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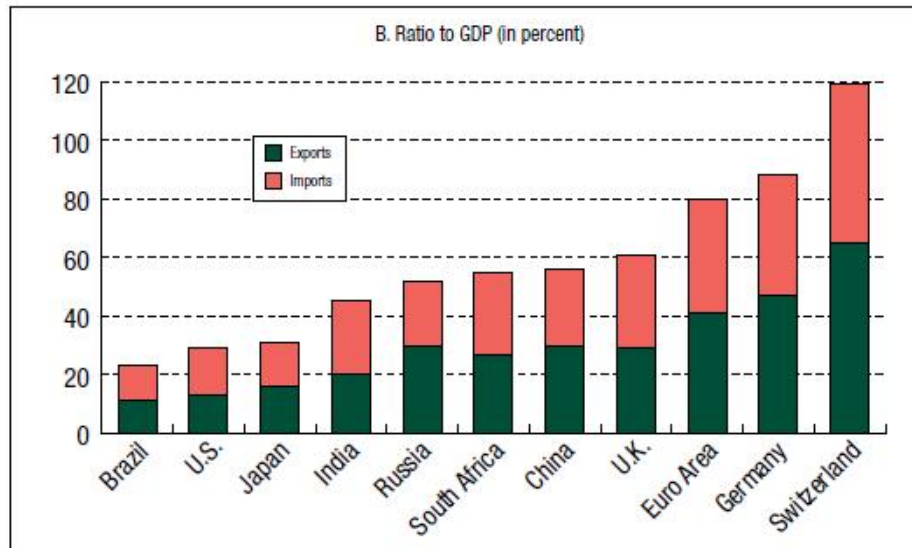
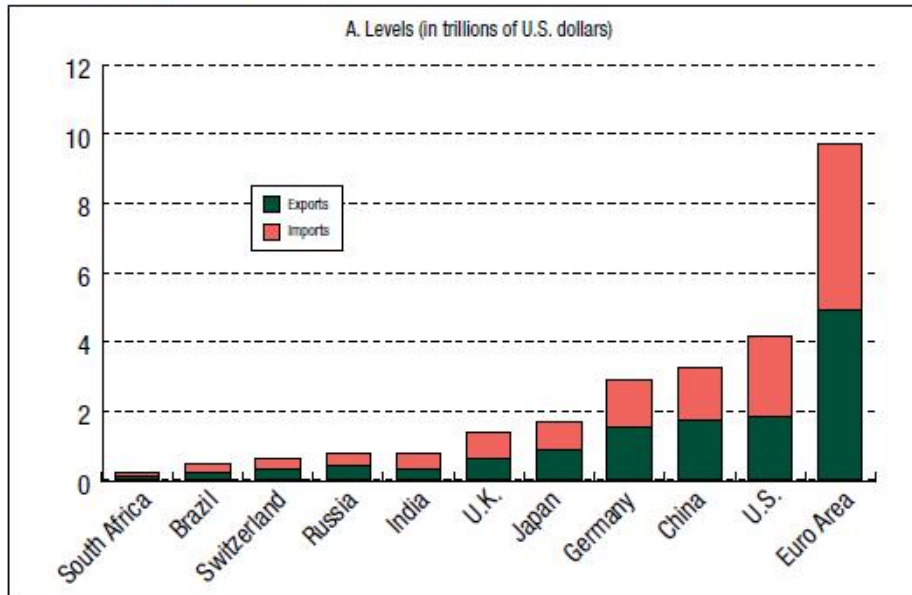
## China's Road to Becoming a Reserve Currency

In a new **Brookings Institution** [study](#), **Eswar Prasad** and **Lei Ye** of **Cornell University** say China's currency will become an international reserve currency within the next decade, "eroding but not displacing the dollar's dominance."

On some key criteria for becoming a reserve currency, such as government debt, China performs well. It's far behind on others: Its exchange rate doesn't trade freely (as other reserve currencies do). China still maintains extensive capital controls, limiting the yuan's trading in global markets. And the country still has "relatively shallow and underdeveloped" bond markets, the study says.

But on trade, China is on pace to surpass the U.S. — though Germany and Switzerland still top China considerably on trade as a share of their economies. (China, by one measure, is ranked first in the world in overall systemic trade importance. The U.S. ranks sixth.)

Cross-Country Perspective on Trade In 2010



Notes: Exports and imports are for trade in goods and nonfactor services. Figures for euro area include within-euro area trade.  
 Source: Brookings Institution

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