

Chinese central bank backs Russian idea for new reserve currency

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The chairman of the People's Bank of China has spoken out in support of Russia's proposal to create a new global reserve currency as an alternative to the U.S. dollar, Xinhua news agency reported on Tuesday.

Zhou Xiaochuan wrote in an essay posted on the bank's website that the goal of the international monetary system is to "create an international reserve currency that is disconnected from individual nations and is able to remain stable in the long run, thus removing the inherent deficiencies caused by using credit-based national currencies."

Russia earlier submitted a proposal to the G20 summit that could see the IMF examining possibilities for creating a supra-national reserve currency, as well as forcing national banks and international financial institutions to diversify their foreign currency reserves.

"We believe it is necessary to consider the IMF's role in this process and also define the possibility and the need to adopt measures allowing for Special Drawing Rights (SDRs) to become an internationally recognized super-reserve currency," Russia's proposal read.

Hu Xiaolian, a vice governor of the People's Bank of China, said on Monday that China was ready to discuss Russia's proposal of a new global reserve currency at the G20 summit. During the event, Chinese President Hu Jintao will meet Russian President Dmitry Medvedev and U.S. President Barack Obama.

The G20 summit, involving developed and emerging economies and international financial institutions, will be held in London on April 2 with the aim of finding ways to overcome the ongoing global financial crisis.

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