

Research on the Coordinated Development of RMB Internationalization and the Construction of "Belt and Road"

Rui Li^{1,2,*}

¹*Shanxi College of Applied Science and Technology, Taiyuan, 030050, China*

²*Philippine Christian University Center for International Education, Manila, 1004, Philippines*

**Corresponding author*

Keywords: RMB Internationalization; Belt and Road Construction; Coordinated Development; Industrial Value Chain

Abstract: The internationalization of the RMB is closely related to the Belt and Road Initiative, with both being complementary and mutually reinforcing. The former can provide fundamental guarantees for the latter, while the latter can offer new opportunities for the former. During the Belt and Road construction process, efforts to promote RMB internationalization in policy and trade areas can be advanced, while the promotion of RMB internationalization in participating countries can provide strong support for the Belt and Road Initiative. Promoting the coordinated development of RMB internationalization and the Belt and Road Initiative is a crucial breakthrough for China to participate in and guide the new international landscape in the new era. Based on this, this paper analyzes the synergistic effects between RMB internationalization and the Belt and Road Initiative, and explores the path for their coordinated development.

1. Introduction

The Belt and Road is a multilateral cooperation initiative with international influence. During the construction of the Belt and Road, the material foundation of countries along the routes and the demand for the RMB have created favorable geographical conditions for the internationalization of the RMB. Meanwhile, the internationalization of the RMB can provide fundamental guarantees for the Belt and Road construction, thus establishing a synergistic development relationship between the two. This paper thoroughly analyzes the synergistic effects between the internationalization of the RMB and the Belt and Road construction, and explores collaborative development paths based on this analysis, aiming to fully leverage the strategic synergies between the Belt and Road and the internationalization of the RMB.

2. Synergistic effects of RMB internationalization and the Belt and Road construction

In the process of Belt and Road construction, cooperation in infrastructure, trade, and resource-related areas all involve currency circulation. The internationalization of the RMB can further consolidate currency circulation between regions, making it a crucial foundation and reliable

guarantee for policy coordination, connectivity of infrastructure, unimpeded trade, and mutual understanding among people. Meanwhile, the Belt and Road initiative provides favorable opportunities for the internationalization of the RMB, serving as a significant driving force. This demonstrates that the two initiatives share a consistent logic of coordinated development.

2.1 The construction of the "Belt and Road" provides a favorable opportunity for the internationalization of the RMB

The "Five Connectivities" serve as a crucial driving force for the internationalization of the RMB. The "Five Connectivities" are a key focus of the strategic cooperation under the Belt and Road initiative [1]. Through the Five Connectivities, cooperation among countries along the routes can be enhanced, promoting regional economic integration, which will also strongly drive the internationalization of the RMB. Finally, the Belt and Road construction has opened up new pathways for the internationalization of the RMB. The Belt and Road initiative plays a vital role as a bridge and link, charting new courses for the internationalization of the RMB [2].

2.2 RMB internationalization provides a basic guarantee for the construction of the "Belt and Road"

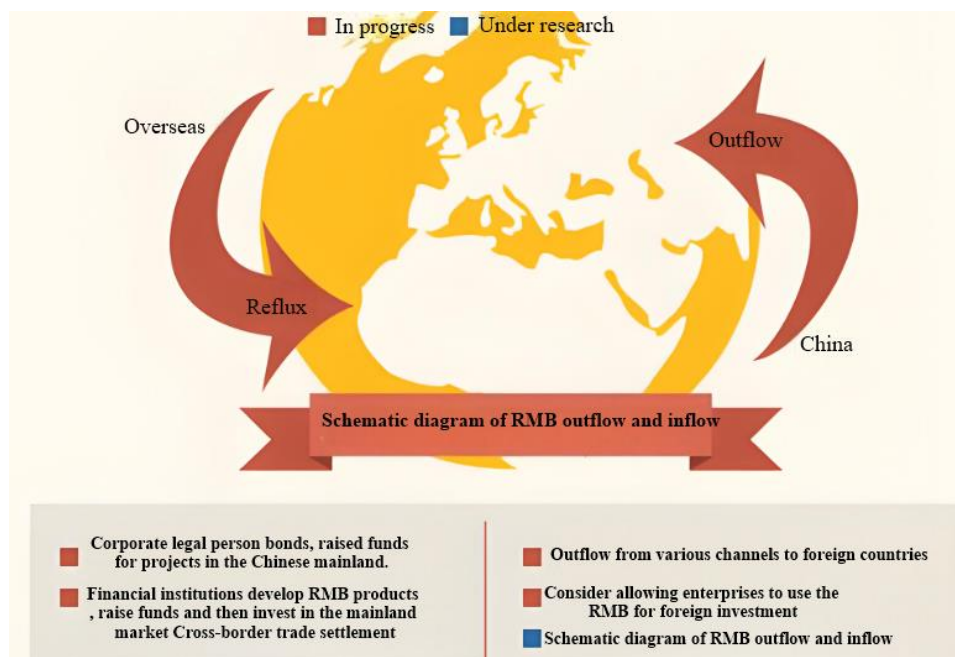


Figure 1 Schematic diagram of RMB outflow and return

The RMB serves as a crucial support for capital financing and cross-border trade in the Belt and Road Initiative. On one hand, it can provide service facilitation for the Belt and Road construction, while on the other hand, it can offer financial support. First, the internationalization of the RMB provides financial support for the Belt and Road construction [3] (Figure 1). The Belt and Road construction involves massive infrastructure development, which not only requires substantial investment but also has long construction cycles and significant capital demands. The internationalization of the RMB can meet these funding needs. Second, the internationalization of the RMB facilitates service provision for the Belt and Road construction. Regional investments under the Belt and Road are growing rapidly, with trade volumes significantly increasing and enormous market development potential [4]. As the Belt and Road initiative progresses, it will

further accelerate regional trade cooperation, and the internationalization of the RMB can facilitate such international trade collaboration. Finally, the internationalization of the RMB helps mitigate risks in Belt and Road projects. The selection of international trade pricing currencies is influenced by various factors, with currency transaction costs being the most significant. The US dollar remains the most important trade pricing currency due to its relatively low settlement costs. However, depreciation of the US dollar exposes trade pricing in dollars to substantial exchange rate volatility risks. By adopting the RMB as the international trade pricing currency, exchange rate risks caused by US dollar depreciation can be effectively mitigated, ultimately maximizing strategic benefits for the Belt and Road Initiative (Table 1).

Table 1 The internationalization of RMB provides the basic guarantee for the construction of "Belt and Road"

Type of safeguard function	Specific guarantee content	Paragraphs correspond to supporting details	The core value of the safeguard function
Financial support guarantees	Provide credit financing for Belt and Road infrastructure projects (ports, highways, railways, etc.); expand RMB outbound investment through the Asian Infrastructure Investment Bank, BRICS Development Bank, and Silk Road Fund.	The Belt and Road infrastructure investment is large in scale and long in cycle, with a massive demand for capital; the Asian Infrastructure Investment Bank, BRICS Development Bank, and Silk Road Fund are the core vehicles for financial support.	To address the funding gap for the Belt and Road projects and ensure their smooth progress; 2. To avoid reliance on high-cost external financing and reduce project funding pressure.
Service convenience guarantee	Enhance the convenience of trade and investment between China and countries along the routes; reduce trade and investment barriers and promote regional economic and trade cooperation	The Belt and Road region has witnessed rapid growth in investment and a significant increase in trade volume, indicating substantial market potential. The accelerated economic and trade cooperation within the region requires efficient monetary services to support it.	Reduce cross-border transaction processes, save time and costs; promote the implementation of the "Belt and Road" and "Trade Connectivity" goals, and activate regional economic vitality.
Risk and security protection	Replace the US dollar as the trade currency to avoid the risk of depreciation of the US dollar; reduce the impact of exchange rate fluctuations on project income	The US dollar is the main trade currency at present, but there is a risk of exchange rate fluctuations due to depreciation; in terms of currency transaction costs, exchange rate fluctuations have a significant impact on earnings.	Stabilize the returns of "Belt and Road" projects to avoid exchange rate losses; enhance the certainty of project returns and strengthen the confidence of countries along the routes to participate in cooperation

3. The path of coordinated development between RMB and the Belt and Road construction

With the advancement of the Belt and Road Initiative, countries along the route will continuously enhance financial transactions, trade, and investment financing. Meanwhile, the proportion of RMB in their foreign exchange reserves will also increase, which will strongly promote the internationalization of the RMB. As the RMB becomes more internationalized, it will also provide stronger support and guarantees for the Belt and Road Initiative.

3.1 Enrich and promote RMB international bonds, broaden investment and financing channels

In the context of economic globalization, opening up the bond market serves dual purposes: facilitating corporate "going global" initiatives while advancing RMB internationalization. The

development of China's RMB-denominated international bond market has progressed through three distinct phases: an early slow growth stage, a mid-term rapid expansion phase, and a recent diversified development phase characterized by flourishing bond varieties. The landmark issuance of China's first green financial bond in July 2016 marked a milestone in RMB internationalization [5] (Figure 2). Building on the foundation of establishing international financial centers along the Belt and Road, it is crucial to deepen RMB's penetration in overseas financial markets, innovate RMB-denominated products, and enhance investment appeal through diversified financial instruments. This will simultaneously boost RMB internationalization. During this process, strategic opportunities should be seized in emerging markets and regions experiencing liquidity shortages in the eurozone-dollar system. Expanding RMB's functions in cross-border investment financing, pricing settlements, and foreign exchange reserves will not only facilitate the growth of Belt and Road financial markets but also accelerate RMB's global adoption.



Figure 2 A historic moment for RMB internationalization

3.2 Promoting world economic development through unimpeded trade

The Belt and Road Initiative is a significant development strategy proposed against the backdrop of a sluggish global economy, advocating "consultation, cooperation, and benefit sharing" to ultimately achieve win-win outcomes. As the world's largest developing country, China's proposal of the Belt and Road Initiative demonstrates its responsibility as a major power. The Belt and Road can be seen as a two-way bond connecting domestic and foreign trade (Figure 3). Against the backdrop of a sluggish global economy, not only has economic recovery been slow but markets have also remained sluggish. To boost their economies, countries have introduced monetary easing policies, yet frictions between economic and financial sectors continue to escalate, fueling growing calls for international currency diversification. Although China's economic development faces similar challenges, overall, the favorable conditions in its development process significantly outweigh adverse factors, presenting a long-term positive economic trend with immense potential for domestic economic growth. In 2022, China's offshore bond market size reached 700-800 billion yuan, and by July 2025, China's offshore bond market had grown to 4.35 trillion yuan. This not only indicates the rapid development of China's offshore bond market but also demonstrates the strong appeal of RMB assets to global investors. Therefore, in the coming period, we should align with international and domestic development trends, aiming for mutually beneficial cooperation and based on free circulation, to gradually advance the internationalization of the RMB during the Belt and Road construction process. While promoting trade facilitation, this will inject new vitality into

the global economy [7].



Figure 3 The Belt and Road Strategy

3.3 Accelerate the internationalization of the financial system with financial facilities as the starting point

Well-developed financial facilities and efficient financial services are crucial and strong supports for the internationalization of the RMB. The internationalization of financial services requires continuous improvement of financial facilities based on enhancing the flexibility of the financial system. To some extent, the progress of RMB internationalization largely depends on how well its financial services meet the trade and investment needs of countries along the Belt and Road. Accelerating the internationalization of the financial system can promote the improvement of the convenience of RMB financial services. To this end, first, we should further expand the use of RMB in foreign trade, build a comprehensive "Belt and Road" regional financial service system, expand RMB foreign loans and overseas investment businesses, and vigorously develop offshore RMB fund operations. Second, we should promote two-way opening of the financial services sector [8]. On one hand, we need to continuously optimize and improve domestic financial markets in line with the demands of RMB internationalization, enhance the service quality of Chinese-funded financial institutions, leverage high-quality services to boost the international reputation of China's financial services industry, and strengthen overseas investors' trust in China's financial services. Finally, we should establish a complete cross-border payment system for RMB, utilizing this robust system to expand its service scope in currency settlement processes. Additionally, we should further broaden the scope of "Belt and Road" financial services, innovate service categories, and drive the international development of China's financial services to better support the construction of the Belt and Road [9].

3.4 Reconstructing global industrial and value chains with balanced development as the priority

To promote the coordinated development of RMB internationalization and the Belt and Road initiative, it is essential to strengthen exchanges and cooperation between China and countries along the route. By establishing targeted cooperation models based on the actual conditions of different nations, as shown in Table 2, we can address the issue of uneven regional development in the Belt

and Road area and promote balanced growth [10]. On one hand, during the construction of the Belt and Road, greater infrastructure investments should be made in underdeveloped countries along the route while providing corresponding policy support. Simultaneously, assistance should be offered to train high-tech professionals in these countries and support the continuous optimization and improvement of their policy systems. Through this approach, we can enhance production efficiency in underdeveloped Belt and Road countries, fully tap into their economic development potential, boost their economic growth, and ultimately narrow the development gap among Belt and Road nations, and transform the Belt and Road into an inclusive, open, and sustainable multilateral platform. On the other hand, we must fully leverage the inherent advantages of the Belt and Road region to foster cooperation among participating countries. Through efficient collaboration, synergistic effects can be generated to achieve common development. During the construction of the Belt and Road, efforts should focus on advancing regional manufacturing development as a key driver, guiding Belt and Road countries toward low-carbon development paths while assisting underdeveloped nations in accelerating industrialization. In addition, the global industrial chain and value chain should be reconstructed. Through the reconstruction of the global industrial chain and value chain, the original division of labor mode can be adjusted and optimized, so that developing countries can participate in the global benefit distribution on an equal footing. In this way, the interests of developing countries can be better protected and the balanced development of the world economy can be facilitated [6].

Table 2 The internationalization of RMB provides a basic guarantee for the construction of the "Belt and Road"

Collaborative path type	Core implementation initiatives	Key support conditions
We will enrich and promote international yuan-denominated bonds	We will continue to develop China's overseas financial markets, and innovate green financial bonds, special infrastructure bonds and other products. Seize the opportunity of insufficient liquidity in emerging markets and the euro zone and the dollar to expand the yuan's investment	A mature RMB bond market development foundation Global investors' recognition of renminbi assets The need for diversified investment and financing instruments in countries along the routes
Take unimpeded trade as the link	Guided by the principle of "consultation, joint contribution and shared benefits", China will promote two-way trade cooperation with countries along the Belt and Road Expand the use of the yuan in trade settlement We will revitalize regional economies and inject new momentum into the world economy.	The long-term positive fundamentals of China's economy and its huge market potential The significant increase in regional trade volume and investment growth in the Belt and Road region The international community's need for currency diversification
Take financial facilities as the starting point	Building a sound financial service system We will promote two-way opening of the financial services sector and improve the domestic financial market We will improve the RMB cross-border payment system	Flexible and adaptable financial system and efficient and convenient financial service capability A network of financial infrastructure covering countries along the Belt and Road
Focus on balanced development	We will build differentiated cooperation models and increase infrastructure investment and policy support for countries with backward infrastructure. Help backward countries to industrialize and reconstruct global industrial and value chains	China has accumulated advantages in infrastructure, manufacturing and technology. The global need for a fair distribution of industrial and value chains

4. Conclusion

In the process of RMB internationalization, significant progress has been made in investment transactions, trade settlements, and foreign exchange reserves. However, the internationalization of the RMB is a long-term endeavor that cannot be accomplished overnight. It is essential to fully recognize the synergistic effects between RMB internationalization and the Belt and Road Initiative, promote coordinated development between RMB internationalization and the Belt and Road Initiative, and assist China in participating in and guiding the new global landscape.

References

- [1] Li M. *Research on the Effect of China's Direct Investment on Countries along the Belt and Road Based on RMB Internationalization* [J]. *Asian Journal of Economics, Business and Accounting*, 2024, 24 (7): 215-225.
- [2] Yu B, Liu H, Cheng H, et al. *The impact of cross-border knowledge management on internationalizing Renminbi: lessons from the belt and road initiative* [J]. *Journal of Knowledge Management*, 2021, 26 (1): 257-267.
- [3] Yinggang Z, Xin C, Yiming W. *Measuring the importance of RMB in the exchange rate spill-over networks: new indices of RMB internationalisation* [J]. *Economic and Political Studies*, 2020, 8 (3): 331-354.
- [4] Wang Shufang, Zhou Jun, Meng Guangwen, et al., "Research Status and Hotspots of the Geoeconomy of the Belt and Road"-Based on Bibliometric Method and Knowledge Graph Analysis [J]. *Economic Geography*, 2020, 40(12): 1-11.
- [5] Xiaorong Chen, Xinxuan Cheng. *The Challenge and path Choice of RMB internationalization in Belt and Road Initiative* [J]. *Journal of Applied Science and Engineering Innovation*, 2019, 6(1).
- [6] Chu Xueli. *Exploring Financial Interconnectivity to Support the Development of Cross-border E-commerce for SMEs-Reflections on Economic Development in China and Belt and Road Countries and Regions* [J]. *China Circulation Economy*, 2016, 30(11): 66-74.
- [7] Zhang, Yu, Yu, et al. *The Effect of RMB Internationalization on Belt and Road Initiative: Evidence from Bilateral Swap Agreements* [J]. *Emerging Markets Finance and Trade*, 2017, 53(12): 2845-2857.
- [8] Fu Shaojun. "Research on the Impact of RMB Internationalization on China's OFDI under the Belt and Road Initiative-An Empirical Test Based on SVAR Model [J]. *Industrial Technology Economics*, 2018, 37(12): 147-155.
- [9] Li Ping. *Trade Potential and Trade Efficiency of China and Belt and Road Countries and Their Determinants-An Empirical Study Based on the Random Frontier Gravity Model* [J]. *International Business Research*, 2018, 39(05): 5-16.
- [10] Cai Tongjuan, Lin Runhong. *Research on the Dynamic Exchange Rate Linkage between RMB and Major Countries in the Belt and Road-An Empirical Analysis Based on the VAR-DCC-MVGARCH-BEKK Model* [J]. *International Finance Research*, 2018, (02): 19-29.