

Testimony of Martin Chorzempa before the U.S.-China Economic and Security Review Commission Hearing on "Pricing the Future: China's Ambitions for Commodity Derivatives Markets."

April 16, 2026

Chairman Schriver, Vice Chairman Kuiken, distinguished commissioners, and staff, thank you for the invitation to testify at this hearing. My remarks will focus on China's efforts to internationalize use of its currency and the extent to which they have been successful.

China's broader progress in internationalizing the RMB could be an accelerant or a serious obstacle to China's goals for its commodities derivatives markets. Different uses of a currency complement each other, which can reinforce an already dominant currency like the dollar. That makes it challenging for upstarts like the RMB to gain traction.¹

Success in this specific market and broader RMB internationalization would thus reinforce each other because participants in Chinese markets would need to obtain RMB first. If RMB use overall is low, spreads that market participants charge to perform currency conversion (the difference between the price to buy and sell) are higher, instruments to mitigate risks of exchange rate movements are expensive or unobtainable, and there will be limited familiarity with options to invest RMB. Each adds friction to using RMB compared to the well-oiled machine for dollar transactions and makes it harder for China to gain adoption for its alternatives.

Conversely, if China can surmount this obstacle and develops large markets that international participants join, they will need RMB to trade in it, hedging instruments, and channels to invest proceeds. This added activity would generate positive spillovers for RMB internationalization that makes it easier for other RMB use cases to flourish at the dollar's expense.

So far, all indications are that China still faces serious headwinds for RMB internationalization that could support its commodities derivatives markets. The overwhelming majority of China's trade remains settled in other currencies, the RMB's share of payments in SWIFT has declined, and the RMB's role in interest rate derivatives markets that would make it easier to hedge exchange rate risk is extremely low.

China's Goals for RMB Internationalization

China has long aimed to make the RMB a major international currency. In 2006, the People's Bank of China (PBOC) announced that, "the time has come for promotion of the

¹ Gita Gopinath and Jeremy C. Stein, "Banking, Trade, and the Making of a Dominant Currency," *Quarterly Journal of Economics* 136, no. 2 (2021): 783–830.

internationalization of the yuan,” and its justifications have included both financial and geopolitical rationales.²

Today, China’s leadership is even more explicit in its goals and less interested in carefully calling for the market to make it happen. In a 2024 speech that reappeared in March 2026 in *Qiushi*, the Chinese Communist Party’s (CCP) top ideological journal, General Secretary Xi Jinping called for China to become a “strong financial country” (金融强国) with a “strong currency” that has “wide use in international trade, investment, and foreign exchange markets” and “status as a global reserve currency.”³ This pattern is consistent with a leadership meaning to send a strong signal that this is a top priority.

One motivating factor is China’s awareness of risks to its interests associated with US sanctions. PBC governor Pan Gongsheng warned in 2025 that “global dominant currency tends to be instrumentalized or weaponized” and noted that these concerns extend beyond China to global efforts to “weaken the excessive reliance on a single sovereign currency.”⁴ China aims to reduce US leverage when it comes to all categories of trade and finance—including commodities and derivatives trading.

For example, sanctions on Russia and Iran forced the Society for Worldwide Interbank Financial Telecommunications (SWIFT) to disconnect sanctioned banks from the system that most banks worldwide use to send payment messages to each other, incentivizing countries like China to create backup systems that could continue communicating payments if they were cut off from SWIFT. Still, Chinese experts writing about these developments tend to recognize that it is not feasible in the near term to separate from the US dollar, instead advocating for compliance with sanctions to avoid becoming a target.⁵

Methods for RMB Internationalization

To achieve its goals, China has engaged in a sustained effort to build key financial infrastructure for the RMB, advocate for its firms and banks to use the RMB more, make RMB available

²Benjamin Cohen, *Renminbi Internationalization: A Conflict of Statecrafts*. (London: Chatham House, March 2017), <https://www.chathamhouse.org/sites/default/files/publications/research/2017-03-20-renminbi-internationalization-statecraft-cohen.pdf>.

³ Xi Jinping, “走好中国特色金融发展之路，建设金融强国” [Take the Path of Financial Development with Chinese Characteristics and Build a Strong Financial Power], *Qiushi*, January 31, 2026.

⁴ Pan Gongsheng, “A Few Observations on Global Financial Governance--Keynote Speech by PBOC Governor Pan Gongsheng at the 2025 Lujiazui Forum”, *People’s Bank of China*. <https://web.archive.org/web/20250829215516/http://www.pbc.gov.cn/en/3688110/3688175/5747293/index.html/>

⁵ Karen Sutter, Michael Hirson, and Meg Rithmire, CSIS Interpret: Chinese Assessment of Countersanctions Strategies, June 14, 2023, <https://interpret.csis.org/chinese-assessments-of-countersanctions-strategies/>.

through tools like swap lines, and adopt new technology like central bank digital currency ahead of peers.⁶

On the infrastructure side, the most important effort is China's Cross-Border Interbank Payment System (CIPS), which it established in 2015 to facilitate global payments in RMB. CIPS is often compared to SWIFT, but it has key differences. SWIFT is a messaging system that financial institutions use to communicate payments that then use other systems to fulfill the resulting obligations and transfer value (referred to as clearing and settlement). CIPS is different in that it goes beyond messaging to also perform clearing and settlement. For the messaging function it is not completely independent, because it relies on SWIFT messaging to communicate many of the payments that go through its platforms. CIPS does have its own messaging system, however, which seems to be able to handle payments between direct system participants without the need for SWIFT.⁷

China and other countries have also expanded the network of banks permitted to handle cross-border payments between the RMB and other currencies in Asia, though the scale of these efforts remain small.⁸ China has also made more RMB available to other countries through official channels. China has also signed swap lines with nearly 40 counterparties that could give other countries access to around \$600 billion worth of RMB.⁹ These tend, however, only to be used extensively only in times of crisis for the other country. China also has unique channels to influence financial institutions in China, over which it has both regulatory authority and is the dominant shareholder. In May 2025, Chinese regulators reportedly ordered banks ensure that "no less than 40% of trade-facilitation lending should be done in yuan."¹⁰

China has also become a pioneer in central bank digital currency (CBDC) at home and internationally, de facto leading the mBridge platform that links together participants' CBDC to allow direct cross-border payments without touching the US dollar or associated financial infrastructure.

Yet, the most impactful action China could take would be a significant loosening in its capital controls, and it has not taken this step. China's leadership has made some moves that increased

⁶ Martin Chorzempa and Lukas Spielberger, "Significant, but not systemic: The challenge of China's efforts to rival Western financial predominance," Peterson Institute for International Economics Policy Brief 25-4, May 2025, <https://www.piie.com/publications/policy-briefs/2025/significant-not-systemic-challenge-chinas-efforts-rival-western>.

⁷ Most international non-Chinese banks are indirect participants that communicate through SWIFT with direct participants to handle transactions.

⁸ Robert Greene, The Difficult Realities of the BRICS' Dedollarization Efforts—and the Renminbi's Role,, Carnegie Endowment for International Peace, December 2023.

⁹ Benn Steil and Elisabeth Harding, "China's Central Bank Is Becoming the Developing World's 'Payday Lender,'" Council on Foreign Relations, October 22, 2024.

¹⁰ The Economist, "China Is Ditching the Dollar, Fast," September 10, 2025.

access to domestic financial markets and others to allow investment outside China. Yet, it has repeatedly prioritized domestic stability and the ability to manage potential capital outflows instead of openness that would give more investors confidence that money invested into China could also be taken out, especially in a moment of instability or crisis.

RMB Still Punches Far Below China’s Economic Weight

The result of these policy moves, despite major headlines like “China is ditching the dollar,”¹¹ has been a gradual increase in RMB use still far below China’s role on the global economy. China is the world’s second largest economy and by far the largest trading nation, with a 14.6 percent share of the world’s total exports and imports.¹² The RMB’s share of financial metrics, however, is lower.

Since 2013, the RMB has increased from being on one side of 2 percent of global foreign exchange transactions to 8.5 percent, but its rise has come entirely at the expense of currencies other than the dollar. The dollar’s share, despite all the concerns about sanctions, has increased from 87 to 89 percent.¹³ China’s share of interest rate derivatives transactions is even lower, at only 1 percent, and volumes are less even than the South African rand and Swedish krona.¹⁴ The lack of interest rates derivatives volume is a revealing data point indicating limited financial market interconnectedness and less developed markets for managing financial risk than major financial centers.¹⁵

In the SWIFT network, the RMB’s share of global payments spiked in the wake of Russia’s invasion of Ukraine, nearly doubling from around 2.5 percent of global payments to 4.7 percent. However, few have noticed that it has since fallen back to around 3 percent and is once again the 6th most used currency—used less often even than the Canadian dollar.¹⁶

¹¹ The Economist, “China Is Ditching the Dollar, Fast,” September 10, 2025.

¹² World Trade Organization, *Global Trade Outlook and Statistics: April 2025* (Geneva: World Trade Organization, April 2025).

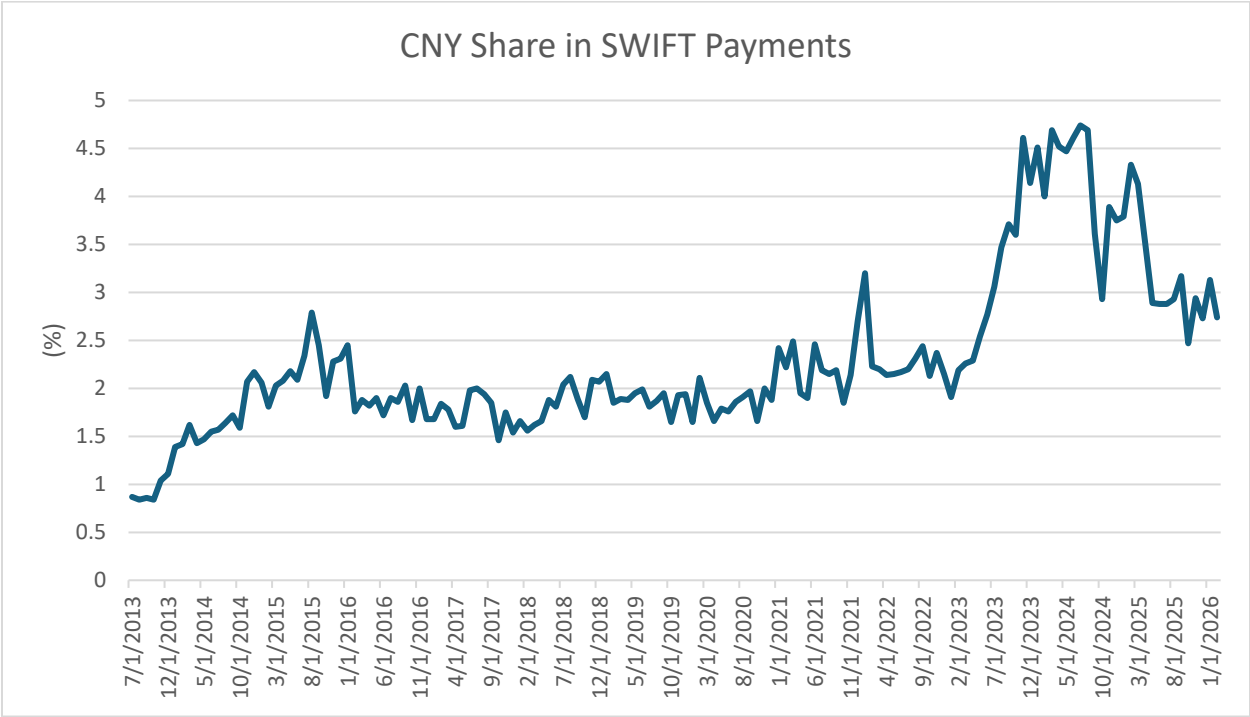
¹³ Bank for International Settlements, “OTC Foreign Exchange Turnover in April 2025,” Triennial Central Bank Survey, September 2025, https://data.bis.org/topics/DER/tables-and-dashboards/BIS,DER_D11_3,1.0. Note that foreign exchange transactions always involve two currencies, so the percentages sum to 200%.

¹⁴ Bank for International Settlements, “OTC Interest Rate Derivatives Turnover in April 2025,” Triennial Central Bank Survey, September 2025, https://data.bis.org/topics/DER/tables-and-dashboards/BIS,DER_D12_3,1.0.

¹⁵ Interest rate derivatives are particularly important for firms managing investments in fixed income instruments like bonds and their cost of borrowing across jurisdictions. For example, the main reason Silicon Valley Bank had a crisis was its failure to hedge the risk of interest rate rises that reduced the value of bonds it held. It could have done so with these instruments.

¹⁶ SWIFT, Global Currency Tracker, March 2026. <https://www.swift.com/swift-resource/252547/download>.

Figure 1: The RMB’s share of SWIFT payments is small and has shrunk

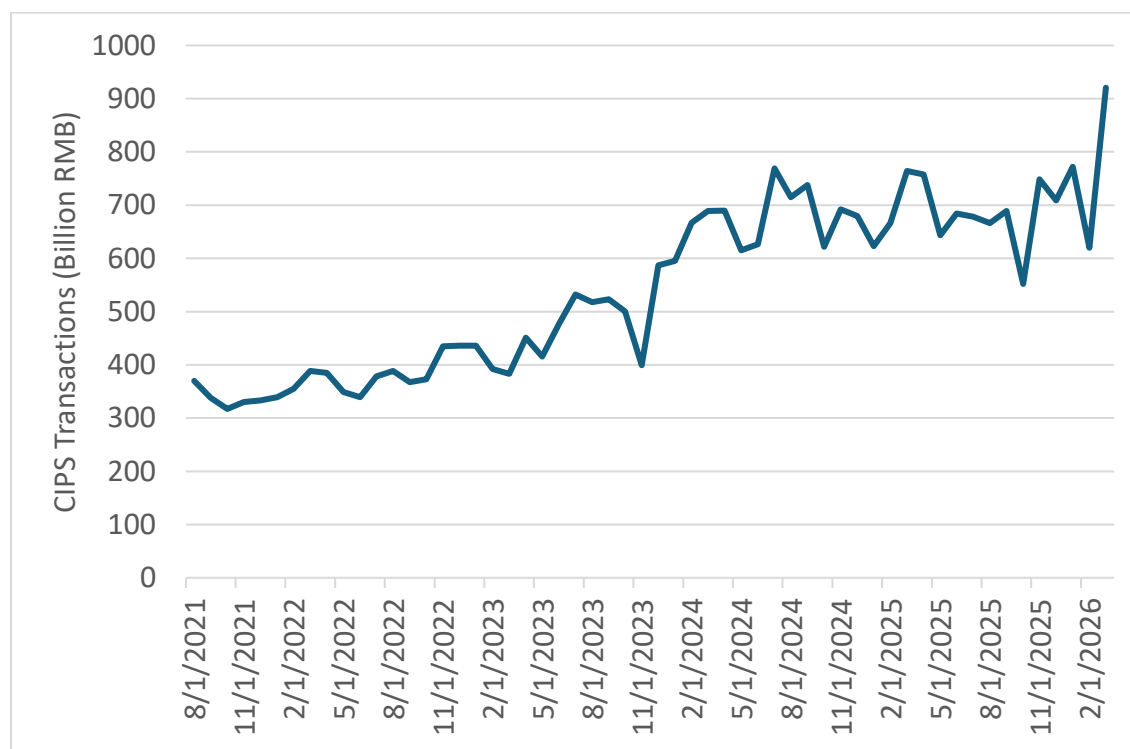


Source: SWIFT, Bloomberg.

These data may understate China’s role in global payments if actors are using SWIFT less and shifting towards using only CIPS. Figure two shows that CIPS volumes also nearly doubled from early 2023 to mid-2024, but unlike the SWIFT data, these have stagnated rather than falling back. The rise in March may be related to the Iran war. The reason for the divergence between SWIFT and CIPS data may be due to the growing number of direct participants in the CIPS network, which increased from 79 to 194 from January 2023 to today.¹⁷

¹⁷ CIPS reports its count of direct and indirect participants on its homepage. <https://www.cips.com.cn/en/index/index.html>.

Figure 2: CIPS Data Show a Rise and Stall in Payments Volume, Diverging from SWIFT



Source: Author analysis of CIPS data

These may no longer need the SWIFT network and thus represent potential decoupling from global financial infrastructure in favor of self-reliance.

Chinese official data show a steady rise in the share of RMB in China’s trade settlement, from 18% in 2022 to 28% in the first half of 2025.¹⁸ The rise does indicate that China has managed to convince trading partners to either pay or be paid more often in RMB, but the rate of growth has slowed substantially, rising by less than 1 percentage point in the first half of 2025 compared to 2024. Nevertheless, this statistic indicates that 72%, nearly three quarters of China’s trade, is *not* settled in RMB. Far more trading partners prefer to use currencies like the dollar or euro to handle their trade with China, and they have not been convinced to switch by anything Beijing has done to date.

The Bank of China’s 2025 White Paper on RMB Internationalization sheds some light on the issue. While mostly positive about the progress and prospects for RMB internationalization, it

¹⁸ People’s Bank of China, RMB Internationalization Report (2025). <https://www.pbc.gov.cn/en/3688241/3688636/3828468/5624529/2025123116494089198/2025123116480428858.pdf>.

shows a slight decrease in the share of Chinese trading partners willingness to accept RMB in 2024 compared to 2023, though 57 percent “mostly” or “fully” accept RMB.¹⁹

e-CNY and mBridge

Globally, there has been a shift towards interest in wholesale CBDC that could improve cross-border payments rather than retail CBDCs available to the public, with a few notable exceptions like the European Central Bank and the Bank of England. 38 percent of advanced economy central banks and 35 percent of emerging market central banks in a 2024 BIS survey are piloting or experimenting with wholesale CBDC.²⁰

One reason for the shift is that most retail central bank digital currencies have failed to find much use. Domestically, China’s e-CNY is in a state of flux, having just undergone a major design change that makes it look much more like a traditional bank deposit than a blockchain-based new form of money. International media have focused on the PBOC allowing interest payments to e-CNY holders for the first time, but the interest rates on offer are too low to be attractive internationally and the changes seem motivated by a desire to ensure any new currency cannot disrupt banks.²¹

mBridge and wholesale payments are much more important than domestic issues, because gains for this system are more likely to come at the expense of the US dollar, rather than CBDC replacing other RMB payment systems. mBridge is a multilateral platform for payments between CBDCs that originally included the People’s Bank of China and the central banks of Hong Kong, Thailand, and the United Arab Emirates, later joined by Saudi Arabia. It was housed at the Bank for International Settlements (BIS) Innovation Hub until late 2024, at which point the BIS announced that it had “graduated out” and left the project to the partners to carry on.²² The BIS denies that political considerations played a role, but around that time Russian proposals for an uncomfortably similarly named (though unrelated) “BRICS Bridge” to circumvent sanctions made the project more controversial.

While it was with BIS, the program reached the minimum viable product stage and had conducted a small set of trial transactions. Once it left the BIS, however, there has been no regular public updates on the system’s design or transaction volume. PBOC vice governor Lu Lei has given the only public update of the system to date, revealing that as of November 2025 the

¹⁹ Bank of China. 2025 White paper on RMB Internationalization.

<https://pic.bankofchina.com/bocappd/rareport/202506/P020250606660020317918.pdf>

²⁰ Anamaria Illes, Anneke Kosse, and Peter Wierts, *Advancing in Tandem: Results of the 2024 BIS Survey on Central Bank Digital Currencies and Crypto*, BIS Papers No. 159 (Basel: Bank for International Settlements, August 2025).

²¹ Martin Chorzempa, “China Gives Up on State-Backed Digital Cash. The US and Europe Should Take Note,” *RealTime Economics* (blog), Peterson Institute for International Economics, January 22, 2026.

²² Agustín Carstens, “The Future of Finance.” Remarks at the Santander International Banking Conference 2024, Madrid, October 31, 2024, Bank for International Settlements.

system had handled 4047 transactions for a total of 387.2 billion RMB, of which 95.3% were RMB transactions.²³

The large share of RMB transactions suggests that the other participants are almost exclusively using the platform to trade bilaterally with China. They are therefore not using the platform to handle payments with each other in any significant volume. The transaction count of around 4000 so far is small compared to CIPS, which handles around 1,000 transactions per day. The transaction values seem more significant, but these represent only around half of one day's average CIPS volumes. Putting all of this together, at least as of November mBridge was barely a rounding error in the RMB's international footprint.

Nevertheless, there are reasons to be careful with dismissing mBridge's future potential based on these data. China only took over the system and began operating it at an unknown date in 2025. If the volumes disclosed are concentrated in only a few months in 2025, they could suggest a rapid accumulation of transactions that could have continued to rise since November. The system is also likely now benefitting from the impetus of the Iran war and loosening sanctions, combined with reports that Iran is demanding Hormuz Strait tolls in only RMB or cryptocurrency.²⁴

It is notable that two of the few central banks in the mBridge system are important commodity exporters, which could create a direct link between these transactions and commodities transactions that potentially trade in China. It will be worth watching the UAE's engagement. The UAE announced its first digital Dirham CBDC transaction only in November 2025, but it may have been transacting with mBridge without a domestic retail CBDC.²⁵ News reporting on Saudi Arabia's engagement with mBridge has been minimal to none since it joined the system. In a 2024 report, S&P Global reported that China's attempts to get Saudi Arabia to price and settle oil trades in RMB had not yet borne fruit, in large part because, "As the renminbi is not broadly

²³ Lu Lei, "中国人民银行副行长陆磊：守正创新 稳步发展数字人民币" [PBOC Vice Governor Lu Lei: Upholding Fundamental Principles and Innovating to Steadily Develop the Digital RMB]. *Economic Observer*, December 29, 2025. Reprinted by *Sina Finance*. (finance.sina.com.cn).

²⁴ Salma El Wardany, Alex Longley, Weilun Soon, and Serene Cheong, "Secret Codes and Yuan Fees Get Ships Through Iran's Hormuz Tollbooth," *Bloomberg*, April 1, 2026, <https://www.bloomberg.com/news/articles/2026-04-01/strait-of-hormuz-ships-paying-iran-yuan-and-crypto-tolls-for-safe-passage>.

²⁵ UAE Ministry of Finance, "Ministry of Finance and Dubai Finance Conduct First Government Transaction Using Digital Dirham," press release, November 2025, <https://mof.gov.ae/en/news/ministry-of-finance-and-dubai-finance-conduct-first-government-transaction-using-digital-dirham/>. The notice is for a domestic UAE transaction, but for some reason it mentions mBridge as the platform it runs on—probably an error, but a strange one. China is not mentioned anywhere in the notice.

used in international trade and finance, there are relatively few outlets to spend these proceeds.”²⁶

The report highlights that the commodities market participants are generally not aligned in their interests with the Chinese government. Exporters want to receive proceeds in currencies they can immediately use without having to convert into yet another currency, whether to pay for imports, pay for debt service, or invest. Exporters have an incentive to engage with China on a limited trial basis to ensure they have channels that could continue their business in extreme scenarios involving broad financial sanctions on China.

China’s challenge is that there is little incentive to use these in the absence of such sweeping sanctions. The dollar is simply more useful for investments around the world, far more used for debt issuance, more useful to pay for a wide variety of imports, and cheaper to transact and hedge because of its abundant liquidity.

Stablecoins

China’s actions on stablecoins have fit the general pattern of cautious openness to experimentation but strong aversion to private digital currencies. In mainland China, cryptocurrency business including stablecoins have been entirely banned since 2021. China has also called back its stablecoin initiative in Hong Kong after going through the effort of creating a robust regulatory regime.

In early 2022, the Hong Kong Monetary Authority, surely with the assent of Beijing, issued a discussion paper that noted “bringing crypto-assets within the regulatory perimeter” recognizing that many of their peers were pushing forward with regulations for stablecoins needed because of “the growing use of stablecoins...in financial markets.”²⁷ It then determined to move forward and created a “sandbox” pilot program in 2024.²⁸ In May 2025, Hong Kong passed a law creating a regulatory and licensing regime for any stablecoins issued in Hong Kong or any coins referencing its currency.²⁹

The law did not limit stablecoin issuers to any specific currency, meaning that licensed institutions could issue stablecoins designed to track the Hong Kong dollar (which is pegged to

²⁶ Chang, Charles, Vishrut Rana, Zahabia Gupta, and Valerij Rezvij, “Saudi-China ties and renminbi-based oil trade,” August 20, 2024. S&P Global. <https://www.spglobal.com/en/research-insights/special-reports/saudi-china-ties-and-renminbi-based-oil-trade>.

²⁷ Hong Kong Monetary Authority, *Discussion Paper on Crypto-assets and Stablecoins*, January 12, 2022.

²⁸ A sandbox is regularly used in financial regulation when dealing with a new technology in finance before enough is known about the risks and opportunities to create a finalized regulatory regime. The analogy is to a sandbox with a great deal of freedom to operate within clear boundaries that limit any damage of issues that could emerge.

²⁹ Hong Kong Monetary Authority, “Government Welcomes Passage of the Stablecoins Bill,” press release, May 21, 2025.

the US dollar), US dollar, or even the RMB. Hong Kong officials hinted that the regime would start with the USD and HKD, saying potential issuers were “mostly exploring” these. They sent signals that more sensitive RMB stablecoins would have to wait.³⁰

China’s seeming openness was likely driven by the rise of stablecoins outside China and in defiance of regulations inside as well. The US’ explicit strategy for stablecoins to support “continued global dominance of the U.S. dollar,”³¹ was a potentially serious challenge for Beijing. At the time both stablecoins outstanding and transaction volumes were rising rapidly in part due to new regulatory certainty from the US GENIUS Act.

Relying on privately issued money would be far from Beijing’s first choice, but there was a robust debate in China about a shift towards openness. Around the time the GENIUS Act passed, tech companies like Ant Group and JD.com reportedly were lobbying policymakers to approve offshore RMB stablecoins as well to boost RMB internationalization and speaking optimistically about their prospects for issuing stablecoins.³² Until that point, all of China’s proverbial money was on the CBDC horse. If the United States was right and stablecoins would play an important role in the future of global finance, China risked being left without a foothold in a market that today is almost entirely made up of USD-linked stablecoins like USDC and USDT.

Public excitement about a new opening to private digital currencies led to rapid stock price increases in firms seen as potential beneficiaries of the new regime. Such momentum seems to have spooked authorities who might have begun to question whether a small, contained pilot would be possible with such high expectations. China then hit the brakes through the HKMA in June and July as the voices urging for caution won out over those worried about losing a race to the US. They warned companies to “exercise responsibility in public communications” to avoid “unrealistic expectations” and said “only a handful” of licenses would be forthcoming in the near term.³³

Regulators in Beijing reportedly then came down definitively in favor only allowing government-issued digital currency, ordering Ant Group and JD.com to pause their applications.³⁴ The pilot

³⁰ Reuters, "First Hong Kong Stablecoin Licenses May Be Issued Early Next Year, HKMA Says," July 31, 2025, <https://www.reuters.com/world/asia-pacific/first-hong-kong-stablecoin-licences-may-be-issued-early-next-year-hkma-says-2025-07-29/>.

³¹ White House, "Fact Sheet: President Donald J. Trump Signs GENIUS Act into Law," July 18, 2025.

³² Reuters, "China’s Tech Giants Lobby for Offshore Yuan Stablecoin, Sources Say," July 3, 2025.

<https://www.reuters.com/world/china/chinas-tech-giants-lobby-offshore-yuan-stablecoin-sources-say-2025-07-03/>

³³ Hong Kong Monetary Authority, "Joint Statement by the HKMA and the SFC on Stablecoin-related Market Movements," August 14, 2025.

³⁴ Cheng Leng, Zijing Wu, Arjun Neil Alim, and Ryan McMorow, "Chinese Tech Giants Pause Stablecoin Plans After Beijing Steps In," *Financial Times*, October 18, 2025.

still went ahead, but only with more traditional financial sector participation from Anchorpoint Financial (a joint venture including Standard Chartered Bank) and HSBC.³⁵

China could still change its mind in the future if stablecoins look on track to become what their advocates hope. The stablecoin market, however, stopped growing in terms of coins outstanding soon after the GENIUS Act passed, stagnating at around \$300 billion since around October 2025 amidst a broader decline in cryptocurrency market prices.³⁶ Beijing's approach is unlikely to shift unless there is a real rebound that suggests it is missing out on something important.

What to Watch for and Recommendations for Congress

China has a wide portfolio of initiatives with other countries to expand RMB use for a multitude of applications. While these have generally had limited success, continued effort on Beijing's part and shocks like conflict with Iran can quickly change the status quo and provide a boost to the RMB. The mutually reinforcing dynamics of different elements of RMB internationalization also mean that gains in one area could lead to a discontinuous rise in others—e.g. there may not be a stable equilibrium. The Commission should regularly monitor the indicators of RMB internationalization and whether China decides to open its capital account more widely to watch for any sharp rises that could indicate new momentum.

Recommendations:

- Congress has a crucial role in financial sanctions regimes. It should ensure that sanctions continue to be used carefully to avoid potential overreach that could drive other countries to participate more deeply in Chinese alternative financial infrastructures.
- Congress could focus on continuing to improve the dollar-based payment system, including working with the administration to reverse the shrinking trend in the correspondent banking system that is leading to added cost, complication, and thus market opportunity for Chinese alternatives.
- While supporting approaches like the GENIUS Act's regulatory clarity for stablecoins and mindful of civil liberties concerns around CBDCs, Congress should monitor closely allies' efforts to create multi-CBDC arrangements and work with the administration to ensure that there are privacy-preserving ways, including infrastructure in the US, for the US dollar to participate in multi-CBDC arrangements involving allies, for example the ECB and BOE. These may not allow private digital money to interact with their systems for

³⁵ Hong Kong Monetary Authority, "Granting of Stablecoin Issuer Licences," April 10, 2026.

³⁶ See <https://www.coingecko.com/en/categories/stablecoins#key-stats> for data.

wholesale digital central bank money, posing a potential challenge if private stablecoins are the only digital forms of dollars that could interact with them.