

REGIONAL ASPECTS OF YUAN GOING INTERNATIONAL

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The International Monetary Fund (IMF) in its recently published report "Dollar Dominance and the Rise of Nontraditional Reserve Currencies" emphasized, that the share of the dollar in foreign currency reserves of central banks of most countries fell to the lowest level over the latest 25 years (59% - as at the end of 2021). Today it is becoming obvious, that sanctions are ultimately leading to a stronger role of yuan in the global trade, and losses from introduction of sanctions could be much more significant than expected. The IMF report notes, that along with the yuan, there is increasing share of other currencies in reserves: Japanese yen, Australian and Canadian dollars.

Russia, having undertaken a whole number of activities in its foreign trade, joined the top of the countries, currently developing and directing the global process of de-dollarization. As at the end of 2022 the share of dollar in Russian exports and imports plunged from 51,7% to 33,9% versus Q1 2022, and the share of euro also fell from 35,1% down to 18,7%, and at the same time the share of yuan increased significantly from 0,4% to 14,1% (according to the Bank of Russia). Moreover, the role and the share of national currencies, primarily of that of the ruble, in trade across the EAEU last year increased by 3,5 % versus last year and reached up to 74%.

Moscow has more and more often been using yuan with increasing efficiency in its trade, this is significantly raising the role of the Chinese currency in the region, and this is ultimately leading to a certain segmentation of the world economy. Some experts think that yuan, on the one hand, is undergoing expansion, and on the other hand, the Chinese currency today serves as some sort of security guarantee.

Over the latest decade Russia has been trying to reduce its use of the dollar primarily in foreign trade, and at this background the Chinese influence on the Russian market is growing stronger. So, for example, for the first time in the history of the Moscow Exchange, the Chinese currency got ahead of the American dollar, becoming the most traded currency at the exchange (the yuan share amounted to about 40% of total trade turnover).

Last year new yuan-denominated (CNY) bonds were issued in Russia, used by banks for repo (repurchase agreement) operations with the Chinese currency for their colleagues, and this ultimately led to an absolute historic record in February 2023, according to the Bank of Russia, in yuan repo volumes – CNY 28,5 bn, and the total volume of interbank yuan transactions on the Russian market also for the first time reached a record – CNY 61,9 bn.

Let us note that the first repo transactions, providing for use of yuan-denominated securities as collateral, started only last summer, and bonds, denominated in the Chinese currency, appeared on the Moscow Exchange right in the end of July 2022. Currently more than ten Russian companies have issued their yuan bonds at the Moscow Exchange, including such majors as Rosneft (CNY 30 bn) and RUSAL (CNY 22,9 bn), then come Nor Nickel (CNY 9 bn), Polyus (CNY 4,6 bn), Metalloinvest (CNY 3 bn) and others. Today there are more than twenty issues of bonds in the Chinese currency on the Russian market for over CNY 70 bn.

So, yuan-based interbank repo transactions, which are

becoming increasingly popular now, provide Russian banks with a new tool to raise liquidity. Let us emphasize, that unlike yuan-denominated interbank deposits, the total volume of which shows noticeable volatility, growth of repo transactions in the Chinese currency, the volume of which in October 2022 for the first time went over euro and dollar interbank transactions, has been demonstrating significant positive dynamics every month.

Considering ongoing development and expansion of economic relations and comprehensive partnership, as well as strategic cooperation with China (as evidenced by a whole number of documents, signed during the state visit to the Russian Federation of Xi Jinping, the Chairman of the People's Republic of China, including the joint statement of the President of the Russian Federation and the Chairman of the People's Republic of China on the plan for development of key areas of Russia-China economic cooperation up to 2030), and measures taken by the Russian regulator for stimulating operations in the Chinese currency, one could expect con-



tinuing growth of volumes of such transactions further on.

These major changes could be explained not only by limited availability of dollar and euro on the Russian market, but also by geography shifts both in Russian and global trade. Some Western experts and politicians focus on regional aspects of internationalization of the yuan, because they think that yuan has started actively transforming into a dominating regional currency in Northern Eurasia. Western experts also believe that in the near term geopolitics may lead to a graduate development of a certain regional financial infrastructure in the territorial geographic vicinity of China, gravitating towards the Chinese currency, and to further segmentation of the global financial system, which, as they think, gives Beijing yet another geo-economic influence tool.

China is increasing the share of its currency in international trade and also ramping up foreign investments, establishing new trade partnerships, and, owing to the developed China International Payment System (CIPS), is strengthening global positions of the yuan, moreover, the PRC pays for Iranian oil in yuan, and Saudi Arabia, which has said it wanted to join BRICS countries, announced that it is ready to take yuan payments for deliveries of oil to China as a major BRICS member.