddenly overcome. Senior leaders have long been aware of the shortcomings of the export-led growth model, but have been unwilling or unable to uproot the country's system of financial repression.

Regardless of these shortcomings, understanding the theoretical gains from currency internationalization serves as a useful entry into the empirical evidence on the origins of China's internationalization drive. Subsequent chapters contrast these rational interests with institutional and ideational drivers, filling the holes left in the puzzle outlined in the opening chapter.

The Theoretical Gains from Currency Internationalization

This research builds upon a sizable extant literature on renminbi internationalization in both English and Chinese. Unfortunately, much of this scholarship focuses on the renminbi's prospects for achieving international currency status without interrogating China's motives for doing so (see, for example, Chen and Cheung 2011; Chey 2013, 2015; Cohen 2012b, 2014, 2015; Dobson and Masson 2009; Ito 2010; Lee 2014; Subacchi 2010; Subramanian 2011; Subramanian and Kessler 2012). The approach of many of these studies is listing the "determinants" of an international currency, assessing the renminbi's prospects based on these measures, and exploring whether the *yuan* could challenge the dollar's primacy now or in the near future (Kawai and Pontines 2014; Fratzscher and Mehl 2014; Ito 2010; Subramanian and Kessler 2012).

When the impetus for the policy is explored, most studies look to theoretical economic studies of the gains from currency internationalization to impute Beijing's possible motives (see, for example: Campanella 2014; Chen and Cheung 2011; Cheung 2014; Chey 2013, 2015; Cohen 2012a, 2014, 2015; Dobson and Masson 2009; Eichengreen 2013; Fratzscher and Mehl 2011; Helleiner and Malkin 2012; Ito 2010; Lee 2014; Mallaby and Wethington 2012; Park 2010; Prasad and Ye 2012; Subacchi 2013; Subramanian 2011; Subramanian and Kessler 2012; Friedrich Wu 2009; Wu et al. 2010).

Moreover, whether stated implicitly or explicitly, something resembling a conventional wisdom emerges from this literature, that the global financial crisis was a watershed moment that changed China's perceptions of its ability to stay the course in relying on an exports-fueled economy and dollar-centered international monetary arrangements. Indeed, some Chinese officials have stated that the GFC was the major event pushing forward renminbi internationalization and shifting attitudes in favor of the internationalization agenda (Zhang 2009; Park 2010). While this dissertation finds other possible explanations for why the GFC was such a turning point, conventional accounts generally agree that the primary lesson of the GFC was economic. In short, it had made clear to China's leaders that avoiding monetary reform was no longer an option. The survival and continued prosperity of China depended on changing the country's growth model, even at the expense of (or explicitly to end) financial repression and the traditional support to export industries.

The Global Financial Crisis As an (Economic) Wake-Up Call

Economic explanations generally emphasize three primary lessons of the GFC. First, the crisis laid bare the shortcomings of an international economy excessively reliant on the dollar for global liquidity and U.S. demand for absorbing exports, which was in turn financed with soaring levels of sovereign debt (Cai 2009; Chen 2011; Ding 2010; Drezner 2009; Gao 2013; Liu 2014). This sobering backdrop set the stage for the exploration of other arrangements, to which China offered first the SDR and then its own currency as potential alternatives to the dollar (Chin and Wang 2010; Bowles and Wang 2013; Kirshner 2014). Indeed, Li Ruogu, Chairman and President of China Export-Import Bank and former senior PBC official, stated in July 2009 that the financial crisis "let us clearly see how unreasonable the current international monetary system [was]" (Chin and Wang 2010, 6).

First, these explanations argue that the crisis had made it clear that the global imbalances that had fueled China's export-led growth model were no longer sustainable (Aglietta 2011; Gao and Coffman 2013; Volz 2014). According to Campanella (2014, 4), the "proximate motive to internationalize the use of the renminbi was the collapse of trade financing during the crisis, which contributed to a 20 percent drop in China's exports." Chinese scholars further saw a global renminbi as enhancing the stability of the international economic system by promoting currency multipolarity (Li and Yin 2010; Li 2011; Zhao 2009; Wu 2011). Some went even so far as to say that renminbi internationalization was driven by the needs of the international community, not China (Cao 2010). Regardless of the specifics, renminbi internationalization was generally understood as part of a long-term strategy to eliminate dollar dependence (He 2009; Xiang 2011, 2013; Cao 2014).

Second, the GFC called into question the sustainability of China's export-led growth model, which had proven deeply dependent on these imbalances in the international economy (Aizenman 2015; Campanella 2014; Subramanian 2014; Gao 2013). According to this view, the GFC was a shock to Chinese observers, pointing out that the United States could not longer act as the "demander of last resort," and the Western-focused export model was not sustainable. Not only did the GFC result in a precipitous fall in demand for Chinese exports, but insufficient dollar liquidity produced a credit freeze in many importing countries, limiting access to trade finance for importers (Bottelier and Dadush 2011). In this understanding, renminbi internationalization was part of China's strategy to rebalance its economy from investment to consumption, from exports to domestic absorption, and from manufacturing to services—including financial services (Eichengreen 2013).

Finally, the GFC underscored the extent to which China's massive stockpile of foreign exchange reserves as well as other dollar-denominated assets on its its international balance sheet were at risk (Gao 2013; Gao and Yu 2012; Yu 2012; Cheung et al. 2011; Lim 2010; Mao and Qin

2013; McKinnon and Schnabl 2004; Wang 2011). Paul Krugman (2009) termed this excessive vulnerability to U.S. monetary policy and the dollar's fluctuating value "China's dollar trap." This was brought into even clearer relief after three rounds of quantitative easing that, while aimed at reducing U.S. interest rates, resulted in significant dollar depreciation (Bowles and Wang 2013, 1377).

Chinese scholars frequently emphasize the potential for renminbi internationalization to mitigate these risks from a "unipolar" currency system (He 2009; Men 2009; Xiang 2011, 2013; Cao 2014). This is seen as especially true in the context of quantitative easing (Li and Li 2014; Yu 2014; Mao and Qin 2013; Wang and Cheng 2011; Zhang 2010). For example, some Chinese scholars see the quantitative easing policy as "debt monetization," which "plunders" the wealth of foreign countries that hold foreign exchange reserves denominated in the rapidly-depreciating dollar (Li and Li 2014; Wang and Cheng 2011; Zhang 2010). To some Chinese scholars, renminbi internationalization would be the correct way to eliminate its dollar dependency (He 2009; Xiang 2011; 2013; Cao 2014). This over-reliance on a single currency for global reserves was further exacerbated by the reliance on the dollar for trade financing, and other international uses. China was not alone in its dollar worries; financial elites in the top reserve-holding countries became increasingly concerned about the performance of the dollar during this period as well (Otero-Iglesias and Vermeiren 2013, 317).

The crisis thus elicited "buyer's remorse" in China with regard to its development model, which had "bound it so tightly to the (weaker than previously assumed) U.S. economy and made it such a stake in the (even more vulnerable than once thought) U.S. dollar" (Kirshner 2014, 221). These arguments suggest that China thus began encouraging outward foreign direct investment and other initiatives aimed at reducing China's foreign exchange reserves and promoting a transition to growth based on domestic consumption rather than exports (Aizenman et al. 2015).

Through a more open currency, these firms could begin to cater to a domestic audience, and the finance industry could offset lost subsidized earnings by expanding their customer base to renminbi users globally (Chinn and Frankel 2005, 289; Kenen 2009, 6). Because these efforts brought China closer to economic models of growth associated with most advanced and middle-income countries, some studies even saw these policy changes more as currency "normalization" than internationalization, and focused more on short-term problem solving than long-term strategy (Di Meglio 2012; He 2011; Bowles and Wang 2013).

Reduced Transaction Costs and Exchange Rate Risks

In addition to these crisis-driven motives for financial reform, there are a number of other potential benefits from renminbi internationalization that are commonly cited as motivations for the currency campaign. First, an international renminbi would reduce exchange rate risks and transaction costs for domestic firms as they increasingly use the currency for invoicing and settlement (Cohen 2012a; Ito 2011; Gao 2013; Gao and Yu 2011; Huang and Lynch 2013; Li 2007; He 2009; Zhang 2013b; Zhang and Tao 2014; Yu 2014b). According to Cheng (2013), some Chinese firms report that the costs of doing cross-border business in dollars can be as much as 1.5 per cent of the value of the transaction. This has been a significant opportunity cost for the domestic trading firms, as the share of *yuan* in export invoicing is lower than would be expected given China's size and importance in the global economy (Ito and Chinn 2013).

Reducing exchange rate and currency mismatch risks in household, corporate, and sovereign debt is another benefit from renminbi internationalization. With a greater diversity of financing sources, including those denominated in renminbi, households and corporations alike could benefit from a lower cost of borrowing (Gao and Yu 2009, 8-11; Ito 2011). If foreign countries issue bonds denominated in renminbi, Chinese authorities can hold those bonds without currency risk. This would also work to reduce exchange rate risks with China's massive foreign exchange reserves, largely denominated in dollars (Sun 2009; Ranjan and Prakash 2010; Kroeber 2011). Chinese analysts expect the dollar to devalue significantly at least over the long term, expecting that the U.S. government will "inflate away its debt burden by monetizing its budget deficit." Reducing dollar-denominated financial assets will thus allow China to reduce capital losses on its huge foreign exchange reserves in the future (Yu 2014b).

Financial Sector Development

Renminbi internationalization could also introduce new sources of profit for the country's financial services sector, including in trade finance, foreign exchange business, banking, and the buying and selling of securities (Eichengreen 2014; Yin 2011). This should in turn promote the development and sophistication of the financial sector overall (Gao 2013; Xia 2010; Zhao 2011; Ha 2011; Yu 2014b), as well as Shanghai and Hong Kong in particular (Gao 2010; Ranjan and Prakash 2010), helping to make Chinese financial institutions more internationally competitive (Li 2011). Development of the financial sector would increase demand for and depth of domestic bond markets. This would help to ease the transformation of its growth model toward consumption and services. At the same time, this trend would further bolster the internationalization of the currency (Guan 2011; Helleiner and Malkin 2012; Zhang and Tao 2014).

Macroeconomic Flexibility

Internationalization of the currency can also enhance what Cohen (2012) and Helleiner (2013) called its "macroeconomic flexibility," giving Chinese monetary authorities more control in domestic monetary policy, and making China less subject to the macroeconomic policies of the United States (Tu and Cheng 2009). This appears to contradict scholarship noted earlier that currency internationalization reduces domestic monetary control. In fact, the argument here is simply that China's reliance on the dollar is so excessive that some of its monetary policy authority is ceded to the United States. Internationalizing the currency would return some of this control to China, even as the global currency erodes its control over economic policy in other areas. I explore later in this chapter the balance of costs and benefits in terms of macroeconomic control.

Seigniorage

Finally, seigniorage—the spread between the face value of a currency and the cost to produce it—would allow China to profit from the issuance of an internationally-used currency, much as the United States has done for more than half a century (Ba 2009; Chen 2005; Chen et al. 2009; Chen and Hu 2013; Subramanian 2011; Ito 2011; Eichengreen 2011; Ranjan and Prakash 2010). Among other advantages, this "profit" makes it possible for the issuing country to print money almost without impunity or fear of inflation, America's so-called "exorbitant privilege" (Cohen 2009; Eichengreen 2011; Subramanian 2011; Prasad and Ye 2012; Aliber 1964; Chinn and Frankel 2007).

Even if China "does not have the ambition to charge seigniorage, internationalization of the renminbi can at least cancel the seigniorage that China has to pay to the United States to a degree" (Gao Haihong 2010, see also Gao and Yu 2009; Yu 2014b).

Other Economic Advantages

A few other economic benefits are occasionally mentioned. Some Chinese scholars have argued that renminbi internationalization would increase the scale of trade overall (Gao 2010; Ba 2009). Others have pointed out that *yuan* internationalization could deepen economic integration in East Asia (Sun 2010; Gao 2011; Zhou 2010). Finally, renminbi internationalization could help finance the trade deficit with other Asian economies, "reducing conflicts between internal and external economic goals (economic growth, full employment, stable general price level, and equilibrium in the balance of payments)" (Li 2007).

The Costs of Renminbi Internationalization

There are, however, significant potential costs to China in internationalizing its currency. While avoiding normative judgments of the prudence of China's internationalization drive, it is helpful to understand the constellation of benefits and risks as a yardstick of expected policy behavior. This is particularly relevant in the Chinese case, which has long been conservative in implementing reforms, prioritizing stability above all else. Seen in this light, it could be expected that China's policymakers would give the potential costs outsized weighting in the policy evaluation process.

I argue here that renminbi internationalization is a fairly risky endeavor with limited short-term benefits. Assuming Chinese policymakers are aware of the pros and cons of currency internationalization, this makes the current campaign a surprising course for this traditionally risk-averse government. At the very least, the ambiguous mixture of costs and benefits makes interests alone insufficient for explaining China's move toward internationalizing the currency. These potential costs of renminbi internationalization are detailed below.

Transitioning from the Financial Repression Model

As explained in the opening chapter, internationalizing the renminbi all but requires dismantling the financial repression model that has supported China's growth for decades. This transition would have immediate disruptive impacts on the domestic economy and be potentially destabilizing to the constellation of interest groups benefiting from the current model. While decreasing reliance on financial repression is almost certainly in China's interests, renminbi internationalization could push the reform process too quickly. The arguments detailed above are correct to point out that renminbi internationalization could be the right medicine for China's distorted financial system, even if it is not the only path China could take. However, it would be "shock therapy," an approach largely inconsistent with China's tradition of "crossing the river by feeling the stones."

Financial repression is under threat merely by beginning the process of renminbi internationalization, even if China does not follow through on its commitments for further reform. For example, China's adoption of dual onshore and offshore renminbi markets creates opportunities for arbitrage that strain capital controls and the system of financial repression (Cheung 2014). According to Subacchi and Han (2012), Chinese authorities believe that domestic financial stability can be maintained as long as inflows of offshore renminbi back to the mainland are restricted. However, it is not clear this would be effective.

Even if China attempts to delay capital account liberalization, renminbi internationalization will eventually "punch holes" in China's capital controls, challenging the government's grip over money and credit at home (McCauley 2011). For example, if renminbi internationalization only caused some countries to anchor to the renminbi, this could limit China's monetary policy freedom or its ability to manage the exchange rate (Hai 2007). Indeed, profits from arbitrage are "the major driving force of current renminbi internationalization, causing China to suffer great welfare loss" by moving slowly in implementing reforms (He 2015).

Finance in Service of the Real Economy

Renminbi internationalization is thus a drastic shift in policy for which the country's economy might not be prepared. Since Deng Xiaoping launched China's economic "reform and opening up" in 1978, producing decades of spectacular double-digit growth, the country's financial system has been slow to do either. By the time of the GFC, China's financial sector remained the country's least liberalized and least integrated into the global economy. Indeed, China is exceptional among historical examples of economic development in that its growth has not been accompanied by a commensurate level of financial development (Allen et al. 2005). History looms large over the reform process in China. The 1966-1976 Cultural Revolution, 1989 Tiananmen Square protests, and other historical events have produced a political environment focused above all on maintaining stability and ensuring constant growth to justify one-party rule. Throughout the reform period, heavy-handed control of the financial sector was key to achieving both goals.

In its use of financial repression, China has historically prioritized the real economy over the financial sector, seeking "productive" over "allocative" efficiency in its use of domestic savings (Otero-Iglesias and Vermeiren 2015, 692; Lo et al. 2011; Ju and Lo 2013). In other words, the financial regulatory model has forced banks to serve the productive economy, allowing Chinese political elites to allocate capital according to the priorities of the state to a much greater extent than would be possible through equity or bond markets, or a liberalized banking sector (Allen and Shen 2011; Lo et al. 2011). Indeed, households are not the only losers in this system. Small and medium-sized enterprises in the private sector have been forced to turn to the shadow banking sector for funding, even though these businesses are often more productive and profitable than SOEs (Lardy 2008; Song et al. 2014).

This prioritization of the real economy over finance goes back to the earliest days of the reform era. At the outset of China's turn to the market, the Chinese currency was completely insulated from the global economy. Foreigners were forbidden from holding renminbi, instead using foreign exchange certificates (FECs) to pay foreign employees and cater to tourists. Amazingly, this system remained in place until 1995, well into the Chinese economic miracle and far behind the level of reform observed in other sectors of the Chinese economy. Before the GFC, monetary liberalization has occurred only when necessary to support the growing export economy or to reactively relieve both internal and external pressures generated from this growth. Financial reform has served only to create what Wade (2003) calls "development space" to achieve China's broader economic goals.

For example, China established a dual exchange-rate regime in 1981 intended to support those in export industries with a more favorable rate of exchange while keeping the broader economy insulated from international pressures. This was replaced in 1985 by a foreign currency swap market that served as a de facto dual exchange rate, again favoring export industries. It was not until 1994 that the two exchange rates were unified, and then pegged to the dollar in 1995. Even this reform, however, was merely a response to the growing gap between the two exchange rates and the increasing prevalence of black market exchanges, making the dual rate system unsustainable.

In 1993, Chinese authorities briefly signaled their intent to liberalize the currency regime, with reform-minded Vice Premier Zhu Rongji aiming toward full currency convertibility by the end of the century. Between 1994 and 1996, China established current account convertibility and removed some restrictions on the capital account (Campanella 2014). However, the 1997 Asian Financial Crisis (AFC) derailed the incipient reform process, vindicating conservatives in the government as Chinese policymakers witnessed the serious risks of unmanaged capital flows. Conservatives gained even greater power over liberals after China's 2001 WTO accession, which many saw as having given up too much (Yang 2013). The irony is that capital account liberalization as a policy imperative was never more in doubt than in the years after the GFC, but this is when China apparently double-downed on its reform commitment (Lardy and Douglass 2011, 2).

Selective liberalization of the currency regime did pick up in the 2000s, but was again tailored to achieve specific goals related to the real economy, while implementing minimal financial reforms. For example, in order to encourage investment in Chinese industry through its nascent stock markets, China introduced the QFII program in 2002, which permitted the purchase and sale of renminbi-denominated shares in China's mainland stock exchanges. However, these were licensed by China Securities Regulatory Commission (CSRC) to a limited set of qualified institutions and were subject to strict quotas set by the State Administration of Foreign Exchange (SAFE). Moreover, these efforts served primarily as a means to support struggling state-owned enterprises, not foster liberal financial markets.

In 2004, China began to experiment with channeling foreign investments in Chinese industry through offshore renminbi markets in Hong Kong and Macau. In July of that year, the People's Bank of China (PBOC) and Hong Kong Monetary Authority (HKMA) signed the "Memorandum of Cooperation on Renminbi Business," which substantially increased Hong Kong's authority to conduct renminbi transactions outside China (Chen 2010). Ironically, these developments marked a return to the days of dual exchange rates, with the onshore CNY insulated from external pressures while the offshore CNH provided Chinese industry opportunities for external financing and reduced trade settlement costs. This was the same game played with new cards.

Transitioning from this system that has served China well for decades will not come easily. It is not just China's financial system that has been insulated from the vagaries of the global economy, but the entire economy. This has produced a weak financial sector ill-prepared for global competition, state-owned enterprises saddled with non-performing loans issued by state-owned banks, and an economic model that has long prioritized the real economy over finance. I argue that the benefits to these enterprises of a global renminbi in the context of such weak financial foundations are uncertain at best. These risks are explored in greater detail below.

Currency Stability

First, an internationalized renminbi would be largely incompatible with a fixed or stable exchange rate. Demand for the currency could put upward pressure on the currency, which would further hurt exporters likely already suffering from the end of financial repression (Zhai 2010). At the same time, if foreign confidence erodes or investors believe asset prices could fall, China could see downward pressures on the renminbi as well, introducing overall volatility in the exchange rate with which it has not previously had to contend (Prasad and Ye 2012; Ranjan and Prakash 2010; Gao 2010; Zhao 2008).

Capital Account Liberalization

China would also likely incur significant transition costs in moving its financial system to more market-based drivers, particularly if it liberalizes the capital account, which most analysts deem prerequisite to successfully internationalizing the renminbi (Cheung, Ma, and McCauley 2011; Subramanian 2011, 57). This transition could even be destabilizing, given the resulting scale and volatility of open capital flows (Tung et al. 2012). With longstanding restrictions on the capital account, the sudden availability of overseas investment opportunities could also release pent-up pressures and produce large capital outflows (Gao and Yu 2011, 112). This has already begun to happen since China began promoting the renminbi abroad.

In addition, China's insulated financial industry has relatively little experience in risk management and dealing with international assets and liabilities (Jiang 2011; Bae 2012; Ma and Yao 2016). China's immature financial sector could be a major source of risk to the economy (Kroeber 2011; Eichengreen 2010; Ito 2011; Krugman 2009; Li Daokui 2008; Sun 2010). According to Zhang (2013), promoting structural reform through capital account liberalization "may be very tricky and even dangerous…if a systemic financial crisis breaks out, the domestic structural reform would not be accelerated, but would be postponed or even reversed," exacerbating investor uncertainty and financial volatility.

Chinese analysts also generally view capital account opening as prerequisite to successful internationalization (Ba 2009; Guan 2011; Wu Xiaoling 2009), and some point out that this exposure could cause financial crises (Guan 2011, see also Subramanian 2011; Eichengreen and Kawai 2014). China's economy and financial markets would be more susceptible to global market fluctuations, and in the case of net capital outflows during the process of internationalization, financing costs in China could actually increase, even though many arguments for renminbi internationalization are made based on lower financing costs (Wang, Hu, and Weng 2013).

Therefore, many scholars suggest that deep financial reforms should precede capital account liberalization and currency internationalization (Anand and Gai 2014; McCauley 2011; Yu 2011, 2014). This is essentially a problem of sequencing. Because of this, even many Chinese scholars have pushed for a regional renminbi before worrying about renminbi internationalization (Bei and Ha 2008; Chen 2009; Zhao 2009; Xiang 2011). Others have argued to focus first on trade settlement regionally, then as a regional reserve currency, and only farther down the road looking to internationalization (Lu 2009; Wu Nianlu 2009).

Monetary Policy

In addition to these transition costs, an internationalized currency presents new challenges. First, it limits internal monetary policy options, decreasing the ability of domestic monetary authorities to manipulate key rates and influence other channels of monetary policy, which have become susceptible to international pressures and developments (Broz 1997; Canzoneri et al. 2013; Chinn and Frankel 2007; Cohen 2012b; Dobbs et al. 2009; Henning 1994; Kenen 2009; Li 2007; McNamara 2008), as does capital mobility (Andrews 1994). Chinese scholars have pointed this out as well (Chen, Wang, and Yang 2005; Bu 2009; Chen and Peng 2010;

Gao 2010; Hai and Yao 2010; International Monetary Institute 2014; Xu and He 2015; Zhang 2015; Zhang and Tao 2014). While this point has been used to argue that central banks should resist currency internationalization, it bears reiterating here that internationalizing the renminbi benefits the PBC precisely because it breaks the current system of financial repression that has severely restricted the bank's ability to conduct monetary policy.

The Responsibilities of a Global Currency

Simply issuing an international reserve currency also entails certain costs in itself, to include expectations of taking into account global needs in setting domestic monetary policy and providing a public good as the lender of last resort (Cohen 1971, 42). Pettis (2011) termed this the dollar's "exorbitant burden" instead of its common characterization as an "exorbitant privilege." Strange (1987) argued that preserving the sterling's international role required higher defense spending and higher interest rates to keep the currency strong, which had the effect of undermining export competitiveness.

The country of the leading international currency is also expected to take into account the effects of their actions on world markets, not just domestic objectives. For example, Truman (2007) argued that the Federal Reserve probably cut interest rates more than it otherwise would have in the second half of 1982, and again in late 1998, in response to debt problems in Latin America. After the GFC, the U.S. Federal Reserve faced significant pressure from developing countries to consider the effects of tighter U.S. monetary policy on these countries (Wilson 2015).

Finally, there is a "burden of responsibility" that comes with issuing an international currency, in which the "issuer may find itself called upon to accommodate systemic needs or fragilities should conditions warrant…monetary policy may have to be modified to contain a crisis, or subsidized loans may have to be provided to rescue some country in distress" (Cohen 2012a, 20, see also Eichengreen 2011; Prasad and Ye 2012; Subramanian 2011). Supplying international liquidity would be difficult if China hoped to maintain exchange rate stability (He and Li 2005). Strange (1971) also argued that states can experience "top currency syndrome," in which they become increasingly preoccupied with stabilizing the international economic system at the expense of national interests.

Before the GFC, China was generally hesitant to assume global responsibilities of this kind. It is again surprising that the Chinese authorities would actively pursue a leadership role that is directly correlated with providing global insurance, acting as a lender of last resort, maintaining global liquidity, and other responsibilities of an international currency. As much as China has pursued a greater say in world affairs, it has rarely been at the expense of domestic stability, which an international currency could threaten.

Finally, Cohen (2012) argued that the costs of issuing an international currency are higher for an economy on the rise, while the benefits are actually more pronounced for a declining country. It is for these reasons that Subramanian (2011, 115) suggested that currency internationalization might be a "poisoned chalice" for China, as its actual costs could outweigh the more widely-publicized benefits. The extent of an international currency's "exorbitant privilege" is debatable, but the real risks to China at its current stage of development and liberalization are all too clear.

Chances of Success

The final aspect to consider is whether China, with its closed economic and political systems, could even succeed in its aspirations at the present juncture. Economists hold relatively consistent views on at least the main criteria central banks consider when determining the currency composition of their foreign exchange reserves.

These criteria generally include:

- *Scale*: economic size and international importance of the issuing country, broad use of the currency in international trade (Krugman 1980, 1984; Frankel 1995, 2011; Matsuyama et al. 1993; Subramanian 2014; Wilson 2015);
- *Safety and confidence*: confidence in the currency as a store of value, general stability of the exchange rate, high credit ratings, support from international financial institutions, low inflation, transparent policymaking process with low political risk, history of strength (Frankel 2011; Wu et al. 2010; Chey 2012; Helleiner 2008; Lim 2006; Ben-Bassat 1980; Dellas and Bang Yoo 1991; Dooley 1986; Eichengreen 2007; Dooley, Lizondo, and Mathieson 1989; Papaioannou, Portes, and Siourounis 2006);
- *Liquidity*: free convertibility and depth of capital markets, low transaction costs, minimal regulatory requirements (Frankel 2011; Helleiner 2008; Lim 2006; Aliber 1964; Tavlas 1991; Anand and Gai 2014);
- *Strong foundations*: highly-developed capital markets in the home country, sound monetary and fiscal policies (Wu et al. 2010; Tavlas and Ozeki 1992; Helleiner and Malkin 2012; Henning 2006; Walter 2006); and
- *Incumbency/path dependency*: broad use of the currency today as a strong indicator of future use, central bank consideration of the actions of others in determining their own reserves (Krugman 1984; Frankel 1995; Kindleberger 1967; Chinn and Frankel 2007; Kenen 2002; Wilson 2015; Eichengreen and Rose 2010; Helleiner 2009).

China has fared poorly on all of these tests save the scale of its economy, given its history of heavy-handed intervention in the value of the currency, a weak and immature financial sector, shallow capital markets, and illiquidity due to strict capital controls. This profile is unprecedented for an emerging international reserve currency, and has been frequently cited as the most significant obstacle to further internationalization (Bergsten 2011; Cohen 2009; Cooper 2009; Dobson and Masson 2009; Eichengreen 2009; Helleiner 2008; Lee 2010; Park 2010; Wu et al. 2010), much less ambitions to see the renminbi become a global reserve currency (Chey 2012). As Eichengreen (2011, 7) puts it, the renminbi is a "currency with too much state."

Weighing the Costs and Benefits

Many of the benefits of renminbi internationalization are thus not as clear-cut as they initially appeared. The gains from increased macroeconomic flexibility are matched, as explained earlier, by other pressures undermining the same. For example, issuers of an international currency sometimes must take action to maintain confidence in the currency that is at odds with domestic economic priorities. External demand for renminbi assets could vary significantly over time, complicating domestic monetary policy formulation and implementation (Hai 2007) and increasing exchange rate volatility (Chen et al. 2009).

In addition, decreased transaction costs and exchange rate risks to domestic firms could come at the cost of international competitiveness in the export and import-competing sectors. Finally, the development of China's weak financial sector could be undermined by liberalizing too quickly, destabilizing the economy or giving foreign financial firms an advantage in the early days of an internationalized *yuan*.

While some scholars have raised seigniorage as a benefit of renminbi internationalization (Ito 2011; Subramanian 2011; Prasad and Ye 2012), many others (Aizenman 2015) pointed out that such advantages from financial internationalization are far off in the future, when the renminbi constitutes a sufficiently large share of global holdings. According to Aizenman (2015, 5), "there are no clear-cut reasons to rush with the full CNY internationalization…chances are that the gains from a rapid CNY financial internationalization are overrated, and ignoring the downsides of this process would be to Chinese (and probably global) peril." The benefits of renminbi internationalization in the near term, however, are likely much less impressive.

Why, then, did the Chinese government implement policies that are unlikely to succeed in the short term, but will more than likely eventually take place even without official policy intervention? I argue that policymakers were not always considering these costs and benefits at all. As explained earlier, I suggest that renminbi internationalization viewed through the lens of global politics downplays these concerns, putting the focus on more abstract goals such as power and prestige.

Other Problems with Interest-Based Explanations

Conventional economic accounts present an attractively simple interests-based explanation for renminbi internationalization, reasonably looking to economic factors to explain economic policy. However, this myopic approach to studying the issue misses potentially-relevant social and political factors that also experienced drastic shifts in 2008.

Level of Analysis

First, these explanations err in adopting a level of analysis focused on "China's" interests writ large. As I argue in this study, taking the level of analysis down one degree to institutional interest groups is necessary to explain the internationalization drive. However, conventional explanations assume that renminbi internationalization reflects a "whole of government" strategy driven by the country's senior leadership. Moreover, this literature rarely looks to what Chinese actually say about their motivations for internationalizing the renminbi.

These mostly economic explanations are not necessarily inaccurate in describing some of the desired outcomes of internationalizing the renminbi. However, this approach misses the complexity of policymaking in China, which involves a host of ministries, agencies, and other government bodies, as well as a number of external organizations with a say in the policy process. Debating which of the potential benefits of renminbi internationalization drove the Chinese government to launch its 2009 campaign tells us nothing about how the political obstacles to reforming China's currency policy had so suddenly been overcome. It remains unclear who drove the policy change, their primary motives for doing so, and how they were able to unseat the bureaucratic inertia and conservative bias characteristic of financial policymaking in China.

Is Renminbi Internationalization the Best Policy?

Second, it is not clear that currency internationalization is the optimal policy to address the challenges cited as its primary motivations. In fact, it might prove counterproductive. For example, the desire to reduce dollar dependence has not worked, as China continued to buy dollars as the currency internationalized (Zhang 2011; Zhang and Xu 2012; Yu 2014). According to this analysis, development of the offshore market in Hong Kong caused China to buy more foreign exchange reserves and suffer more losses as the renminbi appreciated against the dollar, and as the dual market system introduced new opportunities for arbitrage (Zhang 2011; Yu 2011, 2012).

Many analysts have concluded that China could eventually achieve almost the same effects simply through liberalization and resulting market demand. Mundell said the "renminbi is likely to become a reserve currency in the future, even if the government of China does nothing about it" (Barboza 2011). For example, Hans Gensberg noted that:

> It is an open question whether public policy should attempt to promote the internationalization of the domestic currency beyond establishing preconditions such as a deep and dynamic domestic financial market, a well-respected legal framework for contract enforcement, and stable and predictable macro and micro economic policies [as currency internationalization] does not depend on special government

> encouragement but will take place spontaneously when the required preconditions are met. (Gensberg 2009, 229)

Chen et al. (2009) also point out that the increasing trade dependencies in Asia suggest that regional currencies have increasingly tracked with the renminbi even without a government campaign, and such trends would likely be more pronounced if the renminbi were fully convertible. Indeed, McCauley (2011) noted that China's official promotion of currency internationalization has "no precedent," as it has usually been a market outcome. In short, as Cohen (2012, 2) put it, "can demand-side preferences be successfully altered by state-led measures on the supply side?" Strikingly, the internationalization of the Indian rupee has arguably proceeded farther along some measures than the renminbi, even though rupee internationalization has not been associated with a public campaign (Ma and McCauley 2011, 19; see also McCauley and Scatigna 2011; Cheung et al. 2011).

Why, then, did China elect to pursue currency internationalization instead of simply pursuing financial liberalization? Indeed, it is far from clear that internationalizing the renminbi is the only or even optimal means of achieving the goals commonly cited as motivations for the effort. From developing the financial sector to transitioning the domestic growth model, *yuan* internationalization could be less efficient than other strategies or even counterproductive. In this light, it remains unclear why conservative political opposition would accept currency internationalization when other policy options were available.

Conflating Currency Internationalization and Monetary Opening

These explanations also conflate currency internationalization with monetary opening. Because all previous international currencies were freely convertible, the perceived gains from internationalization are construed with these historical examples in mind. The benefits many scholars ascribe to renminbi internationalization are in fact benefits of monetary liberalization.

With China's closed capital account, managed exchange rate, and regulated interest rates, many of these benefits remain largely notional in nature, advantages that China might achieve years or even decades into the future. To be fair, many of the costs that I have identified in this chapter could also be construed as referring to monetary opening rather than currency internationalization itself. However, I submit that renminbi internationalization puts into motion immediate pressures for monetary opening, which introduce significant transition costs for China in the near term. In contrast, many of the benefits outlined above cannot take place until monetary opening is relatively complete, putting these benefits further into the future.

Chinese scholars have also noted the puzzle of renminbi internationalization. According to Yu Yongding, for example:

> Renminbi internationalization is a long-term project and will take years, if not decades, to realize…it is difficult to imagine how renminbi internationalization can help the PRC reduce exchange risks and preserve the value of its foreign exchange reserves, as well as meet other objectives, in the wake of the subprime crisis. (Yu 2014b, 59)

Yu further noted that the U.S. financial market had already stabilized by the second half of 2009, reducing many of the concerns that had apparently motivated the campaign. Finally, Yu pointed out that renminbi internationalization would require capital account liberalization, which could cause serious financial instability, even though the "PRC monetary authority knows well the costs and benefits of renminbi internationalization as well as the risks that capital account liberalization will create."

Evaluating the Economic Case for Renminbi Internationalization

In sum, the benefits of internationalizing the renminbi are ambiguous at best, and are "much more difficult to assess than is often acknowledged" (Helleiner 2013), while the potential costs of internationalizing the "redback" are rather clear. It is far from clear that achieving major currency status, even if successful, would offer many near-term benefits that could offset the potentially painful adjustments. There are studies that argue that the benefits outweigh the costs in internationalizing the renminbi (see, for example: Zhang and Tao 2014). However, the preceding discussion should make clear that the benefits of currency internationalization to China are not sufficiently obvious that they can stand alone as explanations for the policy change. As noted earlier, previous rising economies found the risks to outweigh the rewards, and the risks particular to China's current state of development only skew this risk-reward balance further. For a risk-averse government that has historically moved very slowly with economic reforms, drawing on these benefits from currency internationalization builds a very unconvincing case for explaining China's motivations for internationalizing the renminbi.

The argument here is not that there are no benefits to be had from internationalizing the renminbi, and makes no claim as to the rationality or prudence of China's currency policies. Rather, I argue that domestic barriers, the international context, and historical precedent make *yuan* internationalization an unlikely choice for China's leaders, surprising in light of the country's track record for reform, and anything but an obvious extension of China's rise. Based on these insights, I argue that interests alone cannot explain China's policy shift.

The following chapter looks to domestic political explanations, examining whether renminbi internationalization could merely be one part of a greater plan—even possibly a political conspiracy—to achieve monetary opening. Instead of explaining renminbi internationalization in terms of its benefits, these explanations construe internationalizing the currency as a distraction specifically intended to exact the transition costs detailed above, or to at least make them more politically acceptable. The chapter explores in detail the role of China's senior leaders and the central bank, looking to see whether renminbi internationalization or even nationalist rhetoric were intentionally invoked in order to ease the pain of financial liberalization. I find that these explanations also fall short when weighed against the empirical evidence.

CHAPTER FIVE: INSTITUTIONS—ELITE NATIONALISM AND POLITICS OF ECONOMIC REFORM

This chapter weighs the empirical evidence against assertions that the reformist central bank or even China's senior leaders themselves took advantage of renminbi internationalization's popular appeal to force needed but politically-difficult reforms (see, for example, Bell and Feng 2013; Cheung 2014; Chin and Wang 2010; Davis 2011; He 2015; He and Ma 2011; Huang 2009; Kroeber 2013; Lo 2013; Thornton 2012; Volz 2014; Wang 2011; Wu 2011; Yu 2014; Zhang 2015). According to this argument, reformers promoted currency internationalization not for its own sake, but as a kind of "Trojan horse" that would generate irreversible pressures to achieve their true goal of forcing open China's long-insulated financial system. More extreme versions of this argument (see, for example, Feng 2012) suggest that nationalist rhetoric was intentionally invoked to achieve these goals. The chapter assesses this argument first in the context of the central bank and then from the perspective of China's senior leaders.

This chapter highlights an important point of debate among scholars of Chinese nationalism: is nationalist sentiment in China essentially a top-down elite manipulation of popular opinion or a bottom-up phenomenon? The distinguishing factor here is between state and popular nationalism, with each given greater or lesser causal weight in studies of Chinese nationalism (Shen 2004). While early studies focused in large part on the top-down manifestations of Chinese nationalism, the 1999 Chinese embassy bombing in Belgrade turned attention to the bottom-up features of Chinese nationalism. Gries (2004, 2005) and other scholars began to explore the "angry youths" (*fen qing*), cyber nationalism, public opinion, and media influences, suggesting that the government could no longer control nationalist impulses. Gries argued that China's "apology diplomacy" has created an environment where a national collective self-esteem of the Chinese people generated anger toward Japan and United States in the face of nationalist incidents. Weiss (2008), on the other hand, argues that popular nationalism is still largely under the government's control.

While I make no claims here about the general importance of either form of nationalist expression, I find little support in the data for the top-down argument of elite nationalism to explain renminbi internationalization. Neither China's senior leaders nor the central bank significantly invoked nationalist sentiment to promote currency internationalization. Rather, such sentiments originated first in the public sphere. In fact, the central bank was remarkably restrained in publicly promoting renminbi internationalization, not even using the term on its website until 2010. The PBC's tone was cautious, and in fact it referred more frequently to the *risks* from renminbi internationalization on its website than any other constituent. Official media sanctioned by China's senior leaders demonstrated considerable ambivalence on the issue, regularly giving voice to opposing views on currency internationalization, and frequently emphasizing its long-term and gradual nature. In addition, China's government put the brakes on and even reversed some financial reforms at the first sign of economic trouble in 2015. If the ultimate goal were monetary liberalization, it would stand to reason that high-level commitment to the strategy would better withstand such modest setbacks.

I argue that this reflects the institutional maturity and political savvy of the central bank. It saw an opportunity to advance its policy agenda, but had to advance carefully so as to not cause pushback from other institutions in the bureaucracy. Moreover, neither the central bank nor China's leaders wished to encourage liberalization at an excessively rapid pace. All of this gives credence to the preferred hypothesis, that such nationalist sentiment was an exogenous development, a fire of public opinion that China's government had to watch carefully and manage rather than intentionally stoke.

In this chapter, I demonstrate how the central bank grew into a professional institution well-prepared to balance this complex reality, carefully promoting renminbi internationalization while avoiding antagonizing competitors within the bureaucracy. I then turn to China's senior leaders, exploring their mixed interests in renminbi internationalization and their uneven promotion of the policy shift. In either case, I find that elite politics, too, proves insufficient to explain renminbi internationalization.

The Central Bank's Role in Renminbi Internationalization

As explained above, neither the central bank nor China's senior leaders significantly invoked nationalist themes to advance an economic reform agenda. For its part, the central bank remained cautious in tone well into the new decade, demonstrating considerable restraint in taking advantage of public support for policies no doubt in its interest. The PBC did become increasingly bold between 2012 and 2014, beginning to argue for renminbi internationalization more directly and confidently than ever before, appearing to have gained greater confidence in light of broad acceptance of renminbi internationalization both in the public sphere as well as within the government. This was around the time that several provocative opinion papers were published by the PBC that called for more rapid and significant reforms than this conservative organization had previously dared to suggest. These papers will be explored in greater detail below.

None of this is meant to suggest that the PBC was not the primary architect or proponent of renminbi internationalization. The issue of the renminbi's global role was more openly discussed in the PBC's own trade journal, beginning to discuss renminbi internationalization and related policies—even if not using the term itself—since the 1990s. In the following chart, the blue line represents general discussions of the renminbi's global role in the PBC's trade journal, compared to discussions in the Ministry of Finance's trade journal as well as those representative of the export industry:

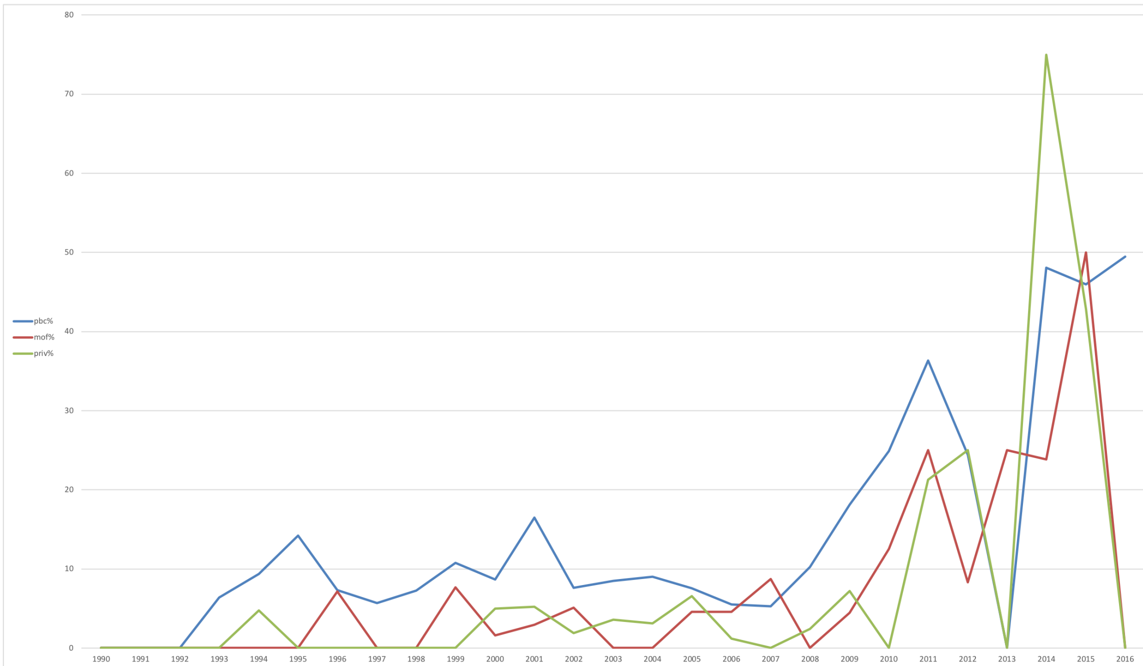

Figure 2: Percentage of Documents Referencing Renminbi Internationalization (Dataset 3)

I suggest that this is because the PBC was speaking to its own supportive audience rather than the general public, competing ministries, or leadership. The PBC also used its journal to discuss policy options, without necessarily promoting specific initiatives. As would be expected, the central bank overwhelmingly used economic language with concrete goals measured in absolute terms.

The following discussion traces the history of China's central bank, demonstrating how it has struggled and largely succeeded in expanding its sphere of influence in a government somewhat suspicious of liberal finance. This discussion sheds light on the institution's inherent interests as well as its pragmatism and conservatism in dealing with policy issues such as the internationalization of the currency. I argue that renminbi internationalization absolutely advances the interests of the PBC, even though broader monetary reforms align more closely with its highest institutional priorities. However, the political savvy of the central bank caused it to proceed cautiously in a crowded bureaucracy with many institutions opposed to its policy agenda. Seen in this light, the PBC likely did not want to push too hard for currency internationalization before it felt confident that it had the support from China's senior leaders and relatively wide agreement across the bureaucracy, as it would likely be blamed for any negative repercussions of liberalizing too quickly.

History of the People's Bank of China

The People's Bank of China was established on December 1, 1948, nearly a year before the People's Republic itself. For many decades, it was China's only bank, combining the functions of a central bank with those of commercial banks. It was limited to monitoring foreign exchange transactions with no say in setting the value of the currency. It was thus at the periphery of monetary policymaking for much of its history.

In 1984, its commercial banking activities were given to four newly-established state-owned commercial banks, and the PBC was designated exclusively as a central bank, with some authority over exchange rate management and other monetary policy issues. It remained subordinate to the Ministry of Finance and did not hold ministry status itself. It primarily implemented monetary policy through the credit plan, setting quantitative bank-specific loan quotas and providing liquidity to those banks, which were then directed to allocate credit to government-preferred sectors and projects (Montes-Negret 1995). This mismatch between credit supply and demand hindered the efficient allocation of credit, and the development of new financing sources diluted the effectiveness of the credit plan. By the 1990s, inflation was becoming a serious problem. In 1995, the People's Bank of China Act expanded the bank's monetary policy functions to maintaining the "stability of the value of the currency and thereby promoting economic growth," giving the bank a dual purpose of growth and price stability (Sun 2013). In order to fight inflation, the PBC developed its information gathering, monetary expertise, and other capacities to help it function more as a modern central bank. The PBC was, however, also required to remain sensitive to annual growth targets set by the central government, which would ultimately trump price and currency stability. This delicate balancing act would become second-nature to the PBC.

Monetary Policy Tools at the Central Bank

The 1990s saw expanding usage of monetary policy tools. In 1996, the PBC introduced growth rates of monetary aggregates M1 and M2 as nominal anchors together with credit quotas. In 1997, the PBC allowed banks to adjust lending rates upward from the benchmark rates by as much as 20 percent. In 1998, bank-specific credit quotas were abolished, replaced by a single set of quotas for all financial institutions. There is a consensus in the literature that the 1998 was a turning point of the PBC's monetary policy regime from direct to more indirect means of control (see, for example, Cao 2001; OECD 2010; Xie 2004), though certain direct monetary tools did remain. The central bank law was amended in 2003. By this time, the PBC had accumulated a variety of monetary policy tools, including market-based tools such as open market operations, the rediscount rate, and reserve requirements as well as non-market approaches like instructive credit plans, interest rate regulations, credit policy and "window guidance" on bank lending (Xie and Luo 2001; Yi 2001). The ceilings on lending rates were completely eliminated in 2004, but deposit rates remained highly regulated. Thus, the PBC used a mix of indirect market instruments and more direct methods to control the volume and composition of credit flows.

Even after decades of reform and attempts to make the PBC a modern and professional central bank, its powers remained highly circumscribed. It still could not implement major decisions about the money supply, interest rates, exchange rates, or other key monetary policy targets without State Council approval, while reporting other decisions for the record (Han 2012). Its implementation of monetary policy was expected to be done in support of higher-level government policies and the political agenda (Bell and Feng 2013, 9).

The Institutional Interests of the People's Bank

The PBC is a highly-professional bureaucratic organization in the Chinese government. Generally speaking, its interests include effectively implementing monetary policy, expanding its authority and abilities to implement effective monetary policy, seeking promotions and influence based on this effectiveness, and representing the interests of the financial sector in China. The PBC employs many liberal and Western-trained economists that tend to support liberal policies. Moreover, the PBC represents the interests of the country's financial sector, which, as has been pointed out, has mixed interests in renminbi internationalization but is overall sympathetic to the value of market economics. International financial expansion is the obvious "next step" in the growth of the country's financial institutions, even though this would require letting go of the benefits of subsidies through financial repression.

Unfortunately, the secondary literature does not provide clues as to whether the financial sector has specifically lobbied the central bank to internationalization the currency on its behalf. However, non-tradeable sectors like banking have long been far less powerful than their tradeable counterparts in influencing government policy. Foreign financial institutions have been ecstatic about the business potential of a global renminbi. It is highly likely that domestic institutions see similar opportunities for growth and expansion through a global currency, even if they remain concerned about the loss of income from regulated interest rates.

The PBC itself, however, has a number of institutional interests in renminbi internationalization. Renminbi internationalization would in large part complete the central bank's transformation into a modern central bank, with modern monetary policy tools and a modicum of central bank independence. Increasing central bank independence and broadening its monetary policy autonomy would greatly expand the PBC's policy space, and would correspondingly expand its influence and power within the bureaucracy. Even if renminbi internationalization does not lead to far-reaching capital account, exchange rate, or interest rate reforms, it expands PBC oversight to a new sphere of offshore markets requiring new authorities for managing monetary policy in a context of cross-border flows. Increasing its ability to leverage monetary policy tools is a central institutional goal of the PBC (Chey and Li 2016, 14). The following section discusses some of the ways in which renminbi internationalization could achieve this expansion of monetary policy authority.

Central Bank Independence and Monetary Policy Autonomy

An independent and professional central bank is often deemed prerequisite to the international confidence necessary to support a legitimate international currency. Some domestic observers have called for strengthening PBC independence to further renminbi internationalization (see, for example, Huang, Wang, and Fan 2014). According to Chinese policy insiders, top leaders have even considered granting the PBC formal independence, which would make it the first government agency in Chinese history to have been awarded autonomy from the government (Feng 2013, 50).

While it is unlikely that the PBC will be afforded full independence, and is unclear whether the bank itself has advocated for it, the PBC has long sought to expand its monetary policy autonomy (Bell and Feng 2013). Even modest shifts to a more flexible exchange rate and liberalized financial system, including capital account opening and interest rate liberalization, would make this possible (Gao and Yu 2011, 118-19). Using price-based monetary policy rather than a quantity-based framework, such as reserve ratio requirements, would require a deeper and more mature bond market, which renminbi internationalization could help promote (International Monetary Institute 2013, 138). Governor Zhou has noted that the key to improving the effectiveness of China's monetary policy lies not so much in the realm of monetary policy per se, but in wider market-oriented financial reforms—including a further opening of the Chinese economy (Bell and Feng 2013, 160-61).

While currency internationalization can expand monetary policy tools, it can also limit the central bank's ability to control the domestic money supply and interest rates. In addition, the central bank will have to take into account foreign confidence in the currency's value, and potentially adopt tighter monetary policy than it otherwise do based solely on domestic concerns. As to whether currency internationalization could dilute China's monetary policy effectiveness, however, PBC officials have reportedly assessed this possibility to be minimal, with one senior official noting that the "Fed had paid little attention to the impacts on its monetary policy of the dollar's international uses, and that use of the dollar internationally had led to few constraints on Fed monetary policy," before remarking that "the same will be the case for China when the renminbi ascends to become an international currency" (Chey and Li 2016, 15). Because the central bank's monetary policy tools are so constrained by China's closed financial system, currency internationalization would be a net expansion of authority, even if complicated by placing its monetary policymaking into a greater global context.

Capital Account Opening

It is also clear that opening China's capital account is a policy priority for the PBC, at least in the medium term (He 2016, 22). China's closed capital account places significant stress on the PBC's monetary policymaking, most notably by requiring massive accumulations of foreign exchange reserves in order to defend a stable renminbi (Gao and Yu 2012). In addition, the PBC has expressed its concerns over the dollar assets within its foreign exchange reserves. In April 2011, when Standard & Poor's placed a negative outlook on the US government's debt position, Governor Zhou remarked that the amount of China's reserves was "really too much"

(Feng 2011, 26). According to Bell and Feng (2013, 255), the PBC's interests in renminbi internationalization is in large part driven by concern over potential losses in China's foreign assets, the desire to avoid exchange rate risks, and a unilateral action reflecting frustration over global structural problems and regional inactivity.

It is obvious that China's capital account cannot remain closed off from the world forever. However, opening the capital account would place stress on other illiberal aspects of China's monetary policy. First, an open capital account would require a shift to a flexible exchange rate system to avoid speculative attacks from attempting to operate an open capital account under a fixed regime (Chey 2012). If the country opens its capital account without liberalizing interest rates, this may generate a liquidity crisis as domestic depositors will likely move funds from the country to realize better profits (Chey 2012). Up until now, the PBC has been reluctant to raise interest rates, because this would attract more speculative flows of "hot money" that it would have to sterilize with foreign exchange market interventions (Volz 2014, 116). An open capital account, liberalized exchange rate and interest rates—combined with a global currency—would decrease opportunities for arbitrage and political interference, increasing PBC policy authority significantly and give it more control over those areas within its authority (Chey and Li 2016, 10).

The Bureaucratic Environment of the People's Bank

As explained previously, the PBC initially implemented state policy with no authority of its own, and was institutionally weak, "among the lowest-ranked ministries in China" (Wright 2009). The PBC was a "puppet agency of the central state" serving the fiscal needs of the government and state-owned businesses (Bell and Feng 2013, 9). Since that time, however, the PBC's independence—its operational independence, in particular—has grown considerably stronger, especially since the 1995 central banking law. The PBC has successfully established itself as a substantial force within Chinese macroeconomic policymaking circles, where it now plays a key role in shaping policy options and providing advice (Bell and Feng 2013).

By the time of the 1997 Asian Financial Crisis, the PBC had become an important organization impacting economic policymaking in China. For example, it played a "key role" in influencing China's decision not to devalue after the AFC (Bell and Fung 2013, 210). According to one senior PBC official, "it was a hard time back then in the summer of 1998 [when there] much opposition to the non-devaluation policy" (Bell and Fung 2013, 224). The PBC was no longer the weak institution of even several years previously. The People's Bank had become a key ally of Premier Zhu Rongji, who used PBC support for his battles with conservative opponents, while the PBC relied on Zhu for his patronage and support. Moreover, the bank's expertise and institutional capacity had made it indispensable to China's leaders that were largely lacking strong economic or especially financial backgrounds (Tiberghien 2011). Its role as a "problem solver" generated "mutual dependency" with party leadership that has helped it to increase its authority within the hierarchy of Chinese policymaking (Bell and Feng 2013; Shih 2007).

Historically, the PBC has nonetheless frequently lost battles for exchange and interest rate reform with the powerful NDRC, MOF, and MOFCOM. This is no doubt related to the strength of China's exporters and export-reliant provinces in influencing national exchange rate policy (Kaplan 2006; Steinberg and Shih 2012). There are some indications that the MOF and NDRC have encroached on the PBC's autonomy in setting exchange rate and foreign reserve policies in recent years, and that renminbi internationalization could help defend the PBC's policy space (Bell and Feng 2013, 52, 91; Jiang 2014, 163). The creation of high-level leading groups under Xi Jinping has provided both opportunities and barriers to advancing the PBC's policy agenda, giving it access to senior leadership on important monetary matters but also creating a forum for opponents to challenge its policy agenda.

Key Figures in the Central Bank

These achievements as well as the PBC's success in promoting renminbi internationalization are frequently attributed to its leadership. The central bank governor and deputy governors are appointed and removed by the premier. The State Administration of Foreign Exchange (SAFE) is subordinate to the PBC and is responsible for drafting rules to regulate participants in renminbi cross-border settlements regarding market-entry, reporting, and accounting.

Zhou Xiaochuan has been PBC governor since 2002. Zhou is widely credited with raising the institution's profile and policy authority. Indeed, his long-running tenure is a testament to the trust senior leadership puts in him, and its reliance on him. As Bell and Feng (2013) observed, in China's relationship-based society, Zhou Xiaochuan's personal relationships with top party leaders served to endow himself and the central bank he heads with significant informal authority.

In addition, Zhou was acclaimed as "Mr. Renminbi" and winner of Euromoney's central bank governor of the year in 2011. An engineer by training, Zhou became a staunch liberal economist. In the 1990s, he authored a number of books that argued that while the pegged regime was instrumental in promoting exports, it hampered the structural shift and sustainable development of the Chinese economy. Zhou worked in various positions in China's financial bureaucracy, including as head of the SAFE between 1995 and 1998. Before becoming PBC governor in 2002, he also served as vice governor of the PBC, governor of the China Construction Bank, and chairman of the China Securities Regulatory Commission. Other important figures include previous governor Dai Xianglong, deputy governor Hu Xiaolian, and former deputy governor and SAFE chief Yi Gang. Li Ruogu was another former deputy governor and chairman of the Export-Import Bank of China. All are public figures that appear regularly in national media to discuss economic issues. Zhou's role in particular in stoking national discussion of the currency is explored in greater detail below.

Moving Away from the Dollar

The central bank's interest in moving the country off the dollar goes back to the aftermath of the Asian Financial Crisis. At the time, the PBC began voicing warnings about the adverse effects of the existing international monetary system in terms of exchange rate volatility, asking the IMF to exercise stricter surveillance over the major reserve issuing countries and emphasizing the "irrationality" of overly relying on any single nation's currency for global reserves (Chin 2014, 189). PBC officials argued that an international currency that also serves as a domestic currency places the issuing country in a position where its actions inevitably prioritize its own needs over the world's (Bowles and Wang 2013, 1376). Indeed, there was resentment in Asia about the negative effects of the IMF's post-crisis bailout packages.

In April 2000, Deputy PBC Governor Xiao Gang stated that:

> We think the major industrial economics have systemic significance, therefore, the International Monetary Fund should put more effort into monitoring these members under its bilateral and multilateral surveillance exercise, particularly, by analyzing the possible impact of spillover effects of their policies on both regional and global economies. (Chin 2014, 189)

In 2002, Governor Dai Xianglong voiced support for "multi-polarization" of the world economy, including expanding the use of SDRs as an international reserve currency (Dai 2002). This meshed well with Jiang Zemin's official line of supporting "multipolarization and economic globalization" against the "old international political economic order, which is unfair and irrational, has yet to be changed fundamentally…we oppose all forms of hegemonism and power politics" (Jiang 2002, cited in Lampton 2005). This remained the central bank's fundamental message even as the U.S. Treasury and Congress—as well as the IMF—began to pressure China on exchange rate "misalignment" (Chin 2014, 191).

In 2006, Yi Gang (2006) argued that China should not let itself become "dollarized." Yi noted that if a U.S. recession were to hit, the ill impacts of the dollar would appear and become devastating to China's domestic economy. Yi also expounded a "renminbi first" (*renminbi diyi*) strategy, noting that "historically, which country's currency that denominates international trade and capital flows then has the right to take the initiative in driving international economic transactions." The idea of the renminbi being the solution to the dollar-centered international monetary system was certainly under consideration within the PBC at the time.

The People's Bank and the Exchange Rate Debate

The PBC began advocating for exchange rate liberalization in the early 2000s. Central bank officials argued that exchange rate targeting was not sustainable without leading to domestic inflation resulting from currency sterilization measures, and convinced leaders to increase interest rates in September 2003. By this time, the PBC had been fighting inflation bubbles amid fierce resistance from other parts of the bureaucracy and the real estate sector (Bell and Feng 2013, 243). Each competing interest group published research reports and other persuasive articles in newspapers, magazines, and journals under their sponsorship, attempting to sway leadership on the issue.

Liberal economists agreed that the *yuan* was undervalued at the time. The central bank opposed undervaluation over concerns about inflation (Yu 2003) and from a desire to promote the development of the financial sector (Wright 2009). The central bank advocated a revaluation of at least 5 percent, whereas Chinese Academy of Social Sciences (CASS) economists sympathetic to the PBC's concerns advocated a 10 percent revaluation of the exchange rate (Steinberg and Shih 2012, 1416-17).

China came under increasing external pressure for a revaluation as well. Bowles and Wang (2016) argued that there was a correlation between Western pressure and exchange rate policy changes. Bush administration insiders suggested that the combination of U.S. persuasion, multilateral diplomacy, and IMF surveillance pressure was an important contributor to this shift. It is impossible to tell whether the PBC's actions were from self entrepreneurship or a response to this pressure, but either way it was certainly the bank's ultimate preference. However, China's exchange rate decisions were "not simply answering to external (principally US) pressure, but were formed on the basis of domestic assessments of domestic circumstances to serve domestic interests, whatever other nations such as the US may like to think of their own capacity to pressure China into compliance" (Liew and Wu 2007, 213). Rising domestic inflation provided another reason to move in this direction (Walter 2014, 136).

The exchange rate was eventually revalued by 2.1 percent on July 21, 2005, and the exchange rate regime was officially changed to be a managed float based on a basket of currencies. Although this was clearly a success for the PBC, it also widely interpreted as a compromise between the PBC and MOFCOM, with the timing later and the revaluation smaller than PBC preferences due to resistance from provincial governments and opposing ministries. The downside of this political win was the flow of speculative "hot money" that following the revaluation due to expectations for more appreciation. This seriously strained the PBC's monetary policymaking abilities (Yao 2011). Still, the PBC gained considerable trust from leadership and policy authority for conducting macroeconomic management in the country, with the NDRC largely losing in the equation (Bell and Feng 2013, 241).

In July 2005, it was further announced that the 1995 plan to make the renminbi fully convertible was back on the table, beginning with the implementation of the 11th Five-Year Plan in 2006. The PBC has continued to drive interest rate reform, gradually liberalizing interest rates. It removed the deposit rate floor and the lending rate ceiling in 2004, and then the lending rate floor in 2013. A deposit insurance scheme, a precondition for full deposit rate liberalization, was launched in May 2015, and three months after that the ceiling on long-term deposit rates was lifted as well. Monetary reform was on the agenda, and the central bank was leading the charge.

The Central Bank's Strategy for Renminbi Internationalization

Neither the central government nor the central bank have released a road map or official justification for renminbi internationalization. However, it is obvious that the PBC was involved in implementing nearly every policy associated with internationalizing the currency. These include the establishments of the Renminbi Qualified Foreign Institutional Investor (RQFII) program that allows foreign investors to invest in mainland bonds and equities using offshore renminbi, of renminbi clearing banks in foreign economies, of renminbi/local currency swaps with foreign central banks, and of a cross-border renminbi payment system known as the China International Payment System (CIPS). The PBC has also opened up the Chinese interbank bond market to foreign central banks, international financial organizations, and sovereign wealth funds, and allowed non-public foreign financial institutions as well to raise renminbi-denominated debt capital in China's bond market. The PBC has strongly supported the plan for developing Shanghai into an international financial center by 2020, as well as the Shanghai-Hong Kong Stock Connect. While its role in implementing these policies is clear, this section details the central bank's public advocation of the internationalization agenda. These remarks give a sense of the PBC's intentions for renminbi internationalization, and the extent to which it promoted the currency as a means to achieving further reform.

The central bank did advocate in a speech in 2003 that while the renminbi was widely used in border trade in China's south, there was still great room for growth in the Sino-Russian frontier (Yi 2003). However, the central bank rarely used the term "renminbi internationalization." Some of the earliest moves to make the *yuan* a global currency were in increasing its use in Hong Kong around 2004, allowing residents there to hold and invest in renminbi-denominated assets. In some respects, the PBC's focus on Hong Kong reflects an attempt to accumulate experience from offshore markets and to set things out before applying them to the domestic financial sector (Cheung and Rime 2014).

The PBC conducted research on the use of the renminbi in neighboring economies as early as 2005 (Yu 2014). In 2006, the PBC released a report entitled "The Timing, Path, and Strategy of Renminbi Internationalization" (*renminbi guojihua de shiji, tujing ji qi celüe*) (PBC Study Group 2006). This was, according to Cohen (2012, 362), a "key turning point," leading to a "distinct shift" in attitude about currency internationalization. The report argued that "the time has come to promote the internationalization of the renminbi", claiming that renminbi internationalization could significantly enhance China's international status and competitiveness and enhance China's influence on the world economy. According to the report, China should take this opportunity to internationalize the renminbi is an "inevitable choice" (*biran xuanze*).

Crisis Response

The global financial crisis froze the monetary reform process once again, returning the exchange rate to a more-or-less fixed rate. The Ministry of Commerce was vocal in its support of a "stable" renminbi, but Zhou Xiaochuan proclaimed in a high-profile press conference during the National People's Congress in March 2010 that the dollar peg was largely "an emergency anti-crisis policy" that "sooner or later will be withdrawn" (Dyer and Anderlini 2010).

Indeed, a July 2008 regulation by the State Council formally broadened the central bank's authority to regulate the exchange rate, including the task of developing offshore markets in line with the progress of renminbi internationalization. Regardless, by 2008 the central bank was clearly keen on currency internationalization. According to Yu (2014b), interest in renminbi internationalization surged suddenly after the global financial crisis. Yi Gang mentioned renminbi internationalization in a speech in 2008 (People's Bank of China 2008) on promoting the benchmark interest rate Shibor that renminbi internationalization was one reason for implementing the Shibor, and that "the renminbi may become an important currency in the world in the near future."

However, other comments by PBC officials appeared more cautious. In 2008, then PBC deputy governor Wu Xiaoling noted that two conditions were required to internationalize the *yuan*. First, the renminbi must be made fully convertible. Second, the breadth and depth of renminbi financial markets must be made comparable to those of the United States. Wu also indicated that year that "conditions for renminbi internationalization were not mature and it was not yet on the agenda" (Wu 2008). Wu quickly became more optimistic, expressing in 2011 that within five years, China should be able to realize the convertibility of the renminbi under the capital account (Wu 2011).

I suggest that this contradictory messaging was because the PBC was managing rather than stoking public interest in the renminbi. However, it continued to argue strongly for renminbi internationalization within the government, and a turning point came in the form of a 2009 speech by PBC Governor Zhou Xiaochuan.

The Central Bank and the SDR

Zhou Xiaochuan gave a famous—now infamous—speech in March 2009 entitled "Reform the International Monetary System," which promoted the IMF's Special Drawing Rights (SDR) as a supranational reserve currency to replace the dollar (Zhou 2009). This is generally seen as the first move in outlining Chinese ambitions to erode the dollar's dominance in global finance. Zhou focused on the problem of relying on "credit-based national currencies as major international reserve currencies." Zhou advocated for a currency that would "be anchored to a stable benchmark and issued according to a clear set of rules…to ensure orderly supply," flexible enough to "allow timely adjustment according to changing demand," and "disconnected the economic conditions and sovereign interests of any single country." Zhou argued that the SDR would be the "light in the tunnel" for reforming the international monetary system.

Zhou's economic arguments largely rehashed concerns about the use of a national currency as the principal global reserve currency that had been expressed decades before by John Maynard Keynes at the 1944 Bretton Woods conference, and in the 1960s by Belgian economist Robert Triffin (Kroeber 2013). The governor's reading of Triffin, as well as that of policy advisors in the Chinese academy, is that when the currency of a single nation is used as the global reserve currency—as is the case with the US dollar—the currency issuing country faces the dilemma of making decisions on domestic monetary policy that serve national interests but which may not contribute to global economic well-being. Although the essay did not specifically mention the dollar, this was the obvious target. The essay arguably implicitly suggested that the renminbi should be added to the SDR basket (Chey and Li 2016, 12). While Zhou made no mention or allusions to renminbi internationalization, the fact that it must have been on his mind is underscored by the fact that the cross-border trade settlement plan was promulgated only a few months later (Davis 2011). In addition, in November of that year, the PBC established its Monetary Policy Department II, which was placed in charge of renminbi internationalization and exchange rate policy. The naming of the department suggests the PBC's recognition of the intertwined relationship between monetary policy and exchange rate policy, and the latter's importance in China's current context and future strategy.

President of the China Export-Import Bank and former PBC deputy governor Li Ruogu stated this intention more specifically:

> It may be feasible to reform the existing SDR into a payment currency in a real sense and further to substitute the dollar-denominated currency by a "basket of currencies" commonly accepted by all countries…of course, we need to discuss

> the selection of that basket of currencies by taking account of such factors as a country's GDP, trade volume, reserves, population and share in the world market. (quoted in Chin and Wang 2010)

The PBC initially appeared intent on securing IMF agreement to include all of the currencies of the BRICS nations. Yi Gang (2011) suggested creating a "shadow SDR" to include these currencies as an unofficial index, incorporating the currencies into the official SDR when the time was right. In addition, the PBC did show signs of genuinely seeking to expand the SDR's role, signing an agreement to buy a SDR 32 billion IMF bond in September 2009 and encouraging Brazil, Russia, and India to follow suit.

Why the SDR?

One must wonder who the intended audience of the speech was. As could have been expected, the IMF, the United States, and much of the international financial community was uninterested in implementing Zhou's proposal, though the message of China's dissatisfaction with the state of the international monetary system was certainly received. Chin and Wang (2010) argued that Zhou's focus on the SDR and not the renminbi was due to China's mix of strength and vulnerability in its international role, or perhaps its lack of confidence in its own currency being part of the solution. Alternatively, it might have been attempting to avoid antagonizing the United States.

According to Kroeber (2013), the political motivations behind the speech might have been more limited and prosaic: Beijing was at the time asking the IMF to establish a "substitution account," which would enable China to shift the exchange-rate risk of its large US dollar holdings to the IMF, and Chinese officials may have hoped that expressing support for a larger IMF role in global reserve management might make the IMF more amenable to its request. However, the request was declined. Alternatively, Chin and Wang (2020) suggested that the proposal was merely intended as a short-term diplomatic maneuver to gain leverage at the G-20 and G-8 leaders' summits.

In contrast, I argue that Zhou's speech, while likely genuinely advocating for greater use of the SDR, was also a "safer" means to raise the PBC's desire change the country's currency policies, but keeping the focus on external problems rather than a specific domestic solution. In fact, the speech came only ten days after Premier Wen Jiabao indicated that he was worried about the dollar. It certainly put the focus of China's leadership on the cause of the problem (reliance on the dollar) and the kind of solution necessary (replace it with a viable alternative).

The publication of Zhou's speech and related statements from the senior Chinese leadership—such as President Hu Jintao, Premier Wen Jiabao and Vice Premier Wang Qishan—unleashed a:

> …torrent of debate on how best to implement the basic ideas on global currency reform contained in the governor's speech, as the speech itself was short on concrete details of implementation…it has spurred related discussion on the root causes of the current macro imbalances, remedial options and discussion of broader themes such as Chinese currency internationalization, regional financial and monetary co-operation in East Asia, financial collaboration between China and other emerging and developing countries, and the future of US dollar hegemony. (Chin and Wang 2010)

A few months later, the People's Bank again renewed its call for a new global currency, noting that the IMF should manage more of members' foreign-exchange reserves. In its 2009 Report on Financial Stability in China, the PBC once again raised the "inherent defects" in using a sovereign credit currency as a reserve currency, arguing that the international community needed to develop an international reserve currency decoupled from sovereign states, which was the intended purpose of the SDR (People's Bank of China 2009). However, the PBC had to quickly follow up with a clarification that it would continue to buy U.S. Treasuries, as his speech had caused concern in international currency markets.

The Impact of the Speech on the Domestic Debate

Other ministries, however, had clearly not bought into the idea. A few days after Governor Zhou's essay was published, a spokesman from the Ministry of Foreign Affairs distanced the government from the proposal by saying that the proposal for a supranational reserve currency was no more than personal ideas. In 2012, French President Sarkozy, then head of the G-20, wanted China to more actively lead the fight against America's "exorbitant privilege," but China declined to get into the limelight (Chin 2014, 200).

However, Zhou's speech could not have been better timed. During the uncertainty of the GFC, the future of China's economic policy and growth model were far from clear. Indeed, one Chinese analyst claimed the crisis caught China's leaders by surprise, and were unclear on its implications for China's role in post-GFC world (Wang and Liu 2011). This provided a golden opportunity for Zhou to steer the conversation as the country figured out where to go next. The crisis also provided top cover for Zhou's policy ideas, with the focus on external policy issues like IMS reform constituting a low-risk initial foray into promoting monetary opening without initially addressing its more sensitive domestic implications.

While the call to afford the SDR a greater role in the global economy fell on mostly deaf ears, Zhou was successful in reframing the domestic policy debate around monetary policy, spurring serious consideration of international currency options beyond the dollar (Chin and Wang 2010). By late 2009, these discussions had already transitioned from discussion of promoting a greater role for the SDR to promoting the renminbi. People's Daily articles increasingly covered progress in internationalizing the renminbi. While Zhou's economic agenda, most notably liberalization of the capital account, interest rates, and bank lending, remained largely unfinished as of 2016, his political agenda was an unequivocal success. With renminbi internationalization codified as a state policy goal in China's 12th and—even more explicitly—in its 13th five-year plans, the central bank was poised to increase its policy influence and authority in implementing renminbi internationalization and eventually overseeing monetary policy in a new economy without capital controls.

From the SDR to the renminbi

It is not completely clear what happened immediately after Zhou's proposal. By late 2009, there was little public debate in the Chinese media on efforts to increase the international use of the SDR, and attention had shifted almost solely onto renminbi internationalization (Chin and Wang 2010). We do know that by the following year, the "Chinese government obviously changed its mind and became enthusiastic about renminbi internationalization" (Cohen 2012, 2). China had launched its trial schemes to begin trade settlement of the *yuan*, which was jointly issued by the PBC, the Ministry of Finance, the Ministry of Commerce, the General Administration of Customs, the State Administration Taxation, and the China Bank Regulatory Commission, suggesting that internal negotiation and planning had been underway for some time. Currency reforms were codified into China's 12th Five Year Plan. Renminbi internationalization was now all but official policy. These developments suggest that renminbi internationalization was always part of the plan, either together with promoting the global use of the SDR or as a replacement for a policy that Zhou might have known would go nowhere.

Chin (2014, 207-8) argued that Chinese authorities had simply "given up" after two years of effort, looking to a wider range of alternative reserve assets, including the renminbi. This would be a path of least resistance, as renminbi internationalization could be pushed without international cooperation or multilateral agreement. Li Ruogu boldly claimed in 2012 that:

> If the United States is not willing to discuss this problem [of U.S. financial debt and management of the dollar as a reserve currency], China has an old saying that "the situation forces people to become strong" and, when the time comes, the United States will have to agree whether it likes it or not. (quoted in Chin 2014, 212)

Li indicated that if other currencies can be used more broadly, the problem will have been solved.

According to Chinese academic Yu Yongding (2014b, 58), reforming the international monetary system proved too difficult without the support of the U.S. government and other industrialized countries. Therefore, the PRC "disengaged quickly and left countries such as the Russian Federation and France to talk about the reform of the international monetary system." Therefore, people in China began asking, "why can't the PRC use its own currency to fulfill these functions?" (*ibid.*). China could pursue its policy objectives without waiting on the consent or support of outsiders.

U.S. implementation of another round of quantitative easing in late 2009 certainly added to these concerns, and reinforced a belief that something had to be done. U.S. actions also fueled interpretations that the United States would not consider the plan because, as academic Huang Xiaopeng (quoted in Chin 2014, 202) stated, "it is unlikely that the United States will want to see a dilution of its monetary power and would likely resist attempts to strengthen the role of SDRs." On March 24, 2009, President Barack Obama dismissed Governor Zhou's proposal by saying that there was no need for a world currency and that the U.S. dollar was very strong at the current time. China also tried to place currency issues on the G8+G5 meeting in July 2009, but was blocked by Western powers (Chin 2014, 195).

China, therefore, shifted its efforts from promoting the SDR to lobbying for the renminbi to be included in the SDR. In 2015, Zhou Xiaochuan gave a speech to the IMF in which he listed reforms China had made to support the renminbi's bid to join the SDR basket, and promised further reforms. According to Zhou:

> China has been making steady progress…despite the adverse impact of the Asian Financial Crisis and the Global Financial Crisis…China is prepared to take a series of targeted reforms to further increase renminbi capital account convertibility…China

> is not far from achieving its goal of renminbi capital account convertibility. (Zhou 2015)

Zhou insisted that China would "facilitate the international use of the renminbi by removing unnecessary policy barriers and providing the necessary infrastructure." Zhou succeeded in his efforts. On November 30, 2015, the IMF executive board announced its decision to incorporate the renminbi into the SDR basket with effect from October 1, 2016.

In August 2015, the PBC adopted a more market-oriented method for fixing the renminbi reference rate, by revising the rate from a moving average of the past ten trading days to the previous day's closing rate in the interbank foreign exchange market, making the exchange rate system more flexible. This was one move likely intended to make the currency more amenable to IMF authorities considering its inclusion in the SDR.

My investigation provides no clear answers regarding Zhou's intentions in promoting the SDR before advocating for the renminbi. Renminbi internationalization was already beginning to be implemented, so it was clearly on his mind. Regardless of his true intentions for the SDR, I argue that his 2009 speech—regardless of its motives—played a significant role in promoting official and popular discussion of the renminbi's global role.

Was Renminbi Internationalization a Trojan Horse?

It should be clear from the above that monetary opening is an important goal for the PBC. It is, therefore, reasonable to suggest that the PBC might be promoting renminbi internationalization as a means to force liberalization in the face of domestic resistance. Did the central bank implement renminbi internationalization as a "Trojan Horse," as He (2015) and others have argued?

In fact, Zhou addressed the question directly in an interview with a Chinese journalist; he did not exactly deny the charge:

> The answer to this question is complicated…it is partly about the design of the optimal order, that is, what is the best sequence in which to accomplish the task. The reality is often complicated, and you might not be able to achieve the so-called optimal order. A reform arrangement might be the best from an economic point of view, but the situation is more complicated if we consider the process of changing thought processes in politics, society, and individual thinking. As we all know from the experience of China's reforms, these reforms are often very controversial. Sometimes you think the order is not the best, but things can get accomplished (*shiqing ye neng zuocheng*). This is because there is sometimes a 'forcing effect' (*daobi*), when doing first what ought to be done second forces what ought to have been done first to come to fruition. In short, the ordering of reforms is in retrospect often relevant in this respect. (Zhou 2011, my translation)

The central bank has, in fact, made few qualms about its opposition to the financial repression scheme. Zhou (2017) noted that "the financial services sector will continue to be open to the outside world…the protection will often lead to unhealthy and unstable conditions, and there may be a crisis." He further lamented the deleterious impact of vested interests, noting that:

> Of course, individual people may from the interests of their own industry, advocate the protection of the financial industry, wanting to wait until it was fully developed before opening up, and then participate in international competition…historical experience as well as China's shows that protection leads to…a weaker and…more crisis-prone financial industry…one example is what happened before and after the Asian financial turmoil. (Zhou 2017, my translation)

Zhou (*ibid.*) went on to state that "the global financial crisis tells us that to prevent financial crises, we must first ensure the health of financial institutions…we cannot tolerate highly-leveraged, low capital, and bad loan-laden institutions…which is a low standard common to non-competitive institutions such as these."

PBC officials also allude to the "forcing effect" in achieving monetary reform. An argument often used by officials in the PBC is that China's entry into the World Trade Organization in late 2001 had succeeded to push forward the reforms on China's state-owned commercial banks (Wang, Hu, and Weng 2013). Wu Xiaoling (2011) had stated that "it is too difficult to reach consensus among all the parties concerned with how to reform the exchange rate regime." Wu later claimed that the PBC was more focused on promoting market-based domestic financial reform than renminbi internationalization, but denied that the latter was intended to produce the former, noting that "the era of the renminbi is yet to come" (Wu 2014). Zhou echoed these sentiments, insisting that the PBC must first finish its "homework," including lifting unnecessary restrictions for renminbi use and gradually pushing to realize the renminbi capital account convertibility. According to Zhou (2014), the PBC "is creating conditions for more wide use of the renminbi, and will not set a pre-arranged speed, rhythm, and point for it."

These statements suggest, but are far from clear, that the PBC might be amenable to a "big bang approach," as Yu (2014b, 69) asserts, and that the PBC might be using offshore renminbi development as a tool to accelerate the pace of domestic financial reform (Kroeber 2013, 21). Many Chinese economists certainly subscribe to this view, believing that "the more important and more immediate benefit from renminbi internationalization is that…[it] will add momentum to reforms," which "include the opening of the capital account, increasing exchange rate flexibility, liberalizing the interest rates, opening the capital markets and reducing entry barriers to the financial industry" (Ma 2012, 9).

Kroeber (2013) analyzed a speech Zhou gave in November 2010 arguing to create a "pool" of renminbi to absorb short-term capital flows and prevent them from impacting the domestic economy, referring to the offshore renminbi market in Hong Kong. While the argument is somewhat a stretch, Kroeber observes how Zhou admits that such an arrangement will encourage arbitrage, which Zhou characterizes as a natural feature of market economies that should not be resisted. Rather, the offshore arrangement will generate pressure for prices to equalize between the onshore and offshore markets, suggesting that the offshoring strategy will eventually necessitate capital account liberalization.

The Problem of Sequencing

Even if the central bank was not using renminbi internationalization to push for reform, the unusual sequencing of promoting currency internationalization before capital account liberalization generated a lot of questions, particularly among economists. PBC officials most commonly asserted that liberalization of the exchange rate, interest rate, and capital account was being conducted in a "coordinated way" along with currency internationalization (Sina Finance 2014). Yi Gang (2013, cited in Tobin 2013) also claimed that the PBC was merely removing "discrimination against the renminbi."

Yu (2012) argued that the sequencing of reform was ordered by difficulty of implementation. This is perhaps a more nuanced understanding of the "Trojan Horse," hypothesis, that the PBC began with renminbi internationalization because it was easier than capital account and other reforms, not because it hoped to force the latter. In fact, the central bank often emphasizes the step-by-step character of its reform agenda. Zhou's statements earlier and my research support this understanding of events. Indeed, the seemingly-confused messaging detailed above suggests that the PBC was intentionally promoting renminbi internationalization as part of a greater reform agenda, but downplayed or denied that this was its goal to prevent antagonizing competitors in the bureaucracy or overstepping its authority to China's senior leaders. The following section argues that this behavior continues the central bank's balancing act in navigating the policymaking process in China.

The PBC Treads Carefully

As noted earlier, the PBC was initially silent on the issue of renminbi internationalization. According to He (2015, 9), it was "not until the beginning of 2011, one and half years after the acceleration of renminbi internationalization, that the Chinese authority first officially mentioned the wording, albeit in a consistently overlooked document" (Xu 2014). Rather, as Zhang (2013) noted, the PBC has preferred to allude to renminbi internationalization through terms like "steadily promote cross-border trade settled in renminbi pilot" (*wenbu tuijin kuajing maoyi renminbi jiesuan shidian*), "encourage trade and investment facilitation" (*cujin maoyi he touzi bianlihua*), and "promote broader use of the renminbi in cross-border trade and investment" (*tuijin renminbi zai kuajing maoyi yu touzizhong de geng guangfan shiyong*).

In 2011, Zhou himself insisted that "we do not have a plan for the proportion of business to be conducted in renminbi…renminbi internationalization is gradual and long-term process." Zhou also denied rumors that were were plans for free convertibility for the renminbi in 2015. A common framing here is to refer to renminbi internationalization as a "let the market take its course" situation.

In a July 2010 interview, Yi Gang specifically rejected the idea that making the renminbi a reserve currency was a principal goal of policy, and that conditions were "very far" from favoring the renminbi as a reserve currency (quoted in Kroeber 2013). In a January 2011 speech outlining goals for foreign exchange management under the 12th Five-Year Plan (2011-2015), Yi avoided direct mention of renminbi internationalization (Yi 2011). In 2013, Yi reiterated that "it is the basic policy of the People's Bank of China to let the renminbi compete with U.S. dollar or euro fairly in the international market…what we are doing now is nothing but removing discrimination against the renminbi and let it act just as other reserve currencies" (quoted in Tobin 2013).

Even with the SDR proposal, central bank officials were muted. In terms of the renminbi joining the SDR basket, Yi (2011) said that "China is in no hurry as the SDR has so far been only a symbolic currency basket."

Zhou reportedly did not even like the term "renminbi internationalization," as a reporter indicated in a 2011 interview (CNFinance 2011). Rather, Zhou emphasized that the acceptance of the renminbi will depend on market participants, not the subjective will of the people who decide. However, Zhou also made the point that market acceptance was related to the reform process, and that if the reform process were slow, the currency would be less popular.

The PBC Turns Bold: The Strategic Opportunity Drive of 2012

There were also indications that the PBC was becoming increasingly confident in its position, and began calling for more rapid reforms. In February and April 2012, the Investigation and Statistics Department of the PBC authored and published two important position papers, "The Conditions for Accelerating the Opening up of Capital Account are Mostly in Place" (Sheng 2012), and "Coordinating the Advancing of Interest Rate and Exchange Rate Reforms and Capital Account Opening" (PBC). These were considered the most authoritative and systematic statements by the PBC on the relevant reforms, offering "credible, concrete and operationalized policy recommendations" (Bell and Feng 2013).

The first report claimed that China was in a period of "strategic opportunity" for capital account liberalization, indicating that conditions for it were "basically mature" (*jiben chengshu*). The report argued that capital account opening should be accelerated, setting a timeline of ten years to achieve the goal (PBC Research Team of Statistics and Analysis Department 2012). The papers argued that there were significant benefits of an open capital account. It would make it easier for Chinese enterprises to conduct foreign investments as well as mergers and acquisitions of foreign enterprises, providing access to technology, market expertise, and other resources to improve the competitiveness of Chinese industry.

The report outlined a roadmap for liberalizing the capital account in three phases. The near term (1-3 years) objective was to encourage Chinese corporates to go global by liberalizing control of outward direct investment. In the medium term (3-5 years), the PBC aimed to promote renminbi internationalization by liberalizing control of commercial credit. Finally, over the long term (5-10 years), China would open property, equity, and bond markets and accelerate domestic financial market development. The second report argued that the time for a "speedy adjustment" had arrived in the face of Western weakness, and that capital account liberalization should be accelerated along with exchange rate reform and interest rate reform (quoted in Bell and Feng 2013, 261).

The reports also reassured skeptics that there would be no large risks resulting from China opening its capital account (He 2016, 22). In response to the increasing worry about the risks of capital account opening, the PBC report emphasized four elements that could mitigate the potential risks: (1) the assets of Chinese commercial banks are mainly denominated in the renminbi, so that the risk of currency mismatch is limited; (2) Chinese foreign reserves are mainly invested in bond markets, so that the market fluctuation has minimal impact on revenues; (3) the short-term foreign liabilities accounted small portion of China's overall foreign debt, which is far below the standard warning level; and (4) real estate and asset bubbles were under control.

The papers further enunciated that even though interest rate reforms and capital account opening were yet to be achieved, neither was an absolute precondition for the other, as frequently argued by Western economists. Instead, they serve to advance each other in a dynamic process. However, in a process where the opening up of capital accounts and market pricing of interest rates push forward in a coordinated manner, the papers argued that the exchange rate and foreign currency management reforms would need to take a one-step lead (Lu 2016).

Most interestingly, the papers argued that classic economic theory, the "impossible trinity" or "trilemma," had its limitations and did not apply to China's current situation, because it did not take into account "intermediate states" of each component of the triangle. The papers suggested that there was an intermediate state between the fixed and fully-liberated exchange rate system, being neither fully regulated nor fully liberated. The papers argued that renminbi internationalization, in its current state, was being pushed under a regulated exchange rate and unfinished capital account liberalization, and should not follow abstract economic theory. This is a case that has never occurred in Western classical economic textbooks, and, the papers argued, there is no experience China can learn from.

Shortly after their publication, QFII quotas were relaxed significantly (Yu 2013). As Yu Yongding (2014) observed, the PBC's intention to use renminbi internationalization to promote capital account liberalization became increasingly clear around this time. The timing of these PBC papers was also noteworthy as the CCP prepared for its leadership transition to a new president in 2012, and various interest groups jostled for influence. It is possible that the PBC was attempting to influence the new administration, believed to be more sympathetic to market-based reforms than the Hu-Wen administration. The reports caused an immediate response in the media from critics. They argued that without a mature and well-established domestic financial sector, opening the floodgate would be equivalent to inviting foreign "wolves" into China's "sheep house" (Gao 2013, 81). However, the PBC kept up its assault. In 2017, Sheng Songcheng argued that China had fallen into a "liquidity trap," suggesting that companies were hoarding additional liquidity in the banking system instead of using it to expand investment. Sheng claimed that raising the fiscal deficit could solve the problem, but it was up to the Ministry of Finance to take the lead in engineering a recovery. The PBC had become extremely pointed in its defense against critics, and renminbi internationalization was clearly an important piece of its institutional strategy.

Did the Central Bank Turn to Nationalism?

The PBC led the effort to internationalize the currency, but was initially restrained in its public advocation for the policy. However, it appeared to grow increasingly bold in the years that followed. What remains unclear is the extent to which the central bank was the architect or merely the lucky recipient of nationalist support for renminbi internationalization. A June 2011 Wall Street Journal article provocatively suggested that Zhou Xiaochuan had "used the language of economic nationalism to push an agenda that ultimately would loosen state control of the economy," making the "policy arguments so attractive that decisionmakers will approve the ideas without realizing the implications" (Davis 2011).

Chinese economist Yu Yongding raised the possibility that nationalist sentiment could have been a factor in China's internationalization drive. According to Yu (2011, 59), this was comparable to when the Japanese government claimed that the use of the yen in international transactions was not "commensurate with the share of the Japanese economy in the world and Japan's status as the world's largest net creditor nation" (Takagi 2009, 75). Yu concluded that "this argument means nothing to economists, but it may mean a lot to politicians in decisionmaking positions." Realizing this, did the PBC use the nationalist appeal of the renminbi to achieve its objective of monetary opening?

Conspiracy theories about the central bank turning to nationalism to force reform were dismissed during Bell and Feng's (2013, 260) interviews with PBC officials. However, PBC officials did insist that capital account liberalization would eventually need to be addressed and that the PBC should seize the "historical opportunity" to internationalize the renminbi amid a dented dollar and damaged euro.

There are a few examples of PBC officials drawing on nationalist themes. Yi Gang argued that:

> *For economic great powers* (*jingji daguo*), the domestic currency cannot become one of the major international reserve currencies if it cannot conform to the trend of domestic trade growth and become the open currency of international financial markets and trade. This means that the domestic currency has not achieved the proper international monetary status that is commensurate with the total economic output and total trade volume. In order to cope with the macro-financial risk of exchange rate fluctuations, the government must hold a large amount of foreign exchange reserves. In today's international monetary system, the U.S. dollar and the euro are the main currencies of international financial markets. As a result, the U.S. dollar and the euro have become the major reserve currencies in the world. Correspondingly, the United States and the EU have a very small amount of foreign exchange reserves…More directly, *the key to the success or failure of economic competition among modern nations depends on the direct contest between the national currency and the currencies of other countries in the international monetary system*. After the economic powers have reached a certain stage, *the highest form of competition with other countries is the currency competition*. In the long run with a large amount of deficits in its current account and capital account, the United States has also defended the dominance of the U.S. economy in the world by virtue of the hegemony of the U.S. dollar in the international monetary system. Take Japan again as an example. Although it has a large trade surplus, it has been a capital exporter since the 1970s. Although Japan tried to vigorously promote the internationalization of the yen, *the Japanese yen was defeated in the competition with the U.S. dollar*. As a result, Although Japan is the second-largest economy in the world, it is still vulnerable in the face of external shocks. Therefore, with the rise of China's economy, adopting corresponding strategies to gradually integrate the renminbi into the international reserve currency system, breaking the reserve currency structure in the western world now dominated by the U.S. dollar and the Euro and establishing a multi-polar reserve currency system should be our goal, and is also very possible to be realized. (Yi 2006, my translation, emphasis added)

In a 2009 conference, Li Ruogu claimed that the financial crisis was the "accelerator (*suqi*) of the rise of China's economy and had established China's status as an economic great power (*jingji daguo*) ahead of schedule." He drew on nationalistic themes, even exhorting the audience to:

> …adopt new thinking and new attitudes, taking on responsibilities in line with its future international status, establishing a great power consciousness (*daguo yishi*)

> and a sense of responsibility to become the primary driver of global economic development and the guarantor of world peace. (Li 2009)

Renminbi internationalization was one of the central agenda items at the conference.

These statements are more the exception rather than the rule. PBC communications were largely muted in tone and economic in language. There is no evidence that the central bank intentionally leveraged nationalist sentiment to push its policy agenda. However, as demonstrated by increasingly bold policy statements in the years after the financial crisis, the PBC was clearly becoming increasingly confident in its position and its chances in pushing through monetary reforms. The central bank had been given a great gift in the rise of nationalist sentiment around the currency, but it was no "Trojan Horse."

Responding to the 2015 Economic Slowdown

In fact, the central bank's public confidence was short-lived. In 2015, China endured a stock market crisis and economic slowdown that put an abrupt halt to ambitions for rapid reform. Between September 2015 and February 2016, Zhou Xiaochuan made no public comment on the currency and gave no interviews on the issue. Observers took this silence to mean that there was disagreement at the senior levels about what to do next, and that the central bank was to cease its reform campaign in the meantime. Indeed, the tone became even more cautious after this time. The PBC seems to have changed tactics, focusing on how *yuan* internationalization would support Xi Jinping's signature Belt and Road Initiative. The Belt and Road Initiative (*yi dai yi lu changyi*), also known as One Belt, One Road (OBOR), was an ambitious project aimed at developing infrastructure along the ancient trade routes to the West and South of China. PBC documents indicated how increasing the global use of the renminbi would support OBOR, and how OBOR was an opportunity for renminbi internationalization.

It is too soon to tell what the ultimate fate of the central bank's reform agenda will be. Renminbi internationalization is now deeply entrenched within the national consciousness as an important policy goal, and China's senior leaders will not be able to easily push it aside entirely. However, there has been little progress on deeper reforms of the capital account, interest rate, and exchange rate. Time will ultimately tell whether liberalization comes from pressures rooted in the currency's internationalization, or whether such reforms continue to be conducted in a "coordinated fashion." It is clear that the central bank promoted renminbi internationalization knowing it to be the path of least resistance to greater monetary reform, and that the latter objective is at least as important as increasing the renminbi's global profile. The PBC was not responsible for the swell of public support for currency internationalization, though Zhou's 2009 speech was important in directing the attention of senior leaders to currency issues. The following chapter will explore the origins of public interest in the currency. However, I first turn to China's leaders themselves, assessing their role in promoting renminbi internationalization.

The Role of China's China's Senior Leaders

No major policy would be possible without ultimate approval from China's senior leaders. For example, while the central bank makes day-to-day decisions on the exchange rate, top political leaders are responsible for choosing the general direction of exchange rate policy. In fact, the level of interest in an issue from the Standing Committee of the Politburo—China's senior-most decisionmaking body—is an important determinant of how much authority is distributed to lower levels in that domain. On more sensitive or politicized policy areas, the Standing Committee will exercise greater oversight.

The premier is the top government official, currently Li Keqiang, and all policy changes require his approval. The secretary-general of the CCP and president of the government, currently Xi Jingping, is the most powerful individual in the country, who sometimes is less directly involved than the premier in technical policy issues but must consent to major decisions such as changes in economic policy. The Politburo Standing Committee (PBSC), which is made up of the premier, secretary-general, and currently seven other top leaders, is the most powerful body in Chinese politics; other PBSC members—especially those with economic portfolios—play an important role in economic policy deliberations. While these high-level leaders and decision-making bodies enjoy ultimate authority over policy choices, they remain "highly sensitive to the preferences of powerful interest groups" (Steinberg and Shih 2012). Remaining in power—even for autocrats—requires maintaining support from influential domestic actors and interest groups (de Mesquita, Smith, Siverson, and Morrow 2003; Gandhi and Przeworski 2007; Pepinsky 2009; Weeks 2008).

Analysis of official texts did not support claims that China's senior leaders attempted to use nationalist rhetoric or even the popularity of renminbi internationalization to influence the interests of these groups. Coverage of the renminbi internationalization issue in the Party-mouthpiece *People's Daily* demonstrated high-level ambivalence about the policy. In the beginning, coverage was intrigued by the idea of a global *yuan*, focusing in particular on international recognition and cooperation. This included achievements in its global acceptance, new renminbi trading centers, new bilateral swap agreements, and new use of the currency in global reserves. However, coverage started relatively early, discussing renminbi internationalization earlier and more directly than the central bank. In 2004, an article mentioned renminbi internationalization as one way in which China could establish itself as an international financial center in Asia.

However, official coverage did reflect cautionary and delaying language as well, and ran articles expressing a wide range of opinions on the issue. After the issue became one of nationalist import, and particularly after the 2015 stock market crisis, there was an increased focus on listing achievements. The apparent message was that "despite appearances, renminbi internationalization is still accelerating."

I argue here that this reflects a common pattern in issues of nationalist import, where senior leaders first encourage nationalist sentiments, but later work to downplay such sentiments as they become increasingly unmanageable. This suggests that a "bottom-up" force of nationalist sentiment, rather than a "top-down" manipulation of public opinion, was at play in the case of renminbi internationalization. Senior-level concern about domestic stability was the primary source of resistance to currency reform. Moreover, I demonstrate below that China's senior leaders do not enjoy uninhibited policy authority. Rather, the Chinese political system has institutionalized mechanisms for interest groups to voice their policy preferences and concerns. This observation further undermines the utility of examining renminbi internationalization at the country level of analysis.

The Interests of China's Senior Leadership

Stability is a key policy priority of China's leadership. However, they also recognize the importance of reform as China opens and grows its economy, putting senior policymakers "in a difficult position" of wanting change but craving stability (Chin and Wang 2010, 15). This is why China's senior leaders so often vacillate between commitments to reform and marketization, while at other times backtracking on such reforms and re-inserting the state into the economy. Indeed, the loss of control over credit allocation and other macroeconomic stabilization tools should be a significant concern of China's leaders, which have long turned to them to ensure domestic stability (Breslin 2015; Otero-Iglesias and Vermeiren 2015). Rather than monetary reform, a mandated flood of lending from the state-owned banking system was the primary remedy to the most recent financial crisis, with credit growth soaring to 29% of GDP and staying at 20% in 2010—up from 13-14% in preceding years (Naughton 2011). According to a senior CASS researcher, "China will not accept a completely free floating exchange rate regime…this out of the question" (Otero-Iglesias and Vermeiren 2015, 695).

It has been argued that the focus on stability means that domestic concerns have always trumped foreign policy, and that even foreign policy decisions should be viewed through the lens of domestic priorities (Breslin 2009; Shirk 2007). According to Zhao (2013, 101), Chinese leadership is "still preoccupied by its immediate interests concerning daunting internal and external challenges to its regime survival, economic development and territorial integrity." Foreign policy is "driven by the insecurity of Chinese policy-makers who are 'paranoid' that the CCP will suffer the same fate as communist parties further west" (Breslin 2009, 821). China's 1997 "new security concept" was developed to incorporate economic stability as an integral part of the country's national security, formalizing this connection between inward stability and outward policy. When it comes to the currency and other monetary policies, maintaining "basic stability" of the currency, as Wen Jiabao voiced explicitly in 2003, has been China's policy since the Asian Financial Crisis, even after the currency was depegged and allowed to float within a range starting in 2005 (Chao and Tung 2013).

However, senior leaders are aware of the necessity of reforming the country's economic growth model. Whether or not this motivated the internationalization of the renminbi, the financial crisis certainly reinforced this fact, which had long been on their minds. Wen Jiabao noted that the country's growth model was "unsustainable, uncoordinated, unbalanced, and unstable" (quoted in de Jonquieres 2014). Indeed, China's leaders have long been concerned with their excessive dependence on the United States and the U.S. dollar, including the possible severe consequences it could have on China's economic and political stability (He 2015, 5).

Chinese Communist Party

This focus on stability is in part an artifact of the importance of the Chinese Communist Party within the government. In fact, the two are not fully distinguishable, and the Party certainly has an influence on policy. Every government and many enterprise work units still have Party representatives on their staff. For example, the Central Party School's *Study Times* (*xuexi shibao*) maintains a wide readership among China's leaders. In December 2009, the paper published a series of articles criticizing the "China model," suggesting that it was "premature" to export or promote a Chinese approach to development (Wang and Kan 2010). This also suggests efforts to restrain the exuberance and overconfidence after the financial crisis in the superiority of China's economic approach over the West's, sending a message to senior cadre to not get too caught up in foreign attention on China's economic reforms. The articles argued these were equivalent to "killing China with praise" (*pengsha*) and enticing it to shoulder excessive responsibilities beyond its capabilities (Wang and Kan 2010, 35). The journal *Seeking Truth* (*qiu shi*) is still very important in advancing CCP theoretical thinking on important policy matters.

Leading Groups and Policy Conferences

Neither the CCP nor China's senior leaders enjoy uninhibited policy authority. The government regularly holds meetings to gather the relevant interest groups to discuss monetary and economic policies. For example, monetary policy is discussed at China's annual Central Economic Work Conference, where a large set of bureaucrats, including provincial leaders, voice their preferences (Cheung 1998; Liew 2004; Wright 2009). The National People's Congress (NPC) is China's de jure legislature, meeting periodically to discuss policy proposed by the Central Committee. It is, however, viewed as a rubber stamp organization. Between these periodic gatherings, a number of commissions discuss monetary policy on an ongoing basis. The Central Finance Work Commission has the power to decide interest rates, close financial institutions, and approve the annual guiding plan to support SOEs (Shih 2007; Sharma and Yan 2004).

One of the most important bodies is the Monetary Policy Committee (MPC), which takes input from organizations under the purview of its members. Under the 2003 Law of the People's Bank of China, the State Council designates the MPC's responsibilities, organizational structure, and working mechanisms. Members of the MPC have generally included the governor of the PBC, the director of the State Administration of Foreign Exchange (SAFE), the chairpersons of each of the regulatory commissions (the CBRC, the CSRC, the CIRC), deputy secretary-general of the State Council, deputy governors of the PBC, deputy director of the NDRC, vice minister of the MOF, director of the National Bureau of Statistics of China, director of the Research Center of Finance of the State Council, president of China Banking Association, and prominent financial experts from prominent universities, with other members being approved by the State Council after appointment from the PBC (Han 2012). The primary responsibility of the MPC is to formulate monetary policies, including exchange rate policies, making it a consultation and discussion body within the PBC. However, it is required to take into account the prevailing macroeconomic context, and can be overruled by CCP authorities (Chung and Tongzon 2004).

Finally, a number of "small leading groups" (*lingdao xiaozu*) are tasked with approving and implementing policies in specific areas at the highest level of government. For example, the Central Financial and Economic Affairs Leading Group gathers input from a senior leaders of the relevant ministries and committees such as the MPC.

The Hu-Wen Administration

This is not to say that the country's leaders do not have a significant impact on the country's policy priorities. The first policies aimed at increasing the renminbi's global profile came during the administration of Hu Jintao and Wen Jiabao, who continued to hold power through the first several years of the global financial crisis. While Hu and Wen were already becoming concerned about China's dependence on the dollar, renminbi internationalization was not on their policy agenda. One of Hu's signature policy initiatives was promoting a "harmonious society," in which he sought to resolve the great social and economic inequities within China. Therefore, the previous focus on marketization and privatization under Jiang Zemin turned to a more activist state in the economy, terminating financial reforms (Walter and Howie 2011). According to Naughton (2011, 316), the “rhetoric of reform remained intact, but the actual policymaking of Chinese leaders increasingly shifted to stress different priorities,” including the revitalization of the social policy agenda, the stabilization of state ownership, and a more active industrial and technology policy.

Hu and Wen were already very concerned about the value of their dollar assets, which the financial crisis brought into clear relief. They were constantly frustrated that they could not secure U.S. guarantees on the values of their Treasury holdings (Drezner 2009, 39). In March 2009, Wen expressed these worries at the annual meeting of the National People’s Congress, stating that “we lent such huge funds to the United States and of course we’re concerned…to speak truthfully, I am a little bit worried” (Xinhua 2009b). Wen expressed concern that the massive stimulus expenditures in the US could lead to soaring deficits, which in turn could sink the dollar’s value and thereby China’s massive investments.

Wen thus began a change in tone in beginning to lecture Washington, urging the Obama administration to focus on important matters such as providing guarantees that China’s investment in the United States would keep its value. According to Wen, “the United States must maintain its good credit, honor its promises and guarantee the safety of China’s assets.” However, less than a week after Wen’s statement of concern, the Federal Reserve announced that it would take action to lower interest rates—and thus the value of the dollar as well—even further. Despite apparent frustration with such actions, Chinese officials did not raise the issue in contacts with U.S. Treasury officials, and Hu Jintao did not bring it up during his April 2009 meeting with U.S. President Obama (Drezner 2009, 40). In June 2010 at the G-20 summit in Toronto, Hu Jintao again called on the major reserve currency issuing countries to “take into account and balance the implications of their monetary policies for both their own economies and the world economy with a view to upholding stability of international financial markets.” He also stressed the need to “strengthen supervision on macroeconomic policies of all economies especially the major reserve currency issuing economies” (quoted in Wu 2010, 157).

Reforming the International Monetary System

These policy concerns also extended to the international system and the inequities present there. At the November 2008 G-20 meeting, Hu Jintao said that China wanted an international system that was “fair, just, inclusive, and orderly” and reiterated the sentiment at the economic leaders meeting for APEC in November 2009. One commentator well summarized this view:

> Many nations’ tremendous dollar assets [are] in jeopardy and the international community highly agonized…such alarming days when the destinies of others are in the hands of [one] nation have to be terminated, and a new world order should be put in place, according to which all nations, big or small, poor or rich, can have their key interests respected and protected on an equal footing. (Liu Chang, quoted in Paradise 2016, 159)

Such views would seem to suggest support for renminbi internationalization as advanced in conventional arguments. When senior leaders discussed the issue, they consistently downplayed the currency. Hu Jintao noted in 2011 that while “the current international currency system is a product of the past…making the renminbi an international currency will be a fairly long process” (Wall Street Journal 2011). That same year, Hu reiterated this in the *People’s Daily*, saying that “it takes a long time for a country’s currency to be widely accepted in the world” (quoted in Tobin 2013).

In July 2009, China convened a four-day ambassadorial conference in which the top leadership and senior diplomats assessed global developments since the crisis and planned future diplomatic strategies. Both Hu and Wen gave keynote talks, with Hu clearly managing expectations about further reforms. According to Hu, China’s “reform, development, and stability” faced severe challenges from the crisis, but that they needed to “increase awareness of potential hardship" (*zengqiang youhuan yishi*) and "keep a sober mind" (*baochi qingxing tounao*) in developing policies to promote growth, secure people's livelihoods, and maintain stability, not departing from Deng's guidance to "maintain a low profile" (Wang and Kan 2010; Glaser and Dooley 2009; Zhao 2013b).

The Xi-Li Administration

In 2012, Xi Jinping took over as president and chairman of the CCP, while Li Keqiang took over as premier. Xi's presidency has departed from tradition in a number of ways, frustrating simple classification of his presidency. Unlike Hu and Wen before him, he is seen as a member of the "elitist" faction—along with Jiang Zemin—concerned more about growth than equality and amenable to economic reforms. Xi's presidency has surprised observers with numerous "firsts," including the first president in generations to be named the "core" of the Party. International relations scholar Yan Xuetong has noted that Xi has adjusted China's foreign policy from its traditional policy of keeping a low profile to the current one of striving for achievement (Chan and Li 2015). While Hu had a very institutionalized process for foreign policymaking, Xi seemed to be driving much of its focus himself. It appeared that the era of heeding Deng's mantra to "hide one's capabilities and bide ones time" was finally over (Liao 2016), with Xi even beginning to talk about "great power diplomacy" (*daguo waijiao*) (Xinhua 2013).

One of the biggest changes has been in the re-centralization of presidential power to levels unprecedented since Deng Xiaoping. In terms of economic policymaking, Xi now chairs four of the leading groups central to economy policy, including the Central Leading Group for Comprehensively Deepening Reform (CDR Leading Group) and Central Leading Group for Financial and Economic Affairs (FEA Leading Group), which was previously led by the premier. As such, decisionmaking on economic issues was particularly re-centralized under Xi.

Xi's Commitment to Reform

Xi began his leadership announcing sweeping, market-oriented, structural reforms intended to "re-balance" its economy and lay the foundations for the country's future growth. In May 2014, Xi indicated that China's economy was now in a state of "new normal" as the GDP growth rate slowed from previous decades. On 12 November 2013, the 18th Central Committee of the CCP adopted the "Decision on Major Issues Concerning Comprehensively Deepening Reforms," an ambitious economic and social reform plan. According to Li (2009), the plan enunciated an ambitious financial reform plan to drive internationalization of the renminbi. In November 2013, Premier Li Keqiang announced a commitment to allowing the market to play a "decisive" role in resource allocation" (Li 2013).

In fact, Li Keqiang, known for his liberal brand of "Likenomics," expressed his frustration with pushing reforms through in the face of vested interests, noting in his inaugural press conference in March 2013 that "sometimes stirring vested interests may be more difficult than to stir the soul" (Zhang 2013b). Similarly, Xi noted in his interview with the Wall Street Journal that reforms are difficult because they touch on certain vested interests, requiring changing people's life situations, and was therefore challenging and required daring (Wall Street Journal 2015).

However, Xi has repeatedly insisted that "stability overrides everything" (Zhao 2016, 95). Indeed, Xi has conducted a systematic clamping down on journalism in China, ensuring that the administration has better control over public discourse on sensitive issues. In such matters, Xi has disappointed expectations, appearing to be much less of the reformer than he was initially assumed to be. Xi has also placed more emphasis on ideological struggle. In a leaked Party directive, Xi appeared to be "pointing the Party back toward Maoist ideas and tactics," ordering officials to "fight the spread of subversive currents in Chinese society," including ardently market-friendly neoliberalism and other Western values (Zhao 2016, 85). Later speeches and writings confirm an emphasis on ideological work.

The China Dream

Nationalist themes have also marked the new presidency. The “Chinese dream” was a term codified into official rhetoric by Chinese President Xi Jinping to describe the nation’s rejuvenation, to include economic and political strength. The slogan emphasized that all Chinese had a role to play in realizing the dream, making it possible for Xi to apply nationalist sentiments to almost any policy area. Xi began to promote the phrase as a slogan in 2012 after taking office, and has since become widely used in government communications. According to the party’s theoretical journal *Seeking Truth* (*qiu shi*), the Chinese dream is about prosperity, collective effort, socialism, and national glory (Shi 2013).

In an interview with the Wall Street Journal printed on September 22, 2015, Xi called the Chinese dream the most “fundamental realization of the Chinese people’s good life” (*meihao shenghuo*). Xi also tied the dream back to the century of humiliation, noting that “after the Opium War of 1840, the Chinese nation experienced a century of social unrest, foreign aggression, and war, but the Chinese people always seek self improvement, struggle tenaciously, and never give pursuing their dream.” Xi also reiterated the impact of “national suffering” on the Chinese spirit, making the Chinese dream the most “deeply rooted” feeling in the hearts of the Chinese people. The allusions to nationalist imagery are not coincidental. As Zhao (2016) notes, Xi is himself a “strong nationalist.”

While Xi clearly has stoked nationalist sentiment in China, there is little evidence that he or Hu Jintao before him intentionally invoked nationalist rhetoric to promote currency internationalization. As demonstrated below, while his presidency was initially noted for its promotion of economic reform, this enthusiasm subsided quickly, especially after the 2015 stock market crisis.

Financial Reforms in Official Policy Strategy Documents

Another approach to assessing the role of China's senior leadership in promoting renminbi internationalization is examining official policy documents. In China, the transformation of the economy and other high-level strategic objectives are triggered by the five-year plans. A carry-over from the days of the command economy, these plans present the key of objectives of the Chinese policy for the next five years, covering a wide range of issues, from economic and monetary reforms to social management, and from infrastructure projects to the environment. In March 2011, the National People's Congress approved the 12th Five-Year Plan, approved earlier by the CCP Central Committee in October 2010. The plan focused on economic reforms such as price stabilization, increasing domestic consumption, liberalization of some monopolistic sectors, and developing the stock markets. Financial goals included developing financial markets, securitizing assets, improving the market-based foreign exchange management system, expanding the scope of cross-border *yuan* trade in Hong Kong, pushing forward renminbi capital account convertibility, and improving the management of foreign exchange reserves. Other new goals include establishing cross-border, cross-market financial regulation rules and strengthening supervision of systemically-important financial institutions as well as participating in revising international financial standards. The 12th Five-Year Plan did not, however, provide details on the speed of adjustment or sequencing of the structural reforms needed to achieve these policy objectives.

Other official policy documents have reflected these new goals, alluding to renminbi internationalization while never referring to it directly as a government policy priority. As stated in the Fourth National Financial Work Conference in January 2012, key financial sector reforms in China's 12th five-year plan include further developing the corporate bond and securities markets, and encouraging private capital into financial services. The report also called for reforms to "accelerate development of a multilevel capital market, take steady steps to make interest rates and the renminbi exchange rate more market-based, and promote the renminbi's convertibility under capital accounts in due course." Caveats about the priority of the real economy remained. The report released at the 18th National Congress of the Communist Party of China (CPC) in 2012 set the goal of financial reform to "deepen reform of the financial system and improve the modern financial system so that it will better contribute to macroeconomic stability and support development of the real economy" (He 2015, 7).

At the Third Plenary Session of the Eighteenth Central Committee of the Chinese Communist Party in late 2013, a comprehensive market-oriented reform program was authorized. Financial reform comprised eleven items of the reform agenda, including the opening up of both foreign and private financial institutions, establishing a system of market-based interest rates, exchange rates and of the official yield curve, developing multilayered capital markets, capital account convertibility, and improved financial regulation (Central Committee of the Chinese Communist Party 2013).

In 2014, the Central Committee released the "Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform." The document made further bold commitments from the Xi Jinping administration for financial reform:

> We will open the financial industry wider… We will push ahead with reform of policy financial institutions. We will improve the multi-layer capital market system, promote reform toward a registration-based stock-issuing system, promote equity financing through diverse channels, develop and regulate the bond market, and increase the proportion of direct financing… We will encourage financial innovations, and enrich the financial market with more levels and more products… We will improve the mechanism for market-based renminbi exchange rate formation, accelerate interest-rate liberalization, and improve the national debt yield curve

> that reflects the relationship between market supply and demand. We will promote the opening of the capital market in both directions, raise the convertibility of cross-border capital and financial transactions in an orderly way, establish and improve a management system of foreign debt and capital flow within the framework of macro-management, and accelerate the realization of renminbi capital account convertibility. (Central Committee of the Communist Party of China 2014)

The State Council issued an opinion on opening the economy in May 2015 that committed to building "an open and secure financial system to enhance the level of opening up the financial industry, steadily promote the internationalization of the renminbi, expand the scope of cross-border use of renminbi, and to speed up the realization of renminbi capital account convertibility" (State Council 2015)

The record above demonstrates that economic reform was a major policy priority for the government, but the role of the renminbi was not clearly stated. I suggest that this reflects the fact that renminbi internationalization was not part of a coherent strategy led "from the top," but had been incorporated into preexisting strategies for the economy.

Changes After 2015

China's June 2015 stock market crisis and the subsequent economic slowdown suggested that Chinese observers might have miscalculated the scale and rapidity of the shift in the balance of power after the financial crisis and the surety of Chinese growth prospects. The previous year, investor enthusiasm for the renminbi had already begun to wane, and the currency depreciated for the first time in over a year. The increase of offshore renminbi deposits in Hong Kong in 2014 was the smallest in 21 months, and once even declined mid-year. The share of China's goods trade settled in renminbi dipped to 13.2 percent in July 2014, the lowest since October 2013 (He 2015, 10). Capital outflows, not inflows or "hot money," had become the problem. The renminbi in 2016 was worth less offshore than onshore, and reports indicated that dollar purchases in Hong Kong were being limited.

However, the cat let out of the bag could not so easily be put back in. With renminbi internationalization now imbued with nationalist significance, Chinese leaders could only attempt to manage expectations while producing evidence of continual progress toward the country's currency ambitions. Once a declared national interest became entrenched in the national consciousness, Beijing lost the ability to be seen losing territory to foreign powers, often adopting an unyielding stance on these issues even at a high cost (Brittingham 2007; Sun 2012; Weiss 2013; Zhao 2013b). It was at this time that state-run media began to emphasize that renminbi internationalization should follow the principle of "positive and steady building, orderly promotion" (*jiji wenjian, youxu tuijin*) and implementing renminbi internationalization "step by step."

Therefore, I argue that nationalist attention on China's currency shifted the focus from absolute economic gains to relative political ones. Symbolic gestures acknowledging China's elevated status were thus highly prized by the regime (Kaufman 2010). This political logic explains why China became so focused on securing the largely symbolic inclusion of the renminbi into the IMF SDR basket. According to Prasad (2016), the renminbi's inclusion in the SDR basket with a weight of 10.9 percent was an "important symbol of the currency's ascendancy in global finance" as it provides the currency with the IMF's "imprimatur as an official reserve currency." While the actual importance of the SDR in global finance is arguably marginal, the IMF's reversal and public acknowledgment of the renminbi was deeply important to China and widely covered in Chinese media.

In reporting on the 13th Five-Year Plan in 2016, Xinhua made a point to list its many achievements in raising Beijing's global status, including the renminbi's incorporation into the SDR basket. It even explicitly linked renminbi internationalization and the China Dream:

> We have made major progress in all-round diplomacy, with our international standing significantly increased; opening to the outside world has continually deepening; China has become the largest goods trading nation and a major power with external investments; and the renminbi has been added to the International Monetary Fund's Special Drawing Rights currency basket. The Chinese Dream of the great

> rejuvenation of the Chinese nation and the socialist core values have been deeply rooted in the hearts of the people, and the national cultural soft power has been continually enhanced. (Xinhua 2016)

This chapter has demonstrated that neither the central bank nor China's senior leaders intentionally invoked nationalist sentiment in order to achieve an ulterior motive of monetary liberalization. The following chapter provides empirical support for the preferred hypothesis, tracing the rise of nationalist sentiment related to the currency, and how the domestic bureaucracy responded by increasingly supporting the policy. I argue that the central bank would have been unlikely to focus on renminbi internationalization had nationalist sentiment not created a bureaucratic environment favorable to it. This is the last remaining piece of the puzzle. I found in the previous chapter that interests alone cannot explain the internationalization agenda, and this chapter has shown that while the central bank was responsible for promoting the currency, this fact does not explain how it overcame long-standing political opposition to currency reform. In short, renminbi internationalization cannot be explained without exploring the beliefs and ideas that grew out of popular nationalist sentiment around the currency.

CHAPTER SIX: BELIEFS—POPULAR NATIONALISM AND THE DOMESTIC DRIVERS OF GLOBAL CURRENCY COMPETITION

This chapter traces the development of currency nationalism in China, focusing on the events that led to the *yuan*'s global role becoming a topic of nationalist interest. This is not a full treatise on nationalism in China—such an endeavor could cover many volumes—but rather provides enough background to contextualize my argument about the domestic roots of China's campaign to internationalize the renminbi. Having demonstrated in the previous two chapters that interests and institutions alone cannot explain renminbi internationalization, this chapter provides empirical evidence for the preferred hypothesis, which argues that constructed beliefs about the importance of attaining a global currency was the critical factor in building broad support for currency reform.

I argue here that nationalist sentiment around the currency was at its core a grass-roots phenomenon, developing in the 2000s before it had become a topic of mainstream policy debate. These nationalist ideas about the renminbi were gaining currency by the time of the global financial crisis, but swelling confidence from the developments of 2008 led many more to believe that challenging the dollar was both achievable and an important next step in China's rise. After so many years of heeding Deng Xiaoping's maxim to "maintain a low profile and slowly build capabilities" and "live with the hegemon," it was finally time for China to "use its capabilities" and "take on the hegemon." As a result of this "triumphalism" in the wake of the crisis (Yahuda 2013), Chinese foreign policy after the GFC was much more assertive, even aggressive, across not just political and military domains, but as I argue, the economic sphere as well. Whether or not these perceptions of an opportunity to challege U.S. hegemony reflected a real change in capabilities is not important. What is important is that a belief in the importance of a global renminbi combined with a perception of an opportunity to promote the currency is a significant part of the story.

The central bank was able to take advantage of this sea change in support of its policy agenda. I argue that it is only in the context of this rise in nationalist sentiment that the PBC's focus on renminbi internationalization makes sense. It would otherwise have been unlikely to focus so intently on currency internationalization, and would have been unlikely to succeed. The PBC developed and implemented the policies to promote renminbi internationalization, and Zhou Xiaochuan's 2009 speech helped to focus the policy debate on international currency politics. However, neither could have occured had popular nationalist sentiment not paved the way by changing the frame through which currency reform was evaluated, from a lens of economics to that of global politics. Moreover, as I demonstrate below, it is only in the context of currency nationalism that the central bank's opponents in the bureaucracy began to soften in their opposition to currency reform, with many coming around to support it outright. I further demonstrate that these developments do not align with the institutional interests of these organizations. I argue once again that interests alone cannot explain renminbi internationalization.

The Role of Nationalist Sentiment in Renminbi Internationalization

Nationalist publications were among the first in the mainstream media to bring attention to the internationalization of the renminbi, beginning not long after the United States began pressuring China on its exchange rate in the early 2000s. In February 2004, an article in the *Global Times* argued that China should use internationalization of the renminbi to make it a regional financial center. In July 2004, another *Global Times* article noted that renminbi internationalization was a natural outcome of China's economic rise, and an inevitable requirement of growing international trade and investment. According to the article, China should take advantage of the circumstances and internationalize the renminbi as soon as possible.

As can be seen in the chart below, the nationalist *Global Times*—generally reflective of public interest—first picked up the issue around 2004. Interest in renminbi internationalization really took off after the financial crisis. The level of interest was greater and earlier than both official media reflective of senior leadership opinion as well as the central bank. As detailed in the previous chapter, the central bank remained low-key about the initiative until around 2012. These developments suggest that currency internationalization was not an instance of top-down nationalism instigated for political purposes, but of bottom-up nationalist sentiment largely independent of political forces.

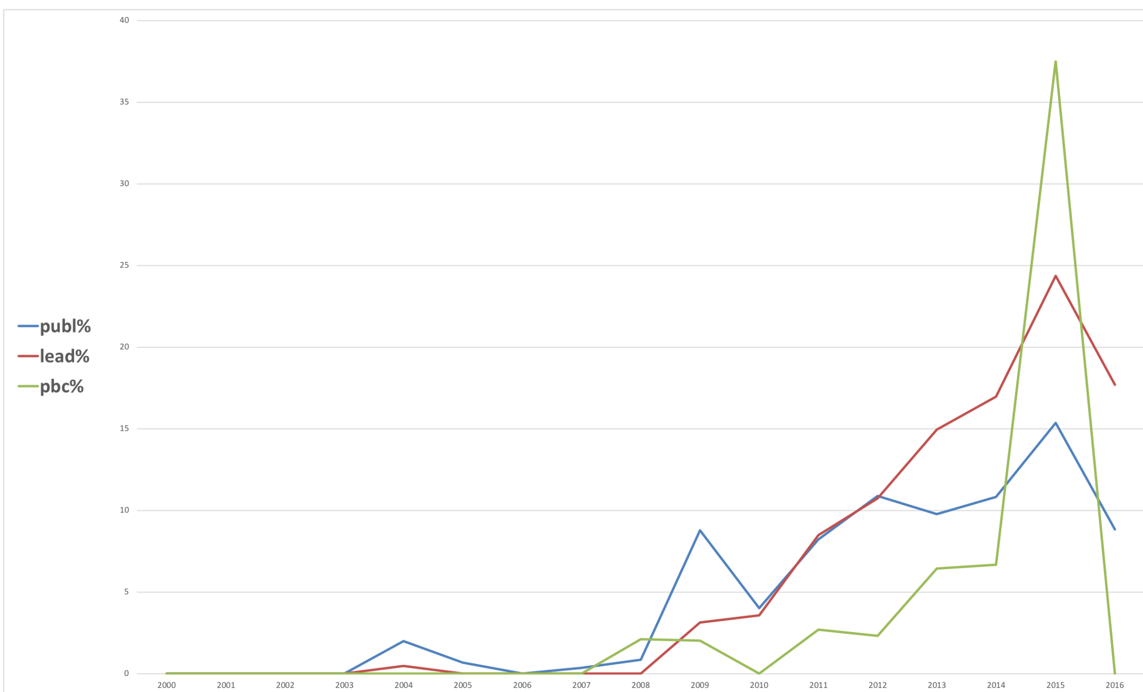

Figure 3: Percentage of Documents Referencing Renminbi Internationalization (Dataset 1)

Since the financial crisis, discussions of renminbi internationalization have become common, including many of the aspects of nationalist discourse outlined in the previous chapter. For example, as a measure of status, the *Global Times* proudly proclaimed that in 2016 the renminbi would soon become "the world's second largest trade finance currency, the fourth largest payment currency, the largest international interbank loan currency and the seventh largest international reserve currency" (Global Times 2016). It was also naturally important to emphasize when the renminbi was incorporated into the IMF currency basket that the renminbi was higher than both the British pound sterling and the yen.

The following chart traces how many documents were principally associated with language of nationalism (IV-2) compared to those associated with the concerns advanced in the conventional wisdom (IV-1):

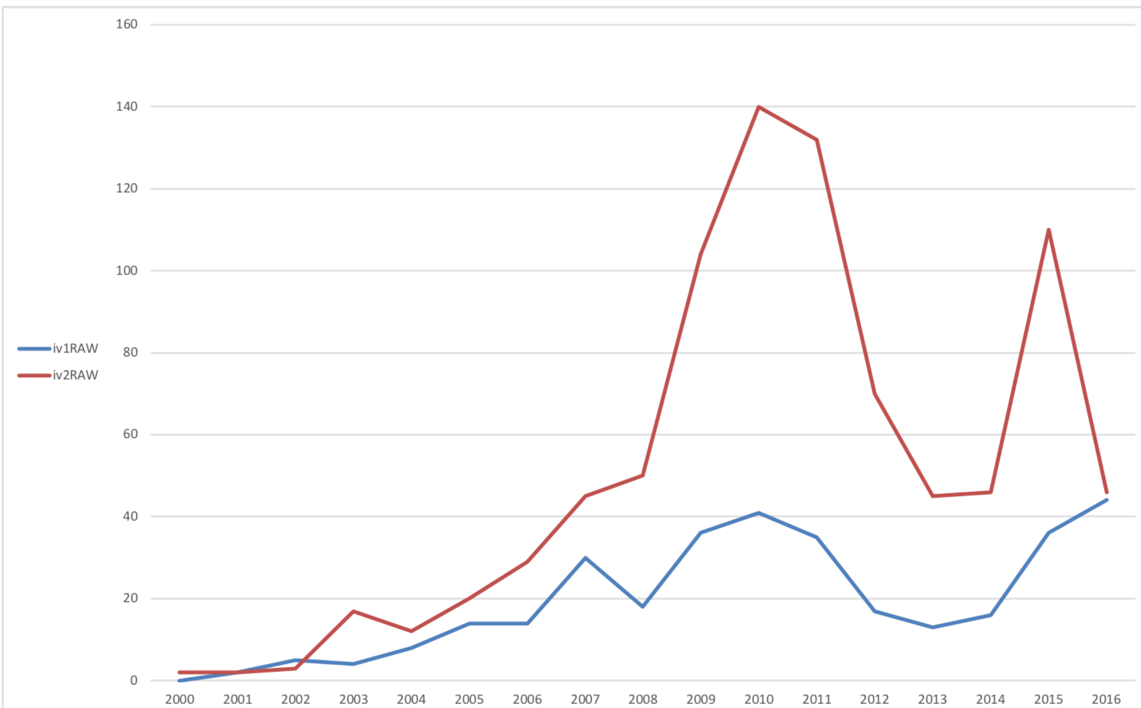

Figure 4: Number of Documents by Independent Variable (Dataset 1)

As predicted, language conspiracy theorizing was common on social media and nationalist media websites. This kind of language was found in as many as 40% of documents that referred to the currency, peaking in 2012 before falling off (Dataset 2). Discussions of status, too, peaked in 2012. Nationalist media was also consistently positive when discussing the currency, and exhibiting allusions to short-term thinking. I argue below that these sentiments began in response to U.S. pressure on China to reform its currency regime, suggesting that China needed its own strong currency to fight back. Before delving into recent developments, a brief overview of nationalism in China is needed in order to establish context for the events that followed.

The Origins of Nationalist Sentiment in China

Chinese nationalism has its roots in the twilight of dynastic China. Before that time, China was an empire rather than a nation-state, and thus lacked many of the features of what is today understood to be nationalism. Nationalism has become central to understanding Chinese politics since that time. Indeed, it is the conventional wisdom that the republican and communist revolutions were more nationalist in character than republican and communist (see, for example; Schwartz 1951; Johnson 1962; Zhao 2004).

The Century of Humiliation

Modern Chinese nationalism is deeply intertwined with the memory of what has become known as the "century of humiliation" (*bai nian chi ru*), beginning with the disastrous defeat by Britain in the Opium War of 1840-42 of what was once a mighty empire. The Opium War resulted in China being compelled to cede its sovereignty to British demands by forcing the domestic legalization of opium imports, allowing access for Christian missionaries, and establishing other privileges in the country. In addition, China's mainland was carved into a number of "zones of influence" controlled by Western powers. Worse yet, China suffered a devastating defeat in the Sino-Japanese War of 1894-95, at the hands of what the Chinese had viewed as a small and weak nation ("little Japan") historically within the Chinese sphere of influence. Japanese expansion in China after the Versailles Peace Treaty triggered the anti-imperialist May Fourth Movement in

1919. Contemporary liberal intellectual Liang Qichao wrote at the time that the war had woken the Chinese people "from the dream of 4,000 years."

One particular preoccupation of China's nationalism, that of territorial integrity, has been seen as a specific reaction to this era of imperialism (Duara 1996). In sum, this is the "China as victim" strain in Chinese nationalism that mixes somewhat unaturally with national pride (Chang 2001). Therefore, while American nationalism of the 1800s was characterized by a self-confident manifest destiny, Chinese nationalism has adopted a unique combination of national humiliation and pride (Nathan and Ross 1997).

National Rejuvenation

Because of this focus on the century of humiliation, the notion of national rejuvenation or revitalization (*fuxing* or *zhenxing*) has a strong appeal among the Chinese. In fact, the phrase "great rejuvenation of the Chinese nation" (*zhonghua minzu de weida fuxing*) has been a recurring theme in Chinese political discourse (Qin 2014). The strength of this term is that it, according to one Chinese scholar, rekindles the "memory of China as a central power in the world and emphasized that the Party's work was to restore China to that former position and glory" (Zheng 2012, 129). Indeed, many scholars argue that nationalism in China has taken a unique form due to its imperial history (Tang and Darr 2012) and because it had never been fully colonized (Carlson 2009; Shen and Cheung 2007). This idea of a strong and powerful historical China conjures up strong images of an idealized golden age.

Righting these wrongs and atoning for the humiliation of China at the hands of foreign powers has been among the top priorities of every Chinese leader from Sun Yat-sen to Xi Jinping. According to prominent Chinese scholar Yan Xuetong, China's decline was a "historical mistake" that "they should correct" (Yan 2001). Indeed, this was among Sun's motivations for overthrowing the Qing dynasty. International relations scholar Wang Jisi (1994) similarly noted that Chinese nationalism stemmed from "a long-standing pride that was frustrated by Western and Japanese conquering of China in modern history." These are what Carlson (2009) refers to as "historical anchors" that have contributed to China's unique national identity.

Scholarly work (Davies 2007; Zhao 1997a) and even national sporting policies (Xu 2008) have echoed these themes. In fact, Zhao (1997b) found that the Chinese dream of a strong nation (*qiangguo meng*) was a rare common denominator among Chinese scholarship, standing in stark contrast to the anti-traditionalism of the 1980s. Even supporters of democratization see it more as a means to building a strong China than from mere belief in liberal ideals (Weatherly 2014).

Ethnic Nationalism and Chinese Exceptionalism

Sun Yat-sen's revolution was originally an ethnic one, pitted against the minority Manchu rulers in Beijing. Yet Sun quickly recognized that a more inclusive nationalism would be necessary in order to broaden state control over not just the coastal regions dominated by the majority Han ethnicity, but minority regions farther inland. Otherwise, it would be very difficult to justify Chinese rule of Tibet and Turkic Xinjiang, of example. The Chinese nation was thus redefined as a "multiethnic political community, with the state as the great object of loyalty" (Zhao 2005b, 79). Nationalism in China thus became a tool of the elite, useful in creating an "imagined multi-ethnic community" that can all rally behind the CCP (Tang and Darr 2012).

Nationalism in China retains a sense of "Han pride." For example, popular nationalist writer Colonel Liu Mingfu (2015) espoused the superiority of the Chinese race, predicting a coming "era of yellow fortune" (*huangfu shidai*). While certainly not unique to China, an exceptionalist strain runs thick through China nationalism. The Chinese proudly look to their history as the world's oldest living civilization, according such longevity to a superior culture. The phrase "with Chinese characteristics" can be appended to almost anything, such as "socialism with Chinese characteristics" or "market economics with Chinese characteristics," to suggest that China's national conditions make it wholly unique. Barry Buzan has argued that China takes a very self-centered view of its own development and this phrase suggests an inward-looking type of Chinese exceptionalism. Therefore, established values and customs from outside China need not apply.

Chinese academics frequently argue that China's rise is different from the "imperialism" and "hegemony" of the West because it is aimed at restoring justice to the international order, and because Chinese culture inherently emphasizes harmonious relations rather than bellicose individualism. As Breslin (2009, 824) argues, the world under Chinese leadership is depicted as the "mirror image" of all that the West stands for. The appeal to harmony, peace, and virtue is taken to be unique to this historical China and thus provides a cultural alternative to Western materialism and individualism. For example, Liu (2015) argued that China will not be an imperialist major power because its global role will be guided by the traditional Chinese "royal way" (*wang dao*) rather than the "hegemonic way" (*ba dao*) of the West. Of course, scholarly treatments of this cultural uniqueness can be quite overdone. Johnston (1995), for example, demonstrated that claims of an inherently pacifist strategic culture does not match the historical record.

Finally, this exceptionalism creates a tendency to blame outsiders, suggesting that departures from this pacifist nature occur only in response to external aggression. This even applies to nationalist sentiment itself. Jia Qingguo (2005) argued that Western representations of Chinese nationalism is incorrect in suggesting that the Chinese Communist Party has driven such sentiments. Rather, he suggests that external factors such as the Belgrade bombing or U.S. support for the "Taiwanese authorities" have made nationalism a reasonable response to international disrespect. Competition with the West is a similar component of this "manifest destiny" for national rejuvenation. In the Chinese Communist Party (CCP) document "Strengthen Party Unity and Carry Forward Party Traditions" from August 1956, Chairman Mao Zedong put forward the goal of surpassing the United States in 50 to 60 years (Callahan 2008), which (probably coincidentally) happened to be around the time China began promoting the renminbi.

Patriotic Education

In 1991, the Chinese government began implementing the patriotic education campaign, which institutionalized the cultural dissemination of themes of national humiliation and state salvation. The mantra for the campaign can be summarized as "never forgetting national humiliation" (Wang 2012). This education focused on Western incursions on China's sovereignty in late Qing dynasty as well as Japanese war crimes in the 1930s and 1940s (Wang 2008). The government created or promoted tourist destinations across the country commemorating the atrocities of foreign aggressors, including the Memorial Hall of the Nanjing Massacre, the Yuanming Garden, and the Opium War Heritage Trail. For example, Beijing's War of Resistance Museum emphasized national suffering and redemption under Party rule (Mitter 2000), including numerous portrayals of the violence of the Japanese invasion (Mitter 2003). Private museums were also awarded grants to provide public education on "patriotic" themes.

This was a major change for the government from underscoring the narrative of national victory to national victimization (Mitter 2000, 2003), significantly shifting notions of patriotism and nationalism in China (Friedman 2008; Yuan 2006). The significant "other" was no longer the Kuomintang (KMT) forces that the communists fought bitterly through World War II. Rather, the new textbooks emphasized the two sides working together against common enemies like the Japanese, and underscored the fact that these external dangers were still a pressing threat. As Callahan (2006) observed, even the celebration of China's annual National Humiliation Day had shifted from something of a cultural event to using the rhetoric of war and invasion in describing China's security environment.

Finally, the campaign promulgated so-called "education in national conditions" (*guoqing jiaoyu*), which emphasized the uniqueness of China's national conditions and suggested that China was not ready for Western-style liberal democracy. Rather, continued economic development rested upon political stability, which of course only the communist party could provide. It also sought a replacement for Marxism-Leninism and Mao Zedong thought, shifting the foundation for communist rule from ideology to nationalism. This legitimized the Chinese Communist Party (CCP) by arguing that it alone was able to rescue such a besieged nation (Chang 2001). Obviously, such a focus was in part aimed at the admiration for the West that had prompted the pro-democracy movement of the 1980s.

This is not to suggest that such beliefs go uncontested in China. A 2006 article appeared in a supplement to the China Youth Daily that critically examined Chinese history textbooks' portrayal of central moments in modern Chinese history, including the Opium War, the destruction of the Yuanming Garden, and the Boxer Rebellion. Yuan found that deplorable and xenophobic behavior was portrayed as patriotic, failing to reflect on history, and producing a skewed vision of both history and patriotism. However, the article sparked considerable controversy and resulted in the supplement being ordered to cease publication. Clearly, the official narrative of events was sacrosanct even in a media that had begun to see freer expression. Such efforts have had a deep impact on cultural values and beliefs. A number of studies have shown that these nationalist sentiments are widespread throughout all segments of Chinese society, including the young and old, urban and rural (Chen 2011; Hoffmann and Larner 2013). Particularly when it comes to hot topics like China's territorial disputes, these groups are of one mind (Hughes 2011).

Culture of Conspiracy

It was in the context of China's patriotic education campaign that belief in a widespread Western conspiracy to prevent China from rising to its rightful great power status began to blossom. Many Chinese have frustrated by what "they perceived as a Western conspiracy to slow down China's rise by blocking China's global search for natural resources and acquisition of foreign assets" (Zhao 2013a, 110). Chinese nationalists "believe the United States would never give up the policy of containing China" (*ibid.*, 109). Intense foreign scrutiny of China's human rights record, media freedom, pollution, and other issues have only fueled such beliefs.

China Can Say No

Liberal nationalists demonstrated a strong admiration for Western values during the 1989 Tiananmen Square protests. Surprisingly, however, the lasting result of the movement's tragic end through the government's crackdown has been anger and resentment over Western sanctions and lectures on human rights that followed. This should serve as a testament to the profound impact of China's patriotic education campaign. In addition, American literature in the early 1990s began to take notice of China's rise, questioning China's global intent and suggesting that it should be contained. The rejection of Beijing's bid to host the 2000 Olympic Games and U.S. military activities in the Taiwan Strait fueled these notions of grand conspiracy.

As a result, the mid-1990s saw a number of highly-popular publications known as the "say no" books, most notably the bestselling *China Can Say No* (Song et al. 1996a) and *China Can Still Say No* (Song et al. 1996b). The message of these books was that the West, especially the United States, was plotting against China in a new cold war aimed at demonizing China in international society and stemming its rise, but that China could and must stand firm against these threats. In addition, the books argued that the Chinese people needed to foster their nationalist spirit so they could muster the resolve to oppose the United States. The books also argued that

China must act assertively against Japan and Taiwan, and reject liberal intellectuals in China sympathetic to Western views.

He Xin's (1996) *In Defense of China* was a scholarly expression of similar views, arguing that Western criticism of China was misplaced. Li and Liu (1996) claimed that there was an American-led conspiracy to demonize and weaken China, using the U.S. media and film industries as evidence. Wang et al. (1999) espoused a similar view that China was the target of an international conspiracy to destroy the nation's culture and divide its territory into a series of independent nations. These were not state-sponsored propaganda. In fact, *China Can Still Say No* was initially banned due to its criticism of Chinese foreign policy and advocacy for nationalist activism.

These brewing feelings of resentment were radically expressed during massive anti-American demonstrations in front of U.S. diplomatic missions after the bombing of the Chinese embassy in Belgrade by U.S.-led NATO forces in May 1999. When Japan sought to join the United Nations Security Council in 2005, more than 20 million Chinese signatures were posted on the Internet to oppose the bid.

Chinese Views of Foreign Policy

It is useful to dwell momentarily on the kinds of foreign policy views Chinese hold. Importantly, many of these share features with the nationalist themes explored above even as they diverge in other aspects. Shambaugh (2011) divides Chinese by their beliefs about Chinese foreign policy. First, "nativists" most closely resemble the views held in the "say no" camp. This school includes populists, xenophobic nationalists, and Marxists. It distrusts the outside world, seeks total national autonomy, and believes China should not be internationally proactive. They generally believe that China's reforms have corroded its socialist integrity, cultural values, and autonomy in world affairs. They believe that the international system is unjust and favors wealthy imperialist countries.

Second, "realists" predominate discussions of international relations and China's global role. Like most realists, they see the international environment as anarchic and unpredictable. They believe the first priority is building a strong state that can survive in this world and resist external pressures. Interestingly, many Chinese realists further believe that China should use its strength to retaliate against those countries that had wronged China when it was weak. This suggests Barme's (1995) provocative observation that in China, "to screw foreigners is patriotic."

Third, the "major powers" school argues that China should concentrate its diplomacy on managing relations with the United States, Russia, and, to a certain extent, the European Union. In contrast, the "Asia first" school focuses on fostering stability and building relations within the Asian region first. The "global south" school contents that China's primary identity is as a developing country, and should foster its relations with the developing world. Finally, the "selective multilateralism" school concludes that China should undertake international obligations only when they involve national security interests, lest the country find itself overextended in the international arena. At the far end of the spectrum is a "globalism" school that argues that China should use its power to participate in global governance commensurate with its newfound strength.

According to Shambaugh (2010, 21), the realist school "influences the majority of elite opinion and is the center of gravity in debates today." This includes the retaliatory subcurrent of Chinese realist thought. There has been, however, increasing blending of nativist and realist schools, creating a "nativist-realist center of gravity among the elite" (*ibid.*).

Online Nationalism

Concurrent with these developments was the advent of the Internet in the late 1990s, which offered new spaces for discussions of these foreign policy views. Moreover, such venues afforded nationalists a venue to contend with the state over the "correct" historical narrative. Because of the Internet, "cyber nationalism" has spurred the rise, distribution, and expansion of nationalist thought in China (Wu 2007). This "unruly" popular nationalism (Gries 2004) sometimes extends even to extremist and racist discourses (Leibold 2010; Cheng 2011). Johan Lagerkvist (2005) observed that online nationalism has served as an alternative means of agenda setting. Therefore, Shirk (2007), for example, argues that Beijing's truculent Japan policies stem from fears of online criticism. Liu (2006, 144) found that the 2005 anti-Japanese protests was the most clear demonstration yet of the challenge to the government's monopoly over domestic nationalist discourse production, giving the people a "public discursive right" that contributed to national agenda setting.

Of course, the Internet has also given the government new venues within which it can reinforce its positions (Shen and Breslin 2010). Other scholars such as Tok (2010) assert that Chinese policymakers can control or suppress online nationalism when needed. Postings calling for a more assertive China have been allowed even when they criticize specific CCP policies. It is thus unclear whether this tolerance is strategically planned or logistically unavoidable. It is possible that, as Christensen (2011) argues, nationalist pundits and bloggers find allies in top government officials, making it difficult for the government to directly counter such discussions. The reality is probably somewhere in the middle. As Zhang and Tomlinson (2012) note, online activity in China is an intersection of elite discourse and popular opinion, ultimately guided but not controlled by the government's censors.

The result is an odd situation where a hawkish and nationalist commentator is allowed to criticize government policy, but a moderate, internationalist cannot. This observation lends credence to the possibility that policy entrepreneurs might advance their ideas in nationalist terms, even if they themselves do not fully believe their own words. As Chinese dissident Liu Xiaobo (2006) concludes, nationalism has become the ultimate form of political correctness in China, though its skewed representation of the actions and intentions of the United States, Japan, and Taiwan could be very problematic for foreign policymaking down the road.

Nationalism in the Media

The media has played a central role in government propaganda aimed at spreading the nationalist themes described above. Zhao (2013) further argues that the commercialization of the media in China encouraged the spread of nationalist messaging even further, as publishers found the appeal of such rhetoric better for the bottom line than the mundane headlines of a bygone era. Because these nationalist ideas were overwhelmingly positive and supportive of the state—if not downright patriotic—there were few issues with the censors. State-run media was far from immune to this trend. In 2006, China Central Television (CCTV) aired a 12-part documentary series "Rising Powers" (*daguo jueqi*), which attracted hundreds of millions of viewers and was rebroadcast several times. The series followed the rise of previous great powers, but the allusion to China was obvious throughout.

The Double-Edged Sword of Nationalism

Nationalist sentiment explains why national survival—even at the expense of personal liberties—is so widely accepted in China. It also sheds light on one of the dangers of nationalist sentiment to the state, that if the government is seen to fail to defend the country against foreign threats and insults, these nationalists have serious cause to question or challenge incumbent political leadership in the country. For example, nationalist observers criticized China's media in 1999 for failing to report that China had paid the United States $2.87 million for damaging

U.S. diplomatic property during anti-American demonstrations. Prominent intellectual Wang Xiaodong even suggested that the Chinese people should be able to oust leaders that fail to defend the country's national interests.

Nationalism is thus a double-edged sword for China's leaders. It provides both a "means to legitimate the CCP rule" as well as a yardstick against which the Chinese people "judge the performance of the state" (Zhao 2013b, 541). If Chinese leaders fail to deliver on their nationalist promises, they become vulnerable to nationalism criticism. Even appearing to act too soft in dealing with Western powers can draw nationalism ire (Sun 2012). China's leaders are thus caught between a desire to use nationalist sentiment for their own purposes and a fear of losing control of it. Once an issue has caught nationalist attention, it can be very difficult for the leadership to shift its foreign policy away from it. Indeed, Colonel Liu Mingfu's popular nationalist book *China Dream: The Great Power Thinking and Strategic Positioning of China in the Post-American Era* depicts Zheng Bijian, proponent of the "peaceful rise" principle and close to senior leaders in China, as naive in the extreme. He argues that having a large market economy without an equally-large and strong military is like a "fat sheep in the market, prey for the strong" (Liu 2015, 293).

Therefore, while nationalism related to core Chinese interests—its "bottom lines" for national survival—is often encouraged, the government sometimes finds itself needing to rein in such sentiment. This is particularly true when such bottom lines are perceived to have been crossed. For example, then Vice-President Hu Jintao gave a televised speech in 1999 warning against extreme and destabilizing behavior in the aftermath of the Chinese embassy bombing in 1999 (Gries 2014; Zhao 2013b). The People's Daily also reported that Western countries had issued advisories against traveling to China, hurting tourism and foreign investment. In April 2005, China's authorities were forced to contain anti-Japanese protests as they began to grow too large. Mobile phone users in major cities were sent text messages warning against "spreading rumors, believing rumors, or joining illegal demonstrations" (Zhao 2005b, 77). Several of the protest organizers were detained. In the aftermath of the Olympic Torch Relay protests in 2008, China's leaders faced the now-familiar dilemma of tolerating outpourings of nationalist sentiment at a time of nationalist pride riding high while not wanting to discourage foreign attendance of the games or unnecessarily compromise China's foreign relations. In addition, the Beijing Games were intended to demonstrate how China had arrived as a modern and powerful nation, and the xenophobic actions of Chinese counter-protesters muddied this image. Official media carried thus stories encouraging people to welcome foreign visitors to Beijing during the Olympics, and to defend the country by building the economy rather than counterproductive boycotts (Shen 2010). At the same time, Chinese-language websites and search engines limited access to online discussions suggesting further protests.

Status as a National Interest

Because of these nationalist expectations for continued progress in China's national rejuvenation, there is a strong demand for reporting on national achievements, even if they are hollow or largely symbolic. Indeed, this helps to explain why status, recognition, and respect are such important foreign policy drivers for China, even when they come with little additional power or benefits. Yong Deng (2008) argued that China is the "most status-conscious in world," noting how frequently the term "status" has been used since the mid-1990s. He also notes that due to the government's commitment to overcoming humiliation and restoring its great power status makes it sometimes appear the term "international status" is used "as if it were their only foreign policy goal" (Yong Deng 2008, 10). Wang (2005) argued that China's core interests extended beyond traditional domains of territorial integrity, sovereignty, and national independence to "a role and prestige commensurate with China's power rank" (Wang 2005, 669). Yongnian Zheng argued that China's leadership wants "not to overthrow the existing system, but the recognition of Chinese power and its rightful place in the world system by other major world powers" (cited in Brittingham 2007, 147). China is "eager to present its credentials to the international community and is determined to be taken as a major global stakeholder" (Ho 2014).

Nationalist Confidence in the Wake of the Global Financial Crisis

Since the launch of the country's economic reforms in the late 1970s, China had mostly followed Deng Xiaoping's policy dictum of biding its time and hiding its capabilities (*tao guang yang hui*). In the wake of Western sanctions after the Tiananmen Square protests in 1989, Beijing began a "charm offensive," following a "good neighbor policy" (*mulin zhengce* to *mulin youhao zhengce*) that prioritized peaceful relations with its Asian neighbors and integrating into international institutions (Shambaugh 2011; Shirk 2014; Fravel 2008). It learned to "live with the hegemon," as one Chinese scholar put it (Jia 2005), making adaptations and policy adjustments with the reality of America's central role in the international system.

The global financial crisis was, however, just what China's nationalists had been waiting for, signaling a sudden decline in the relative power of both the United States and its currency. The scales seemed to have tilted almost overnight after what had felt like a glacial erosion of American dominance, weakened but hardly threatened by the rapid rise of China. After the crisis, America's appeal, legitimacy, and global power appeared greatly reduced. The GFC highlighted the downsides of unregulated global neo-liberalism as well as an international economy centered around the United States and the dollar. Moreover, the crisis called into question the soundness of U.S. economic policy, undermining American insistence that liberal economic policy was the only route to sustainable growth. Western observers, too, began to talk more frequently about the end of the American era and the rise of Asia, writing books like The Post-American World (Zakaria 2008). Scholarly accounts hit on a similar theme (Barma, Ratner, and Weber 2007; Halper 2010; Jacques 2009; Kagan 2008; Kirshner 2014; Rachman 2011).

In contrast, China initially emerged from the crisis bruised but hardly wounded, seemingly vindicating its model of economic development and increasing its credibility as an emerging leader in the global economy. The international community, particularly the Eurozone and parts of the developing world, turned to China for unprecedented financial assistance (Yang 2014, 166), and invited the nation's leaders to take play an active role at the G20 London summit in April 2009. Some Chinese observers saw international recognition of its assistance as belated appreciation for what had been years of generous "support" to the U.S. economy, enabling low interests rates through its massive purchases of low-yield U.S. Treasury bonds (Yu 2007, 18). To both the Chinese public and its leaders, the GFC had reified America's decline as well as China's ascendance. As a result, more and more observers from across Chinese society felt that the country should take on global roles commensurate with its elevated position and increased power (Breslin 2013, 624).

The Assertive Turn in Chinese Foreign Policy

Therefore, "something suddenly changed…abruptly casting aside previous assurances that its rise would be peaceful and harmonious, China started to assert itself more forcefully abroad—indeed,to throw its weight around in a sometimes truculent and menacing fashion" (de Jonquieres 2013, 3-4). China began to increasingly challenge the status quo in a number of territorial disputes through the 1990s and 2000s (Fravel 2008). China's foreign policy behavior began to incorporate what Hughes (2011) termed "geopolitik nationalism," a shift from reassuring Asian countries about its friendly intentions to "signaling resolve by taking costly actions toward them and the United States" (Shirk 2014, 398). As Shambaugh (2010) noted, "2009-2010 will be remembered as the years in which China became difficult for the world to deal with, as Beijing exhibited increasingly tough and truculent behavior toward many of its neighbors in Asia, as well as the United States and the European Union."

China's tone changed as well, as noted by Suisheng Zhao, with China:

> …berating American officials for the global economic crisis, stage-managing President Obama's visit to China in November, refusing to back a tougher climate change agreement in Copenhagen, and standing fast against American demands for tough new Security Council sanctions against Iran. (Zhao 2013a, 104)

At this time, China challenged South Korea over history and sovereignty issues (Gries 2005). The Chinese military began to advocate for a more activist global presence (Lai 2009). As China's navy began to become increasingly active in the blue waters far off its coast, the People's Liberation Army Daily argued on January 4, 2009, that the PLA should defend not only defend China's traditional "territorial frontier," but also the country's "interests frontier," including maritime shipping lanes. China began interfering with U.S. surveillance activities and flexed its muscles through shows of force in areas of maritime territorial disputes. Rear Admiral Yang Yi called for China to sanction U.S. defense companies involved in arms sales to Taiwan in order to "reshape the policy choices of the United States" (Zhao 2013a, 104). In January 2011 further evidence for a more assertive policy appeared as China revealed its first indigenous stealth fighter during the visit to Beijing by US Secretary of Defense Robert Gates.

Defending the South and East China Seas

One of the most conspicuous and oft-studied ways in which China's post-2008 assertiveness manifested itself was in terms of its truculent approach to handling regional territorial disputes. While China had long maintained a policy of "shelving the disputes (of sovereignty) and working for joint development" (*gezhi zhengyi, gongtong fazhan*), China began to assert its claims by force, including conducting maritime law enforcement in the South China Sea and conducting naval exercises in disputed areas. As a result, tensions generated by contested territorial and maritime boundary claims in the South China Sea "arguably reached their highest point since the end of the Cold War" (Zhao 2013b, 547-8).

Around this time, China began to disrupt commercial and military activities by rival claimants and even the United States in what it perceived to be its own territorial waters. In March 2009, Chinese naval ships attempted to block the USNS Impeccable as it transited the South China Sea, ordering the Impeccable to cease its illegal operations and leave the area or "suffer the consequences," even though the U.S. Navy had long operated in the area without harassment (Morgan 2009). Other changes in behavior include repeated use of paramilitary forces, economic sanctions, fishing and oil ventures, and other intimidating means to assert its claims. China established Sansha City in the South China Sea to administer Chinese "territory" in the disputed waters, consisting mostly of uninhabited atolls and reefs.

Between 2009 and 2012, China repeatedly attempted to prevent Vietnamese and Philippine vessels from exploring oil and gas in disputed waters in the South China Sea. These incidents provoked diplomatic crises during which China displayed its warships to support its sovereignty claims. When Vietnam struck deals with foreign oil companies to conduct exploration and survey work off Vietnam's coast, China deployed a large fleet of marine surveillance and patrol ships to the area. In 2011, Chinese marine surveillance vessels cut a Vietnamese ship's exploration cables, sparking anti-China demonstrations in a country where such demonstrations are relatively rare. A 2012 standoff between the Philippines and China at Scarborough Shoal similarly sparked anti-China protests in that country.

When Japan detained a Chinese fishing boat captain in disputed waters in 2010, Beijing did not just protest, it cut off rare earth shipments to Japan, cut off planned talks with Japan, discouraged Chinese citizens from traveling to the country, and demanded an official apology and reparations, even after the Japanese had agreed to release the captain and crew. As a further retaliatory measure, the Chinese authorities arrested four Japanese nationals in Hebei Province, accusing them of illegally entering a defense zone and videotaping military targets. Japan's decision to nationalize three islands in the disputed Diaoyu/Senkaku island chain triggered another crisis, including a series of economic retaliatory measures that included boycotting Japanese products and delaying work visas for Japanese company employees. China also sent patrol ships within the 12 nautical mile territorial boundary near the islands, which state media claimed was done to assert China's sovereignty.

A number of scholars link this growing assertiveness to nationalist sentiment. For example, Ross (2009) argues that growing society-wide nationalist pressure on Chinese leadership to construct a power-projecting navy had resulted in efforts to build the country's first aircraft carrier. Similarly, Zhao (2013, 535) argued that Beijing had become more willing to "follow the popular nationalist calls to take a confrontational position against the Western powers and to adopt tougher measures in maritime territorial disputes with its neighbors." Finally, China's maritime territorial claims appeared to have been incorporated into China's bottom-line "core interests," meaning that the role of the United States in maintaining freedom of navigation in the South China Sea was now described as "outside involvement" in China's domestic affairs (Wang 2010, 3). When South East Asian nations criticized China during the July 2010 ASEAN Regional Forum in Hanoi for these assertive actions, Chinese Foreign Minister Yang Jiechi responded, "China is a big country and other countries are small countries, and that's just a fact" (Baviera 2011). As a result of all of these actions, China's relations with its Southeast Asian neighbors had slipped to the lowest point in years (Li Chan 2015, 9). At the same time, China's confidence was at its peak.

Perceptions of American Decline

Indeed, while many in China had argued that the world was becoming multipolar, "beginning in 2008 they began to think that the United States was declining more rapidly than they had thought and that their star was rising" (Yahuda 2013, 447). A March 2010 poll found that 51 percent now believed that China would be the world's leading power 10 years hence (Wang and Kan 2010). According to Aaron Friedberg:

> Chinese strategists had…reached the conclusion that the United States is declining, and their own country is rising much faster than had previously been expected…belief that this is the case has fed an already powerful strain of forceful, sometimes belligerent nationalism that appears to be increasingly widespread, especially among the young. (Friedberg 2011).

This had given China an "inflated sense of empowerment supported by its new quotient of wealth and military capacities" (Zhao 2013b). Indeed, everyone from average citizens to lower-level government officials to nationalist commentators in the media have emphasized "China's rise in influence and the declining power of the United States" (Christensen 2011). The belief was that "the shift away from the United States toward China is more imminent, more broad-based, and greater in magnitude that is currently anticipated or contemplated" (Subramanian 2011, 99).

According to my analysis (Dataset 1), coverage of currency-related issues in the *Global Times* referred to "great powers" in the context of the currency in approximately four to six percent of articles before the crisis, but this quickly shot up to around ten percent between 2008 and 2012. Western media also increasingly used language suggesting an understood expectation that China would, sooner or later, become the dominant power (Breslin 2009, 818). Many Western scholars also saw the end of America's unipolar moment. Kurlantzick (2006) argued that America's declining attractiveness was both particular and widespread, and was slowly but surely losing its ability to persuade and influence other countries through its values, its culture, and its institutions. Walt (2011) suggested that the American era was drawing to a close. According to Layne (2012), the rise of new powers was bringing the short-lived "unipolar moment" to an end. This almost certainly contributed to Chinese confidence in their perception of the shifting global fortunes of the United States and China.

Expectations of a Changed America, Frustrated

Many Chinese assumed that a weakened United States, heavily in debt to China, would have to make more concessions to China's core interests. The initial signs were promising, with U.S. Secretary of State Hillary Clinton dismissing human rights issues during her 2009 visit to Beijing, a strong contrast to her earlier trip in 1995 that was very critical of the country's human rights record. One Chinese scholar noted that many Chinese thought that the United States "should respond nicely to China" because the country had continued to purchase U.S. bonds and had helped to stimulate the global economic recovery (Zhao 2013a, 109). Obama's 2009 visit to China seemed to confirm this, when the U.S. president asked for China's assistance in addressing problems raised by the crisis, which was seen as evidence of American weakness. Moreover, Obama postponed a meeting with the Dalai Lama when the religious leader visited Washington before the China trip, a departure from U.S. presidential tradition (Zhao 2012, 372). Obama also signed a joint statement recognizing for the first time that the two sides respected each other's "core interests," and elevated the countries' bilateral dialogue to a "strategic" one, giving China great satisfaction in being a "strategic partner" of the United States.

There were even signs that China's leaders were beginning to feel like more than equals. When President Obama visited the PRC for the first time in November 2009, the Chinese government treated the president coldly, refusing to allow his speech to college students to be televised nationally even though it had done this for U.S. presidents Clinton and Bush. In addition, imagery in Chinese media showed the U.S. president walking alone rather than alongside Chinese leaders, a departure from messaging emphasizing Sino-American equality in previous presidential visits (Shirk 2014, 398). For example, at the April 2009 Boao Asia Forum, a Western journalist reported that:

> There seemed scarcely a moment when a top Chinese official wasn't ridiculing the world's financial institutions, demanding major concessions from the United States, proposing new Asia-centric international architecture, or threatening to turn off the taps of Chinese capital which the rest of the world so desperately needs. (Garnaut 2009)

Perceived American hubris in continuing to pressure China on issues of American interest, such as the exchange rate, confirmed nationalist suspicions that the United States would stop at nothing to defend its rapidly-loosening grip on world power. During a February 2009 visit to Mexico, then Vice-President Xi Jinping complained that "well-fed foreigners with nothing better to do than keep pointing fingers at China, even though China is not exporting revolution, poverty, hunger, or making trouble for other countries. So, what else is there to say?" (Zhao 2013a, 112). Chinese leaders were frustrated by the end of President Obama's first year that the "rigid U.S. position" had yet to "reflect the nature of the new Sino-U.S. symbiosis" and failed to "recognize Beijing's growing international clout" (Zhao 2012, 380). Despite China's role in the recovery, U.S. President Obama nevertheless continued to aggravate Chinese interests. In 2010, Obama received the Dalai Lama in the White House, and concluded a $6 billion arms sale to Taiwan. In response, China lodged strong protests, demanded permanent suspension of U.S. arms to Taiwan, cut off scheduled military-to-military exchanges, and vowed sanctions of U.S. companies involved in the sales. Chinese media loudly insisted that "no one should expect China to swallow the bitter fruit that hurts its interests" (Zhao 2013a, 104).

The Financial Crisis and the Convergence of State and Popular Nationalism

Zhao (2013) notes that by the time of the global financial crisis, popular nationalism had reached the country's elite. Many of China's political decisionmakers shared the views of popular nationalists, producing a convergence of popular and state nationalism. Chinese nationalists had already begun to believe that the global balance of power was shifting in their favor. The 2008 Beijing Olympic Games was a nationalist event that had raised national confidence to unprecedented levels both in official nationalist discourse as well as in the popular domain. There was a sharp shift in tone around this time from the official press, using words like "inevitable for china to rise" and china would "do the world a disservice if it did not rise" (Lee 2010). The Olympics in particular became something of a "coronation" to mark China's coming of age, standing in stark contrast to the country's failed bid for the 2000 Games, for which it blamed foreign countries and human rights groups (Lee 2012). Chinese pride in their accomplishments was also riding high at this time, boosted in confidence from the success of the 2008 Beijing Olympic Games, the World Expo and the Asian Games, and the Shenzhou VI space mission (Niu 2011). Finally, China surpassed its long rival Japan in 2010 to become the world's second-largest economy, which was a significant event in China (Feng 2010). As China recovered quickly from the global downturn while the West largely wallowed in recession, confidence grew among popular and elite nationalists alike that China's moment had arrived. As Hughes (2011, 601) noted, the events of 2008 had "catalysed the convergence of nationalist and geopolitical themes into a single discourse" focusing on state competition that he calls "geopolitik nationalism." As Shambaugh (2010) noted, moderate globalism had "lost the debate within China and its voices have fallen silent since 2008." According to Zhao (2013), "this strident turn is partially because the government is increasingly responsive to public opinion, but more importantly because of the convergence of Chinese state nationalism and popular nationalism calling for a more muscular Chinese foreign policy." Moreover, policymakers appear to have become more sympathetic to nationalist views, and China's more assertive foreign policy "can mainly be attributed to elite perceptions and leadership preferences" (Liao 2016, 818).

Of course, this treatment risks overstating the nationalist sentiments of Chinese society, much less China's leaders. Rather, the financial crisis caused genuine debate on what China's new role should be in the face of American decline. Nationalists of course argued for complete abandonment of China's passive foreign policy in favor of a "great power" approach to building a "just" world order. Others suggest that China should modify Deng's "low profile" maxim to take selective actions (*yousuo zuowei*) in core interest areas, which is more likely the approach taken by Chinese policymakers (Wang and Kan 2010; Shambaugh 2010). China remains a "deeply conflicted rising power with a series of competing identities," giving China's foreign policy "diverse and contradictory emphases" (Shambaugh 2010, 7). To be sure, some mid-level Chinese officials tried to convince domestic audiences that China was still a few generations away from being a true great power, realizing "they had let their rhetoric get ahead of their interests, and were looking for a way to climb down" (Zhao 2013a, 121). However, the former view is clearly the consensus among conservative and nationalist observers.

From Saying No to Just Being Unhappy

A new series of books in the tradition of the "say no" literature of the 1990s emerged around this time. However, these books reflected much greater confidence in China's capabilities and resolve to defend China's interests since the 2008 global financial crisis, largely celebrating the now-imminent rise of China to the world stage. These books included the million-copy bestseller *China Is Unhappy* (*Zhongguo bu Gaoxing*) (Song et al. 2009a) as well as *Who in China is Unhappy?* (*Shei zai Zhongguo bu Gaoxing?*), *Why Is China Unhappy?* (*Zhongguo Weishenme bu Gaoxing?*), which included contributions from some of the authors of the original "say no" books. The books focused on ethnic tensions in China, condemning Western media bias and interference in China's internal affairs for the instability. In addition, the books claimed that the West had become desperate since the financial crisis, reflecting the "decay and collapse of American society," and would now do anything to try to retain its global status and keep China down. Similar to the previous "say no" books, they argued that China should assert itself internationally to counter such conspiracies. In fact, *Unhappy China* specifically refers to the increased nationalist sentiment among the young since 2008, claiming that it was putting pressure on the political elite to focus on growing China's hard power.

Other books around this time include the aforementioned Colonel Liu Mingfu's (2009) *China Dream*, selling half a million copies within a few months not including bootleg copies and online piracy. Liu also famously advocated for China's own version of the U.S. Monroe Doctrine, which insisted that the United States would not tolerate any additional European colonies in the Americas. Colonel Dai Xu's (2009) book argued that China was encircled by allies of the United States hostile to China and determined to halt its rise. Moreover, his provocative speeches "were among the most popular videos on China's Internet" that year (Zhao 2014). Shi and Zhang (2011) questioning whether China was ready today if another Japanese War of 1895, China's "original defeat," were to occur. Demonstrating the transformation that had occurred in the intervening years, former political liberal-cum-nationalist Mo Luo (2009) argued self-critical Chinese literature over the past 100 years were pernicious internalizations of colonizing values that could only weaken China. He called for rediscovering a "lost" Chinese pride.

Chinese Economic Nationalism and the Internationalization of the Renminbi

While given considerably less attention in the scholarly literature, I argue that this turn to a more confident and assertive foreign policy was also reflected in the economic arena. Just as Chinese nationalists would no longer sit idly by and allow China to be disrespected internationally in political and military spheres, they also became emboldened to challenge foreign powers against perceived economic wrongs. Chinese strategic thinkers were "clearly reflecting on the geopolitical implications (political, economic, and prestige) of their country's economic rise and the commensurate relative economic decline of the United States" (Wu 2010). As in other aspects of its foreign policy, China demonstrated increased confidence in its global economic policy. According to Swaine (2009), these included criticizing U.S. economic policy, challenging the dollar's status as the international reserve currency, placing constraints on foreign companies operating in China, increasing cyber attacks of foreign firms, and becoming more activist at international economic meetings such as the G-20. China was among the first countries at the London G-20 summit in 2009 to contribute to refilling the coffers of the IMF. In 2016, China hosted the G-20 in Hangzhou itself.

The international economic system was now seen not just as needing to be reformed, but was fragile and vulnerable (Ho 2014, 168), as economic mismanagement under Western leadership had caused the crisis. Chinese analysts debated the causes and implications of the crisis, and whether China should "seize the opportunity" to "accomplish something" (*yousuo zuowei*) (Wang and Kan 2010). Prominent Chinese scholar Pan Wei argued that China was the "biggest winner" in the crisis (Pan 2009), and the notion of a "China model" that he helped to promote should be revisited. Despite being vague about what such a model would entail, the popularity of the China model and the so-called Beijing consensus swelled after the financial crisis. The sentiment of the time was summarized in a popular saying printed in the *China Youth Daily* (2009): "in the year of 1949, only socialism can save China; in the year of 1979, only capitalism can save China; in the year of 1989, only China can save socialism; in the year of 2009,only China can save capitalism."

The remainder of this section covers the process by which the internationalization of the renminbi became a matter of nationalist import. According to He (2015, 8), renminbi internationalization was the core of the "Chinese dream in the financial field" and was a key piece of the strategy in realizing the dream in its entirety. My findings below confirm He's (2015) assessment that the sentiment of economic nationalism and the accompanying "idea of a much larger international role for the renminbi gaining momentum are very much helping the internationalization process by forging a consensus" among the key players.

Brewing Economic Nationalism Before 2008: China's Exchange Rate Controversy

The roots of these sentiments can be traced to U.S. pressure on China to reform its currency regime, which many nationalists long believed was a thinly-veiled attempt to stem China's rise. Conspiracy theories about an American grand strategy to contain China were widely popular, and competition between the renminbi and the dollar was just one facet of this broader political game for global dominance. While Western audiences are unlikely to draw such connections between power politics and global monetary policy, these geopolitical links are quite logical from a Chinese nationalist perspective. Some of the first strains of economic nationalism came after China's accession to the World Trade Organization (WTO), which put a clear focus on economic issues. This included, as has been noted, the boycott of foreign products in response to global developments. Of course, the two are closely related in China, as the application of nationalism to begin with was related to the awkwardness of justifying liberal economic opening under the helm of a communist party (Hughes 2006).

The following chart demonstrates the growth in interest in the currency in the *Global Times* since its inception in 1993, rising sharply after China's 2001 accession to the WTO:

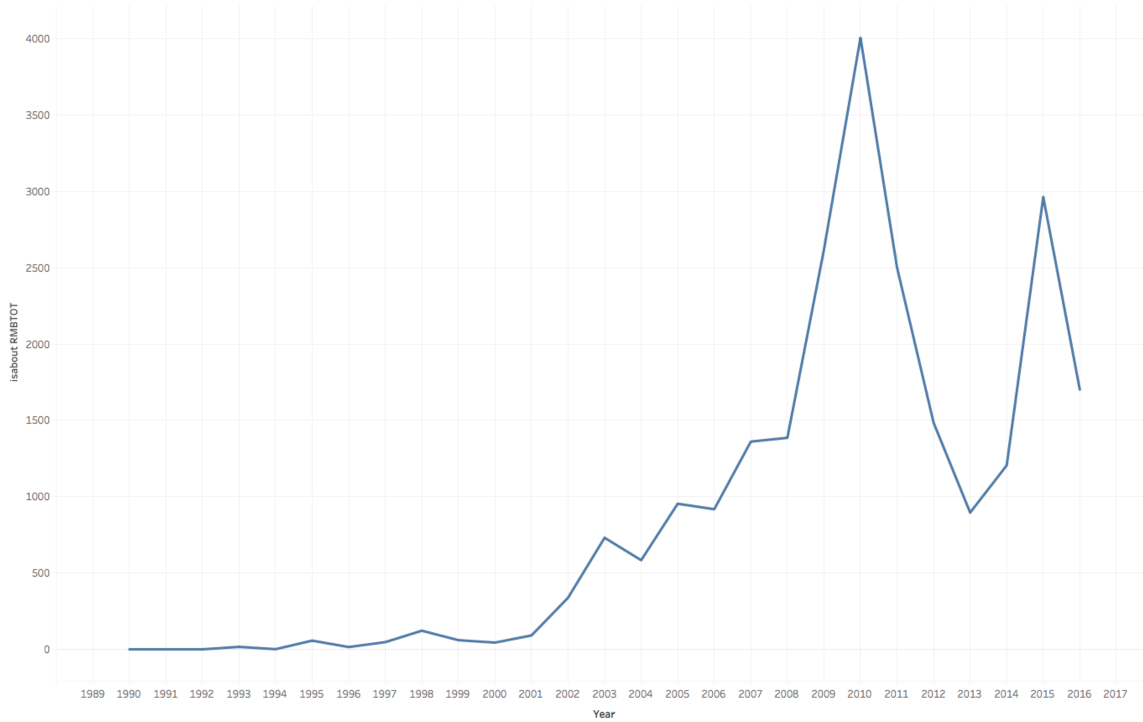

Figure 5: Mentions of the Currency in the *Global Times*

U.S. pressure on China to allow the value of the renminbi to rise relative to the dollar began because American officials believed China's artificially undervalued currency had given the country an unfair advantage and caused the U.S. trade deficit with China to swell. Several U.S. senators had requested that the Treasury Department investigate whether the Chinese government was unfairly undervaluing the *yuan* in order to make Chinese exports more competitive. Four bills were drafted in September alone, requesting that China switch to an exchange system based on market economics and abide by the norms of the international trade system. One of the more aggressive bills demanded an immediate revaluation of the renminbi or face a 27.5% tariff on Chinese imports. Significant attention was then given to the exchange rate, with analysts finding that it was undervalued against the dollar by between 15% and 40%.

Ramirez (2011) traced the development of this China bashing, developing a "currency manipulation" index that charted accusations of Chinese currency manipulation in the U.S. media, including the words "currency manipulation," "currency manipulator," exchange rate manipulation," and "exchange rate manipulator." Ramirez found that there were only a handful of instances of bashing related to currency manipulation before 2002, but that these quickly increased around the summer of 2003. At the same time, criticism of China's human rights records fell sharply. In addition, the results of the analysis found that increased pressure only slowed renminbi appreciation, suggesting that "bashing not only does not work but may actually be counterproductive; higher bashing may actually lead to a slower rate of currency appreciation" (Ramirez 2011, 15). Henning (2008) and Wines (2010) similarly found that American criticism may have actually discouraged China from appreciating its currency. Bowles and Wang (2016), in contrast, found that U.S. pressure did explain some of the country's currency appreciation, but could not be certain how such pressure played out in practice, though the possibility that Chinese authorities took advantage of the external pressure to move domestic policy in a difficult environment. Bell and Feng (2013) found that U.S. pressure both propelled and hindered the process.

Bowles and Wang (2006) similarly concluded that pressure from the United States and Japan for China to act "responsibly" had caused China to hold firm against this pressure. This is a well-established trend for China. Suisheng Zhao found that pressure on China often had negative effects and fostered nationalism, noting a general sentiment among the Chinese public that:

> No matter how corrupt the government was, foreigners had no right to make unwarranted remarks about China…many Chinese people were upset by US pressure on issues of human rights, intellectual property rights, trade deficits, weapons proliferation and Taiwan because they believed that the US used these issues to demonize China in an effort to prevent it from rising as a great power. (Zhao 2013, 538)

To be sure, Chinese leadership publicly announced their resolve against external pressure. Hu Jintao insisted in 2010 that China would not push forward exchange rate reform under external pressure (Li 2010). Wen Jiabao asserted that "no country can pressure us to appreciate or depreciate" (cited in Drezner 2009, 42). Indeed, Chinese leaders never believed this to be their problem, and in any respect could not be seen to be bowing to external pressure (Bell and Feng 2013; Bradsher 2010; Chan 2012; Derrick 2010). Rather, the public policy was that China's exchange rate would be under the principles of "independent initiative, controllability, and gradual progress" (Li 2010).

Currency Wars and Other Currency Conspiracies

The conspiracy-based book series *Currency Wars* by Song Hongbing (2009) claimed that Western countries are ultimately controlled by a group of private banks, and that control over financial markets is the true source of global power. The sequel was reported to be one of the most popular books in China by late 2009 (He 2015). Moreover, the books are reportedly popular among Chinese leaders (Ng 2009), thought He (2015, 7) questions whether this has really impacted their policy choices. Partially in response to the popularity of Song's book, a large number of books were published after the financial crisis focused on the international status of the renminbi. This nationalist logic was reflected in very popular books such as Unhappy China (*Zhongguo Bu Gaoxing*) (Song et al. 2009) and Unhappy Renminbi (*Renminbi Bu Gaoxing*) (Yan 2012). Otherwise obscure currency policy entered the public consciousness as a major policy issue, imbued with nationalist meaning.

The Chinese translation of Alan Wheatley's (2014) *The Power of Currencies and Currencies of Power* received the following review on Amazon China (my translation): "the views in this book are correct. A strong country must have a strong currency (*qiangguo jiuyao you* *qiangbi*). If China wants to develop further, it must must give the renminbi a corresponding status."

In another example, Huang (2013) argued in *The Currency War Behind the Diaoyu Islands* (*Diaoyudao Beihou de Huobi Zhanzheng*) that China's territorial disputes with Japan were actually part of a broader currency war waged not by Japan, but by the United States to maintain its global monetary supremacy against a growing threat from China. While seemingly far-fetched, a few Sina Weibo users echoed these views:

> It is clear that the United States is using every means possible, including this time provoking the Diaoyu islands conflict, in order to stimulate its own economic recovery. It is also taking a number of measures to obstruct the process of renminbi internationalization in order to consolidate its control over the dollar-dominated international monetary system. (User Johnny *zuoshou*, posted on September 17, 2012, my translation)

> Why has the United States launched the Diaoyu islands currency war? The United States and China could have had a cooperative and mutually-beneficial relationship, but this is predicated on China's not being able to shake off the dollar as the world's settlement and reserve currency. As soon as renminbi internationalization threatens the dollar's hegemonic status, the United States will use any means necessary to attack the renminbi, including provoking regional wars. (User *hongxing shanshan xiaosheng*, posted on November 23, 2013, my translation)

> China and Japan have signed a currency swap agreement, China has begun to sell U.S. bonds, the Japanese finance minister has committed suicide, and renminbi internationalization continues to advance… In order to survive the debt crisis, the United States must eliminate all attempts to threaten the supremacy of the dollar, and the Diaoyu islands are its best chance. The cannons has not even begun to sound in the Diaoyu islands, but the currency war has already begun. The United States used Pearl Harbor to join World War II, and then waited for the Soviet Union to dissolve (*tongguo dengdai chaisan le sulian*). China! Are you ready? (User *mei zhong wang*, posted on February 14, 2014, my translation)

Such views were not limited to social media. One commentator in the *Global Times* opined:

> There is a perception that the United States is the initiator of the Diaoyu islands issue, and that Ishihara is just a stage puppet. The United States is deeply afraid

> that direct trading of Chinese and Japanese currencies will threaten the dollar's status, and so it threw Sino-Japanese relations into conflict. Ishihara announced the purchase of the [disputed] islands from the United States. Was this really just a coincidence? (Liu 2012)

The Plaza Accord Redux

Even if some of these conspiracy theories were a step too far for many in China, other extreme theories related to the currency were almost commonly-accepted wisdom. The most common is that the United States used the dollar to keep Japan from catching up economically to the United States, resulting in its decade-long recession. The 1985 Plaza Accord was forced upon Japan, causing rapid and substantial appreciation of the yen, all while the United States prospered in one of its longest period of growth. This is widely cited as proof of the U.S. economic conspiracy (Bowles and Wang 2006). As Chen (2003) put it, this "financial hegemonism" brought the United States years of economic prosperity at the expense of Japan.

This theme is pervasive in discussions of global monetary politics. The *Global Times* ran an article in the run-up to the G-20 Leaders Third Financial Summit in September 2009 (Global Times 2009) in which it underscored the importance of developing the *yuan* as an international currency, but that the "special status" of the dollar makes it difficult to unseat in terms of its international monetary dominant role. Strikingly, this is the first *Global Times* article to argue for incorporating the renminbi into the SDR. This view is popular even among some scholars (Ding and Niu 2014; Qiao 2007, 2014). For example, Renmin University's report on the internationalization of the renminbi noted that:

> Japan has made tremendous economic and technical achievements, but it does not have a truly great power status…in the international economic and political affairs, it is restricted and hijacked by the United States…despite the major breakthrough of internationalization of the yen brought by Japan's 1970s economic miracle, [the] yen's status has not increased in the long term. (Renmin University 2012, 144)

Proponents of this view argue that China must remain vigilant to the American conspiracy to force reforms on China intended to undermine its growth. China has subsequently become the target of such pressure (Chen 2003, 248), but been more successful in resisting the U.S. "dollar weapon" through large scale currency interventions (Helleiner and Kirschner 2014, 5). Pressures on China to revalue its currency in the 2000s were similarly seen as an attempt to slow China's ascent while advantaging U.S. domestic interests (Bowles and Wang 2006, 248). Moreover, many U.S. policies, including the "pivot to Asia" as well as economic initiatives like the Trans-Pacific Partnership, are seen as evidence of American attempts to contain China (Sun 2012). In 2012, prominent Chinese academic Li Daokui gave a speech in which he claimed that:

> China should feel wronged, should feel injustice…the renminbi exchange rate has been appreciating since mid-2005 with a short pause during the financial crisis…however, most countries, including Australia, saw their currencies depreciate against the US dollar…China's renminbi did not depreciate: renminbi was stable, and then by June 2010, the renminbi has resumed appreciating. But most countries had their currencies depreciated against the USD and then by 2010 were still below their pre-2008 level. Still, China has always been a target of currency disputes. (Li Daokui 2012)

To be sure, these conspiracy theories were not helped when the United States so adamantly opposed the creation of the AIIB, and then (unsuccessfully) lobbied its allies not to join. In addition, many Chinese observers found blame for the crisis in overissuance of dollar assets, when the United States had taken advantage of the dollar's international role (Zheng 2015). However, as a response to the crisis, quantitative easing (QE) was seen as transferring the costs of the crisis to foreign dollar holders like China, aimed at depreciating the dollar not generating additional liquidity for the U.S. financial or corporate sectors (Zhang 2009).

Financial and Political Power

Another development during this time was the increasingly widespread belief that the dollar was itself a key to America's power. According to He (2015, 7), China believes "the secret of the United States as a superpower lies in the dollar hegemony," by which it gains or even plunders the material and financial wealth from the rest of the world (He 2016; Li and Li 2014; Wang and Cheng 2011; Zhang 2010). Dollar hegemony had allowed the United States to receive cheap capital from the rest of the world, what Ferguson (2005) called "tribute," which it used to underwrite its military power, which in turn was used to defend continued dollar dominance.

Monetary power has been elevated in importance within the minds of many in China hoping to see a more powerful China, and renminbi internationalization is "China's first necessary step in pursuing its goal of becoming a financial power in the global monetary system" (He 2015, 7). Prominent academic Wang Jisi (2016) opined that the United States "to maintain the dominance of the U.S. dollar…has taken a negative attitude on expanding China's voting rights in international financial organizations and on the internationalization of the renminbi." As Di Dongsheng of Renmin University in Beijing puts it in a chapter in his book, *The Power of Currencies and Currencies of Power*: "Great powers have great currencies, and a solid currency helps to build up power."

It should be clear by this point that deep-seated suspicion of foreign intentions, especially those of the United States, predispose many Chinese to believe these conspiracy theories (Gries and Sanders 2016; Hughes 2011; Callahan 2010). This is especially true of young people and rural Chinese (Gries et al. 2016; Sinkkonen 2013; Pekkanen et al. 2014; Gries and Sanders 2016). Even China's 2015 stock market crisis was blamed on a Western conspiracy as the result of covert U.S. economic warfare, this time led by U.S. financial institutions (Zhao 2016).

Frustrations over America's hubris began to boil over. China's large holdings of U.S. debt resulted in the "Defend the Torch" movement, which demanded that China's leadership no longer buy U.S. bonds if offensive policies such as U.S. arm sales to Taiwan continued. Currency nationalism had become a powerful force in China. However, it is not yet clear whether such sentiments had impacted the policy process. We know from the previous chapter that the central bank focused on currency internationalization because it was politically more feasible, but we do not yet know why or how this came to be. The following discussion aims to shed light on this last remaining piece of the puzzle outlined in opening chapter.

Nationalist Sentiment and the Chinese Bureaucracy

I argue that other elements of the Chinese bureaucracy were influenced by the nationalist ideas outlined above, beginning to support currency internationalization where they had previously opposed currency reform. While discussions of renminbi internationalization appeared first in the popular media, other government ministries began to show interest early on.

The following chart shows how other ministries began running stories on renminbi internationalization on their websites around the time of the financial crisis. Many of these ministries, including the Ministry of Finance, the Ministry of Commerce, and the National Development and Reform Commission, were those that would be expected to oppose renminbi internationalization and had vigorously fought previous monetary reforms. It is true that many of these pages were coverage of national work conferences and the like, but even so it is telling that renminbi internationalization's primary proponent, the People's Bank of China, barely mentions the topic on its website until 2014:

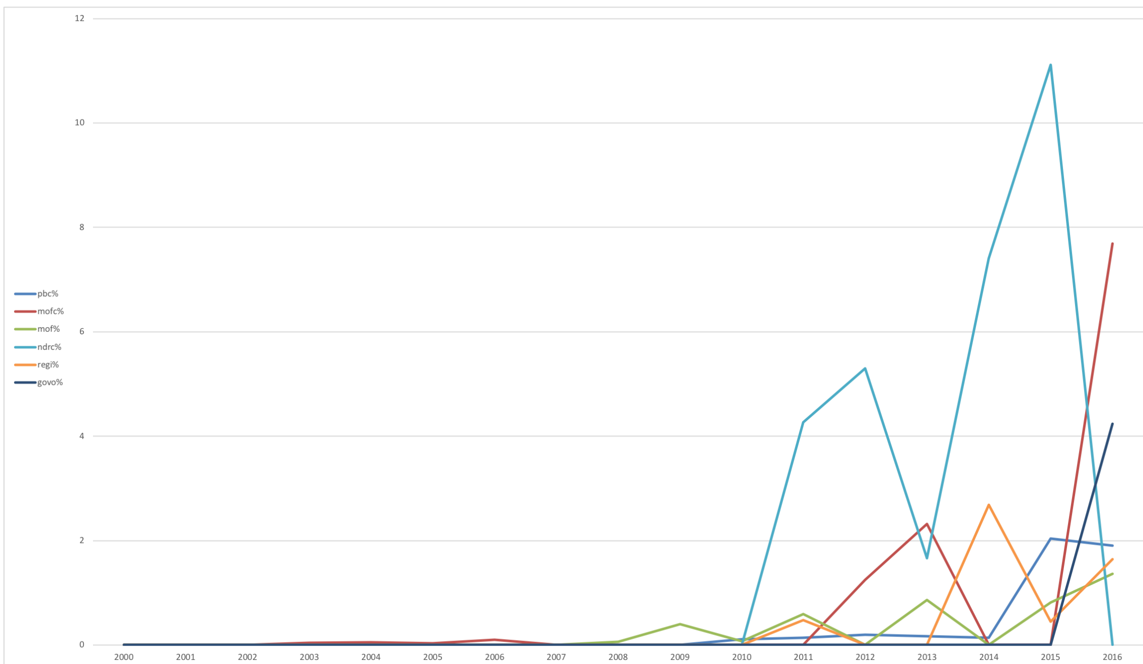

Figure 6: Percentage of Documents Referencing Renminbi Internationalization (Dataset 2)

References to the currency also increasingly referred to nationalist themes. The following chart shows how the Ministry of Commerce in particular discussed monetary issues within the context of China's rise. The PBC did not use these terms until 2010, and then far less frequently than other ministries:

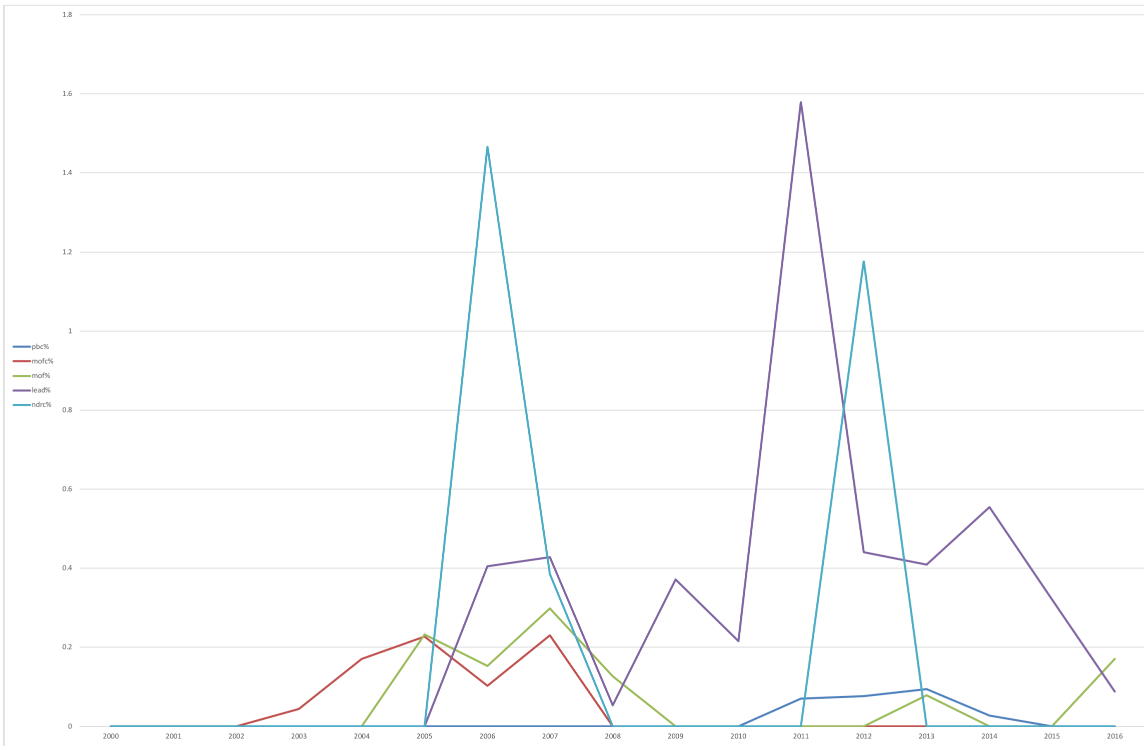

Figure 7: Percentage of Documents Referencing China's Rise (Dataset 2)

I argue below that these developments occurred because the spread of nationalist ideas about the currency influenced the policy calculus of bureaucrats in other ministries, causing them to become increasingly supportive of renminbi internationalization—at least in principle—even as the pilot programs were just beginning. While some members of these organizations expressed concerns early on about liberalizing too quickly, this theme faded as the decade progressed. I suggest that both the timing and content of these communications can only convincingly be explained through the influence of nationalist sentiment.

Before detailing the specific interests of the various interest groups and their participation in the internationalization debate, I first explore the nature and evolution of China's policy process. These details are important because China's policy process is largely one of consensus making. The number of bureaucratic actors has increased sharply in recent years, expanding the number of voices with a say in policy decisions. In order for the central bank to succeed in promoting renminbi internationalization, it would need to convince at least some of these interest groups to lend their support to the policy. Moreover, this discussion provides an opportunity to revisit interest-based arguments, but from the perspective of specific interest groups. I once again find that interests alone cannot explain China's internationalization drive.

Fragmented Politics and the Internationalization Agenda

China is "no longer principally led by one strong individual" (Li 2005, 388), such as was the case in the Mao Zedong and Deng Xiaoping years. Rather, economic policies are decided through coordination among a large and growing network of government organizations and external constituents such as regional governments, industry, think tanks, the media, and academia. The Politburo Standing Committee has the final say on all policies of importance, but even the senior-most leaders must balance the interests of those with a stake in the outcome. Moreover, policy choices might not even make it to this level without some degree of coordination and consensus at lower echelons of the bureaucracy.

There are several analytical frameworks within which to explore this dispersion of decisionmaking power. These frameworks include sectoral interests, fragmented bureaucratic dynamics, factional politics, and the level of centralization of policy authority. Each of these frameworks provides an opportunity to explain the 2008 change in China's currency policy, but each falls short. Sectoral interests in monetary liberalization such as small and medium-sized enterprises have never been powerful enough to sway policy over the interests of powerful state-owned enterprises. The PBC had been gaining political power for decades, but was nonetheless has consistently been unable to advance its reform agenda. Finally, striking differences between the factional alliances and priorities of the Hu Jintao and Xi Jinping administrations do not coincide with the change in monetary policy, which began under Hu and continued to expand under Xi. Rather, I argue it was the change in ideas about the importance of a powerful currency for a rising power and the impact of popular nationalist advocacy for the policy that made the difference, cutting through opposing interests and power bases much faster than could have been expected through institutional shifts.

Sectoral Interests

First, some analysts in the international political economy tradition emphasize the sectoral interests that impact political processes around currency internationalization (Helleiner and Malkin 2012; Hung 2008; Schwartz 2009). In this case, domestic sectoral interests lobby the government on behalf of their economic sector, and the primary means of analysis is looking to see how various sectors stand to lose or gain from currency internationalization. Zimmermann (2010, 104) notes that "arguments focusing on interest groups find it hard to explain why some groups should dominate decision-making while others that might be as vocal seem to have only limited clout." Therefore, according to Tiberghien (2011), three key variables determine whether a policy proposal is successful. The first factor is the balance of power among the major interest groups and agencies involved in any given policy issue. Second is the degree to which a policy is open to public input, as well as the degree of influence public input so expressed through media (old and new) and scholarly leaders can expect to attain. Finally, the level of interest and support of high-level interest in the issue area can make or break the policy.

Otero-Iglesias and Vermeiren (2015) thus adopt a comparative capitalism approach that shows how domestic institutions both shape the preferences and interests of various economic sectors and aggregate these preferences into policy outcomes. This approach, largely advanced by Hall and Soskice (2001) as well as Amable (2003) and Zimmerman (2010) dovetails nicely with the fragmented authoritarianism model described below. However, as Otero-Iglesias and Vermeiren (2015, 104) observe, this approach on its own has not advanced our understanding of why Chinese authorities would be willing to proceed despite the certain costs to some of these sectors, which remained relatively constant due to the financial repression arrangement. Therefore, more nuance is required in our understanding of the Chinese policy process.

Fragmented Authoritarianism

A number of scholars have referred to the Chinese policy process as "fragmented authoritarianism" (Tiberghien 2012; Lieberthal 2004; Lieberthal and Oksenberg 1988; Pearson 2010), which emphasizes the competitive bidding process among diverse interest groups in an autocratic but otherwise highly-institutionalized bureaucracy. While power is concentrated in the hands of an extremely select group of communist party elites, 30 years of reform have increased the decisionmaking authority—particularly in the implementation of important but lower-level policies—of a number of competing ministries and agencies at the central, regional, and local levels. In addition, these institutions can achieve influence by forming allies with one another and with powerful players in society and the economy. China's authoritarian government offers a surprisingly-low barrier to entry into the political process, with various interest groups having numerous points of access to the Chinese political system (Mertha 2009, 1012). Of course, if a particular ministry or agency can gain the support of senior leaders on a policy, this high-level patronage can then be used to goad competing organizations into supporting it. According to Tiberghien (2012), this fractured policy process has been spurred by three factors. First, institutionalization of the decisionmaking process has imposed rules and processes of the institutions that even the most senior party leaders cannot circumvent. Second, these decisionmaking processes have been progressively opened to the increasingly diverse interests and demands of a more modern and complex society. Finally, the intra-governmental competition for influence among various ministries, agencies and localities has also intensified.

Institutions in China's bureaucracy often have strikingly divergent kinds of priorities—some agencies fight for increased budgets and policy authority, while local and regional governments seek to expand their economic activities in disputed areas due to their single-minded focus on growth. As will be shown, these two drivers of policy authority for ministries and agencies and economic growth for local and regional governments are among the strongest incentives driving behavior in China's political system. Political competition in China thus creates a system of "virtual representation" where politicians are encouraged to lobby for policies that benefit themselves or the industry they represent (Lampton 1992; Shirk 1993).

Politicians from China's vast bureaucracy must further strike a careful balance in proposing new policy initiatives, taking care to appear not to contradict the official line while encouraging new thinking in their policy area. Therefore, prominent politicians often tentatively field policy proposals in speeches, op-ed articles, or other important communication events. The goal is to see their proposals publicly supported by senior leaders, manifested in their own speeches or sympathetic articles in official media. When successful, this approach generates momentum for policy initiatives that, in the best case scenario, undermines competing proposals from other parts of the bureaucracy (Shih 2008; Eaton and Zhang 2010). If the proposal becomes state policy, the organization has increased its policy reach, influence over the national agenda, and opportunities for career advancement.

The South China Sea conflict is sometime raised a clear example of fragmented politics. According to the International Crisis Group (2012), the "conflicting mandates and lack of coordination among Chinese government agencies, many of which strive to increase their power and budget," have become among the primary drivers of tensions in the South China Sea. Proposals to introduce a centralized mechanism have failed, while the only organization with a coordinating mandate, the Ministry of Foreign Affairs, lacks the authority or resources to manage the other actors. The situation has sometimes been referred to as “nine dragons stirring up the sea” (*jiu long nao hai*), referring to the nine ministries and agencies responsible for implementing South China Sea policies. Many of them have traditionally been domestic policy actors with little experience in foreign affairs.

This approach alone also does not answer the research question established at the outset of this dissertation. I provide additional detail below on the relative power of the various elements of China’s bureaucracy, but none of these changes coincide with the rise of the renminbi internationalization drive.

Factional Politics

Some scholars emphasize the factional nature of Chinese politics (Nathan 1973; Shih 2008; Xu 2011), viewing decisionmaking through the lens of factional alliances and client-patron relationships in political coalitions. This has created a uniquely-Chinese form of “checks and balances” within the single-party system (Li 2005). Within the power center of the CCP, power is generally divided between a group of elite “princelings”–children of the heroes of the communist revolution—and “populists” (*tuanpai*) that rose to power through the Communist Youth League (Li 2009). According to Cheng Li (2009), the populists, in “espousing a harmonious socioeconomic structure that would take into account vulnerable social groups, such as farmers and the working class, favored steady economic development to boost domestic demand along with continued support for SOEs.” In contrast, the elitists, who come from former revolutionaries or wealthy families, tend to “advocate the interests of the emerging middle class and entrepreneurs, promoting foreign trade and investments.” Xi Jinping and Wang Qishan are associated with the latter, generally favoring market liberalization and private sector development, while Hu Jintao and Wen Jiabao of the previous administration were members of the former. Here, too, factional politics fall short of explaining the turn to monetary opening. The transition between the Hu Jintao and Xi Jinping presidencies falls in 2012, almost precisely in the middle of the period under investigation here. Moreover, renminbi internationalization was launched in earnest around two-thirds of the way through Hu's leadership, gained momentum under Xi, but was then scaled back in 2015.

The Balance of Power Between the Center and Periphery

One final way to explore the issue is to look at the balance of authority between the central government and lower-level organizations. In China's one-party system, senior leaders rarely debate national policy outright, as this would undermine the appearance of party unity. Instead, leaders advance their agendas by filling critical positions with like-minded politicians from allied factions, and leveraging these connections to promote preferred policies. At several points in the country's history, Chinese leaders from Mao Zedong to Deng Xiaoping were unable to break gridlock in the central government, and intentionally distributed power away from the center to garner support among regional and local Party cadre.

The result is a relatively high level of decentralization in China today, particularly in economic policymaking. For example, while the central government sets overall sectoral growth targets, how these are implemented has long been the purview of regional and local governments. Indeed, local authorities have controlled as much as 70% of public expenditures (World Bank 2002) and enjoyed primary rights over land, industrial capacity, energy, and raw materials (Granick 1990; Naughton 1991, 1995; Qian and Xu 1993; Shirk 1993; Oi 1999). As a result, the central financial bureaucracy has been largely marginalized in driving fiscal and monetary policy (Helleiner and Malkin 2012).

The incentives produced by economic decentralization partly explains why China's system of financial repression proved so difficult to unroot. Given the imperatives for constant growth and stability outlined above, provincial leaders and other senior bureaucrats were evaluated and promoted largely on their success in consistently producing bottom lines in the black (Shirk 2003; Shih 2008). Because regional and local governments have few sources of self-generated income, they used their influence over the central government's capital distribution to secure low-cost financing for local investment projects. Central bureaucrats, on the other hand, were rated and promoted not by growth targets, but the breadth of their policy authority and their skill in managing this policy space in service of national objectives and macro-level priorities.

This exchange of power between the center and the periphery is cyclical (Shih 2008). While regional interests are largely free to pursue investment-fueled growth during boom years, economic crises apply the brakes by bringing attention to non-performing loans, overinvestment, and other distortions from this growth model. Therefore, economic crises have offered periodic opportunities to rein in lending and recentralize economic policy authority. For example, the 1997 AFC allowed Vice Premier Zhu Rongji to recentralize some fiscal policy authority to the central bureaucracy, though he dropped attempts to overhaul the country's financial system in light of the clear indictment of liberal capital flows in causing the crisis. Of course, as I have demonstrated, the global financial crisis produced a very different result, coinciding with monetary opening. However, there is potential explanatory power here in that the financial crisis offered an opportunity challenge the existing model. However, the important question is *who* took advantage of the opportunity.

The Institutional Politics of Monetary Reform

Economic policymaking in China involves a diverse set of institutions and groups. As should be clear from the above, China is hardly a monolithic entity with a single set of international monetary objectives (Steinberg 2014). Generally speaking, those institutions in favor of reform include the PBC and other liberal-leaning groups in the government and communist party

(Cohen 2017; Helleiner and Malkin 2012; McDowell and Steinberg 2016). This is a short list, as Chey and Li (2016, 12) note, “there have been few strong domestic private interests in China supportive of renminbi internationalization, with many rather being opposed to it.” As Cohen (2017) observes, the great number of competing interests regarding renminbi internationalization could be one reason there has never been a formal declaration of policy.

Opponents are generally concerned that full-fledged reform of the financial sector would prioritize financial interests over the real economy, negatively impacting the competitive of Chinese manufacturing and exports. The latter would then result in massive unemployment, leading to potential unrest. The latter group includes state-owned enterprises (SOEs) and their parent organization the State Asset Supervision and Administration Commission (SASAC), the export sector, the Ministry of Finance (MOF), the National Development and Reform Commission (NDRC), and the Ministry of Commerce (MOFCOM), each representing various interest groups not formally within the government. Each ministry exercises power downward within its area of authority, and upward as it advises senior leaders on related policy. State-owned banks comprise one of the few interest groups with conflicting interests. They profit greatly from the financial repression system with its regulated interest rate spreads, but could also benefit over the long term from growing renminbi-denominated financial services businesses abroad.

The opening chapter covered in detail the system of financial repression and the vested interests that benefit from it. It will not be recapitulated here. Rather, the focus in this section is on the institutional representatives of these interests, their motives in opposing or supporting renminbi internationalization, and the data on their actual behavior. The ministry-level PBC is naturally the primary proponent of renminbi internationalization, as well as other liberal financial reforms. Its interests and actions were reviewed in the previous chapter, and will not be repeated here.

The National Development and Reform Commission

The NDRC is sometimes nicknamed the "miniature State Council" as the macroeconomic management agency directly subordinate to it (He 2015, 14). Responsible for the formulation and implementation of national social and economic development as well as macroeconomic management of China, the NDRC has advocated and largely succeeded in keeping credit rates low and the value of the currency competitive. In essence, it implements the financial repression policy long a centerpiece of China's growth model (Lardy 2012).

The NDRC is a conservative institution that is largely concerned with social stability and ensuring full employment. These policies benefit the export industry, state-owned enterprises with their large employment rolls, and regional and local governments that rely on state financing to fund their fiscal operations and local economic projects. There is thus both overlap in mandates to oversee macroeconomic policy as well as strong conflicts of interest between the NDRC and PBC. Most of this competition goes on behind closed doors. However, in 2016 a gaffe provided some insights into the organizations' policy competition. As it was reported in the Hong Kong press, the NDRC released a statement describing the economy's troubles in the wake of the country's economic slowdown, calling for a string of policy actions to revive corporate activity. In the middle of the statement, the NDRC's policy research unit wrote 13 characters indicating that China should "lower benchmark interest rates and banks' reserve requirement ratio at appropriate times." Of course, the NDRC has no authority over interest rates. The jab was clearly directed at the PBC, which had held interest rates stable for a number of months at that point. Lanes of authority are highly institutionalized in the Chinese policy process, and this breach of respecting its policy space was corrected within hours.

I find in the data general acceptance of renminbi internationalization, with NDRC documents not expressing opposition to renminbi internationalization in the same way that it had opposed liberalization of the exchange rate. It did not explicitly support currency internationalization, either. Regardless, I argue that its lack of opposition to renminbi internationalization is important in making the policy possible in the first place, and that its divergent response to currency internationalization from currency liberalization is rooted in the change in evaluative framing explored earlier.

The Ministry of Finance

The MOF exercises authority in fiscal policy, and was once the most powerful player in domestic monetary policy as well. The PBC had merely been the cashier and accountant for the MOF until the PBC was assigned formal central banking authorities, but the MOF still remains important, particularly regarding its sizeable budget and revenues (Wen and Murphy 2010). In terms of the exchange rate, the MOF has been concerned with repayment of money it has lent to local governments, as appreciation would lower prices and increase real interest rates, making it difficult for poor localities to repay. In addition, the MOF has preferred to support the export industry through devaluation than through increased fiscal expenditures (Bowles and Wang 2008; Yang 2000).

The MOF has also long been a "competitor with the PBC for policy influence," favoring the continuation of the renminbi-U.S. dollar peg that makes fiscal policy more effective than monetary policy (Bell and Feng 2013, 232). Amid a leadership transition in 2005, the MOF wrested control of the Big 4 state-owned banks away from the PBC by assimilating Central Huijing Corporation into China Investment Corporation (CIC), MOF's newly mandated sovereign investment vehicle. The MOF was allowed to spend foreign exchange reserves through the CIC, but this was a huge point of contention between the MOF and PBC. For example, in an unusually scathing remark in late 2011, Luo Jiwei, then Chair of China Investment Corporation and incumbent finance minister, blamed the PBC for mismanaging China's monetary affairs by "acting like central banks in small economies," which tend to hoard voluminous foreign reserves without putting them to good use (Luo 2011, quoted in Chey and Li 2016, 17). The PBC has been criticized by the MOF for its alleged mismanagement of the nation's foreign reserves (Bell and Feng 2013, 255; Steinberg 2014). This is, of course, only the public manifestation of competition between the two ministries.

When the CIC made a couple of particularly poor investment decisions, the PBC gained the upper hand in terms of ability to properly manage the reserves. The MOF and the NDRC have been united in supporting the continued state-controlled allocation of credit and setting of interest rates, and have tried to prevent the PBC from allowing the renminbi to appreciate significantly. The MOF has issued some of its annual treasury bonds in Hong Kong, but the issuance volumes have been small. Kroeber (2013) suggested this could be due to concerns about loss of control of its borrowing costs or rivalry with the PBC. Similar to the NDRC, the MOF was not observed in my data to explicitly support renminbi internationalization, but it did not explicitly oppose it, either.

The Ministry of Commerce and Private Industry

The MOFCOM is responsible for international trade policy and international business interests, including China's vast export industry. The MOFCOM was one of the targets of the exchange rate criticism lodged at China during the 2000s, and loudly defended the peg in the mid-2000s. The fact that such attacks continued after the financial crisis clearly bothered Commerce Minister Chen Deming, who accused the United States of politicizing and exaggerating the issue, and in a blistering public statement made clear that if the United States imposed trade sanctions, "we will not ignore it," and if the United States labeled China a currency manipulator and apply punitive tariffs, China would "find it impossible not to react," and if the United States used the exchange rate to start a trade war, "China will be hurt…but the American people and US companies will be hurt even more" (Pomfret 2010).

The MOFCOM had been adamantly opposed to a stronger *yuan* in a "fierce and public" debate (Back and Browne 2010). However, exporters themselves have not worried extensively about an appreciating exchange rate due to favorable and compensating economic policies. Therefore, the MOFCOM has not resisted appreciation as loudly as mere interests would suggest (Wright 2009). In fact, inflation was becoming a problem in the years leading up to the GFC, and without significant lobbying from tradable industries, appreciation was the tool used to address it (Steinberg and Shih 2012, 1419). However, a worsening economic conditions made these industries more sensitive to the exchange rate, especially as demand plummeted and credit froze in many importing countries after the financial crisis (Bottelier and Dadush 2010). A July 2008 survey of 170 exporters found that 41% saw exchange rate policy as the most significant problem for their business (Wright 2008, 6), and thus initiated a multipronged lobbying blitz, focusing on the governments of coastal provinces where they were concentrated (Steinberg and Shih 2012, 1420). Provincial politicians in coastal provinces pushed their case with the central government, warning the leadership that more favorable exchange rate and rebate policies were required to prevent mass bankruptcies and social unrest (*ibid.*). The MOFCOM subsequently stepped up its lobbying on behalf of exporters. The offensive worked, and by the middle of July 2008, appreciation of the currency was halted. According to one PBC official, the central bank "wants to revalue more aggressively but [is] facing so many pressures from local governments, especially from eastern areas where there are exporters" (Steinberg and Shih 2012, 1421).

The Ministry of Commerce's About-Face

Surprisingly, the MOFCOM was among the first to take interest the internationalization of the *yuan*. Indeed, settling more trade in renminbi would reduce exchange rate risks and was one major benefit for exporters, despite the newfound exchange rate risks if the renminbi itself were to appreciate. Estimates have been advanced that Chinese companies have added up to five percent to their quotes to hedge against exchange rate movements (Walsh 2014). Others have suggested that exporters could save from two to three percent (Batten and Szilagyi 2012) or more. Chinese analysts have noted this benefit as well (He 2009; Zhang Ming 2013; Gao and Yu 2011; Huang and Lynch 2013; Yu 2014).

In addition, a newfound focus on outward direct investment meant that an undervalued exchange rate would not be beneficial for these enterprises (Kohlhagen 1977; Logue and Willet 1977). At a 2010 press conference about African trade relations, Chen Lin noted that while renminbi internationalization was a "gradual process," but that Chinese enterprises would quickly adapt and soon "seize the opportunity of renminbi internationalization, speed up their own development, and do a good job in economic and trade cooperation with African countries" (Ministry of Commerce 2010). Still, as late as 2014, 90 percent of trade was still settled in dollars, and most enterprises that conducted foreign trade opposed the risk of a fully liberalized exchange rate (Wang 2014). Grimes (2002) and Katada (2008, 409) found that Japanese firms were uninterested in reduced exchange rate risks from yen internationalization because of the widespread availability of currency hedging mechanisms (Cohen 2004; McNamara 1998; Helleiner 2006). Many feared appreciation from currency internationalization (Katada 2008, 410).

In China's case, many trading firms have benefited from being able to conduct interest and exchange rate arbitrage from either side of China's capital controls (Cookson 2011). This appears to have been a stronger driver than cost savings, and there is little evidence of lobbying the MOFCOM to internationalization the renminbi. Therefore, the ministry's quick about-face in supporting the policy stands out.

The Ministry of Foreign Affairs

The Ministry of Foreign Affairs is often suggested to be one of the least powerful ministries in China, with very little policymaking authority of its own. Its power has declined steadily since Zhou Enlai was the country's first Minister of Foreign Affairs. According to

Li (2012), this is because domestic issues have consistently been given greater weight than international diplomacy in Chinese politics. That said, the ministry is the face of China's foreign policies, and does tend to advocate for more restrained diplomacy. For example, former Foreign Minister and State Councilor Tang Jiaxuan cautioned in a 2010 speech that the United States remained very powerful and possessed the exceptional capability for revival and innovation. According to Tang, the central task of China's diplomacy was to keep a low profile and be humble, try to avoid confrontation, and serve as a "bridge" between developing countries and developed countries (Peking University 2010).

The MFA's response to renminbi internationalization was initially similarly tepid. In 2009, He Yafei stated that "the dollar is the most important reserve currency in the world and we believe it will be the case for the coming years…this is a reality…establishing a super-sovereign reserve currency [like the SDR] is not the Chinese government's position" (Xinhua 2009a). I found scant evidence that the MFA changed its opinion about renminbi internationalization, possibly because it was in the foreign ministry's interests to avoid the kind of international confrontations that nationalist rhetoric tends to promote.

State-Owned Enterprises

Unlike the MFA, the state sector has only increased its power even after decades of liberal reforms. In fact, the global financial crisis afforded additional privileges to the state sector as the government turned to them to stimulate the economy with infusions of capital for large projects (Naughton 2011). New bank credit shot up from 13-14 percent of GDP from 2006 to 2008 to 29 percent in 2009 and 20 percent in 2010 (People's Bank of China, quoted in Naughton 2011). As explained in the opening chapter, this interest group benefits greatly from the financial repression system (Otero-Iglesias and Vermeiren 2015). Ferri and Liu (2010) estimated that if SOEs paid market interest rates, their profits would be entirely wiped out. Of course, some would benefit from settlement of trade in renminbi and outward direct investment opportunities in the local currency. However, these would be unlikely to outweigh the advantage they gain from a constant flow of cheap capital. The State-owned Assets Supervision and Administration Commission of the State Council (SASAC, which is responsible for managing the SOEs) is influential in ensuring that its interests are represented at the highest levels. Senior leaders are often hesitant to come down too hard on SOEs for fear of adding to the sectors unemployment rosters.

There are indications that state-enterprises were initially suspect of renminbi internationalization. In a talk from September 2009, Huayou International CEO Xiang Songxiang insisted that renminbi internationalization should not be rushed, and was very different from the internationalization of trade and investment in that even small reforms could have enormous impacts, and that promotion of renminbi internationalization should be with extreme vigilance against the risk. He even insisted that China should not raise the issue of the SDR too much (quoted in Global Times 2009, my translation). President of Citibank China Ou Zhaolun spoke at the same event, insisting that renminbi internationalization should be coordinated with domestic reforms and that renminbi internationalization should not proceed without these steps.

State-owned banks benefit similarly from financial repression. In 2011, average interest income accounted for 80 percent of total bank income (China Banking Regulatory Committee 2012, 8, quoted in He 2015). He (2015) noted domestic observers calling this “easy money” through state-owned banks monopoly status. The four biggest state-owned banks, which dominate the banking system, had an average return on equity of about 25 percent in 2011 (Orlik and Reilly 2012). Facing the questions from the public on their excessive profits in 2012, some leaders of China’s biggest banks were quick to deny the profits (Su and Lou 2012).

China’s weak banking and financial sectors could gain new sources of profit and business from international finance (Tavlas 1991; Cohen 1971; Broz 1997; Henning 1994). Broz (1997) argues that New York banks sought to increase their profits from an enhanced international role for the dollar. American financial institutions played a major role in supporting this "dollar diplomacy" to challenge the sterling standard (Rosenberg 1999; Rosenberg 1985; Costigliola 1984; Helleiner 2003). However, this is a very different situation from bank-dominated and credit-based economies such as in Japan and Germany, much less China with these traits as well as the financial repression model. Real estate and construction industries benefit by association, as they help to realize the large infrastructure projects financed through state banks and arranged by SOEs and local governments. This included the massive stimulus after the crisis.

There were no obvious trends in the data about support or opposition to renminbi internationalization. This could be related to the relative lack of sources representative of these interest groups compared to the ministries described earlier.

Regional Governments

As explained in the opening chapter, local and regional governments depend on financing from state-owned banks to finance underfunded fiscal obligations and local infrastructure projects. There is high demand for funds, as provincial leaders in China are promoted or demoted partly based on their region's economic performance (Cai and Tresiman 2006; Cheung 1998; Li and Zhou 2005). Conversely, politicians who sit silently while others lobby for resources would "run the risk of being seen as weak or even irrelevant, a potentially deadly label" (Mertha 2009, 997).

Because of this, regional governments hold massive amounts of debt from state-owned banks. Interest rate liberalization would drive up deposit and lending rates, increasing the government's borrowing costs and debt levels (Zhang 2011). Local governments therefore have much to lose from renminbi internationalization or monetary liberalization, both from the loss of advantages through financial repression and the corresponding debt burden. Coastal provincial governments have lobbied against currency revaluation, and Minister of Commerce Bo Xilai vocally opposed these (Wright 2009). However, I do find evidence of increasing support for renminbi internationalization on the websites of Guangzhou and Zhejiang province.

Academia and Think Tanks

China's leadership also consults experts from state-sponsored think tanks such as the Chinese Academy of Social Sciences (CASS) and the Development Research Center of the State Council.

Academia has been interested in renminbi internationalization since the late 1980s, focusing on the costs and benefits of the strategy, how to go about it, what reforms are necessary, and what government interventions would be necessary and in what order. As such, academia is clearly the earliest group to raise the idea, but discussions of the *yuan*'s global role appear to have remained in the academy for most of the 20th century. Much of this scholarship was on the issue of renminbi pricing systems and stability. Those that focus on sequencing tend to agree that liberalization should come before internationalization. The sequencing of reform is still debated in Chinese scholarship (Zhen 2012).

Some of these scholars did suggest that liberalization could come later. Zhong (2002) raised the possibility of combining the process of renminbi capital account convertibility with that of renminbi internationalization. Ma (2004) proposed that, in the short term, the free convertibility of the renminbi could be directed and pushed forward by the government, who could intentionally control the pace and direction of the process. Huang Haizhou (2009) and others see renminbi internationalization as an external commitment device to push reform, while Yu Yongding (2011) argues that general financial reforms are preconditions to successful renminbi internationalization. Perhaps the loudest voices arguing for capital account liberalization before renminbi internationalization have been from CASS, the government-associated think tank (Feng 2011, 67).

Ba (2007) pointed out that renminbi internationalization should undergo the three stages of currency liberalization, regionalization, and globalization. Li and Liu (2008) put forward the idea of a dual-track reform. On the one hand, Hong Kong could become a place for experimenting with overseas renminbi internationalization; on the other hand, a capital account convertibility reform, set in a specific direction and in tune with the country's overall financial reform, such as QFII and QDII, could be carried out in a step-by-step and gradualist manner on the mainland.

More recently, scholars have been overall most focused on the integration of China's financial sector into the global financial market, arguing that the competitiveness of a country's financial sector determines its status in the global economy (Zhang Yugui 2013). This goal is in turn dependent upon market-oriented financial reform (Huang 2014; Zhang 2013a). Li Daokui argued in a talk (2014) that the Chinese government should not openly declare renminbi internationalization as a goal, since this could cause worry in the United States, Japan, and other countries. However, once successful, China will have finally fulfilled its strategy in becoming a financial power (Pan and Wu 2012). However, even though scholars have generally supported currency reform, nationalist themes have also become increasingly prevalent among academic treatments of renminbi internationalization.

Revisiting the Argument

The preceding discussion should not be taken as an argument that the Chinese bureaucracy at once became supportive of renminbi internationalization. In fact, many remained hesitant or even opposed. In addition, insufficient data was available to fully assess the changing positions of some interest groups. The results front content analysis were not always clear, necessitating additional analysis and adjustments to the methodology. Regardless, the argument here is that the change in evaluative frame around currency reform caused at least some in the bureaucracy to support what few could now—in light of popular opinion—oppose outright: that China as a rising power should have a currency to match its increased stature in the international system. This fact alone was enough to tilt the scales in favor of the reform agenda, of which the central bank took advantage.

It should be apparent at this point that the PBC would have been unlikely to focus so thoroughly on currency internationalization had this change in cognitive framing not occurred, nor would it have been so successful. Renminbi internationalization is a major policy of the Chinese government today, and its implementation is affording more authority to the central bank than ever before. It is also eroding the system of financial repression that has kept the central bank from acting as a "true" central bank.

The following chapter concludes the dissertation, taking stock of its primary findings, assessing the impact of the dissertation's findings within the broader academic literature, evaluating the generalizability of the findings, and suggesting next steps for research.

CHAPTER SEVEN: CONCLUSION

This dissertation has explored the role that nationalist sentiment played in driving China's post-2008 campaign to internationalize the renminbi. This study is situated squarely within the field of international political economy, but has touched on several different bodies of literature in the fields of economics, political science, and China studies. It applied a mixed-methods approach incorporating computer-assisted techniques that stands to be broadly relevant within the social sciences. This short concluding chapter reviews the main argument and findings, explores the substantive and methodological contributions it has made to the literature, assesses the policy implications of the study, and outlines a future research agenda.

Revisiting the Argument and Findings

In this dissertation, I argued that nationalism did play a role in China's currency ambitions. I find no evidence that the central bank or other reformers in the Chinese government intentionally co-opted nationalist language to advance their cause, and little support that it pushed renminbi internationalization as an underhanded scheme, or "Trojan Horse," for reform. However, I hold that nationalist sentiment was crucial to removing previously-insurmountable political barriers to monetary reform. I demonstrated that currency nationalism first took hold in the popular media before its themes began to permeate official media sources. These ideas also began to emerge in documents associated with other ministries, local governments, and other organizations that had previously opposed currency liberalization. These ideas affected policy by shifting the cognitive frame through which policies of currency reform were understood and evaluated.

Far from instigating such sentiments, the PBC was slow to publicly advocate for renminbi internationalization, even while it was playing a central role in initiating and implementing the policies necessary for its success. Indeed, the PBC had first argued for greater adoption of the IMF's special drawing rights (SDR), not the *yuan*. I argue that the central bank was placed in an envious but politically-tenuous situation by the popularity of renminbi internationalization. It desired to reap the benefits of increased support for its agenda while avoiding the potential consequences of pushing its case too strongly or liberalizing too quickly. It could quickly become the victim of its own success. As the obvious beneficiary of these reforms, such actions could be viewed suspiciously by its competitors in the bureaucracy. If reforms proceeded too quickly and resulted in instability, it would be blamed.

As explored above, the PBC had become an extremely politically-savvy organization. Rather than stemming from an underhanded scheme to force reform, the central bank's actions resulted from its practicality, focusing on achievable policy changes and sequencing its efforts from least to most difficult. Tackling monetary opening within the context of globalizing the renminbi was more politically feasible than focusing first on liberalization narrowly understood. Even still, the People's Bank chose to proceed cautiously, waiting until senior leaders had clearly signaled their support before beginning to promote renminbi internationalization more publicly.

I argue that China's senior leaders also were not responsible for initiating this focus on renminbi internationalization. Evidence for this can be found in the fact that official media regularly gave voice to opposing views on the subject, suggesting a lack of consensus within the government. In addition, as renminbi internationalization grew in popularity and especially after the 2015 stock market crisis and economic slowdown, official media began to manage expectations about continued achievements for the *yuan*, emphasizing that this was a "long term" and "gradual" strategy. China's leaders were supportive while renminbi internationalization appeared to be a low-risk endeavor—that is, while China's economy was strong and seemingly resilient to external financial instability, and with America's global status seemingly in real danger—but became much less enthusiastic as the true costs of the policy became clear and the impacts of the financial crisis on the global monetary order seemed to have been overestimated.

However, as with other areas of nationalist concern, the cat let out of the bag could not so easily be put back in. I argue that currency nationalism was at its core a grass roots phenomenon, originating in the public sphere but becoming increasingly mainstream around the time of the financial crisis. While nationalist thinking alone unlikely motivated policymakers to pursue renminbi internationalization, it almost certainly opened doors for its advocates to proceed unhindered by vested interests and conservative opposition. Its success can be explained by the fact that it shifted the logic of monetary reform from an economic logic where success would be measured in concrete and absolute terms with clear winners and losers, to a political logic where success would be measured in abstract and relative terms where the winners and losers were less obvious.

The explanation for renminbi internationalization is thus a complex one. The financial crisis did, indeed, shift the interests of China's senior leaders from seeking growth and full employment to mitigating risks from excessive dependence on the dollar, as argued by the conventional economic explanations. The central bank did choose to pursue renminbi internationalization before deeper monetary reforms because of its broader appeal, recognizing that reform couched in such terms was more difficult to challenge than reforms for which the winners and losers are self-evident. However, it was nationalist sentiment that broke the stalemate by bringing other organizations in the bureaucracy on board.

I argue that the lessons of the GFC were thus both economic and political. And while conventional economic explanations are not wholly inaccurate, they are incomplete. Renminbi internationalization would unlikely have been the result of the financial crisis had nationalists not understood it to be an opportunity to challenge dollar hegemony through *yuan* internationalization, and not merely a reminder of the risks from dollar dependence. The continued resistance of the United States to changing its own currency practices convinced many that America was using the dollar for its own domestic gain, and would thus stop at nothing to maintain its dominance in the international monetary system. This perception of a weakened dollar also changed the policy calculus, making renminbi internationalization seem more feasible than it had only a few years earlier. The financial crisis made a global role for the renminbi at once both more important and seemingly more achievable than ever before. These beliefs prove crucially-important in explaining renminbi internationalization, for which neither interests nor institutional politics alone provides a convincing explanation.

Contributions to the Literature

This study lies at the intersection of several fields, and has engaged bodies of literature in international political economy, economics, political science, and China studies. These include studies of currency internationalization, economic nationalism, and the political economy of globalization. In terms of China studies in particular, it advances discussions of China's currency internationalization drive, the politics of economic reform in China, and the role of nationalism in China's political economy. This section reviews how this study has contributed to these areas of scholarship.

Currency Internationalization

First and foremost, this dissertation joins a large academic discussion on process by which currencies internationalize. Bowles and Wang (2008), Chey (2012, 2013, 2015), Cohen (2009, 2012a, 2012b, 2015), Cohen and Benney (2014), Germain and Schwartz (2014), Helleiner (2008), Helleiner and Kirshner (2009, 2014), Helleiner and Malkin (2012), Johnson (2008), Katada (2008), Kirshner (2008, 2014), Liao and McDowell (2015), Ly (2012), McNamara (2008), Norrlof (2014), Otero-Iglesias and Steinberg (2012, 2013a, 2013b) and Stokes (2014) are just a few of the many treatments of currency internationalization. Some of the primary questions asked by this literature include:

- Why do countries internationalize their currencies?
- What are the criteria of internationalize currencies?
- What are the dynamics of transitions between dominant international currencies?

This dissertation has shown how the drivers of currency internationalization can diverge greatly among even a few historical examples. Moreover, it has been shown that not all countries push to internationalize their currencies, and those that do can do so for reasons that are not primarily economic in nature. Rather, politics and sometimes nationalist sentiment can impel countries to look past the potential downsides of currency internationalization. This explains why we see such historical differences between the enthusiastic internationalization of China compared to Germany before it, and between Japan of the late 1980s and Japan of the 1960s and 1970s. Currency nationalism is a powerful force in distracting from the real costs of currency internationalization, focusing on the abstract and relative gains instead of the concrete absolute impacts that make it much easier to determine its winners and losers.

In addition, as argued by Liao and McDowell (2015), much of the existing literature focuses on reserve currency "inertia"—the factors that sustain top reserve currency status after dominance in that arena is already achieved—rather than the processes that allow emerging currencies to effectively overcome these barriers to entry. Therefore, this study could serve as a counterpoint to examinations of why the euro failed to achieve its international potential (Germain and Schwartz 2014), either from a lack of institutional support (Cohen 2011), ideational foundation (McNamara 2008), or other factors. This dissertation also stands to break fresh ground in exploring the conditions and motivations that cause rising economies to promote their currencies in the first place.

Finally, this study has emphasized the role of institutional politics and institutional interests in driving international monetary policies. As Chey and Li (2016, 2) observe, "while the preferences of private interests, such as financial institutions and non-financial corporations, have been examined by a few studies, the central bank has rarely been spotlighted in the analysis of currency internationalization."

Economic Nationalism

This study further contributes to a large literature on economic nationalism. Studies of the links between nationalism and economics are fairly numerous (Kirshner 2001; Johnson 1965; Crane 1998; Shulman 2000; Pickel 2002, 2003; Harmes 2011; Nakano 2004; Helleiner 2002). One of the key findings of this literature is that nationalism should be understood as a generic discursive structure rather than a substantive doctrine. Popular and even some scholarly treatments of economic nationalism see it as an anachronistic ideology or a pernicious doctrine, generally the equivalent of protectionism and the opposite of liberalism. The label of "economic nationalism" is often used to disqualify a country's economic policies as unreasonable, unjustified, or anti-market.

Helleiner (2002) and Pickel (2003) attempted to reinvigorate this research program, which until the late 1990s had been almost wholly neglected. As Pickel (2002, 1) bemoaned, "the most recent non-historical, book-length scholarly study specifically devoted to economic nationalism…was published in 1980." However, after a few studies on the topic, economic nationalism once again fell into relative obscurity among scholars. The traditional framing of economic nationalism thus continues to propagate today, with Workman (2009), for example, arguing that the global financial crisis caused a dramatic increase in "government intervention in the economy" coupled with a "tremendous decrease in global trade flows," what he calls the "contemporary rise in economic nationalism."

Despite these insights, like nationalism, economic nationalism remains difficult to define. Gilpin (1987, 31) defines economic nationalism as "a set of themes or attitudes," the idea that "economic activities are and should be subordinate to the goal of state-building and the interests of the state." One difficulty with this conception is the fact that economic policies are usually associated with states rather than nations. Therefore, Crane (1998, 55) argues that economic nationalism is a "misnomer, as most conventional treatments focus on the state, not the nation…national identity is not simply an expression of state interest." Helleiner and Pickel (2005) similarly focus on how identities formed through economic nationalism shape and affect economic processes.

My research returns to this line of inquiry, supporting its nuanced understanding of economic nationalism as "a set of policies that results from a shared national identity…economic policy that followed the national purpose and direction" (Abdelal 2000, 31) as a "facet of national identity" (Crane 1999, 215). In short, it brings the "nationalism" back into the study of economic nationalism. This dissertation has shown how economic nationalism can be associated with a wide range of policy projects, including the endorsement of liberal economic policies. If Chinese identity rests upon having a great currency, state policy will reflect this. In addition, Johnson (1965, 238-9) argued that "nationalism will tend to direct economic policy toward the production of psychic income in the form of nationalistic satisfaction, at the expense of material income." The importance of symbolism in China's campaign to internationalize the renminbi is another indicator of nationalist forces at work.

Indeed, Nagy (2014) observed how President Koizumi of Japan used nationalism to achieve his liberal economic agenda. Shulman (2000) concluded that Ukrainian nationalists saw the adoption of liberal economic policies as a way of strengthening a "Western-oriented" national identity distinct from Russia. Even in Russia, Kangas (2013) found that the discourse of nation functioned as a mechanism to further the expansion of neoliberal markets. Finally, Quebec nationalists in Canada have often supported free trade as way of reducing their vulnerability to the ruling majority, diminishing the central state's power, and improving the prospects of achieving a smooth transition to independence.

Currency Nationalism

This study also explores the concept of currency nationalism, whereby a currency can serve as a symbol of a country's overseas expansion, and a measure of its rise. Studies of currency nationalism are far fewer in number, but the application of nationalist theory to understanding currencies is no less appropriate. In fact, the tangible, physical aspects of currency increase the salience of some of these mechanisms. For example, Galloy (1990) explores the communicative aspects of state-produced currency in Mexico and Central America, where representation of the indigenous past on the currencies helped construct national identities. Lauer (2008) similarly studies these forces with regard to U.S. paper money, finding that the focus on contractual obligations of the state—prominently printed on the face of the currency—worked to forge national identity.

Penrose (2011) explicitly ties this relationship between national iconography in stamps and money to Billig's (1995) conception of banal nationalism, suggesting that these national emblems and images go largely unnoticed despite their important ideological functions as reinforcing conceptions of the nation. Penrose argues that:

> Money and its use is bound up with the daily reproduction of the world's geopolitical units as nation-states and of their citizenry as nations. Both coins and banknotes have been shown to work unobtrusively as bearers and transmitters of the iconography of the nation-state in which they are issued and which they, in turn, represent

> and help to construct. When members of nation-states use this money they help reify their imagined national community by trusting in the value of 'their' money and by identifying with the images of the nation-state that it promotes. Similarly, when people use 'foreign' currencies, differences and boundaries between nation-states are marked and reified at the same time as the legitimacy of specific states and the global system of nation-states is subtly reinforced. (Penrose 2011, 429)

Other scholars have struck a similar theme, demonstrating money to be a vivid symbol of nation's identity (Gilbert 1999; Helleiner 2003; Raento et al. 2004). The power of national symbols to rouse impassioned emotion and behavior has been noted by scholars from a variety of disciplines, including sociologists (Mills 1961), anthropologists (Firth 1989), political scientists (Lasswell 1935), historians (Curti 1946), and psychologists (Kelman 1969). Many of these accounts, such as those of Durkeim (1915), suggest that individuals' ties to national symbols often supersede their ties to the group that the symbols represent.

Moving to the international stage, Cohen (1998) argues that having the dominant international currency projects the hegemonic state's identity abroad, an example of the exercise of "soft power." When a nation's currency serves as the "lingua franca" of international finance and business, this increases the state's international prestige and status, reinforcing perceptions of economic and geopolitical supremacy. In short, while these forces can be quite subtle, money, coins, and currency have long been caught up in notions of national identity and nationalism. Just as images of the "greenback" being used around the world reflects American power, the image of the "redback" moving past the country's borders to be exchanged among foreigners is a powerful manifestation of China's increased power and global influence. This has shown to be particularly power in China's case. However, more research is needed to understand whether the physicality, imagery, and symbology of a currency's global use make currencies uniquely apt to be incorporated into nationalist thinking, or if this is just one aspect of multi-faceted aspects of economic nationalism.

Theorizing the Rise and Fall of Global Currencies

This dissertation participates in a body of literature, pioneered by Susan Strange (1971), that offers an international political economy approach to understanding the rise and fall of global currencies. This mode of analysis offers a sharp contrast to the economics literature that dominates most treatments of renminbi internationalization. Strange (*ibid.*) argued that economists overwhelmingly focus on the study of "top currencies," defining this role as stemming from their inherent economic attractiveness alone. However, Strange argues that currencies sometimes achieve international status because the issuing governments coerced the currency's use by subordinate countries or colonies. In this case, she called such currencies "master currencies." In addition, Strange formed the concept of "negotiated currencies," which were supported by foreign governments voluntarily as a result of explicit or implicit inducements by the host government, including military, diplomatic, or economic support. Strange further argued that master and negotiated currencies were actually much more common in the history of the international monetary system than economics-driven top currencies.

While Strange focused on the likelihood that a currency in decline would increasingly assume the character of a negotiated currency, Helleiner (2008) argued that rising currencies are frequently negotiated currencies as well. Eric Helleiner similarly finds that:

> International currencies may be issued by an emerging power in an 'offensive' posture of wishing to see its currency assume an international standing more quickly than a market-led process might produce…by offering special inducements to other states to use its currency, this emerging power may seek to offset the incumbency advantages that accrue the established monetary power. (Helleiner 2008, 366)

Of course, it is up to other states as to whether this strategy is successful in producing what Cohen (2004, 2008) calls "formal" currency leadership.

In keeping with this view, Catherine Schenk (2010) argued that the slow decline of the British pound sterling after 1945 did not result from economic inertia or other "invisible hand" processes. Rather, she argues that the timing and dynamics of the process were largely determined by political processes such as negotiations among states. Holders of sterling in their international reserves did so in exchange for access to British export and capital markets and security guarantees. This is a typical example of a "negotiated currency." In contrast, West Germany in the 1960s held dollar reserves in exchange for U.S. security protection (Zimmerman 2002). Regardless, China's active promotion of the renminbi clearly puts the *yuan* into this latter category of negotiated currencies. In fact, Chey (2012) and Helleiner (2008) argue that a country's advocacy for currency internationalization might be among the key reasons currencies gain such a status in the first place. However, "more research on domestic actors' preferences regarding currency internationalization" is needed in order to understand the "varying degrees of states' willingness to see their currencies internationalized" (Chey 2012, 69).

Finally, this study contributes to literature that counters the common assumption that key currency status is an "exorbitant privilege" that countries will seek to attain whenever possible. Rather, the implications of an international currency for the "national interest" are complex and ambiguous (Helleiner 2013, 17). In addition, the benefits of issuing an international currency are likely to decline over time, while its costs are likely to increase (Mundell 1993, 17; Cohen 1998, 124–129). Therefore, understanding the political origins of currency internationalization policies proves crucial. As Cohen (2010, 129) puts it, "to ignore the political side in a context like this is like trying to put on a production of Hamlet without the prince."

The Political Economy of Globalization

By exploring the political determinants of reserve currency choice, this research project also has implications for claims of "convergence" in studies of central bank independence, varieties of capitalism, and the political economy of globalization. For political scientists who "dare to enter a discussion" on currency internationalization "until now largely dominated by economists, it is hard not to notice at least one glaring omission: geopolitics" (Cohen 2012a, 27). My findings largely align with Jonathan Kirshner's observation that:

> While the consequences of globalized finance are profound, those consequences recast rather than reduce the significance of monetary diplomacy in contemporary international relations…[illustrating] that even in an era of globalization international monetary relations remain an area of political competition. (Kirshner 2005, 1)

China's renminbi internationalization effort has exposed a complex patchwork of economic and political drivers, and the unique characteristics of China's policy process, national culture, and historical circumstances have been shown to have significant implications for its monetary policymaking.

Returning to the study of economic nationalism, Helleiner (2002) concluded that economic nationalism is as powerful an ideology today as it was in the 19th century, and its relationship to the policy goals of economic liberals was and remains ambiguous. As such, economic globalization has not eliminated economic nationalism as an ideology, but rather changed the techniques that nationalists use to achieve the same ends of bolstering national power, prestige, and the prosperity (Shulman 2000; Crane 1999; see also Pickel 2001). Nationalism in China's case is driving its integration into the global economic system, vindicating findings by Mazlish (2009) that the competition between globalism and nationalism is overdrawn.

China's Currency Internationalization Drive

Within the context of China studies, this dissertation is the first study to create an empirical dataset from which to evaluate competing arguments about China's motivations to internationalize its currency. Despite the flurry of writing on renminbi internationalization over the last few years, deep understanding of the social and political contexts that produced China's currency ambitions are not well understood.

In addition, studies of currency internationalization have overwhelmingly emphasized the "criteria" of global reserve currencies, whether the renminbi (or the euro, yen, and others before it) meet these and whether the dollar's dominant role is threatened by such developments. Much of the English-language scholarship on renminbi internationalization similarly focuses on the renminbi's prospects for achieving international currency status without interrogating China's motives for the doing so (see, for example, Chen and Cheung 2011; Chey 2013, 2015; Cohen 2012a, 2014, 2015; Dobson and Masson 2009, Ito 2010, Lee 2014, Subacchi 2013, Subramanian 2011, and Subramanian and Kessler 2012). The approach of many of these studies is listing the "determinants" of an international currency, assessing the renminbi's prospects based on these measures, and exploring whether the *yuan* could challenge the dollar's primacy (Kawai and Pontines 2016; Fratzscher and Mehl 2011; Ito 2010; Subramanian and Kessler 2012). When the impetus for the policy is explored, most studies look to theoretical economics literature on the gains from currency internationalization to impute Beijing's possible motives (see, for example: Campanella 2014; Chen and Cheung 2011; Cheung 2014; Chey 2013, 2015; Cohen 2012a, 2014, 2015; Dobson and Masson 2009; Eichengreen 2013; Fratzscher and Mehl 2011; Helleiner and Malkin 2012; Ito 2010; Lee 2014; Liao and McDowell 2013, Mallaby and Wethington 2012; Park 2010; Prasad and Ye 2012; Subacchi 2013; Subramanian 2011; Subramanian and Kessler 2012; Wu 2009; Wu et al. 2010).

As has been demonstrated, the story is much more nuanced and complex than these questions suggest. I argue that these are among the least interesting questions that scholars can ask of China's internationalization effort. Understanding the "why" in currency internationalization is at least as important as determining whether it will succeed. Internationalization is "by no means a journey with a single unique destination…internationalization involves multiple roles" and "the net benefits of individual roles may vary quite considerably…to design a strategy…leaders must first know what their priorities are and…focus their attention on the combination of roles that is most likely to satisfy their ambitions" (Cohen 2012a, 4).

Indeed, the earlier discussion of the many faces of currency internationalization should make clear that this is a complex and multi-faceted undertaking. Therefore, we cannot simply assume that states always choose to increase the international status of their currency, and if they do, we cannot assume to know what form this will take or their motivations for doing so. Determining the individual motives for a state or even actors within a state requires additional empirical research. This dissertation has further shown how ideational factors, not merely rational interests, are important in driving policies of currency internationalization.

Politics of Economic Reform in China

This dissertation has also shed considerable light on the politics of economic reform in China, demonstrating how competition among different organizations within the bureaucracy colors resulting policy choices. It has also shown how public discourse is one important forum where such debates take place, whether among competing ministries, rival factions, or opposing sectoral interests.

The Role of Nationalism in Chinese Political Economy

Finally, this dissertation has demonstrated how institutional alignment was made possible in large part due to nationalist ideas. It is the first systematic study of the role of nationalism in forming China's currency ambitions, and the first in-depth analysis of currency nationalism in China. Therefore, this dissertation contributes to the literature by explicating the relationship between popular nationalism and monetary politics in China, exploring whether and to what extent popular nationalist interest in currency politics has influenced official policy.

Nationalist Sentiment and Foreign Policymaking

The issue of whether nationalism is a top-down or bottom-up phenomenon was raised earlier. There has been a heated debate among China scholars in recent years as to whether Chinese leadership is beholden to and unable to fully control popular nationalism at one extreme or intentionally manages nationalist sentiment for its own purposes at the other (Weiss 2013). The impact of bottom-up nationalist sentiment on foreign policy choices is strongly argued by a number of scholars (Gries 2004; Hughes 2011; Shambaugh 2011; Shirk 2007; Zhao 2005a; Gries et al. 2016; Reilly 2012; Shen and Breslin 2010). As Shen and Cheung (2007) argue, nationalism in China has worked to construct civic nationalist values, develop an international relations strategy aimed at increasing China's global power, and generate sensitivity to alleged anti-Chinese conspiracies. Hughes (2011, 620) asserts that because China's leaders justify their rule with a geopolitik vision of China struggling for survival in a hostile word, this puts considerable pressure on policymakers and puts their legitimacy at stake. This preoccupation with perceived injustices causes citizens to demand a more assertive foreign policy (Li 2009). It has even been argued that the Chinese people "are subtly using the nationalist identity to reject the authoritarian state" (Shen 2004, 125).

Zhao (2013) notes that even though China's authoritarian system affords the state wide powers in driving foreign policy, the country "is no longer headed by charismatic leaders such as Mao Zedong or Deng Xiaoping," but "must cater to a range of constituencies," including those concerned above all with its ability to "defend China's national interests." Nationalist appeals of prosperity and power had become the foundation upon which the legitimacy of the regime now rested. Indeed, for "both domestic and bureaucratic reasons, Beijing elites need to react stridently to all perceived slights to national pride and sovereignty" (Christensen 2011, 61). The Chinese government has become "quite sensitive to this body of public opinion," and Foreign Ministry officials have conceded that "they must constantly consider, react to, and attempt to control" nationalist sentiments (Shambaugh 2011, 21). Interestingly, an early study of Chinese nationalism (Whiting 1983) found that China's leaders were easily able to manipulate nationalism to further their interests but would never allow it to worsen the country's relations with major powers. A later study by the same author (Whiting 1995) identified nationalism as impelling China to adopt a more nationalist posture in its foreign policy.

For example, Gries et al. (2016) argue that China's territorial disputes with Japan in recent years demonstrate that Chinese leaders no longer can effectively control nationalist sentiment, or never could—the events were simply more manageable in the past. Rather, bottom-up nationalist sentiment puts pressure on policymakers, and could explain the escalation of tensions between China and Japan in 2012 and 2013. According to Gries et al. (2016, 265) the Chinese public increasingly plays "an autonomous role in shaping China's Japan policy" though the CCP's educational and propaganda systems were "clearly a major distal cause of popular anti-Japanese nationalism." Shambaugh (2011, 21) concedes that such nationalists sometimes create "a lot of thunder but little rain" (*leisheng da, yudian xiao*), and that their impact on foreign policy can be overstated. Similarly, Weiss (2013) argues that China's leaders are very intentional in their use of nationalism, and sometimes use it to achieve foreign policy objectives. Other scholars emphasize this ability of China's leadership to redirect the political discourse from internal difficulties toward perceived external threats (Li 2009, Shen 2004).

This dissertation does not question the ability of China's leadership to manipulate nationalist sentiment, but it does clearly show how grass-roots nationalist ideas can impact national policy and how nationalist sentiment can force senior leaders to respond in kind. The nationalist focus on renminbi internationalization generated increased impetus to obtain and advertise achievements in increasing the currency's global role, even if they proved more symbolic than substantive.

Methodological Contributions

The mixed-methods approach adopted here has combined qualitative process tracing and discourse analysis with quantitative content analysis. As argued by Bennett (2015), these approaches are underutilized in the social sciences. I hope to have demonstrated how they can be particularly well-suited to understanding policy choice and policy change.

Computer-Assisted Content Analysis

This dissertation has further leveraged many of the latest techniques in computer-assisted content analysis borrowed from the field of natural language processing (NLP). I have shown how to develop more sophisticated tools for content analysis than mere counting of vocabulary, and how these—when developed specifically for a particular research project—can sometimes obviate the need for hiring additional coders as well as the resulting issues from intercoder reliability. This computer assisted-content analysis approach could be find broad application across a variety of studies of Chinese politics, political discourse in other environments, as well as in other fields entirely.

However, the content analysis approach developed here remains relatively immature. More research is needed on how to best develop "rules" for computer-assisted analysis. I found it particularly difficult to develop measures that could be easily compared to each other. For example, it was easy to spot trends in discussions of the renminbi, and easy to compare the relative importance of themes between different interest groups measured against the same rule. However, it was very difficult to say with confidence that one rule—say, themes of China rising—was more or less prevalent than another rule—say, references to profit for industry. This could be because one theme was discussed more, or simply because the words used to identify the theme appear more commonly than the other. Both correctly identify the themes, but one possibly captures more instances than the other. It also remains an open question whether the "supervised" method applied here—that is, human programming of the rules for analysis—can perform better than "unsupervised" machine learning techniques that compare text segments to examples of various categories. More research is also needed to determine how close computer-assisted methods can come to the accuracy of datasets based on human-coded texts.

New Sources of Political Data

Finally, this dissertation has demonstrated how non-traditional datasets like the Internet Archive can be a treasure trove of political data for scholars. This provides a form of text uniquely different from media sources so often relied upon by scholars, representing ephemeral focus areas captured on websites that might not be incorporated into curated textual databases for posterity. It serves as a useful middle ground between edited books and articles at the one extreme and social media at the other. This dissertation has developed techniques by which other scholars could utilize the Internet Archive and other large databases of texts. I developed scripts to scrape, clean, and analyze large quantities of texts from sources that frequently do not provide easy methods for accessing and exporting bulk data. These sources and techniques are detailed in the technical appendix.

Policy Relevance

This dissertation showcased the complex impacts that U.S. pressure on China to reform its currency regime has had, and how in general external pressures produce a negative and often nationalist backlash in China. It demonstrates opportunities to engage China where such engagement could be construed as elevating its international status. Underscoring the importance of status to China's leaders, this understanding can provide opportunities for new areas of cooperation where what appear to be meaningless gestures to the United States can be highly prized by the Chinese. Similarly, what appear to be harmless and "business as normal" remarks can be taken as directed slights, undermining such efforts.

Future Research Agenda

This dissertation has set the stage for further research on the broader impacts of nationalist sentiments on policy, using computer-assisted content analysis and other techniques. First and foremost, this project has set the stage for additional field research to evaluate its findings by other means, including through structured interviews. In addition, there is much to be gained by continuing to explore means of nationalist expression so that its impact on other areas of economic policy can be exposed. Studies of Chinese nationalism still overwhelmingly focus on its impact on foreign policy and military strategy, and much less commonly on economics. I hope to spearhead additional research on the relationship between nationalism and economics in China. As China and the Chinese economy become increasingly important to the health and security of the global economy, we can only benefit from having more nuanced understanding of the sources and impacts of nationalism on China's international economic engagement.

Finally, further work is needed to refine and improve the quantitative content analysis approach developed here. Gleaning accurate trends from unstructured text is a difficult task, one that is only made more complex in the analysis of ideational factors. I hope to new ways to extract insight from this kind of data, and develop further support for the methodology applied to political science.

Concluding Thoughts

China's campaign to internationalization the renminbi remains a highly-debated topic in both the media and the academy. Understanding its origins, including the roles played by nationalism, China's bureaucracy, and the central bank, can tell us a great deal about where the policy is headed, and what obstacles might derail it. If Subramanian (2011, 99) is correct that the "relative economic dominance of China by 2030 could resemble that of the United Kingdom around 1870 or the United States in the aftermath of World War II," the renminbi is poised to transform the international monetary system as we know it. We must ensure that appreciate the full range of drivers that inform its integration into the global system—economic and political, domestic and international, rational and ideational.

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APPENDIX A: TECHNICAL DETAILS ON THE QUANTITATIVE CONTENT ANALYSIS METHODOLOGY

This technical appendix provides additional detail on the computer-assisted content analysis component of the research design that would have cluttered the main narrative. This includes precedents in the literature for the approach as well as a detailed accounting of the rules used to map Chinese-language terms and phrases to quantitative measures of arguments found in the texts.

Data Sources for Discourse and Content Analysis

My data sources for discourse and content analysis comprise Chinese-language discussions of renminbi internationalization drawn from official, popular, and social media, popular and academic literature, leaders' speeches, academic articles, think tank research, government publications, policy documents, and government websites. These sources were organized into four primary datasets, divided by the source type and retrieval methodology. This was done to ensure that inconsistencies in data collection methods or source availability would not jeopardize the validity of the results.

Dataset 1: Official Media and Policy Documents

The first primary dataset was assembled from official media and policy documents available in the Oriprobe Information Services (2017) database, including the Database of the Chinese Government, Database of the Communist Party of China Central Committee (CPCCC), Database of the Chinese Communist Party (CCP), Database of the National People's Congress, the People's Daily Newspaper Database, and the Global Times Newspaper Database. These sources provided access to policy documents, speeches, and other official records for the central government, CCP, the central bank and other ministries, and provincial governments. In addition, these newspapers provided access to the official Party mouthpiece, the People's Daily (*Renmin Ribao*), as well as the nationalist Global Times (*Huanqiu Shibao*). This is the most complete of the datasets, as it includes all documents available since at least as far back as 1993, and as far back as 1946 in some cases, that met the following search criteria:

"renminbi" AND

"internationalization" (*guojihua*) OR "broad" (*guangfan*) OR "exchange rate" (*huilü*) OR "convertible" (*keduihuan*) OR "offshore" (*li'an*) OR "currency" (*huobi*)

13,308 documents were retrieved that met these criteria. Sources specific to each interest group are elaborated upon below.

Newspaper sources were particularly important for this research project. As explained earlier, newspapers are sometimes the only source of insight into the Chinese policymaking process, but are nonetheless a relatively good source because of official control over the media. Newspapers are also useful for their continuous and long-running coverage. According to Tilly et al. (1975, 16), "a continuous run of a national newspaper is a somewhat more reliable source (and a more practical one) than any major archival series…superior to any other continuous source it would be practical to use."

Dataset 2: Historical Website Content

The second dataset was assembled from historical website content for a number of Chinese institutions using the online Internet Archive (2017), also known as the “Wayback Machine.” The Wayback Machine was launched in 2001 with 10 billion archived pages, following an earlier 5-year preliminary data collection effort. By October 2016, the Internet Archive reported that it had archived 273 billion webpages worldwide, including 510 billion pages, images, videos, scripts, and other time-stamped web objects. The earliest pages date back to 1996, with rapid expansions in the scale and scope of its collections since that time.

Unfortunately, the historical web pages are not made available in a manner conducive to large-scale data collection. In order to assemble this historical web data, I created a custom Python script (Bartee 2017) to “scrape” (or “crawl”) every archived page for a particular web domain in the Wayback Machine, including all sub-pages, but excluding any pages with a different root domain name. I extracted, organized, and stored all Chinese-language text into text files for every date found. For example, I extracted all archived websites for the central bank, at www.pbc.gov.cn, from 1999 to February 2017.

In total, 1,977,030 webpages were retrieved for a number of websites relevant to each of the interest groups under investigation. However, only 153,145 of these pages matched the search criteria outlined above. While this dataset contains all scraped pages within the timeframe, the Internet Archive is hardly a complete recording of all historical websites. It archives websites aperiodically, frequently misses sub-pages and other content, and will not scrape a website that does not allow “robots” to extract its content. There are a number of other technical aspects of web design as the Internet has evolved over the last two decades that can further complicate automated extraction of web data [2].

[2] These include, but are not limited to, different encodings for foreign-language text as well as JavaScript, Ajax, and similar client-side renderings of content that depend on user interaction and are thus difficult to scrape in an automated fashion.

The final product is a dataset with both many holes and some duplicates. However, the chronological span is excellent, and in some respects constitutes a "random sample" of communications for a number of actors of interest. In addition, websites often contain information for immediate consumption that would otherwise not be retained for posterity. As such, it is data of a different character that can sometimes better reflect the topical focus areas of the time than highly-edited and curated data sources such as those in Dataset 1. Finally, since it contains all pages—even those that do not match the search criteria—it is possible to trace the relative prominence of discussions of renminbi internationalization and other key topics over the period of investigation.

Examples of Scholarship Using the Internet Archive

This dissertation is not the first to use the Internet Archive for scholarly purposes, though its use in political science remains relatively rare (Arora et al. 2015). Methodological treatises from other fields on how to leverage the archive are available (Resnik and Smith 2003; Baker et al. 2006; Madden and Fox 2006). Carpenter (2007) is a rare example of a political science application of the Wayback Machine, which was used to date the emergence of interest in the protection of children and girls in wars in order to study how transnational organizations develop advocacy agendas.

Arora et al. (2015) argue that the Internet Archive *should* be more broadly applied in social science research, and offers recommendations of best practices for this kind of scholarship. Although the Wayback Machine is a valuable resource for scholars in all fields, "social scientists in particular have yet to tap the full potential of the treasure-trove of data found online" (*ibid.*, 1914). According to the authors, websites offer an unobtrusive data source for developing and analyzing information about various types of social science phenomena. Methodologically exploiting the archive remains a challenge, and careful attention needs to be afforded to the following the six key steps cited in the paper: sampling, organizing and defining the boundaries of the web crawl, executing the crawl itself, website variable operationalization, integration with other data sources, and analysis. I cover these factors at length in the technical appendix (Appendix B), in which I detail my procedures for scraping archived websites and the methods by which I assess their relevance to the research design.

Dataset 3: Other Newspaper Sources

The third dataset contains articles from newspapers that were not available in Dataset 1, retrieved from the China Infobank (2017) and East View Information Services (2017) databases. Unfortunately, these databases did not allow advanced search methodologies, and sometimes provided access to a sampling of articles rather than the full historical record. Therefore, all available articles were retrieved that contained either "renminbi internationalization" (*renminbi guojihua*) or "currency war" (*huobi zhanzheng*). However, these databases offered the only systematic access to ministry-specific newspapers such as the People's Bank of China's *Financial Times* (*jinrong shibao*), the Ministry of Finance-published *China Finance News* (*zhongguo caijing bao*), and the *China Trade News* (*zhongguo maoyi bao*), published by China's international business council. This dataset also includes social media posts on Sina Weibo, China's equivalent of Twitter.

It is extremely useful to this study that government agencies frequently have their own publishing arm and newspaper. Such publications include those of senior leadership as well as the central bank and other ministries. Historically, ministerial leaders have advanced policy proposals—at least in general terms—within their own publications, in major speeches, or both (Shih 2008). If the proposals gained traction, seeing such ideas later printed in senior-level or central Party publications would constitute something of an official endorsement to further explore the ideas. The official media in China thus constitutes the closest source we have to open policy debate, even if such debate is couched in careful and subtle language.

Dataset 4: Miscellaneous Sources

The final dataset comprises miscellaneous sources for which no systematic collection method was possible. This included dozens of books on RMB internationalization from the popular literature purchased from bookstores in Beijing, Shanghai, Hong Kong, and Singapore. All books were digitized so they could be searched and incorporated into the computer-assisted content analysis approach, which is described in greater detail below. It also includes various academic articles, including many written by officials from the central bank and other ministries. While quantitative content analysis of this dataset would not produce reliable results, it was useful in researching common discourse used in discussions of renminbi internationalization, particularly within the popular literature.

Data Sources by Interest Group

As explained previously, these data sources were assigned to various interests groups that created them, represented their interests, or took the group as their primary audience. The data sources used and the interest groups they are taken to represent are indicated below. The cut-off for data collection was 31 December 2016.

Senior Leadership (IG-1)

Dataset 1:

- People's Daily (*Renmin Ribao*) newspaper, the official propaganda arm of the CCP and used historically to disseminate the official "party line" to cadre throughout the country. 1946-2016, 5,598 texts matching the search criteria.
- Various speeches and policy documents. 1946-2016, Communist Party of China policy documents (100 texts), Communist Party of China reports (167 texts), Communist Party of China speeches (1 text), government reports (122 texts), State Council policy documents (105 texts), and State Council speeches (19 texts).

Dataset 2:

- People's Daily website (www.people.com.cn, www.paper.people.com.cn). 1999-2016, all available text, covering 4,311 unique days scraped by the Internet Archive (2017), 307,108 texts.
- Website of the government of the People's Republic of China (www.gov.cn). 2005-2016, all available text, covering 3,238 unique days scraped by the Internet Archive (2017), 1,548 texts.
- State Council Information Office website (www.scio.gov.cn), responsible for disseminating information and propaganda about the State Council and Chinese government. 2005-2016, all available text, covering 3,238 unique days scraped by the Internet Archive (2017), 308,407 texts.
- National People's Congress website (www.npc.gov.cn). 2004-2016, all available text, covering 4,031 unique days scraped by the Internet Archive (2017), 179,963 texts.

- Seeking Truth (*Qiu Shi*) website (www.qstheory.com.cn), a political theory periodical published by the Central Party School and the Central Committee of the CPC. 2009-2016, all available text, covering 1,942 unique days scraped by the Internet Archive (2017), 354,278 texts.

Dataset 3:

- People's Daily (*Renmin Ribao*) newspaper alternate source, the official propaganda arm of the CCP and used historically to disseminate the official "party line" to cadre throughout the country, 109 texts.

The People's Bank of China (IG-2)

Dataset 1

- Various speeches and policy documents. 1946-2016, PBC policy documents (480 texts), PBC speeches (171 texts).
- State Administration of Foreign Exchange (subordinate to the People's Bank of China), various speeches and policy documents. 1946-2016, PBC policy documents (152 texts), PBC speeches (1 text).

Dataset 2:

- People's Bank of China website (www.pbc.gov.cn). 1999-2016, all available text, covering 4,311 unique days scraped by the Internet Archive (2017), 89,534 texts.

Dataset 3:

- China Financial Times (*Zhongguo Jinrong Shibao*), a finance-focused newspaper published by the People's Bank of China with input from other agencies and state-owned banks, 6,161 texts.

Other Government Ministries and Agencies (IG-3)

Dataset 1

- Ministry of Finance, various speeches and policy documents. 1946-2016, policy documents (76 texts), speeches (17 texts).
- Ministry of Commerce, various speeches and policy documents. 1946-2016, policy documents (43 texts), speeches (26 texts).
- National Development and Reform Commission, various speeches and policy documents. 1946-2016, policy documents (46 texts), speeches (19 texts).
- Ministry of Foreign Affairs, various speeches, press briefings, and policy documents. 1946-2016, policy documents (75 texts), press briefings (181 texts), and speeches (24 texts).
- Other government ministries and agencies, various speeches and policy documents. 1946-2016, 748 texts.

Dataset 2:

- Ministry of Finance website (www.mof.gov.cn). 1998-2016, all available text, covering 4,045 unique days scraped by the Internet Archive (2017), 122,500 texts.
- Ministry of Commerce website (www.mofcom.gov.cn). 2003-2016, all available text, covering 2,032 unique days scraped by the Internet Archive (2017), 271,176 texts.
- National Development and Reform Commission website (www.ndrc.gov.cn). 2003-2016, all available text, covering 1,399 unique days scraped by the Internet Archive (2017), 27,760 texts.
- Bank of China website (www.boc.com.cn). 2003-2016, all available text, 14,193 texts.

Dataset 3:

- China Financial and Economic News (*Zhongguo Caijing Bao*), an official newspaper published by the Ministry of Finance, 696 texts.
- People's Liberation Army Daily, 92 texts.

Regional Governments (G-4)

Dataset 1

- Various speeches, reports, and policy documents categorized by province. 1946-2016, 841 texts.

Dataset 2:

- Guangdong Province website (www.gd.gov.cn). 1998-2016, all available text, covering 3,572 unique days scraped by the Internet Archive (2017), 38,006 texts.
- Zhejiang Province website (www.zj.gov.cn). 2000-2016, all available text, covering 3,351 unique days scraped by the Internet Archive (2017), 69,520 texts.

State Sector (IG-5)

Dataset 2:

- Bank of China website (www.boc.cn). 2007-2016, all available text, covering 1,309 unique days scraped by the Internet Archive (2017).

Private Industry (IG-6)

Dataset 3:

- China Trade News (*Zhongguo Maoyi Bao*), published by the China Council for the Promotion of International Trade (*Zhongguo Maoyi Cujin Weiyuanhui*), 1,244 texts.

Academia and Think Tanks (IG-7)

Dataset 1:

- Chinese Academy of Social Sciences, various policy reports and speeches. 1946-2016, 23 texts.

Dataset 4:

- Abstracts of academic articles. 1989-2016, incorporating all articles that include the term "RMB internationalization." 5,127 abstracts.

Popular Nationalists and the Chinese Public (IG-8)

Dataset 1:

- Global Times (*huanqiu shibao*) newspaper, published under the auspices of the People's Daily newspaper, focusing on international issues from a pro-government perspective but with a strongly populist approach. While it is published by the People's Daily, it is not considered an authoritative Party mouthpiece. However, it's editor-in-chief is appointed by the People's Daily, suggesting that PRC authorities at least tacitly condone the paper's content. Some have argued that the paper has been used to offer views under discussion in Beijing but not yet formally endorsed. Because the newspaper caters specifically to a nationalist audience, its writings are taken as representative of that group. 1993-2016, 4,273 texts.

Dataset 2:

- Global Times website (www.huanqiu.com.cn). 2006-2016, all available text, covering 2,333 unique days scraped by the Internet Archive (2017), 20,614 texts.
- Sina Weibo website mirror (www.freeweibo.com). 2009-2016, all available text, 156,249 texts.

Dataset 3:

- Global Times (*huanqiu shibao*) newspaper, alternate source. 1993-2016, 157 texts.
- Weibo social media postings, from www.freeweibo.com. 2009-2016, 859 texts.

Dataset 4:

- Author-collected books from popular literature on RMB internationalization or the international aspects of China's currency policies. 2003-2017. 38 volumes. Appendix B contains a full list.

The Quantitative Analysis Approach

Quantitative content analysis is the "systematic and replicable examination of symbols of communication, which have been assigned numeric values according to valid measurement rules, and the analysis of relationships involving those values using statistical methods, to describe the communication, draw inferences about its meaning, or infer from the communication to its context, both of production and consumption" (Riff 2014, 19). It involves sampling and measurement procedures that reduce communication phenomena to manageable data from which inferences can be drawn about the phenomena themselves. It can be used to "determine the relative emphasis or frequency of various communication phenomena" (Kerlinger 1973, 525), and is excellent at demonstrating whether a phenomenon is becoming more common or rare, and comparing such trends across content-producing organizations, media formats, markets, or nations. According to Stockman (2013), content analysis best answers questions of who, where, how many, how much, and the relationships among specific variables, and argues this approach is particularly relevant to Chinese political studies.

While quantitative content analysis emphasizes computer-assisted and statistical approaches, the methodology is in essence simply "content analysis," which is a field with a long history. Berelson (1952, 18) defined content analysis as "a research technique for the objective, systematic, and quantitative description of the manifest content of communication," which Weber (1990, 9) defines as "a research method that uses a set of procedures to make valid inferences from text." Krippendorff (1980, 21) defined content analysis as a "research technique for making replicative and valid inferences from data to their context." As Stempel (2003, 209) observes, it is "a formal system for doing something we all do informally rather frequently—draw conclusions from observations of content." Coding of text into categories through "content analysis" has been used to analyze textual data since the 1930s. These approaches included traditional content analysis (Weber 1990; Krippendorff 1980), concordance analysis (Ellis 1968), conversational analysis (Sacks 1972), computational hermeneutics (Mallery 1985), qualitative text analysis (Kelle 1995; Weitzman and Miles 1995), discourse analysis (Polanyi 1985), linguistic content analysis (Roberts 1989, 1997), and a number of others (for more examples, see Alexa 1997).

While the approach often involves multiple coders to hand-code large quantities of text, the approach here involved computer-assisted methods to code the texts, using linguistic markers specific enough that the possibility of false positives would be fairly low, while eliminating the potential for validity issues from inter-coder reliability. I quality-checked 5% of the codings until the accuracy of the coding algorithms reached 95%. To reduce the chance of false negatives—segments of text missed altogether by the computer algorithm—I hand-checked several thousand lines that contained keywords of interest. In fact, this is the primary mechanism by which the rules were created, comprising the discourse analysis step of the research design. However, the possibility of additional false negatives remains, even though it should be relatively small.

According to Riff (2014), if the categories and rules are sound and reliably applied, the study should produce meaningful and valid results. Quantitative content analysis benefits from having a corpus of actor communications not at risk of being altered by the process of analysis, such as is the case with interviews. That is, content analysis is nonreactive—inferences can be drawn without making the communicators self-conscious or reactive to being observed while producing it. As a result, according to Weber (1990, 10), "there is little danger that the act of measurement itself will act as a force for change that confounds the data." Moreover, such an approach allows access to otherwise inaccessible participants, such as those no longer living or senior officials, lending itself to analysis over a longer period of time.

Quantitative Content Analysis Applied

Building from careful discourse analysis of the texts, I was able to produce concrete rules from which I could conduct computer-assisted content analysis against a significantly larger corpus of texts than would be possible with traditional methods. This approach builds on insights from the field of natural language processing, which applies computer science approaches to extract meaning from unstructured "natural" language. Each rule logically worked as follows:

1) Identify all sentences in the corpus that meet specific topical criteria, such as being "about" the renminbi, renminbi internationalization, currency, or the exchange rate.

2) If the sentence contains all terms required by the rule (Boolean AND), and contains no terms that are excluded by the rule (Boolean NOT), and contains at least one of the optional terms (Boolean OR), it can be counted as indicative of the independent variable associated with that rule.

3) Trends can then be assessed by calculating raw counts or the percentage of sentences that match the rule per year and per interest group.

This language could thus be associated with one or more IVs—and, by extension, one or more competing hypotheses—with which it was consistent. For this purpose, I wrote a custom Python script (Bartee 2017) to assess each document in the corpus for the number of times language in the document matched each rule. These statistics could also be adjusted for the total length of the document using the concept of term frequency-inverse document frequency (TF-IDF). The rules are listed in the technical appendix (Appendix B).

Shortcomings of Quantitative Content Analysis

This approach can be sensitive to measurement errors, data availability, and other variations stemming from my definitions of the rules and the texts to which they are applied. There are other confounding factors, including the difficulty of breaking Chinese text—which contains no spaces—into "words." This process, known as "tokenization," is well-documented in the natural language processing (NLP) literature, and there are a number of programmatic solutions available. However, errors remain, stemming from the inherently ambiguous nature of human language.

For example, let us take the Chinese phrase *fazhanzhong guojia*, or "developing country." The constituent components are *fazhan* (develop), *zhong* (middle, in the midst of, functioning similarly to an English gerund), and *guojia* (country). The correct tokenization of the phrase would be *fazhanzhong guojia*. However, the phrase could also be incorrectly tokenized into the words *fazhan* (develop), *zhongguo* (China, "Middle Kingdom"), and *jia* (family). A human reader would never make this mistake, but a computer could. One solution is to include all possible tokenizations, to be sure that no important word is missed. This approach results in some double-counting in the statistical analysis. The other possibility is to enforce a strict tokenization that includes no duplicates, but could miss vital words occurring in the document. The final approach is leave the text as-is, with no spaces. However, this requires pre-knowledge of the vocabulary relevant to the study. There would be no feasible way to statistically assess the "words" surrounding a keyword of interest, but it would be possible to identify whether pre-determined words of interest were observed near the keyword. Another common criticism of quantitative content analysis is that it takes meaningful communications out of context, which risks losing the communication context that provides the full meaning. This is certainly true, but reducing the content to units is necessary for the definition and measurement of the variables, which is the ultimate point of doing this kind of reductive analysis. Details are lost, but a much better picture of the whole is created.

Because of these limitations, I employed a number of different techniques. The final data was generated using known keywords found in unaltered texts that had not been tokenized. For exploratory analysis and to validate my findings, I tokenized the texts to allow frequency counts of additional vocabulary that I might not have expected to appear. Analysis against the tokenized texts allowed me to statistically evaluate the contexts of key words without determining every possible term I would want to capture in my analysis. This allowed for a kind of inductive quantitative analysis to observe trends in the contexts within which RMB internationalization is couched.

Establishing Measurement Validity

Validity testing was a challenge for this project. In addition to simple face validity checks—that is, assessing whether the rules make conceptual sense in measures the phenomena they intend to measure—I quality-checked at least 5% of the coded sentences. In addition, I tested for statistical significance by measuring the difference among different interest groups or time periods.

The presence or absence of any one kind of language was not considered on its own as evidence for or against a particular IV. Rather, the confluence of similar kinds of language within a document and over time across multiple documents was taken as evidence of an overall trend. The primary theoretical grounding for my approach is the overall scale of the analysis. I cannot ensure an error rate of 0, but I can be relatively confident that a trend observed over hundreds or thousands of documents is more than likely reflective of a real trend. This pragmatic approach is summarized by Grimmer and Stewart (2010), who conclude that "all quantitative models of language are wrong—but some are useful." To compensate, they argue that scholars should develop quantitative models specific to the task at hand, as there are no globally best methods for automated text analysis, and should then constantly validate findings manually as often as possible. As explained here, my analytic approach is very specific to the research question.

As a final check on the analytic validity of the approach, I employed "topic modeling" and term frequency analysis to objectively summarize the overall topic of the documents in which the terms appeared. Topic modeling is another NLP technique that takes a text and looks for patterns in the use of words, extracting words the algorithm deems most likely representative of the topic discussed in the text. This approach helps to identify texts in which RMB internationalization is the primary topic under discussion from those in which it is merely a footnote, or perhaps not even relevant at all.

In short, my research design combines the two main approaches of text analysis employed in computer science research, that of "supervised" and unsupervised" machine learning. In a supervised search, the researcher designates in advance word combinations or phrases that are to be searched, and determines "known categories" into which texts are to be sorted. Obviously, the limitation of this approach is that the researcher must determine the categories of analysis in advance. Unsupervised approaches use computer algorithms to independently organize texts, likely identifying categories not obvious to the researcher at the outset. The lack of human input can increase the potential for errors that would be obvious to a human analyst, but not a machine. By using both of these approaches, I hope to leverage the advantages and disadvantages of both.

Methodological Precedents for the Computer-Assisted Approach

This appendix closes by placing this research design within the context of similar efforts in the social sciences, underscoring the rigor and validity of my approach. Recent advances in computing technology and the ever-increasing availability of digital texts have offered unprecedented opportunities for social scientists. Grimmer and Stewart (2010, 267) argue that "politics and political conflict often occur in the written and spoken word…scholars have long recognized this, but the massive costs of analyzing even moderately sized collections of texts have hindered their use in political science research." As the scale of digital texts available to social science researchers continues to rapidly increase, the application of computer-assisted content analysis is becoming increasingly mainstream.

In addition, guidebooks on how to conduct computer-assisted text analysis go back to the 1990s and beyond (Alexa 1997). However, the growing volumes of data as well as the capabilities of computers to process the data make it now both increasingly feasible and—as argued by King and Lowe (2003)—necessary, to automate this process. Grimmer and Stewart

(2010) offer useful advice on analyzing political texts using computer-assisted content analysis, including how to analyze the degree of similarity between different texts, organize texts into categories, or code the authors of texts along ideological or other scales.

Prominent methodologist Andrew Bennett (2015) recently raised computer-assisted content analysis as an exemplar of multi-method research, which he says effectively brings together the advantages of the traditionally-isolated fields of discourse analysis and traditional content analysis. Bennett (*ibid.*, 984) argues that "there is much to be gained…computer-assisted searches [using content analysis] can quickly identify patterns in vast amounts of text and provide clues on which particular texts (and silences) merit a close reading and interpretation in context, and scholars versed in discourse analysis are adept at making such interpretations…researchers from these two communities, who at present rarely cite one another's work, have much to learn from each other, and much to gain by working together." According to Bennett (*ibid.*, 986-987), a key potential benefit is that the qualitative side of the analysis can contribute to conceptual validity while the quantitative side can indicate whether the findings of individual cases or texts are also evident in populations of cases or texts. Bennett (*ibid.*, 991) further suggests that computer analysis can be particularly useful in tracking the etymology and genealogy of particular words or phrases—showing the frequency with which they are used across individuals or groups, across space or publication sites, and over time. Finally, Bennett argues that computer-assisted content analysis is well-suited to identifying and confirming "blank spots" in discourse, revealing what is *not* talked about or what is no longer talked about. In a similar fashion, I have attempted to leverage the most useful aspects of both discourse and content analysis.

In short, computer-assisted content analysis allows the researcher to discover social phenomena that are not always obvious in close reading, such as large-scale patterns of grammatical use, frequently recurring phrases in the corpus, or statistically-likely or unlikely phrases for an author, text, or corpus. Such techniques excel in testing intuitions about texts or triangulating results from other methods. Obviously, these advantages correlate strongly to the motivations behind my research.

Exemplar Studies of Computer-Assisted Approaches

A number of studies offer helpful comparisons to this dissertation. For example, Stewart and Zhukov (2009) compiled a corpus of around 8,000 Russian-language public statements by Russian political and military elites made between 1998 and 2008. The goal of their analysis was to explore the current state of civil-military relations in Russia and which groups were more likely to adopt activist views in considering the use of force as an instrument of foreign policy. Following close reading of many of the documents, the authors developed a "code book" to describe coding rules so that human coders could classify a small percentage of the statements as having a restrained, activist, or neutral position on the Russian use of force. Finally, computer-assisted content analysis was deployed to automatically code the remaining statements based on the examples from the human coding. Tong and Zuo (2014) used computer-assisted analysis of a large corpus of Chinese social media posts about two separate "mass incidents" in China in order to understand the influence of these online debates on government legitimacy. Similar to my approach, they use statistical analysis of the co-occurence of key words to analyze the texts. Hassid (2012) sought to determine if Chinese political blogs served as "safety valves" or "pressure cookers" on emerging issues. He used topical and sentiment analysis methods to determine whether bloggers were ahead of the "official agenda" or not, finding that this depended on the specific topic.

Baturo and Mikhaylov (2013) looked to federal and sub-national legislative addresses in Russia to expose leadership patterns within the Russian government. Schonhardt-Bailey (2006) analyzed thousands of pages of parliamentary debates in the United Kingdom to understand the discussions surrounding the repeal of the Corn Laws in Britain. Eggers and

Spirling (2011) drew from parliamentary debates to model exchanges among politicians in the British House of Commons. Miller (2013) analyzed speeches in the United Nations to show that speeches by delegations from countries that were previously colonized devoted more words to themes of victimization than states that were never colonized. Catalinac (2014) used thousands of Japanese election manifestos from 1986 to 2009 to determine how electoral strategies shifted after Japan's electoral reform in 1994. Quinn et al. (2010) used topic modeling to assess daily attention to topics in Senate floor speeches. Lucas et al. (2015) used topic modeling to analyze Arabic fatwas as well as social media responses in both Arabic and Chinese to the Edward Snowden event in June 2013.

Exemplar Studies of Discourse and Content Analysis

I take inspiration from studies like that of Ted Hopf (2002), who applied discourse analysis to demonstrate how the changing identities with which foreign policy elites in Russia identified affected foreign policy outcomes. Hopf defended the importance of language in his study as follows:

> The logic of intelligibility assumes that individuals choose language and actions designed to effectively communicate with others, with the hope that they will be understood…this requires conformity with the social cognitive structure that governs the particular social context within which the actor is operating…his discursive practices are the recoverable empirical traces of his unthinking adherence to structural constraints. (Hopf 2002, 14)

I suggest that his contrasting of agency and structure here is an excellent example of how the performative focus of discourse analysis is a perfect match for the reflective aspects of content analysis.

Herrera (2005) similarly performed a content analysis of regional newspaper articles presenting different accepted *understandings* of the economic problems in Russia, explaining variations in support for regional sovereignty movements. Eilders and Lüter (2000) employed quantitative content analysis of editorials on the Kosovo war in five German newspapers across the political spectrum, discovering a common focus among Germans on being a loyal NATO member, a part of Europe, and a defender of human rights, but also variations in the levels of emphasis on these topics among the Left, Center, and Right. David Laitin (1998) used content analysis to examine the terms used to describe Russian speakers in a range of newspapers in the former Soviet states in his analysis of the formation of a Russian-speaking identity group.

In short, while we might not be able to "get at" the deep motivations of actors, "language gets us closer" (Krebs and Jackson 2007). By extension, changes in language constitute—on some level—changes in beliefs or common understandings within society. This is particularly true in the kinds of persuasive and evaluative language that characterize political discourse, which in turn fosters the formation of political identities. Therefore, as Brady et al. (2011) argue, investigating overt behavior to the "exclusion of speech and language" does a great disservice to social science research.

Quantitative Content Analysis Rules

I developed many dozens of linguistic rules to test against the data. The following discussion elaborates on the categories of rules used to measures each of the IVs. A full accounting of the rules used for analysis, including the Chinese-language terms used to indicate each of these stylized categories are included in the technical appendix (Appendix B).

General Topical Variables

Before exploring the rules associated with each of the IVs, I developed a number of rules to measure the frequency with which certain topics were discussed. The most basic of these is determining if a sentence or document is "about" the renminbi as a currency. The variable `ISABOUT_RMB` would be scored as a 1 for a sentence, document, or passage if it contained:

"renminbi" AND NOT "yuan renminbi"

The latter would be excluded because it would refer to a price quoted in renminbi, not the currency itself.

Another concept central to this dissertation was renminbi internationalization. While a simple search for the term "renminbi internationalization" (*renminbi guojihua*) could suffice, this would miss the other ways to which the subject could be referred. Therefore, the variable `ISABOUT_RMBI` would be scored as a 1 if it contained:

("renminbi" OR "currency" (*huobi*)) AND ("internationalization" (*guojihua*) OR "broad acceptance" (*guangfan jieshou*) OR "broad usage" (*guangfan shiyong*) OR "broad recognition" (*guangfan renke*) OR "going global" (*zouxiang quanqiu*) OR …)

The rule is truncated here due to its length, but the intent of identifying passages generally "about" renminbi internationalization should be obvious. Other rules in this category include the topics of the exchange rate, exchange rate controversy, the capital account, capital account opening, developing countries, developed countries, currency convertibility, liquidity, the Belt and Road Initiative, offshore trading, currency reserves, the U.S. dollar, the Japanese yen, reform, and the Chinese government's Five Year Plans, among others.

External Catalysts

The variables used to measure arguments, language, and concepts related to the external catalysts are summarized below:

IV-1 (Wake-Up Call)

- Focus on dependence
- Focus on dollar losses
- Focus on economic transition
- Focus on financial risks
- Focus on global imbalances
- References to changes in thinking

IV-2 (Nationalist Sentiment)

- Focus on currency hegemony
- Mirroring the experiences of historical international currencies
- References to the China Dream
- Focus on China's rise
- Focus on global power competition
- Focus on global currency competition
- Language of conspiracy theories
- Reflective of realpolitik thinking
- Allusions to China as a great power
- Currency internationalization as symbolism
- References to China's global status
- Currency internationalization as a measure of status
- Calls for China to become more assertive internationally
- Focus on opportunities from the financial crisis

Internal Motivations

The variables used to measure arguments, language, and concepts related to the internal motivations are summarized below:

IV-3 (Domestic Economic Interest)

- Focus on cost reductions
- Focus on economic competitiveness
- Focus on developing the financial sector
- Focus on new sources of financing
- Focus on market demand

IV-4 (Sovereign Economic Interest)

- Focus on the macroeconomy
- References to seigniorage
- Focus on opportunities for foreign economic cooperation
- Focus on regional development
- Focus on trade

IV-5 (Sovereign Political Interest)

- Focus on increasing global voice
- Focus on creating a multipolar international monetary system
- Focus on increasing political power and influence

IV-6 (Domestic Political Interest)

- Allusions to the bureaucracy
- Allusions to external commitment devices

IV-Null

- Focus on the need to retain controls
- Focus on the risks from internationalizing
- Focus on being too soon to internationalize

Ideational Drivers

Finally, rules associated with each of the ideational drivers were created, which coded instances of the following kinds of thinking:

- economic logic
- political logic
- concrete thinking
- abstract thinking
- absolute thinking
- relative thinking
- short-term thinking
- long-term thinking
- active thinking
- passive thinking

Full Listing of Quantitative Content Analysis Rules

Included here are the full list of rules used for quantitative content analysis of the texts. This listing was originally intended to be read by the computer program (Bartee 2017), using symbols to denote conditions to be met in order to match a rule.

For each of these rules, each condition separated by an ampersand (&) must be found within the context of the keyword, which was either “renminbi” or “renminbi guojihua” (renminbi internationalization). If separated by a pound sign (#), the rule will match if either portion of the rule is matched. Within these rules, terms marked with a plus sign (+) must be found in the text in order to return a match, while those marked with a minus sign (-) must not be present. Terms preceded by a vertical bar (|) will match the rule if any of the terms are found. Multiple terms are separated by a slash (/). This approach allows nested rules in which different conditions can or must be met to return a match, and each of these conditions can require different combinations of terms. The pound sign (#) is evaluated first, followed by the ampersand (&), followed by the individual term rules.

To summarize:

Condition 1 # Condition 2: Either condition must be satisfied (logical OR).

Condition 1 & Condition 2: Both conditions must be satisfied (logical AND).

+Term1 / Term2: Both terms must be found (logical AND).

-Term1 / Term2: Neither term must be found (logical NOT).

|Term1 / Term2: Either term can be found (logical OR).

Full List of Chinese-Language Rules

isabout_RMB: + 人民币 & -元人民币

isabout_RMB_strong: + 人民币 & -元人民币 & | 货币 / 汇率 / 外币 / 国际化 / 人民币债

isabout_RMBI: | 人民币 / 货币 & | 国际化 / 广泛接受 / 广泛使用 / 广泛认可 / 走向全球 / 国际货币 / 跨境 / 结算 / 清算 / 计价 / 价值尺度 / 交易媒介 / 储备货币 / 计价单位 / 交换媒介 / 价值储藏 & -国际货币基金

isabout_RMBI_strong: | 人民币 / 货币 & | 国际化 / 广泛接受 / 广泛使用 / 广泛认可

isabout_RMBI_narrow: + 人民币 / 国际化

isabout_RMBI_exact: + 人民币国际化

isabout_RMB_exchangerate: + 人民币 & | 汇率 / 低估 / 升值 / 贬值

isabout_RMB_exchangerate_controversy: | 汇率 / 货币 & | 低估 / 升值 / 贬值 / 操纵国 / 人为压低 / 操纵国 # + 汇率 / 压力

isabout_BSA: | 货币互换 / 互换协议 / 双边本币

isabout_capaccount: | 资本账户 / 资本项目

isabout_capaccount_opening: | 资本账户 / 资本项目 & + 开放 / 自由兑换 / 可兑换 / 自由化

isabout_SDR: |SDR / 超主权货币 / IMF 篮子货币 / 入篮 / 特别提款权

isabout_devcountries: | 发展中国家 / 借助中国

isabout_advcountries: + 发达国

isabout_shhk_connect: + 沪港通

isabout_GFC: | 全球 / 国际 / 美国 & + 金融危机

isabout_convertibility: + 自由兑换

isabout_liquidity: + 流动性

isabout_conditions: + 条件

isabout_10year_strategic_opportunity: +10 年战略机遇期

isabout_let_market_decide: + 让市场 / 决定

isabout_OBOR: | 一带一路 / OBOR / 丝绸之路

isabout_going_out: + 走出去

isabout_AIIB: | 亚洲基础设施投资银行 / 亚投行 / AIIB

isabout_offshore: | 跨境结算 / 离岸市场 / 离岸中心 / 境外投资 / 跨境支付 / 点心债 / 跨境采购

isabout_reserves: | 储备货币 / 官方储备 / 外汇储备

isabout_stability: + 稳定

isabout_strategy: + 战略

isabout_yen: + 日元

isabout_dollar: + 美元

isabout_US: + 美国

isabout_real_economy: + 实体经济

isabout_reform: | 改革 / 开放 / 市场化 / 自由化

isabout_reform_finance: | 改革 / 开放 / 市场化 / 自由化 & | 金融 / 利率 / 资本 / 货币

isabout_euro_crisis: + 欧洲 / 危机

isabout_fyp: | 五年计划 / 十二五 / 十一五 / 十三五

isabout_fyp_11: + 十一五

isabout_fyp_12: + 十二五

isabout_fyp_13: + 十三五

iv1_dependence: | 美元 / 美国 / 外币 / 出口 & | 以美元为主 / 流动性 / 依赖美 / 依靠美 / 依赖出 / 依靠出 / 依赖外 / 依靠外 / 比例太大 / 外币债务

iv1_dollar_losses: | 美元 / 汇率 / 兑换 / 储备 / 美国 / 金融体系 & | 储备多元化 / 汇兑损失 / 金融稳定 / 印钱 / 国际义务 / 摆脱债务 / 金融安全 / 资产安全 / 储备货币多元化 / 金融风险底线 / 比例太大 # | 美元 / 外汇储备 & | 波动 / 动荡 / 依赖 / 过于 / 过多 / 保障我国 / 价值稳定 / 风险 / 确保中国 / 确保我国 / 保障中国 / 汇率稳定 / 币值稳定 / 保持币值 # + 联邦储备局 # + 美国 / 债务 / 美元 # | 美元价值 / 美元的价值 / 美元陷阱 / 美元的陷阱 / 扩张性货币政策 / 长期低利率政策 / 量化宽松政策

iv1_transition: | 中国 / 国内 / 我国 & | 经济 / 银行 / 结构 / 金融 / 企业 / 服务 / 消费 / 垄断 / 三产业 / 体制 / 供给侧 & | 发展模式 / 新常态 / 改革 / 开放 / 市场化 / 自由化 / 发展战略 / 封闭 / 进一步发展 # | 中国 / 国内 / 我国 & | 经济 / 银行 / 结构 / 金融 / 企业 / 服务 & | 压力 / 紧迫 / 迫切 / 制约 # + 机构性失衡

iv1_focus_risks: | 风险 / 冒险 / 波动 / 损失 & | 流动性 / 通货膨胀 / 外债 / 外汇储备 / 进口 / 出口 / 投资 # | 风险 / 冒险 / 波动 / 损失 & | 避免 / 危机 / 稳定

iv1_imbalances: + 流动性过剩 # + 外汇储备 / 累积

iv1_wakeup: | 警惕 / 警钟 / 惊讶 # | 转变 / 改变 / 改观 & | 思路 / 思维 / 改观 / 看法

iv2_hegemony: | 过度 / 过分 / 嚣张 / 嚣张 & + 特权 # | 美国 / 霸权 / 特权 / 美元 & | 不公平 / 剥削 / 特殊地位 / 滥用 / 侵犯主权 / 横加干涉 / 外部压力 # + 霸权

iv2_mirroring: | 中国版 / 马歇尔计划 / 共享发展计划 # | 英国 / 美国 & + 崛起 # + 历史上 & | 大国 / 崛起 / 强国

iv2_china_dream: | 中国梦 / 复兴 / 强国梦 / 国耻 / 辱 / 爱国 / 振兴 / 苦难

iv2_china_rise: + 崛起

iv2_competition: + 雄心 # | 对手 / 超过 / 占比 / 挑战 & | 美国 / 日本 / 美元 / 日元 / 中日 / 中美 # | 中国模式 / 北京共识

iv2_competition_currency: | 华元区 / 世界级货币 / 核心利益 / 货币战争 / 世界货币 # | 美元 / 日元 & | 威胁 / 仅次于 / 取代 / 衰落 / 主导地位 # + 成为 & | 国际货币 / 储备货币 # | 强币 / 强国货币 / 强国的货币

iv2_conspiracy: | 阻挠 / 遭到 / 绑架 / 阻挠 / 有意 / 霸主 / 怕 / 吓唬 / 货币战 / 指责 / 感到紧张 / 战斗 / 阻碍 / 阻挠 / 看不见 / 失去的十年 / 阴谋 / 背后 / 隐藏 / 幕后 / 钓鱼岛 / 表面上 / 维护美元 / 维护美国 / 罗斯柴尔德 / 迫使 / 汇率战争 / 货币战争 / 操控全球经济 / 强迫 / 战场 / 决战 / 天下 / 攻击 / 隐蔽 / 百年耻辱 / 英雄 # + 你死我活 # |C 形 / 包围 / 内忧外患 / 突围

iv2_BOP_politics: | 地缘政治 / 政治思维 / 货币蓝图 / 博弈 / 消弱 / 虚弱 & | 美国 / 力量均势 / 实力平衡 / 全球力量 / 全球实力 / 国际间权利 / 国际力量对比 / 国际力量的对比 / 全球平衡 / 国际地位 / 军事 # + 实力 & | 下降 / 转移

iv2_great_power: | 伟大 / 全球最大 & + 国家 # | 后极时代 / 新兴大国 / 三强时代 / 大国 / 强国 / 超级强权 / 超级国力 / 新型大国关系 / 世界强国 / 大国有大货币 / 大贸易国 / 航母 # | 强硬 / 自信 / 独断 & + 中国 # + 大目标

iv2_symbolism: + 人民币 & | 象征意义 / 重大的事件 / 重大事件 / 历史性 / 标志性 / 重要意义 / 标志着 / 标志性 / 象征性 / 标志性 # + 象征 & | 权利 / 国力 / 力量

iv2_status: + 人民币 | 认可 / 地位 / 瞩目 / 世界舆论场 / 声望 / 热词 / 威望 / 位置 / 世界性 / 声誉 / 重要货币 / 重要一步 / 重要进展 / 目光对准 / 信任投票 / 一大步 / 重要步骤 / 影响未来 / 关键一步 / 重要表率 / 排名第 / 纳为 / 历史新 / 新的高度 / 突破 / 新高度 / 指数 / 新高 / 新的台阶 / 新台阶 / 倍 / 第一大 / 第二大 / 第三大 / 第四大 / 第五大 / 第六大 / 第七大 / 第八大 / 第九大 / 国际角色 / 相适应 / 相匹配 / 相当 / 相称 # | 经济大国 / 货币小国 # + 鲜

iv2_status_measure: + 人民币 & | 排名第 / 纳为 / 历史新 / 新的高度 / 新高度 / 新高 / 新的台阶 / 新台阶 / 第一大 / 第二大 / 第三大 / 第四大 / 第五大 / 第六大 / 第七大 / 第八大 / 第九大 / 指标 / 里程碑 / 大货币

iv2_assertive: + 中国 & | 实力 / 力量 & | 上升 / 崛起 / 机会 # | 维护 / 保护 / 捍卫 & + 利益 # + 强大 / 经济体 # | 新兴力量 / 新势力 / 站起来 / 军事力量 / 国家战略 / 不满 / 不对称

iv2_opportunities: + 中国 & | 崛起 / 大经济体 / 力量 / 实力 / 影响力 / 国力 / 比重 / 出头 & | 机遇 / 机会 / 把握 / 必然结果 / 高速列车 / 历史 # | 有利时机 / 不当头 / 美国衰落 / 后金融危机时代

iv3_cost_reduce: | 企业 / 贸易 / 商业 / 交易 / 外向型企 & | 成本 / 壁垒 / 结算币种 # | 企业 / 贸易 / 商业 / 交易 / 外向型企 / 结算 / 计价 & | 风险 / 成本 & | 分散 / 规避 / 降低 # | 套期保值 / 交易成本 / 汇兑损失 # | 降低 / 节约 / 外债 / 进口 / 出口 / 融资 & | 成本 / 结算风险

iv3_econ_compete: | 国际金融中心 # | 国际 / 企业 / 贸易 / 商业 / 外向型企 / 服务 / 国内工业 / 国内产业 & | 吸引力 / 福利 / 商机 / 海外发展 / 经济竞争 / 竞争力 / 竞争能力 / 国际竞争力 / 利润 / 红利

iv3_finance_sector: | 金融 / 银行 / 财务 & | 市场发展 / 吸引力 / 福利 / 优质 / 商机 / 金融市场 / 成熟 / 质量 / 金融服务 / 投资扩展 / 海外发展 / 市场发展 / 人民币债券 # | 银行间市场 / 人民币产品 / 债券市场规模 / 资产管理市场 / 衍生产品 / 全球支付 / 商业银行 / 中资银行 / 离岸人民币市场 / 对外直接投资 # + 金融市场 & | 拓展 / 广度 / 深度 / 产品 / 工具 / 市场发展 # + 金融工具 / 多元化

iv3_financing: | 境外机构 / 境外投资 / 国内投资 / 国外资产 / 便利化 / 为本位 & | 投资 / 融资 / 人民币债务 # | 资金流入 / 投资债券 / 投资基金 / 境外直接投资 / 资产配置 / 融资渠道 / 直接投资 / 直接融资 / 融资来源 / 获取资本

iv3_market_demand: | 参与人民币 / 业务需求 # | 人民币金融资产 / 人民币产品 / 人民币金融产品 / 人民币资产 & | 需求 / 吸引林 / 争当 / 要求 / 需要 # | 企业要求 / 市场要求 / 企业需求 / 市场需求

iv4_macroeconomy: + 资本市场 / 开放 # | 财政政策 / 宏观经济

iv4_monetary_policy: | 利率改革 / 资本市场改革 / 国际收支 / 金融管理 / 银行改革 / 货币政策 / 自主性 / 政策利率 / 宽松 / 政策目标 # + 工具 / 政策

iv4_seigniorage: | 铸币税收益 / 铸币税收入

iv4_foreign_coop: | 货币互换 / 国家央行 / 直接交易 / 清算行 / 产能合作 / 金融合作 / 跨国经营 # | 双边 / 合作 / 两国 / 双方 / 双赢 & + 金融

iv4_region_develop: | 区域化 / 新兴经济体一起 / 区域内 / 区域金融合作 / 区域合作 / 一体化 / 中华区域 / 东亚区域 / 区域发展 / 地区发展 / 区域贸易 / 东亚

iv4_trade: | 经贸 / 贸易 / 出口企业 / 跨国产能 / 走出去 / ODI / 能源产品 / 进口 / 出口 / 国际交易

iv5_global_voice_influence: |G20 / 二十国 / 话语权 / 参与度 / 知情权 / 发言权 / 国际影响力 / 全球经济治理 / 投票权 / 代表性 / 份额

iv5_intl_system: | 货币体系 / 国际货币基金 / IMF / 金融新秩序 / 金融秩序 / 货币秩序 / 国际社会 / 金融治理 & | 改革 / 多元化 / 多样化 / 重建 / 新格局 / 补充 / 新架构

iv5_political_power: + 国际 & | 影响力 / 国力 / 能力 # | 综合经济实力 / 综合实力 / 政治权利

iv6_bureaucracy: | 利益集团 / 既得利益 / 简政放权 / 政策改革 / 货币当局 / 部门利益 / 官僚 / 力量博弈 / 影响领导 / 政策程序 / 货币政策 # | 中央银行 / 央行 & | 独立 # + 对立 / 利益

iv6_external_commit: | 政策发力 / 重商主义 / 难以推行 / 倒逼 # | 促进 / 发力 / 推行 / 执行 / 难以 / 不可 / 压力 & | 国内 / 官僚 / 政治 / 政府 / 部 / 领导 & | 改革 / 开放 / 放弃 / 市场化 / 自由化 / 不可逆 # | 国内结构性改革 / 开放资本账户 / 新推进器 / 政治困难 # + 政治上 / 困难 # + 助推器

iv_null_retain_controls: | 放松 / 范围 / 导致 / 不能 / 不宜 / 放弃 / 不适 / 引起 & | 管控 / 管制 / 监管 / 流出 / 回流 # + 外汇储备 / 短期 / 增长 # | 货币政策 / 金融监管 / 风险管理 & | 降低 / 导致 / / 不能 / 不宜 / 不适 # + 非法财产 # | 完全的国际化 / 完全开放 / 有序 / 可控

iv_null_risky: | 出现动荡 / 不平坦 / 崎岖 / 资本流出 / 矛盾 / 投机 / 对冲 / 套利 / 受到冲击 / 面临的困难 / 面临困难 / 不可持续 / 瓶颈 / 快进 / 快出 / 巨大波动 / 过快 / 注意防范风险 / 改革的适度 / 清醒 / 平和 / 谦虚 / 狼 / 羊

iv_null_too_soon: | 量力而行 / 还不够完 / 还未完 / 单纯的开放 / 没有完全开放 / 不可自由兑换 / 周边化 / 还没有做好 / 充分准备 / 区域化 / 缺乏汇率弹性 / 渠道有限 / 缺乏足够 / 家庭作业 / 没做好 / 不能急于 / 过早

iv7a_cog_logic_economic: | 结算 / 清算 / 计价 / 价值尺度 / 交易媒介 / 储备货币 / 计价单位 / 交换媒介 / 价值储藏 / 货币互换 / 互换协议 / 双边本币 / 资本账户 / 资本项目 / 自由兑换 / 可兑换 / 流动性 / 让市场 / 跨境结算 / 离岸市场 / 离岸中心 / 境外投资 / 跨境支付 / 点心债 / 跨境采购 / 实体经济 / 价值稳定 / 发展模式 / 通货膨胀 / 损失 # | 企业 / 贸易 / 商业 / 交易 / 外向型企 & | 成本 / 壁垒 / 结算币种 # | 企业 / 贸易 / 商业 / 交易 / 外向型企 / 结算 / 计价 & | 风险 / 成本 & | 分散 / 规避 / 降低 # | 套期保值 / 交易成本 / 汇兑损失 # | 降低 / 节约 / 外债 / 进口 / 出口 / 融资 & | 成本 / 结算风险 # | 国际金融中心 # | 国际 / 企业 / 贸易 / 商业 / 外向型企 / 服务 / 国内工业 / 国内产业 & | 吸引力 / 福利 / 商机 / 海外发展 / 经济竞争 / 竞争力 / 竞争能力 / 国际竞争力 / 利润 / 红利 # | 金融 / 银行 / 财务 & | 市场发展 / 吸引力 / 福利 / 优质 / 商机 / 金融市场 / 成熟 / 质量 / 金融服务 / 投资扩展 / 海外发展 / 市场发展 / 人民币债券 # | 银行间市场 / 人民币产品

/ 债券市场规模 / 资产管理市场 / 衍生产品 / 全球支付 / 商业银行 / 中资银行 / 离岸人民币市场 / 对外直接投资 # + 金融市场 & | 拓展 / 广度 / 深度 / 产品 / 工具 / 市场发展 # + 金融工具 / 多元化 # | 境外机构 / 境外投资 / 国内投资 / 国外资产 / 便利化 / 为本位 & | 投资 / 融资 / 人民币债务 # | 资金流入 / 投资债券 / 投资基金 / 境外直接投资 / 资产配置 / 融资渠道 / 直接投资 / 直接融资 / 融资来源 / 获取资本 # + 资本市场 / 开放 # | 财政政策 / 宏观经济 # | 利率改革 / 资本市场改革 / 国际收支 / 金融管理 / 银行改革 / 货币政策 / 自主性 / 政策利率 / 宽松 / 政策目标 # + 工具 / 政策 # | 铸币税收益 / 铸币税收入 # | 经贸 / 贸易 / 出口企业 / 跨国产能 / 走出去 / ODI / 能源产品 / 进口 / 出口 / 国际交易 / 中国模式 / 北京共识 # + 看不见的手

iv7b_cog_logic_political:| 战略机遇 / 五年计划 / 十二五 / 十一五 / 十三五 / 保障我国 / 确保中国 / 确保我国 / 保障中国 # | 过度 / 过分 / 嚣张 / 嚣张 & + 特权 # | 美国 / 霸权 / 特权 / 美元 & | 不公平 / 剥削 / 特殊地位 / 滥用 / 侵犯主权 / 横加干涉 / 外部压力 # + 霸权 # | 中国版 / 马歇尔计划 / 共享发展计划 # | 英国 / 美国 & + 崛起 # + 历史上 & | 大国 / 崛起 # | 阻挠 / 遭到 / 绑架 / 阻挠 / 有意 / 霸主 / 怕 / 吓唬 / 货币战 / 指责 / 感到紧张 / 战斗 / 阻碍 / 阻挠 / 看不见 / 失去的十年 / 阴谋 / 背后 / 隐藏 / 幕后 / 钓鱼岛 / 表面上 / 维护美元 / 维护美国 / 罗斯柴尔德 / 迫使 / 汇率战争 / 货币战争 / 操控全球经济 / 强迫 / 战场 / 决战 / 天下 / 攻击 # | 地缘政治 / 政治思维 / 货币蓝图 / 博弈 / 消弱 / 虚弱 & | 美国 / 力量均势 / 实力平衡 / 全球力量 / 全球实力 / 国际间权利 / 国际力量对比 / 国际力量的对比 / 全球平衡 / 国际地位 # + 实力 & | 下降 / 转移 # | 伟大 / 全球最大 & + 国家 # | 后极时代 / 新兴大国 / 三强时代 / 大国 / 强国 / 超级强权 / 超级国力 / 新型大国关系 / 世界强国 / 大国有大货币 / 大贸易国 / 航母 # | 强硬 / 自信 / 独断 & + 中国 # | 参与人民币 / 业务需求 # | 人民币金融资产 / 人民币产品 / 人民币金融产品 / 人民币资产 & | 需求 / 吸引林 / 争当 / 要求 / 需要 # | 企业要求 / 市场要求 / 企业需求 / 市场需求 # | 区域化 / 新兴经济体一起 / 区域内 / 区域金融合作 / 区域合作 / 一体化 / 中华区域 / 东亚区域 / 区域发展 / 地区发展 / 区域贸易 / 东亚 # | 货币互换 / 国家央行 / 直接交易 / 清算行 / 产能合作 / 金融合作 / 跨国经营 # | 双边 / 合作 / 两国 / 双方 / 双赢 & +

金融 # |G20 / 二十国 / 话语权 / 参与度 / 知情权 / 发言权 / 国际影响力 / 全球经济治理 / 投票权 / 代表性 / 份额 # + 国际 & | 影响力 / 国力 / 能力 # | 综合经济实力 / 综合实力 / 政治权利 # | 利益集团 / 既得利益 / 简政放权 / 政策改革 / 货币当局 / 部门利益 / 官僚 / 力量博弈 / 影响领导 / 政策程序 / 货币政策 # | 中央银行 / 央行 & | 独立 # + 对立 / 利益 # | 政策发力 / 重商主义 / 难以推行 / 倒逼 # | 促进 / 发力 / 推行 / 执行 / 难以 / 不可 / 压力 & | 国内 / 官僚 / 政治 / 政府 / 部 / 领导 & | 改革 / 开放 / 放弃 / 市场化 / 自由化 / 不可逆 # | 国内结构性改革 / 开放资本账户 / 新推进器 / 政治困难 # + 政治上 / 困难 # + 军事 # | 百年耻辱 / 苦难 / 强币 # + 你死我活 # |C 形 / 包围 / 内忧外患 / 突围

iv7c_cog_goal_concrete: | 结算 / 清算 / 计价 / 价值尺度 / 交易媒介 / 储备货币 / 计价单位 / 交换媒介 / 价值储藏 / 货币互换 / 互换协议 / 双边本币 / 资本账户 / 资本项目 / 自由兑换 / 可兑换 / 流动性 / 让市场 / 跨境结算 / 离岸市场 / 离岸中心 / 境外投资 / 跨境支付 / 点心债 / 跨境采购 / 实体经济 / 价值稳定 / 发展模式 / 通货膨胀 / 损失 / 实体经济 / 储备多元化 / 汇兑损失 / 价值稳定 / 发展模式 / 市场化 / 自由化 / 通货膨胀 / 损失 # + 人民币 & | 排名第 / 纳为 / 历史新 / 新的高度 / 新高度 / 新高 / 新的台阶 / 新台阶 / 第一大 / 第二大 / 第三大 / 第四大 / 第五大 / 第六大 / 第七大 / 第八大 / 第九大 / 指标 / 里程碑 / 大货币 # | 企业 / 贸易 / 商业 / 交易 / 外向型企 & | 成本 / 壁垒 / 结算币种 # | 企业 / 贸易 / 商业 / 交易 / 外向型企 / 结算 / 计价 & | 风险 / 成本 & | 分散 / 规避 / 降低 # | 套期保值 / 交易成本 / 汇兑损失 # | 降低 / 节约 / 外债 / 进口 / 出口 / 融资 & | 成本 / 结算风险 # | 国际金融中心 # | 国际 / 企业 / 贸易 / 商业 / 外向型企 / 服务 / 国内工业 / 国内产业 & | 吸引力 / 福利 / 商机 / 海外发展 / 经济竞争 / 竞争力 / 竞争能力 / 国际竞争力 / 利润 / 红利 # | 金融 / 银行 / 财务 & | 市场发展 / 吸引力 / 福利 / 优质 / 商机 / 金融市场 / 成熟 / 质量 / 金融服务 / 投资扩展 / 海外发展 / 市场发展 / 人民币债券 # | 银行间市场 / 人民币产品 / 债券市场规模 / 资产管理市场 / 衍生产品 / 全球支付 / 商业银行 / 中资银行 / 离岸人民币市场 / 对外直接投资 # + 金融市场 & | 拓展 / 广度 / 深度 / 产品 / 工具 / 市场发展 # + 金融工具 / 多元化 # | 境外机构 / 境外投资 / 国内投资 / 国外资产 / 便利化 / 为本位 & | 投资 / 融资 / 人民币债务 # | 资金流入 / 投资债券 / 投资

基金 / 境外直接投资 / 资产配置 / 融资渠道 / 直接投资 / 直接融资 / 融资来源 / 获取资本 # | 参与人民币 / 业务需求 # | 人民币金融资产 / 人民币产品 / 人民币金融产品 / 人民币资产 & | 需求 / 吸引林 / 争当 / 要求 / 需要 # | 企业要求 / 市场要求 / 企业需求 / 市场需求 # + 资本市场 / 开放 # | 财政政策 / 宏观经济 # | 利率改革 / 资本市场改革 / 国际收支 / 金融管理 / 银行改革 / 货币政策 / 自主性 / 政策利率 / 宽松 / 政策目标 # + 工具 / 政策 # |G20 / 二十国 / 话语权 / 参与度 / 知情权 / 发言权 / 国际影响力 / 全球经济治理 / 投票权 / 代表性 / 份额

iv7d_cog_goal_abstract: | 中国版 / 马歇尔计划 / 共享发展计划 # | 英国 / 美国 & + 崛起 # + 历史上 & | 大国 / 崛起 # | 过度 / 过分 / 嚣张 / 嚣张 & + 特权 # | 美国 / 霸权 / 特权 / 美元 & | 不公平 / 剥削 / 特殊地位 / 滥用 / 侵犯主权 / 横加干涉 / 外部压力 # + 霸权 # | 中国梦 / 复兴 / 强国梦 / 振兴 / 国耻 / 辱 / 爱国 # + 崛起 # | 阻挠 / 遭到 / 绑架 / 阻挠 / 有意 / 霸主 / 怕 / 吓唬 / 货币战 / 指责 / 感到紧张 / 战斗 / 阻碍 / 阻挠 / 看不见 / 失去的十年 / 阴谋 / 背后 / 隐藏 / 幕后 / 钓鱼岛 / 表面上 / 维护美元 / 维护美国 / 罗斯柴尔德 / 迫使 / 汇率战争 / 货币战争 / 操控全球经济 / 强迫 / 战场 / 决战 / 天下 / 攻击 # | 伟大 / 全球最大 & + 国家 # | 后极时代 / 新兴大国 / 三强时代 / 大国 / 强国 / 超级强权 / 超级国力 / 新型大国关系 / 世界强国 / 大国有大货币 / 大贸易国 / 航母 # | 强硬 / 自信 / 独断 & + 中国 # + 人民币 & | 象征意义 / 重大的事件 / 重大事件 / 历史性 / 标志性 / 重要意义 / 标志着 / 标志性 / 象征性 / 标志性 # + 象征 & | 权利 / 国力 / 力量 # | 铸币税收益 / 铸币税收入 # + 国际 & | 影响力 / 国力 / 能力 # | 综合经济实力 / 综合实力 / 政治权利

iv7e_cog_measure_absolute: | 结算 / 清算 / 计价 / 价值尺度 / 交易媒介 / 储备货币 / 计价单位 / 交换媒介 / 价值储藏 / 货币互换 / 互换协议 / 双边本币 / 资本账户 / 资本项目 / 自由兑换 / 可兑换 / 流动性 / 让市场 / 跨境结算 / 离岸市场 / 离岸中心 / 境外投资 / 跨境支付 / 点心债 / 跨境采购 / 实体经济 / 价值稳定 / 发展模式 / 通货膨胀 / 损失 / 价值稳定 / 实体经济 / 发展模式 / 市场化 / 自由化 / 通货膨胀 / 损失 # | 企业 / 贸易 / 商业 / 交易 / 外向型企 & | 成本 / 壁垒 / 结算币种 # | 企业 / 贸易 / 商业 / 交易 / 外向型企 / 结

算 / 计价 & | 风险 / 成本 & | 分散 / 规避 / 降低 # | 套期保值 / 交易成本 / 汇兑损失 # | 降低 / 节约 / 外债 / 进口 / 出口 / 融资 & | 成本 / 结算风险 # | 金融 / 银行 / 财务 & | 市场发展 / 吸引力 / 福利 / 优质 / 商机 / 金融市场 / 成熟 / 质量 / 金融服务 / 投资扩展 / 海外发展 / 市场发展 / 人民币债券 # | 银行间市场 / 人民币产品 / 债券市场规模 / 资产管理市场 / 衍生产品 / 全球支付 / 商业银行 / 中资银行 / 离岸人民币市场 / 对外直接投资 # + 金融市场 & | 拓展 / 广度 / 深度 / 产品 / 工具 / 市场发展 # + 金融工具 / 多元化 # | 境外机构 / 境外投资 / 国内投资 / 国外资产 / 便利化 / 为本位 & | 投资 / 融资 / 人民币债务 # | 资金流入 / 投资债券 / 投资基金 / 境外直接投资 / 资产配置 / 融资渠道 / 直接投资 / 直接融资 / 融资来源 / 获取资本 # | 利率改革 / 资本市场改革 / 国际收支 / 金融管理 / 银行改革 / 货币政策 / 自主性 / 政策利率 / 宽松 / 政策目标 # + 工具 / 政策

iv7f_cog_measure_relative: | 中国版 / 马歇尔计划 / 共享发展计划 # | 英国 / 美国 & + 崛起 # + 历史上 & | 大国 / 崛起 # + 雄心 # | 对手 / 超过 / 占比 / 挑战 & | 美国 / 日本 / 美元 / 日元 / 中日 / 中美 # | 华元区 / 世界级货币 / 核心利益 / 货币战争 / 世界货币 # | 美元 / 日元 & | 威胁 / 仅次于 / 取代 / 衰落 / 主导地位 # + 成为 & | 国际货币 / 储备货币 # | 地缘政治 / 政治思维 / 货币蓝图 / 博弈 / 消弱 / 虚弱 & | 美国 / 力量均势 / 实力平衡 / 全球力量 / 全球实力 / 国际间权利 / 国际力量对比 / 国际力量的对比 / 全球平衡 / 国际地位 # + 实力 & | 下降 / 转移 # + 人民币 | 认可 / 地位 / 瞩目 / 世界舆论场 / 声望 / 热词 / 威望 / 位置 / 世界性 / 声誉 / 重要货币 / 重要一步 / 重要进展 / 目光对准 / 信任投票 / 一大步 / 重要步骤 / 影响未来 / 关键一步 / 重要表率 / 排名第 / 纳为 / 历史新 / 新的高度 / 突破 / 新高度 / 指数 / 新高 / 新的台阶 / 新台阶 / 倍 / 第一大 / 第二大 / 第三大 / 第四大 / 第五大 / 第六大 / 第七大 / 第八大 / 第九大 / 国际角色 / 相适应 / 相匹配 / 相当 / 相称 # | 经济大国 / 货币小国 # + 鲜 # + 人民币 & | 排名第 / 纳为 / 历史新 / 新的高度 / 新高度 / 新高 / 新的台阶 / 新台阶 / 第一大 / 第二大 / 第三大 / 第四大 / 第五大 / 第六大 / 第七大 / 第八大 / 第九大 / 指标 / 里程碑 / 大货币 # | 国际金融中心 # | 国际 / 企业 / 贸易 / 商业 / 外向型企 / 服务 / 国内工业 / 国内产业 & | 吸引力 / 福利 / 商机 / 海外发展 / 经济竞争 / 竞争力 / 竞争能力 / 国际竞争力 / 利润 / 红利 # + 国际 & | 影响力 / 国

力 / 能力 # | 综合经济实力 / 综合实力 / 政治权利 # | 铸币税收益 / 铸币税收入 # |G20 / 二十国 / 话语权 / 参与度 / 知情权 / 发言权 / 国际影响力 / 全球经济治理 / 投票权 / 代表性 / 份额 # + 军事 # + 百年耻辱 # + 强币 # | 中国模式 / 北京共识 # + 你死我活

lang_ispositive: | 前所未有 / 加快 / 有利于 / 助推 / 推动 / 迅速 / 不可逆转 / 长足 / 快速 / 10 年内 / 十年内 / 积极 / 必然的趋势 / 有利 / 提速 / 成功 / 不可挡 / 快跑 / 高速 / 必然性 / 表示支持 / 好处 / 不可逆 / 不断 / 提升 / 五至十年内 / 不可阻挡 / 飞跃 / 快速 / 提升 / 顺利 / 乐观 / 势头强劲 / 成为 / 前所未有 / 快速 / 有助于 / 高潮 / 十年之内 / 飞 / 一举数得 / 一大步 / 提速 / 有望 / 成就 / 支持 / 收益 / 好处 / 益处 / 得益 / 有益 / 有利 / 值得冒险 / 利大于弊 & -没有望 / 不支持 / 不值得 / 契机

lang_isnegative: | 不确定性 / 微乎其微 / 萌芽阶段 / 困难 / 过度开放 / 阻力 / 时髦 / 市场选择 / 负担 / 责任 / 重担 / 难度 / 复杂 / 分步推进 / 有利有弊 / 弊大于利 / 不能 / 不宜 / 不适 / 过于 / 过多 / 狼 / 羊

iv8a_lang_time_short: | 加快 / 迅速 / 快速 / 10 年内 / 十年内 / 提速 / 快跑 / 高速 / 五至十年内 / 飞跃 / 快速 / 快 / 十年之内 / 飞 / 提速 # + 中国 & | 崛起 / 大经济体 / 力量 / 实力 / 影响力 / 国力 / 比重 / 出头 & | 机遇 / 机会 / 把握 / 必然结果 / 高速列车 / 历史 # | 有利时机 / 不当头 / 美国衰落 / 后金融危机时代

iv8b_lang_time_long: | 萌芽阶段 / 不能急于 / 稳步推进 / 漫长 / 渐进 / 长远 / 耐心 / 比较长 / 改革一小步 / 积极稳健 / 长期 / 有序推进 / 过早 / 长远 / 稳妥有序 / 很多时间 / 很长 / 有序推进 / 逐步 / 稳妥 / 有序 / 循序渐进 / 初级阶段 / 不能急 / 稳步前行 / 长时间 / 长期而言 / 漫长 / 长期性 / 稳妥推动 / 婴儿步伐 / 暂缓 / 贸然推进 / 一夜之间 / 萌芽 / 起步 / 慢慢 / 长期过程 / 长期的过程 / 需要数年 / 数十年 / 避免求快 / 盲目加快 / 渐进 / 过快 / 时髦 / 清醒 / 平和 / 谦虚 / 有序 / 可控 / 分阶段 / 有步骤

lang_forward_looking: | 预测 / 将来 / 未来

lang_caution: | 不能急于 / 审慎 / 稳步推进 / 漫长 / 渐进 / 长远 / 诸多风险 / 耐心 / 比较长 / 改革一小步 / 积极稳健 / 谨慎 / 长期 / 有序推进 / 过早 / 长远 / 很长 / 稳妥有序 / 很多时间 / 有序推进 / 逐步 / 稳妥 / 有序 / 盲目 / 说易做难 / 谨慎 / 循序渐进 / 初级阶段 / 不能急 / 稳步前行 / 长时间 / 长期而言 / 不利于 / 不是一个简单 / 不是简单 / 以平常心 / 漫长 / 长期性 / 严峻挑战 / 稳妥推动 / 婴儿步伐 / 防范风险 / 水平尚浅 / 一条绕不开的路 / 暂缓 / 贸然推进 / 条件没有解决 / 循序渐进 / 一夜之间 / 萌芽 / 起步 / 慢慢 / 长期过程 / 长期的过程 / 需要数年 / 数十年 / 避免求快 / 改革的适度 / 盲目加快 / 渐进 / 审慎 / 过快

iv9a_lang_active: | 努力 / 推动 & | 推进 / 积极 # | 主动 / 引导 # + 中国 & | 实力 / 力量 & | 上升 / 崛起 / 机会 # | 维护 / 保护 / 捍卫 & + 利益 # + 强大 / 经济体 # | 新兴力量 / 新势力 / 站起来 / 军事力量 / 国家战略 / 不满 / 不对称

iv9b_lang_passive: | 被动 / 外部 / 没有选择 / 压力下 / 适应 / 没有别 / 遭

APPENDIX B: TIMELINE OF EVENTS RELATED TO RENMINBI INTERNATIONALIZATION

This appendix presents an abridged timeline of events related to renminbi internationalization, which was used to conduct the process tracing methodological approach explicated in the second chapter. For each of these, the date is included in the format YYYYMMDD, which denotes a four-digit year followed by a two-digit month followed by a two-digit day. If the specific day or month is not known, date information is provided at the greatest level of specificity possible. In addition, the category to which the event was assigned is provided.

1979-1989

1979

197903, Bureaucratic Reform to Support Renminbi Internationalization: The State Administration of Foreign Exchange is established to oversee currency-control measures. Bank of China is the appointed foreign-exchange bank.

1980

19800401, Reform to Promote Renminbi Convertibility: Foreign Exchange Certificates are issued as a currency for use only by foreigners. The official exchange rate is one FEC for one *yuan*.

1981

198101, Exchange Rate Reform: China sets a settlement price for the yuan for foreign-trade purposes at 2.8 *yuan* to the dollar to encourage exports. For non-trade purposes, the official exchange rate is 1.5 *yuan*.

1985

198501, Exchange Rate Reform: China's dual exchange rates are unified at 2.8 *yuan* per dollar.

1990-1999

1990

19901117, Exchange Rate Reform: The official exchange rate is adjusted to 5.22 *yuan* per dollar.

1994

19940101, Exchange Rate Reform: China unifies the official and market exchange rates at 8.70 *yuan* per dollar under a "floating exchange-rate system." Foreign Exchange Certificates are phased out.

19940418, Reform to Promote Renminbi Convertibility: China Foreign Exchange Trading System is set up in Shanghai to allow trading and settlement of the yuan against the dollar, yen and Hong Kong dollar. Trading is allowed for current-account purposes only.

1995

199506, Exchange Rate Reform: The effective start of a *yuan* peg that keeps the exchange rate at about 8.30 per dollar.

1996

199612, Reform to Promote Renminbi Convertibility: China allows foreign banks in Shanghai's Pudong district to execute renminbi transactions. It also allows the *yuan* to be freely convertible under the current account.

2000-2007

2000

20000504, Multilateral Swap Agreement: The Chiang Mai Initiative (CMI) was established, a network of bilateral currency swap arrangements among the ASEAN (Association of Southeast Asian Nations) ten countries plus the PRC, Japan, and the Republic of Korea.

2001

200112, Multilateral Swap Agreement: China and Thailand establish a one-way swap agreement under CMI.

2002

200203, Multilateral Swap Agreement: China and Japan establish a two-way swap agreement under CMI.

200206, Multilateral Swap Agreement: China and Korea establish a two-way swap agreement under CMI.

200210, Multilateral Swap Agreement: China and Malaysia establish a one-way swap agreement under CMI.

20021107, Reform to Promote Renminbi Convertibility: The Qualied Foreign Institutional Investor (QFII) programme enables investors to purchase and sell a limited range of renminbi-denominated exchange-traded securities in China.

2003

200308, Multilateral Swap Agreement: China and the Philippines establish a one-way swap agreement under CMI.

200312, Reform to Promote Offshore Renminbi: The Hong Kong Monetary Authority (HKMA) announces the beginning of renminbi business on a trial basis in Hong Kong. This was limited to low-yielding renminbi retail bank deposits and the provision of restricted personal renminbi services.

200312, Multilateral Swap Agreement: China and Indonesia establish a one-way swap agreement under CMI.

2004

20040225, Reform to Promote Offshore Renminbi: 32 licensed banks in Hong Kong and Macau begin offering renminbi deposits, currency exchange, and remittance services.

2005

20050721, Exchange Rate Reform: China ends the dollar peg, and will allow the renminbi to fluctuate against a basket of currencies. The *yuan* strengthens 2.1 percent.

2006

200604, Reform to Promote Renminbi Convertibility: China launches the Qualified Domestic Institutional Investor (QDII) scheme, allowing Chinese institutions to invest in a limited set of overseas funds run by Chinese banks, insurers, and asset managers.

2007

20070518, Exchange Rate Reform: The central bank widens the renminbi's trading band, allowing the currency to move as much as 0.5 percent on either side of a daily reference rate against the dollar. The previous limit was 0.3 percent.

20070627, Reform to Promote Offshore Renminbi: The PBC and NDRC announce that financial entities incorporated in China will be allowed to issue renminbi-denominated "dim sum" bonds in Hong Kong.

2008-2014

2008

20080814, Bureaucratic Reform to Support Renminbi Internationalization: The PBC establishes a new department tasked with developing the offshore RMB market, the first time an official document mentions renminbi internationalization.

200808, Exchange Rate Reform: China again pegs the renminbi to the dollar in response to the global financial crisis.

20081212, Bilateral Swap Agreement: China signs its first local-currency bilateral currency swap arrangement with South Korea.

20081224, Reform to Promote Renminbi Convertibility: China promulgates the Cross-Border Renminbi Trade Settlement Pilot Project allowing import and export in renminbi between Yunnan province and ASEAN countries and between Guangdong province and Hong Kong and Macau.

2009

20090120, Bilateral Swap Agreement: China signs bilateral swap agreement with Hong Kong.

20090208, Bilateral Swap Agreement: China signs bilateral swap agreement with Malaysia.

20090311, Bilateral Swap Agreement: China signs bilateral swap agreement with Belarus.

20090323, Bilateral Swap Agreement: China signs bilateral swap agreement with Indonesia.

200903, Reform to Promote Renminbi Convertibility: The central bank establishes cross-border multi-currency payment system with Hong Kong.

20090402, Bilateral Swap Agreement: China signs bilateral swap agreement with Argentina.

20090408, Reform to Promote Renminbi Convertibility: The State Council officially launches pilot scheme for cross-border settlement of trade in renminbi between Shanghai and four cities in Guangdong province trading with Hong Kong, Macau, and the ASEAN countries. The agreement was jointly promulgated by the PBC, MOF, MOFCOM, the General Administration of Customs, the State Administration of Taxation, and the CBRC.

200907, Reform to Promote Renminbi Convertibility: Accounting, management, and reporting regulations are released to support the cross-border trade in renminbi pilot project.

200908, Reform to Promote Renminbi Convertibility: The State Administration of Taxation releases procedures for paying export taxes in renminbi cross-border trade.

200911, Bureaucratic Reform to Support Renminbi Internationalization: The PBC establishes the Monetary Policy Department II, which is put in charge of exchange rate policy and internationalization of the renminbi.

200912, Multilateral Swap Agreement: The ASEAN countries plus China, Japan, and Korea (ASEAN 10+3) sign the Chiang Mai Initiative Multilateralization with a total scale of $120 billion in emergency financing and currency swaps.

200912, Reform to Promote Renminbi Convertibility: China expands personal financial business activities for residents of Macau in Guangdong Province.

2010

201001, Bilateral Swap Agreement: China signs bilateral swap agreement with Belarus, the first such agreement between China and a country outside of Asia.

20100211, Reform to Promote Offshore Renminbi: The Hong Kong Monetary Authority issues guidance that foreign firms can issue renminbi-denominated "dim sum" bonds in Hong Kong, as long as the funds do not flow back to Mainland China.

20100609, Bilateral Swap Agreement: China signs a bilateral swap agreement with Iceland.

20100622, Reform to Promote Renminbi Convertibility: China expands the scope of the renminbi trade settlement pilot scheme to 20 provinces trading with all countries and regions.

201006, Exchange Rate Reform: The PBC drops the dollar peg and adopts an exchange rate benchmark system.

20100724, Bilateral Swap Agreement: China signs bilateral swap agreement with Singapore.

201007, Bilateral Swap Agreement: China issues regulations allowing for renminbi-denominated trade through Hong Kong.

201007, Reform to Promote Renminbi Convertibility: The PBC and HKMA sign a Supplementary Memorandum of Cooperation broadening the scope of renminbi financial products to all corporates.

20100817, Reform to Promote Renminbi Convertibility: Foreign central banks, offshore renminbi clearing banks, and participating banks permitted to invest in the renminbi-denominated Mainland interbank bond market.

201009, Reform to Promote Renminbi Convertibility: International development institutions permitted to issue renminbi-denominated "panda" bonds in China are allowed, with approval, to remit their proceeds overseas either in renminbi or foreign currencies.

201010, Reform to Promote Renminbi Convertibility: Xinjiang Province is permitted to conduct cross-border trade settlement as well as direct investment in renminbi.

20101206, Bilateral Swap Agreement: China and Russia sign agreement to conduct trade in their local currencies.

201011, Reform to Promote Renminbi Convertibility: The Chinese authorities greatly expand the number of enterprises permitted to conduct trade settlement in renminbi.

2011

201101, Reform to Promote Renminbi Convertibility: Foreign private equity funds and companies are allowed to invest in private equity-based funds in certain cities.

201101, Reform to Promote Renminbi Convertibility: The PBC launches a pilot scheme for the settlement of overseas direct investment in renminbi. Under the scheme, Hong Kong branches and correspondent banks of mainland banks can obtain renminbi-denominated funds from the mainland to finance investments.

201101, Reform to Promote Offshore Renminbi: Renminbi trading is allowed in US, although limited to $4000 dollars converted into renminbi per day.

20110419, Bilateral Swap Agreement: China signs bilateral swap agreement with New Zealand.

20110419, Bilateral Swap Agreement: China signs bilateral swap agreement with Uzbekistan.

20110506, Bilateral Swap Agreement: China signs bilateral swap agreement with Mongolia.

20110608, Reform to Promote Offshore Renminbi: China allows overseas central banks and monetary authorities, designated clearing banks in Hong Kong and Macao, and overseas participating banks to invest in the interbank bond market.

20110613, Bilateral Swap Agreement: China signs bilateral swap agreement with Kazakhstan.

201106, Bilateral Swap Agreement: China signs a new bilateral local-currency settlement agreement with Russia, expanding the geographic scope of the previous agreement beyond border trade.

20110823, Reform to Promote Renminbi Convertibility: The PBC, MOF, MOFCOM, General Administration of Customs, the State Administration of Taxation, and the CBRC jointly issue a notice expanding the trade settlement scheme to all of China.

20111026, Bilateral Swap Agreement: China signs an agreement to extend its bilateral swap agreement with South Korea.

201110, Reform to Promote Renminbi Convertibility: The PBC and Ministry of Commerce issue regulations allowing foreign firms to invest the renminbi-denominated proceeds of their cross-border trade directly into Mainland firms as foreign direct investment.

201111, Multilateral Swap Agreement: The Export-Import Bank of China and Interamerican Development Bank signed an agreement under which the PRC will provide $200 million of credits to finance trade between Latin America and the China, a portion of which will be in renminbi.

20111122, Bilateral Swap Agreement: China extends its bilateral swap agreement with Hong Kong.

20111216, Reform to Promote Renminbi Convertibility: The Renminbi Qualified Foreign Institutional Investors program is promulgated, allowing some overseas fund-management and securities firms to invest their renminbi assets in the Mainland.

20111219, Reform to Promote Renminbi Convertibility: Direct trading of renminbi and the Thai baht was launched in Yunnan.

20111222, Bilateral Swap Agreement: China signs bilateral swap agreement with Thailand.

20111223, Bilateral Swap Agreement: China signs bilateral swap agreement with Pakistan.

201112, Bilateral Swap Agreement: China signs agreement with Japan to develop direct trading between renminbi and yen, which will take efefct in June 2012, and to promote issuance of renminbi-denominated bonds by Japanese companies.

2012

20120118, Bilateral Swap Agreement: China signs bilateral swap agreement with the United Arab Emirates.

201201, Reform to Promote Offshore Renminbi: Hong Kong's note-issuing banks begin to publish renminbi interbank offered rates. The HKMA also announces an adjustment to its renminbi risk management limit and net open position, easing renminbi-denominated funding conditions.

20120208, Bilateral Swap Agreement: China extends bilateral swap agreement with Malaysia.

20120222, Bilateral Swap Agreement: China signs bilateral swap agreement with Turkey.

201202, Reform to Promote Renminbi Convertibility: Enterprises involved in renminbi-denominated settlement of exports are no longer limited to those on the pilot list.

20120320, Bilateral Swap Agreement: China extends bilateral swap agreement with Mongolia.

20120322, Bilateral Swap Agreement: China signs bilateral swap agreement with Australia.

201203, Bilateral Swap Agreement: The China Development Bank signs a memorandum of understanding with its Brazilian, Russian, Indian, and South African counterparts to provide renminbi loans for purposes of financing bilateral trade.

201203, Reform to Promote Renminbi Convertibility: All onshore eligibility restrictions for the renminbi-denominated trade settlement scheme are removed. The HKMA, Bank Negara Malaysia, and Euroclear Bank launch a pilot platform for cross-border investment and settlement of debt securities, including dim sum bonds.

201204, Reform to Promote Renminbi Convertibility: QFII and RQFII quotas are more than doubled, more banks begin publishing renminbi (CNH) lending rates, and the HKMA relaxes trade-related conversion document-checking procedures. China announces plans to establish the China International Payment System (CIPS), a new system to settle cross-border trade and investment in renminbi.

201204, Exchange Rate Reform: The renminbi exchange rate regime is expanded to allow one percent above or below the reference rate.

201205, Reform to Promote Offshore Renminbi: China formalizes rules for onshore non-financial corporations to issue renminbi-denominated bonds.

20120626, Bilateral Swap Agreement: China signs bilateral swap agreement with Ukraine.

20120627, Reform to Promote Renminbi Convertibility: China unveils plan to create a special economic zone within Shenzhen that will have expanded privileges for cross-border flows of renminbi trade and investment.

201206, Reform to Promote Offshore Renminbi: The PBC and HKMA introduce additional measures reducing restrictions and regulations in cross-border trade and investment.

201208, Bilateral Swap Agreement: China and Taiwan sign a memorandum of understanding for cross-Strait currency settlement, including the issuance of so-called Formosa bonds.

201209, Reform to Promote Offshore Renminbi: The central bank and Bank of China in Macau issue additional regulations to support renminbi clearing in Macau.

201212, Reform to Promote Renminbi Convertibility: Enterprises in Qianhai (in the Shenzhen Special Economic Zone) are allowed to borrow funds through renminbi-denominated loans from Hong Kong, with the funds to be used within Qianhai.

20121419, Reform to Promote Renminbi Convertibility: The SAFE announced that it would end a six-year ban on small banks to hold overnight long positions in renminbi, and now could hold short positions on foreign currencies.

2013

201301, Reform to Promote Offshore Renminbi: The HKMA announces additional regulations easing renminbi transactions and allows the use of renminbi futures. The PBC announces a coming new pilot program that will allow overseas investment by domestic personal investors.

20130307, Bilateral Swap Agreement: China signs bilateral swap agreement with Singapore.

201303, Reform to Promote Renminbi Convertibility: China announces it will allow Hong Kong, Macau, and Taiwan residents to open A-share accounts and invest in the domestic market. The PBC announces that all Hong Kong-based financial institutions are now eligible to apply for quotas under the revised RQFII programme and gives QFII investors access to the interbank bond market. A pilot scheme is launched allowing 13 multinational corporations to move funds worth up to 30% of their invested capital in China across the border.

201304, Reform to Promote Offshore Renminbi: China signs a memorandum of understanding with the Monetary Authority of Singapore on renminbi business in Singapore.

201306, Bilateral Swap Agreement: The United Kingdom becomes the first G7 country to set up an official currency swap line with China.

20130712, Reform to Promote Renminbi Convertibility: China increases Qualified Foreign Institutional Investor program quotas to $150 billion from $80 billion and expands RQFII beyond Hong Kong to include cities such as Singapore and London.

201307, Reform to Promote Renminbi Convertibility: China announces the Shanghai Free Trade Zone (SFTZ), which was accompanied by unprecedented deregulation of the banking sector and foreign exchange markets. Certain domestic and foreign banks are allowed to provide full services with the zone subject to limited capital controls. The SFTZ would take effect in September. China lifted the controls on bank lending rates nationwide

201307, Reform to Promote Renminbi Convertibility: Onshore companies are allowed to lend their onshore excess cash to offshore affiliates as an inter-company loan.

201308, Reform to Promote Renminbi Convertibility: Kunshan-based subsidiaries of Taiwan companies are allowed to borrow renminbi loans from Taiwan banks, and repatriate the proceeds to be used in Kunshan.

201308, Reform to Promote Renminbi Convertibility: China issues a resolution suspending corporate law regulations relating to foreign firms' investment within the SFTZ on a trial basis for three years.

20130929, Reform to Promote Renminbi Convertibility: The Shanghai Free Trade Zone takes effect.

201309, Reform to Promote Renminbi Convertibility: China issues regulations allowing renminbi-denominated transactions for establishing domestic enterprises, conducting mergers and acquisitions, and for investing in equities through financial institutions.

2014

201402, Reform to Promote Renminbi Convertibility: China releases regulations on the expansion of cross-border renminbi business within the Shanghai Free Trade Zone, allowing companies based in the SFTZ to set up a two-way renminbi cross-border funding pool to include onshore and offshore affiliated companies that have capital connections.

20140317, Exchange Rate Reform: The renminbi exchange rate trading band was increased again to 2% above or below the reference rate.

201404, Reform to Promote Renminbi Convertibility: China and Hong Kong announce the development of Shanghai-Hong Kong Stock Connect, a pilot program to establish mutual stock market access between mainland China and Hong Kong. Direct trading launched between the Australian dollar and renminbi.

201405, Reform to Promote Renminbi Convertibility: Some benefits of the Shanghai Free Trade Zone are extended to foreign-invested enterprises in 16 other industrial parks and economic zones.

20140619, Reform to Promote Offshore Renminbi: Direct trading begins between the renminbi and British pound Sterling.

20140721, Bilateral Swap Agreement: China signs bilateral swap agreement with Switzerland.

201407, Multilateral Swap Agreement: The Chiang Mai Initiative Multilateralization agreement is expanded in scope.

201407, Reform to Promote Offshore Renminbi: China allows direct trading between the Korean won and the renminbi.

201408, Reform to Promote Offshore Renminbi: Taiwan announces policy measures to support offshore renminbi market via increased Formosa bond issuance and easier access to Formosa bonds for local insurers. Singapore launches new Asian foreign exchange futures denominated in renminbi. Korea allows listing and trading of renminbi-denominated bonds.

20140916, Bilateral Swap Agreement: China signs bilateral swap agreement with Sri Lanka.

20140930, Reform to Promote Offshore Renminbi: Direct trading between the renminbi and the euro begins in China's interbank foreign-exchange market.

20141103, Bilateral Swap Agreement: China expands bilateral swap agreement with Russia.

20141117, Reform to Promote Renminbi Convertibility: The Shanghai-Hong Kong Stock Connect is officially launched.

20141118, Bilateral Swap Agreement: China signs bilateral swap agreement with Canada.

201411, Reform to Promote Offshore Renminbi: The HKMA enacts regulations increasing renminbi liquidity.

201411, Reform to Promote Renminbi Convertibility: The Shanghai-Hong Kong Stock Connect allows international investors to invest in Shanghai-listed A-shares, and domestic investors to invest in Hong Kong-listed shares.

20141225, Bilateral Swap Agreement: China signs bilateral swap agreement with Nepal.

2015-2016

2015

201502, Reform to Promote Renminbi Convertibility: The HKMA refines the renminbi liquidity facility. The PBC promotes capital account convertibility by introducing a new channel for entities to remit funds from the offshore market to the Shanghai Free Trade Zone.

20150318, Bilateral Swap Agreement: China signs bilateral swap agreement with Suriname.

20150330, Bilateral Swap Agreement: China signs bilateral swap agreement with Armenia.

201503, Reform to Promote Renminbi Convertibility: Short-selling under the Shanghai-Hong Kong Stock Connect programme is launched. Chinese mutual funds gain access to Hong Kong stocks via the Stock Connect. China approves the establishment of three new free trade zones in Guangdong, Fujian and Tianjin.

20150524, Bilateral Swap Agreement: China signs bilateral swap agreement with Chile.

201506, Reform to Promote Renminbi Convertibility: PBC announces that eligible renminbi banks are allowed to use repurchase facilities in the China interbank market and remit the money offshore.

20150907, Bilateral Swap Agreement: China signs bilateral swap agreement with Tajikistan.

20150910, Reform to Promote Renminbi Convertibility: The PBC says it will allow foreign central banks and sovereign wealth funds to enter the onshore currency market.

20151008, Reform to Promote Renminbi Convertibility: The China International Payments System (CIPS) is launched, supporting renminbi transactions overseas and presenting an alternative to SWIFT.

20151130, Reform to Promote Renminbi Convertibility: The IMF announces that the renminbi will be included in the special drawing rights (SDR) basket beginning in October 2016, accounting for 10.92 percent of the SDR's value.

2016

20160104, Exchange Rate Reform: Extension of renminbi trading hours comes into effect.

20160224, Reform to Promote Renminbi Convertibility: The PBC lifted restrictions for participating in the China interbank bond market.

20160503, Reform to Promote Renminbi Convertibility: The PBC expanded its pilot program for macro prudential management of cross border financing nationwide.

20161001, Reform to Promote Renminbi Convertibility: The renminbi is officially included in the IMF's SDR basket.