

The Role of Emerging Market Countries in a Changing International Monetary System: The Brazilian Perspective

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Introduction

- Debate around the future of the dollar and the potential for a multi-currency IMS

There are signs that the system is evolving toward a greater role for emerging market currencies (...) key EM currencies with potential for internationalisation are the Brazilian Real, Chinese Renminbi, Indian Rupee, Russian Ruble, and South African Rand
(Maziad et al. 2011, 10).

Where the Renminbi leads, other emerging market currencies, such as the Indian Rupee and Brazilian Real, could eventually follow
(Eichengreen 2011, 8).

Several states around the world today are thought to harbour ambitions to amplify their monetary power – including, most prominently, the four BRIC countries (Brazil, Russia, India, and above all China)
(Cohen 2009, 21).

Research question

- Is it possible to the governments of emerging market countries to defend or promote the internationalisation of their currency?

Presentation Structure

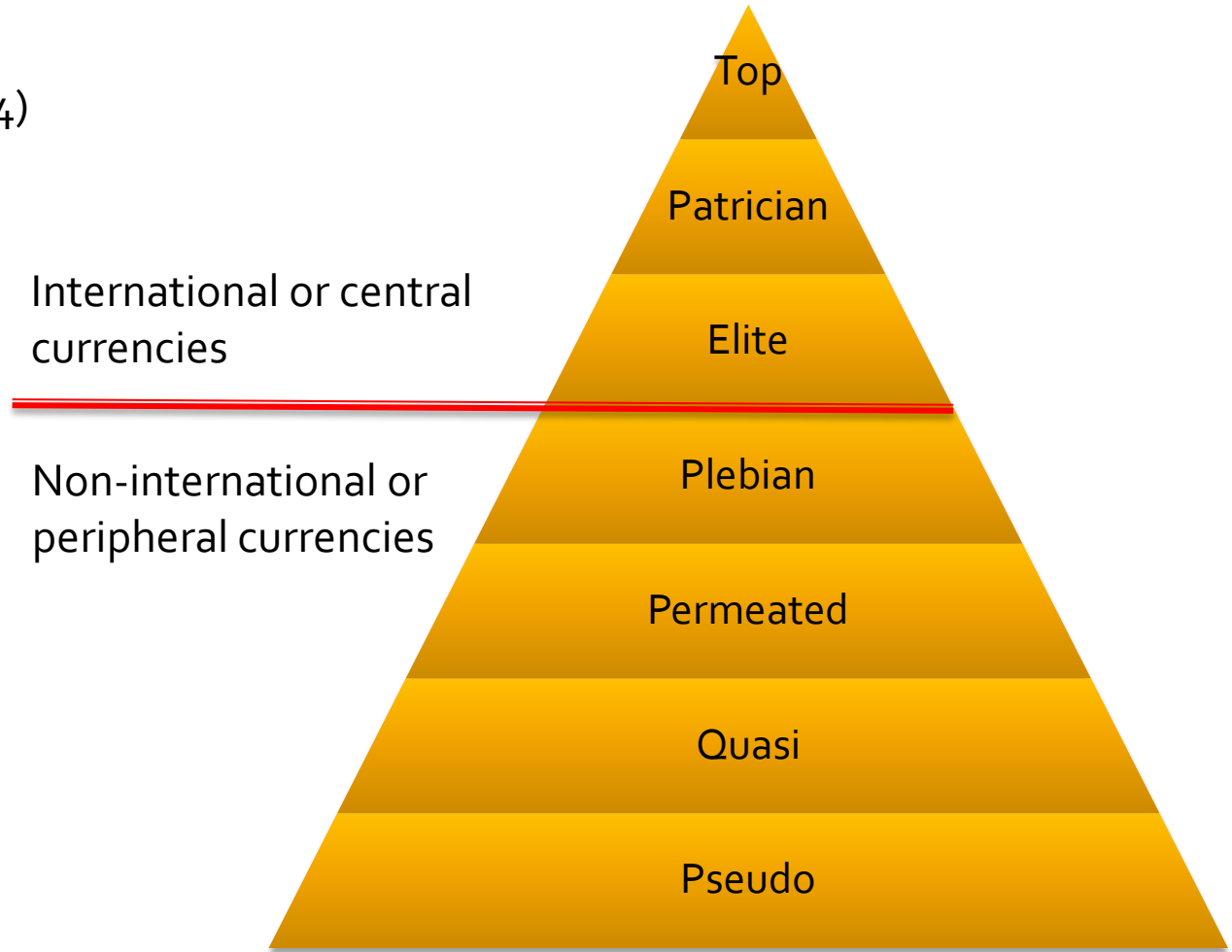
1. Introduction
2. The Role of EM Countries in a Changing IMS
3. Currency Hierarchy
4. The Brazilian Perspective
5. Final Remarks

The Role of EM Countries in a Changing IMS

- Global governance institutions
 - IMF, G20, BIS
 - Regional monetary cooperation
 - Cooperation among developing countries
- Currencies
 - Future of the dollar
 - Euro
 - Renminbi
 - Other emerging market currencies?

Currency Hierarchy: Central vs Peripheral Currencies

Currency Pyramid (Benjamin Cohen, 2004)



Currency Hierarchy: Central vs Peripheral Currencies

Central Currencies	Peripheral Currencies
Exorbitant privilege	“Original sin”
Reduction of transaction costs for national companies and residents	Higher risk premium
International seigniorage	Policy and business cycle takers
Soft power to the issuing state	
Direct and indirect leverage over other states	

The Brazilian Perspective

- Broadening the use of the Real in South America
 - Monetary and financial cooperation architecture in South America
 - Monetary and exchange rate policies in South America
 - Trade and financial relations between Brazil and its South American peers.

Final remarks

- The hierarchical nature of the IMS suggests that it will be difficult to emerging economies to change the status of their currencies.
- In the absence of substantial reforms in the IMS
 - Control over capital flows
 - Regional monetary and financial cooperation
 - Cooperation among emerging economies

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