



THE INTERNATIONALIZATION OF RENMINBI

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Abstrak

Pascakrisis keuangan global 2008, posisi dolar AS mulai diperdebatkan dan memunculkan narasi internasionalisasi renminbi. Tinjauan literatur ini bertujuan membahas perkembangan literatur mengenai internasionalisasi renminbi. Berdasarkan metode taksonomi, kajian literatur ini menemukan tiga tema besar: (1) kepentingan Cina; (2) proses implementasi; dan (3) reaksi eksternal. Berdasarkan kajian ketiga tema tersebut, kajian literatur ini berpendapat bahwa internasionalisasi renminbi terjadi karena karakter hubungan internasional yang cenderung kompetitif akibat adanya relasi power. Kondisi ini memicu penyesuaian kepentingan Cina, upaya implementasi sesuai karakteristik Cina, dan evaluasi reaksi terhadap offshore renminbi centers. Selain penggunaan pendekatan sisi penawaran sebagai pendekatan dominan, tinjauan literatur ini juga mengidentifikasi peningkatan pembahasan muncul setelah tahun 2009 dan adanya kesenjangan pendekatan maupun kesenjangan empiris pada penggunaan pendekatan sisi permintaan dari aktor internasional. Tulisan ini berkontribusi terhadap kajian ekonomi politik internasional terkait logika dari negara dan pasar.

Kata Kunci: Cina, internasionalisasi Renminbi, karakteristik Cina, *Offshore Renminbi Centers*, relasi power

Abstract

After global financial crisis 2008, the position of the US dollar began to be debated and led to the narrative of the internationalization of renminbi. This literature review discusses how the literatures has evolved regarding internationalization of renminbi. Based on the taxonomy method, this literature review finds three major themes: China's interest, implementation process, and external reactions. Based on those three themes, this literature review argues that internationalization of renminbi occurs because the character of international relations tends to be competitive due to power relations. This condition triggered the adjustment of Chinese interests according to Chinese characteristics using offshore renminbi centers. Besides using the supply-side approach as the dominant approach, this literature review identifies an increase in discussion after 2009 and also finds approach and empirical gap that use demand-side approach of international actors. This paper contributes to the study of international political economy related to state and market logic.

Keywords: China, Chinese characteristics, internationalization of Renminbi, *Offshore Renminbi Centers*, power relations

Introduction

The conceptualization of international currency has expanded that cause the study of International Relations seeks to explain the concept. The debate about the concept of international currencies does not only lie in the status or role of international currencies, but also in the emergence of international currencies from other countries. This phenomenon is related to the competition between currencies to become the dominant international currency. The dominance of a currency as an international currency provides flexibility for the issuing country. The benefits include limiting exchange rate risk, access to international financial markets on a larger scale, decreasing the costs of the non-financial sector, not dealing with the balance of payments crisis or encouraging political influence at the international level (Kenen, 2011). The potential costs of the currencies internationalization include the inability to meet fixed exchange rates and domestic-oriented monetary policy simultaneously, the risk of depreciation due to the release of assets, along with risk of the domestic financial system due to non-performing loan (Kenen, 2011). In this context, the United States (US) and US dollar are the most dominant international currencies used.

After the 2008-2009 global financial crisis, the position of the US dollar as the dominant currency in the next few decades began to be debated. The urgency to reform the international financial system dominated by one currency emerged. One solution to this reform is to use other international currencies that are considered more stable than US dollar (Faudot & Ponsot, 2016). Regarding these problems, China is expected to be able to take a role in the reform process using its currency renminbi. While renminbi is the official currency of China, yuan is the unit of account of the currency. However, before it can be used by various countries, the renminbi needs to go through internationalization. Currencies internationalization begins when an international actor uses a currency in another country outside his home country as a medium of exchange, unit of account, or storage device (Hartmann, 1998).

The renminbi internationalization comprises of series of processes that are not short. The combination of market demand and China's efforts towards its currency gave rise to the term renminbi internationalization. Currently, renminbi has been used to settle trade payment with Hong Kong, Macau, and ASEAN countries started in 2009 (Xu, 2017). Renminbi internationalization can occur because China is considered to have fulfilled several prerequisites for internationalizing the currency, namely the growth of economic power, the development of economic relations with other countries, and a stable exchange rate (Xia, 2018). Capital account liberalization is also considered important in the currencies internationalization

(Y. Wang & Liu, 2018). On the other hand, renminbi internationalization is quite different from the previous internationalization of currency. China has a political and economic system that is different from previous countries. This condition indicates an attempt to internationalize the currency in a different way, that is with China's characteristics.

This paper's objective is to review the development of renminbi internationalization literature. The research question in this article is how the development of academic literature concerning the renminbi internationalization. To do so, the paper explores the development of the literature review of China's foreign policy and its influence on the international financial system. There are three main debates in international political economy, namely the debate over the interests of the state related to international currency competition, the debate over the country's political and economic structure in internationalizing currencies, and the debate over the reactions of other countries to the currency's internationalization. This paper is divided into four main sections, namely literature review method, discussions, mapping result, along with conclusion and recommendation. We divided the discussions into three sections, namely (1) China's interest factors in the renminbi internationalization; (2) the dynamics of implementing renminbi internationalization; and (3) the role of renminbi internationalization towards China's economic partners. In the second section of the discussion, the dynamics of the implementation process of renminbi internationalization, we detailed the discussion into three separate sections, namely related to approaches to other countries, supporting instruments, and determinants.

Literature Review Method

In this literature review, we used the taxonomic organizing method to map the dominant themes that emerged in the development of the renminbi internationalization literature. The taxonomic organizing method is basically a method of classifying literature based on emerging themes. So far, no academic literature has classified the renminbi internationalization literature before. Therefore, the author initiated a taxonomy that represents emerging themes. We used taxonomic methods because chronological methods and typologies are less likely to be used in the topic of renminbi internationalization. Besides, by using the taxonomic method, we could comprehensively frame the literature discussing the renminbi internationalization. We arranged the distribution of literature based on the dominant themes emerging from 47 literatures in Bahasa Indonesia and English. We also limit it to literatures which were published in April 2019.

We acknowledge the potential contribution of *working paper* and *discussion paper* to subsequent literature review after passing through the *peer-review* process. This acknowledge

is based on the authors' findings on the literature with issues that have not been reached by this literature review. Furthermore, we also acknowledge the potential contribution of Chinese-language literature that addresses themes that have not been mentioned in this literature review. On the other hand, this paper also has two limitations in its discussion, namely (1) discussing the role of other international phenomena on the development of renminbi internationalization, such as the China's trade dispute with the US; and (2) discussion of the influence of China's domestic phenomena on the development of renminbi internationalization, such as stakeholder dynamics related to the urgency of the implementation of renminbi internationalization.

Consensus, Debate, and Synthesis

In this section, we present literature-based findings that discuss the renminbi internationalization. These findings discuss consensus, debate, and synthesis. The first section discusses China's interest factors in the renminbi internationalization. The second section discusses the dynamics of implementing renminbi internationalization. This section is divided into three sections, namely the debate over how to approach other countries, supporting instruments for fulfilling the functions of international currency, and debate about determinants of renminbi internationalization. The third section discusses the role of renminbi internationalization towards China's economic partners. Before discussing the findings in each section, we describe the general phenomenon that appears in literatures. The emerging phenomenon is the difference in determining the initial year of the renminbi internationalization and the gap in the use of the approach in the discussion of renminbi internationalization.

In general, we found differences in the context of article writing regarding the initial year of renminbi internationalization. There are interpretation differences about the year of renminbi internationalization began. The initial year of renminbi internationalization according to scholars is quite diverse, ranging from the 1990s, 2000, 2003, 2004, 2005, 2006, 2007, 2008, 2009, and 2010. Nonetheless, several scholars do not mention the initial year of renminbi internationalization began explicitly. Based on this distribution, we found that 15 of 47 literature mentioned 2009 as the year of renminbi internationalization began. This number is the highest number followed by the literature that does not mention explicitly, namely 14 literatures.

The variation in the mention about the initial year of renminbi internationalization is caused by interpretation differences of renminbi internationalization. Scholars who mentioned 2009 as the initial year of renminbi internationalization began tended to use the 2008 global financial crisis as a turning point for China's policy changes. In addition to policy changes,

scholars also consider that China increase its effort to internationalize renminbi in response to the instability of the US dollar with various policy mechanisms. On the other hand, the mention of the initial year before 2009 was caused by interpretation differences of policies that facilitated the movement of renminbi. The interpretation of scholars is based on the use of the renminbi which is in line with the definition of currencies internationalization, namely the renminbi has been used outside of China, especially in neighboring countries (J. Li, 2007; J. Zhang, 2011).

Based on differences in the determination of the initial year, we conclude that interpretation differences caused by indicators difference of currency internationalization. The we see two indicators choices of currency internationalization used by scholars, namely from the market mechanism and the central government's intentions. The market mechanism indicator is close to scholars who interpret the beginning of renminbi internationalization was before 2009. This indicator is in line with the conditions in Asia which have experienced increased demand for the renminbi. On the other hand, the indicator of central government's intentions is close to scholars who interpreted 2009 as the beginning of the renminbi internationalization. This indicator is in line with the promotion of the central government towards renminbi as an international currency. This condition is also in line with the year of academic writing which was dominated by the literature writing after the global financial crisis. There are 45 of 47 literatures that we use was written after 2009. The increase in the number of writings is influenced by scholars' awareness about the centrality of the renminbi internationalization. Besides the significant increase in China's government activity, scholars have a similar narrative regarding the urgency of reducing dependence on the US dollar.

Besides the determination differences of the initial year, we found asymmetry in the use of approaches by scholars. In general, we found that the supply-side approach was dominant compared to the demand-side approach. The supply-side approach refers to the assessment of features related to countries issuing currencies. In this context, the country is China while the currency issued is renminbi. Although the discussion was diverse, scholars tended to analyze China as the main subject. From the reading of 47 literatures, 42 literatures used the supply-side approach while the remaining 5 literatures used the demand-side approach. Discussions with this demand-side approach start to emerge in 2017. This emergence was 13 years after the literature on renminbi internationalization first appeared in 2004 (J. Li, 2004). We argue that the use of demand-side approach arises because other international actors' perspective potentially complements the understanding of internationalization more comprehensively.

Besides, from the empirical side, during 2014-2016, there was an increase in the opening of offshore renminbi centers in 16 countries (Pacheco Pardo, Knoerich, & Li, 2018).

China's Interest Factors in the Renminbi Internationalization

From the discussion about China's interests, we found debate and consensus. The debate is related to the aim of internationalizing the renminbi. On the other hand, the consensus of scholars refers to the advantages of internationalizing the renminbi which has the potential to outperform the costs. The debate and consensus found led the authors to synthesize this section, which is related to China's motives as well as consideration of the benefits and costs of internationalizing the renminbi.

The aim of the renminbi internationalization is the initial debate of scholars. We found two specific camps related to the motives behind renminbi internationalization. The arguments of scholars in the first camp stated that the renminbi internationalization was aimed at shifting the position of the US dollar. The argument is presented in one article (Ramadhani, 2011). In other camps, scholars emphasize the absence of a China's motive to replace the position of the US dollar. The second camp's argument is supported by three articles (Fan, Chen, & Wang, 2015; Gao & Coffman, 2013; Kwon, 2015). We argue that differences in the interpretation of scholars are caused by the use of different point of view assessing China behavior, namely aggressive and peaceful. These diverging points of view affect the interpretation of currency status and changes in the structure of international currencies. The interpretation of the first camp, which refers to changes in power, means that changes in the renminbi status affect the relative position of the renminbi. Specifically, for the US dollar, this alteration changed the power distribution with the end goal is renminbi replacing the dominant international currency position. Besides, the second camp refers to the improvement of the global monetary order. The second camp interpret a change in the renminbi's status as a response or a China's solution to the vulnerability of the US dollar. Instead of wanting to replace the position of the US dollar, China's intentions tend to prevent the negative role of dependence on the US dollar.

Discussions about the consequences of internationalizing the renminbi contribute to consensus. We see that consensus is about benefits and costs. Scholars have a consensus regarding the benefits of internationalizing the renminbi, namely seigniorage. Seigniorage is the benefit gained by the country issuing a currency. Three pieces of literature state that one of the benefits which China gained is from seigniorage (J. Li, 2007; J. Zhang, 2011; L. Zhang & Tao, 2015). Besides, scholars also have a consensus regarding the cost of internationalizing the

renminbi, namely the cost of decreasing policy autonomy in exchange rates and responsibility for the economic stability of other countries. Both of these costs are costs highlighted by scholars as a consequence of the renminbi internationalization. Three pieces of literature include a decrease in exchange rate policy autonomy and responsibility for other countries' economic stability as the cost of renminbi internationalization (J. Li, 2007; J. Zhang, 2011; L. Zhang & Tao, 2015).

The debate and consensus led the writer to two syntheses. The first synthesis relates to the aim of internationalizing the renminbi that reflects Chinese interest. The second synthesis relates to the benefits and costs of internationalizing the renminbi. The first synthesis addresses the aim of internationalizing the renminbi as a China's interest. China has the intention to shift the dominance of the US dollar in the international monetary system. The main objective of the renminbi internationalization is to change the relation of power to the US dollar. Although not necessarily able to replace the US dollar as the dominant currency, the renminbi internationalization is targeting an increase in the relative position of the renminbi. These changes have implications for the ability to maintain stability and gain policy autonomy. This condition is reflected in the China's perspective which sees dependence on the US dollar as a cause of instability. It is important to note, however, that this China's intention is framed by the peaceful rise brought up by Xi Jinping in describing China's foreign policy. This narrative is used by China to reduce the potential for enmity with major countries, especially the United States. Based on this narrative, the renminbi internationalization wants to be seen as an action that does not threaten the position of the US dollar. However, this goal is contrary to other China's interests, namely China's ownership of US dollar-denominated financial products (Kwon, 2015). China is experiencing a dilemma regarding the decline in the relative position of the US dollar against the renminbi. With the shift in the position of the US dollar, China will experience losses due to the depreciation of the US dollar which affects the value of bonds and China's foreign exchange reserves.

The second synthesis is related to the amount of benefit that is relatively more than the cost. There are various benefits for countries that have international currencies. We see that the potential benefits as a driver for China to continue to internationalize the renminbi, especially in the long term. In determining policies, the state tends to be realistic by considering benefits and costs. With the potential for greater benefits, China has decided to carry out the renminbi internationalization.

The Dynamics of Implementing Renminbi Internationalization

In the process of implementation, renminbi internationalization is not static. The implementation process is influenced by several things, related to approaches to other countries, supporting instruments used, and the determinants. In understanding the implementation process, these three things cannot be separated because they determine the whole way of internationalizing currencies. In other words, these three things illustrate the direction of policy implemented by China.

Debate on How to Approach Other Countries

From the discussion of policy objectives, we found debate on the choice of approach to other countries, in both regional and global level. The debate led the writer to the synthesis in this section, which is related to the approach to other actors that need to be prioritized. We found two camps related to the political interaction of the renminbi internationalization. The argument of the first camp tends to prioritize the regional approach in one region or across regions. The presentation of the regional approach comes from eight articles (Chai, 2019; Cui, 2017; F. Li & Wu, 2015; J. Li, 2004; X. Lin, Xiao, Liang, & Zhang, 2017; Park, 2010; Xia, 2018; J. Zhang, 2011). On the other hand, the second camp tends to argue about the global approach that emphasizes global support. The argument of the second camp is presented in one article (Wei, 2017). We argue that the arguments of the two camps are not mutually replaceable but are complementary. Both approaches can be seen as multilevel approaches. Instead of a trade-off, both approaches are needed by China in the realization of the renminbi internationalization. However, the regional approach tends to be more dominant in the academic literature because they consider the renminbi's capabilities. Besides, the international monetary system which tends to be multipolar has also pushed China to prioritize Asia region.

Based on that debate, the synthesis that emerged was that China used gradual approach to other actors. The global approach is an approach that will be used by China after using the regional approach. Before entering the stage of internationalization, the regional approach offered efforts to regionalize the renminbi. In other words, China's approached is a combination of deepening and widening. The combination starts from regionalization in East Asia, Southeast Asia, Latin America, and across regions, and ends with internationalization or the global approach. Moreover, some scholars add localization and peripheral approach as a step before regional and global approaches or Asianisation approach between regional and global approaches. The peripheral approach refers to the participation of peripheral countries, such as African countries (F. Li & Wu, 2015), while the Asianization approach refers to the Asia region

(J. Zhang, 2011). So, the approach used by China tends to begin with regionalization for internationalization projections.

Supporting Instruments for Fulfilling International Currency Functions

We find debate and consensus in the discussion of scholars regarding supporting instruments. The debate is about the intention of implementing supporting instruments and the significance of the onshore and offshore markets. Besides, consensus emerged regarding the significance of the instrument towards renminbi internationalization as well as the main problem highlighted in the form of criticism from scholars. The debate and consensus help to formulate the synthesis in this section, namely regarding the intention of the implementation of supporting instruments and the discussion gap in the literature.

The intention of implementing supporting instruments became the first debate of scholars. We see that there are two different assumptions from scholars in looking at the relation of instruments to the renminbi internationalization. The first assumption is the active intention. The active intention interprets the instrument is implemented to increase renminbi internationalization. In other words, these instruments appear to realize the interests of internationalization of the China's currency (K. C. Fung, Aminian, Fu, & Kornhohen, 2018; Hong, 2018; L. Lin & Wang, 2015; Tao, 2019). The implication of this assumption is that China does not need to make major changes to domestic policy because it has used supporting instruments for internationalizing the renminbi. However, on the other hand, we also see other assumptions that is the passive intention. Instead of being specifically intended for renminbi internationalization, scholars see the renminbi internationalization as a phenomenon that is inevitable mainly due to the implementation of the instrument. In other words, the instrument is implemented for other purposes, but has positive implications for the renminbi internationalization (W. Wang & Liu, 2015). The implication of this assumption is that China needs to change its capital flow policy to facilitate the renminbi internationalization. However, the first assumption of scholars seems more relevant because of two things, namely internationalization as a national interest and the nature of internationalization that is government-led. Based on these two things, we see instruments are intentionally implemented to increase internationalization.

The second debate in this section is the significance of the onshore market and the offshore market. The onshore market and the offshore market have different markets. Onshore markets refer to markets that are within China's territory while offshore markets refer to

markets that are outside of China. These two markets are considered can contribute to the renminbi internationalization. However, the significance between the two markets tend to be debated (Cheung, 2015; H. G. Fung, Ko, Ling, & Yau, 2016). Scholars tend to compare the two markets in terms of vulnerability and quantity. Onshore markets tend to be vulnerable to changes in China's policy. On the other side, the amount of renminbi that is spinning in the onshore market is greater. Unlike the onshore market, offshore markets tend not to be vulnerable to changes in China's policy. However, the number of renminbi in the offshore market tends to be smaller compared to the onshore market. We argue that the two markets are not substituting, but complementary. In other words, the existence of the offshore market aims to fill in the shortcomings or cover up the weaknesses of the onshore market. Both of these markets are still needed by China to push renminbi internationalization.

The discussion of supporting instruments has consensus, which is related to the significance of the mechanism and the main problem. We see the first consensus of scholars in this section concerning the significance of the mechanism. Scholars tend to recognize the significance of all mechanisms for increasing the use of the renminbi. Although they have different roles/functions/targets, according to scholars, all mechanisms play a positive role in the renminbi internationalization. The objectives of these mechanisms are implemented in line with renminbi internationalization interests. These mechanisms are complementary because each mechanism is intended to fulfil the functions of a particular international currency. In other words, renminbi internationalization will not be realized without one of these supporting instruments.

The next consensus in this section is related to the main problem of renminbi internationalization. We see scholars tend to have a common view of China's main problems, namely capital control. Scholars see China's policy to control capital flow as a major obstacle. Scholars also tend to criticize this situation. With considerable China's control, scholars see the renminbi internationalization becomes more difficult to realize, even though the existence of the renminbi internationalization is seen as a solution to the main problem. Based on the discussion of scholars, we see the centrality of offshore renminbi centers, especially those located in Hong Kong, as a solution or answer to criticism. In other words, the offshore renminbi centers are China's main supporting instrument in realizing renminbi internationalization while maintaining capital control.

Several debates and consensus in this section lead the authors to the synthesis of supporting instruments for internationalizing the renminbi. Related to this, we found two syntheses in this section, namely the selection of ways and focus of implementation of

supporting instruments. The first synthesis addresses the intention of implementing the supporting instrument for internationalizing the renminbi. In its application, these instruments tend to be government-led rather than market-led. Instead of being part of a market mechanism, China intervenes markets with active policies. The policy makes renminbi internationalization tends to be supply-driven rather than demand-driven. After promoting the use of renminbi, China uses instruments to shape the infrastructure and network for using the renminbi. The aim of this implementation is to facilitate widening and maintaining the renminbi position.

In market intervention through government policies, China focused on strengthening the trade sector and investment sector. In other words, strengthening both sectors go hand in hand to fulfil the function of the renminbi as an international currency. In each sector, China uses different mechanisms for different purposes. For example, in the trade sector, China tends to use OBOR/BRI (One Belt One Road/Belt Road Initiative) as a form of widening or expand the use of the renminbi. This mechanism allows China to interact with countries that have not used the renminbi. Unlike the OBOR/BRI, China tends to use BSA (Bilateral Swap Arrangements) for the purpose of deepening the use of the renminbi. This mechanism allows China to strengthen relations with countries that have used the renminbi so that there is an increase in the use of the renminbi.

Different conditions arise in the investment sector. China tends to use STFZ (Shanghai Free Trade Zone) to facilitate the onshore market. On the other hand, China tends to rely on offshore renminbi centers to accommodate the offshore market. Besides, the two mechanisms also differ with regard to vulnerability to changes in government policies discussed in the debate section. The investment sector also facilitates the issuance of renminbi-denominated bonds in onshore and offshore markets.

From the discussion in both sectors, we see scholars have more discussion in the investment sector than in the trade sector. The discussion of supporting instruments for internationalizing the renminbi in the investment sector is presented in 13 articles. From thirteen articles, eight articles discuss offshore financial centers or offshore renminbi centers. In the trade sector, the discussion regarding the supporting instruments for internationalizing the renminbi is presented in 4 articles. We argue that the discussion in the trade sector is less intense because China's trading activities tend to be quite high. So, China only needs to expand and add renminbi movement flow. This condition is quite different from the investment sector which is hindered by capital control. China's capital control is considered as the central point of the problem of renminbi internationalization. From these problems, scholars discussed more about the role/function of supporting instruments towards manipulation of China's capital

controls. Therefore, scholars tend to discuss more supporting instruments for internationalizing the renminbi in the investment sector than in the trade sector.

The Debate over the Determinants of Renminbi Internationalization

From the discussion of determinants, we see the dominance of debate compared to consensus. The main debates are related to the position of liberalization as a determinant of the renminbi internationalization and the significance of political factors. Besides, scholars still have consensus regarding the prerequisites for internationalizing the currency. This discussion of debate and consensus directs the writer to the synthesis in this section, which is related to differences in the initial assumptions on determining which actors are more dynamic and more likely to reconstruct.

The position of liberalization as a determinant of the renminbi internationalization became an initial debate for scholars. We found two specific camps related to the interpretation of liberalization in the renminbi internationalization. The arguments of scholars in the first camp emphasize liberalization as the main factor that presented in six literature (Cohen, 2012; Eichengreen & Kawai, 2015; L. Lin & Wang, 2015; Lyratzakis, 2014; Tung, Wang, & Yeh, 2012; J. Zhang, 2011). In other camps, scholars emphasize liberalization as a complementary factor which are reflected in four articles (McNally, 2015; McNally & Gruin, 2017; Rhee & Sumulong, 2015; Subacchi, 2010). We argue that this debate is due to differences in the way to do currency internationalization, namely following the existing path or developing new ways. This difference in assumptions affects the interpretation of the steps to do internationalization of the currency. The first camp, which refers to the existing plot, interpreted the level of liberalization as a success determinant of internationalization of the currency. Liberalization as the main factor refers to the realization of full liberalization that can negate the role of the state because it is considered to hinder the flow of capital and exchange of currencies. This argument is based on the assumption that China needs to follow or adapt to other international actors, in this context is the international monetary system. Besides, the second camp refers to the development of new or different ways. The second camp means internationalization of the currency as a policy that reflects the characteristics of a country. In other words, the renminbi internationalization is carried out by considering China's characteristics, which means the level of liberalization does not determine the success of internationalization of the currency. Instead of accelerating the renminbi internationalization, full liberalization is considered a risk for the stability of the China's economy, especially the financial sector. This condition also pushes partial liberalization to maintain the role of the state

in limiting the flow of speculative capital. This argument is based on the assumption that other international actors need to follow or adjust to China, namely illiberal behavior.

The significance of political factors as a determinant factor is another academic debate. We found two camps related to the significance of political factors. The arguments of the first camp, which are presented in three articles (L. Lin & Wang, 2015; Tung et al., 2012; J. Zhang, 2011), tend to ignore political factors. On the other hand, the argument of the second camp which considers political factors is presented in three literature (Cohen, 2012; Eichengreen & Kawai, 2015; Lyratzakis, 2014). We argue that this difference appears to be influenced by genealogy or the scientific context of scholars. Scholars in both camps tend to have different scientific contexts and study focuses. In the first camp, scholars tend to interpret renminbi internationalization as part of the market mechanism. In other words, factors that are considered important are only factors that can influence the market mechanism. Different from the first camp, the academy of the second camp has a more comprehensive interpretation. Second scholars interpret the renminbi internationalization not only as part of the market mechanism, but also as part of the actor interests. In other words, domestic and international political factors also have a role in the continuation of currency internationalization.

Despite the focus on debate, this section still has consensus. We found a consensus regarding the determinants of renminbi internationalization. Before discussing the level of liberalization, scholars tend to have the same opinion regarding the preconditions of renminbi internationalization. Referring to currency internationalization, scholars state that China's prerequisite for internationalizing renminbi is economic strength (Cohen, 2012; L. Lin & Wang, 2015; McNally & Gruin, 2017; J. Zhang, 2011). Aside from being the starting point, the economic power needs to be owned by the state as the capability of a large country. This economic power is also related to the coverage of transactional networks that refer to economic influences on partner countries. The network illustrates potential changes in other countries due to China's economic policies.

After reviewing debates and consensus in this section, we find a synthesis that represents this section. This synthesis emphasizes the differences in the initial assumptions of scholars. However, based on China's political and economic structure, renminbi internationalization is more likely to be undertaken with the second academic assumption. We argue that scholars have different initial assumptions about determining the nature of the actor. Determination of the actor that the authors intend is between China and the international monetary system. The first scholars' assumption sees China as a more dynamic actor. In other words, China needs to adjust to the international monetary system which tends to be liberal.

This condition makes scholars holding the first assumption see liberalization as the main factor and tend to criticize China. This criticism tends to target China's economic and political structures which are considered to hinder the renminbi internationalization. Therefore, scholars emphasize the need of China to adapt to liberal methods. On the other hand, the second scholars' assumption sees the international monetary system as a more dynamic actor. In other words, the international monetary system will adjust to China's illiberal mechanisms. This condition is in line with the liberalization narrative as a supporting factor because it tends to expose the understanding behind the different ways that China does. This is quite a contrast with the criticism of scholars on the first assumption because scholars in the second assumption recognize the existence of Sino-capitalism. Scholars who acknowledge the idea of Sino-capitalism consider differences in economic and political structures as a consequence of the existence of China's characteristics. Instead of imitating the ways of other countries, China prefers to modify or combine their policies. China chooses this way because there is an intention to maintain certain interests. Therefore, scholars emphasize alternative ways without full liberalization. Based on these two choices, the second choice looks more realistic for China.

The Role of Renminbi Internationalization towards China's Economic Partners

The discussion of external reactions does not constitute an intense debate among scholars. It does not mean scholars agree to each other, but it tends to not be mutually contradictory. Although without debate and consensus, the synthesis in this section is a reaction from major countries regarding the renminbi internationalization.

The synthesis discusses reactions from other countries, especially from major countries. The discussion of the implications for other countries is filled by the discussion of the role of renminbi internationalization towards developed and developing countries. Although the roles of both are discussed, reactions that are more noticed by scholars tend to be reactions from developed countries (Chey, 2018; Cohen, 2017; Pacheco Pardo et al., 2018; Z. Wang, 2017). Discussion of responses from developing countries, especially the reactions of each country, is still minimal. Besides, discussions related to reactions from other countries were dominated by positive reaction narratives or did not refuse even though they were not necessarily supportive.

Results of Mapping Literatures on Renminbi internationalization

Based on a review of 47 literatures, this literature review found three main dominant themes emerged. The three main themes, namely China's interests, the implementation process, and external reactions (see table 1). The first theme is the basis of political debate from the renminbi

internationalization because it targets the exploration of state interests. Besides, this theme shows the link between economic policy and the political motives behind it. Political motives that are closely linked to these intentions are not only seen at the state level but are also projected at the international level. Besides discussing China's intentions, this theme also discusses the consequences of the renminbi internationalization towards China.

The second theme of this literature review is the implementation process. This theme is the basis of how the renminbi internationalization is implemented as an effort to fulfill the function of the international currency. In the process of implementing renminbi internationalization, China needs to consider policy objectives, supporting instruments, and determinants. Policy objectives refer to coverage of certain potential areas to use renminbi. Supporting instruments refer to mechanisms to encourage the use of renminbi. Moreover, determinants refer to the level of liberalization that China needs to fulfill.

The third theme in this paper is an external reaction. The external reaction term does not refer to any international organizations but limited to other countries such as England, Germany, Japan, US and a few Southeast Asian Countries. This theme is the basis of the approach to the demand side of renminbi internationalization, namely to discuss the role of renminbi internationalization towards other countries. In this theme, the literature emphasizes the response or reaction of other countries to the renminbi internationalization. The response or reaction is not only from large countries but also from countries in the Southeast Asia region.

Table 1 – Renminbi Internationalization Literature Organization

China's Interests	Implementation Process	External Reaction
Li, 2007; Ramadhani, 2011; Zhang, 2011; Gao dan Coffman, 2013; Fan, Chen dan Wang, 2015; Kwon, 2015; Zhang dan Tao, 2015; Brummer, 2017; Lin <i>et al.</i> , 2017; Zhang <i>et al.</i> , 2017; Wang dan Liu, 2018	Li, 2004; Park, 2010; Subacchi, 2010; Zhang, 2011; Cohen, 2012; Fung dan Yau, 2012; Tung, Wang, dan Yeh, 2012; Fung, Tzau dan Yau, 2013; Fung, Wu dan Yau, 2013; McCauley, 2013; Shen 2013; Tobin, 2013; Liao dan McDowell, 2014; Lyratzakis, 2014; Palmioli dan Heal 2014; Cheung, 2015; Eichengreen dan Kawai, 2015; Li dan Wu, 2015; Lin dan Wang, 2015; McNally, 2015; Rhee dan Sumulong, 2015; Wang dan Liu, 2015; Yao dan Whalley, 2015; Fung <i>et al.</i> , 2016; Cui, 2017; Lin <i>et al.</i> , 2017; McNally dan Gruin, 2017; Wei, 2017; Fung <i>et al.</i> , 2018; Hong, 2018; Xia, 2018; Chai, 2019; Tao, 2019	Cohen 2017; Wang, 2017; Xu, 2017; Chey, 2018; Pacheco Pardo, Knoerich, dan Li, 2018

Source: edited by authors, 2019

Conclusion

Based on an understanding of these three themes, we summarize final conclusions of this literature review. We conclude that academic literature understands the renminbi internationalization from adjusting interests, implementing efforts, and evaluating reactions. This literature review argues that renminbi internationalization occurs because the character of international relations tends to be competitive. This condition creates a tendency for China to change power relations with other countries. On the other hand, renminbi internationalization also shows the potential role of currencies in influencing the international monetary system. In the process, the renminbi internationalization gradually used approaches to other actors by adjusting to China's characteristics. This adjustment can be seen from China's supply orientation which reflects relatively illiberal ways, namely without full liberalization. With these conditions, China uses offshore renminbi centers as one of the key instruments to fulfill international currency functions. Although it is considered less ideal by some scholars, the reaction of international actors does not show significant rejection. This condition can be seen from the involvement of China's partner countries in opening offshore renminbi centers. On the other hand, in 2016, the IMF recognized the renminbi as one of the currencies in the *Special Drawing Rights (SDR) basket of currencies*.

The final conclusion is one of the contributions of this literature review to the study of international relations, especially the study of international political economy. The international political economy covers discussions on monetary and finance, one of which is the international monetary system. In its discussion, the international monetary system pays attention to the development of currencies as instruments of global transactions. The development of the currency is related to the determination of exchange rates based on economic and political reasons. The exchange rate of a currency is not only related to competitiveness but is also closely related to the terminology of power. Based on the neorealist paradigm, with the character of international relations that is competitive, currency internationalization emerged as a way to change power relations. In the context of renminbi internationalization, China seeks to shift the dominance of the US dollar or try to replace the dominance of the US dollar. Shifting the dominance of the US dollar refers to the formation of a multicurrency order or an international monetary system that is not dominated by one international currency. This order which is closely related to multipolar terminology allows China to play a role in maintaining economic stability and obtaining policy autonomy. On the other hand, the replacement of the dominance of the US dollar refers to the formation of an alternative international monetary

system. This order is closely related to hegemon terminology that allows China to form a new international monetary system with the renminbi as the dominant international currency. Based on the findings of this literature review, China is more realistically associated with efforts to shift the dominance of the US dollar, rather than to replace the dominance of the US dollar.

In the realization of these efforts, the debate over how to internationalize currencies between the logic of state and the logic of market emerged. According to Heilbroner (in Gilpin, 1987), state logic refers to the control of the process of economic growth and capital accumulation while market logic refers to the attempt to locate most productive and profitable economic activities. With the condition of competitive international relations, the two logics offer relatively different ways of action. The logic of market refers to the efforts to realize free markets. This could be undertaken by removing the role of the state in influencing market mechanisms. In the context of currency internationalization, one of the objectives is to facilitate the movement of capital by means of full liberalization. On the other hand, the logic of state refers to a regime that emphasizes the role of the state in taking policies. This is done by not allowing the market mechanism to operate without intervention from the state. In the context of currency internationalization, one of the objectives is to control capital flows with supporting mechanisms. Based on the findings in this literature review, the renminbi internationalization better reflects the logic of state as indicated by the government's active role.

Recommendation

Regarding the gap in the use of the demand-side approaches and empirical gap, we recommend research related to the renminbi internationalization in Zimbabwe. The literature gap refers to the delay in the academic literature in capturing the phenomenon of renminbi internationalization in Zimbabwe. Based on empirical phenomena at the end of 2015, Zimbabwe officially adopted the renminbi as the main international currency (Ramani, 2016). This condition also affects the distribution of the renminbi, especially in the African region. The study can balance the study of renminbi internationalization as a phenomenon that is not only government-driven but also market-driven.

In addition to recommendations for further research, we recommend notes for Indonesia in response to the renminbi internationalization. After understanding China's behavior, we see that Indonesia needs to reconsider its interests as a top priority in determining its reaction. The actions that Indonesia can take are to take advantage of the positive implications of internationalizing the renminbi without becoming dependent. This can be done by diversifying foreign cooperation. In the context of supporting instruments for internationalizing the

renminbi, Indonesia can use it as a source of investment funds and currency reserves. Indonesia can utilize China's expansion through OBOR/BRI to get investment funds related to infrastructure development. However, it is equally important for Indonesia to utilize investment fund sources from other countries, for example from Japan, so that Indonesia can increase its bargaining power to major countries. Through BSA, Indonesia can have additional currency reserves in the event of a crisis in the form of renminbi from China. Similar to the use of investment fund sources, Indonesia also needs to diversify currency swap cooperation with other partner countries. The aim is to anticipate financial assistance from China that has the possibility to be detained for some reason. In addition to diversification of cooperation, Indonesia needs to diversify its currency reserves in other international currencies, such as the US dollar, euro, sterling, and yen, to be more stable when the renminbi experiences exchange rate fluctuations. In the end, Indonesia's success in negotiating these diversifications will increase the flexibility of Indonesia's foreign policy

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