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## A Missed Opportunity for the Internationalization of the Yen and Expansion of Yuan Settlement

By SANADA Yukimitsu

Following the 1997 Asian currency crisis, the Japanese government attempted to promote the “internationalization of the yen.” During that time, a committee was formed for this purpose, and I was a part of it. I argued that yen internationalization would be challenging unless Japan became a major importer, expanding imports not only of raw materials but also products from developing countries, particularly in Asia. I also stressed the importance of increasing yen settlements for both imports and exports. Unfortunately, Japan missed an opportunity to internationalize the yen at that time as the growth in imports from abroad remained slow and the ratio of yen settlements did not increase significantly.

By contrast, mainland China is currently experiencing growth in both exports and imports with its partner countries. As a result, the ratio of yuan trade settlements, especially with countries weaker than mainland China, is steadily increasing. Additionally, mainland China has been organizing the “China International Import Expo” in Shanghai for several years, aimed at expanding imports from overseas. The expo has attracted approximately 3,000 companies and organizations from around 130 countries and regions, making it a comprehensive trade fair focused on imports. Japan has also set up a pavilion, led by JETRO, to develop and expand sales channels for Japanese agricultural and marine products, as well as foodstuffs, in mainland China. Due to the COVID-19 pandemic and travel restrictions, the pavilion was designed to be both a physical exhibition and a video-based exposition, utilizing digital technology to its fullest extent.

The mainland Chinese government has emphasized the significance of these efforts, stating its intention to “strengthen economic cooperation with the rest of the world through increased imports.” The Japanese booth has been given priority during the expo, with participation from approximately 300 small and medium-sized companies. Notable participants include camping brands, facial brands, sake producers, and companies like Microsoft and Meta. These participants intend to use RCEP as a mechanism to achieve tariff-

free trade. The expo also showcases new drugs developed in Japan. The event assumes an exhibition-and-sale format, and visitors can directly shop at the exhibition by scanning QR codes on the products to have them shipped to their homes.

I see these moves by mainland China as a means to expand yuan settlements, specifically digital yuan-based settlement. It is also expected that the exhibitions will feature advanced technologies that mainland China could potentially acquire.

(This is an English translation of the article written by SANADA Yukimitsu, a university Professor, which originally appeared on the e-forum "Hyakka-Somei (Hundred Ducks in Full Voice)" of CEAC on June 20, 2023.)