

China's RMB Bilateral Swap Agreements: What explains the choice of countries?

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May 19, 2013

Abstract

This paper analyzes empirically the determinants behind the choice of countries signing an RMB-denominated Bilateral Swap Agreement (BSA) with China. The gravity motif is predominant (both in terms of country's size and distance from China) but also the trade one, both in terms of exports into China as well as sharing an FTA with China. Institutional soundness also matters since countries with better government and less corruption are more likely to sign an RMB-denominated BSA. This goes against the view that China has used RMB BSAs as a soft power tool in more corrupted countries. However, the fact that China has a preference for countries with default history and a closer capital account calls for caution.

Keywords: RMB Internationalization, Bilateral Swap Agreements.

JEL: F33, F36, F42.

¹: Both authors are affiliated with BBVA Research. The opinions expressed are the authors' and not necessarily those of the BBVA. We would like to thank Carrie Liu for her capable research assistance.