

“Internationalization of Reminbi and Trade: An Empirical Investigation of Trade Creation”

(in English)

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Date: 24 April 2017 (Monday)

Time: 11:30 am – 12:00 noon

Venue: WYL314, Dorothy Y. L. Wong Building

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Abstract:

China's emerging influence and its increasing economic integration with the rest of the world as the second largest economy seems to give her an edge in rising its global competitiveness. Another important avenue for this ongoing debate relates to diversification of the international monetary system. Off course, this development reveal a pertinent reason to expect that the world's currency regime and global financial architecture is changing. Evidently, the currency bilateral swap agreements signed by the People's Bank of China and some central banks is reinforcing the trend of Reminbi internationalization. The thesis applies gravity model to assess the China's Reminbi bilateral swap agreement (BSA) and trade flows for the first time to the best our knowledge. We draw a sample of 24 countries that signed the swap agreement. Our central premise is to investigate empirically the decision of countries to engage in this swap agreement. Similarly, to measure the extent to which this the bilateral swap agreement has effectively enhance trade creation amongst the signatories. To disentangle trade effects that are the time invariant and country-specific a panel data analysis will be use to capture these relationships. Furthermore, a number of country characteristics, namely, colonial ties, common border, common religion, and distance will be reexamine to measure their relative importance as determinants of bilateral trade flows.

ALL ARE WELCOME

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