

“Does Chinese Renminbi Deserve Reserve Currency Status? : A Challenging Road Ahead”

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Abstract

Against the backdrop of the global financial crisis and more recent European debt crisis, the fate of two major currencies U. S. dollar and euro as the premier international reserve currency is under scrutiny. The 2010 central bank survey of foreign exchange market activity showed rapid growth in turnover in some emerging market currencies. China’s growing stature in international trade and its large net creditor’s status make a strong case for Chinese Renminbi becoming the premier international reserve currency or at-least its inclusion in IMF’s Special Drawing Rights (SDR). The present paper discusses the, benefits and costs of a currency getting the status of reserve currency, and explores the pre-requisites for Chinese renminbi getting that status.

Key Words: Reserve Currency, U.S Dollar, Renminbi, Financial Crisis, Debt Crisis.