

## RMB Internationalization: What is in for Taiwan?

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### Abstract

Along with the steady pace of RMB internationalization, this paper proposes Taiwan as a potential candidate to become the next RMB offshore center. We review the main drivers behind Hong Kong's success and set the reasons why Taiwan could follow such steps. First, Taiwan's economic ties with China are substantial both in trade and FDI and they are set to be increasingly supported by the improved political relations across the Strait. Second, the relatively large size of Taiwan's financial system, especially if we consider the enormous pool of savings in its investment and insurance companies, and its well-functioning infrastructure, should provide the necessary elements for an off-shore RMB market to develop. Finally, following Hong Kong's experience, we offer some suggestions on possible pre-conditions for Taiwan to become the next RMB offshore center.

Keywords: RMB Internationalization, Offshore RMB market.

JEL: F33, F36, F42.