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Yuan's Rise Challenges Dollar as Stablecoins Add Risk

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The international expansion of China's currency, the yuan, is gradually reshaping the global financial landscape. A new report released at the International Monetary Forum in Beijing shows that the yuan's global use is climbing steadily, while concerns grow over the dominance of United States-backed stablecoins and their long-term impact on international monetary stability.

According to the report from Renmin University and Nankai University, the **Yuan Internationalisation Index (YII)** rose by 11% in 2024 to reach 6.06. By comparison, the **United States Dollar (USD)** scored 51.13, slightly down from 51.52 in 2023, while the euro fell to 24.07. The Chinese yuan also surpassed the Japanese yen and the British pound in global ranking, signaling China's growing success in promoting its currency abroad.

The authors of the report argue that increasing the yuan's role in international finance is a strategic measure by Beijing to cushion the nation against external shocks and manage cross-border capital flow risks. They note that "the spillover effects of geoeconomic shocks" have impacted both China's economy and global markets, and assert that expanding the yuan's influence will be key to stabilizing the monetary system.

However, the report also pointed to the growing influence of USD-backed stablecoin cryptocurrencies pegged to fiat currencies as a rising concern. At the forum, **Chen Yulu**, former Vice Governor of the **People's Bank of China (PBOC)** and current President of Nankai University, warned that aggressive American regulation and promotion of stablecoins could introduce major risks to the global financial system. He stated, "Unchecked, this trend could expose the global financial system to major risks from single-asset volatility."

Stablecoins, while presented as a tool for digital efficiency, have become deeply intertwined with the USD. Over 99% of stablecoins are backed by the USD or dollar-denominated assets—an imbalance that some analysts believe is being used to reinforce American financial dominance. The United States recently passed federal legislation, —signed into law by **President Donald Trump**, —to oversee dollar-pegged stablecoins, further cementing their role in digital finance.

Li Lihui, former President of the **Bank of China**, spoke candidly at the forum, asserting that Washington's strategy is to anchor the global digital currency space to the USD and maintain demand for **United States Treasury Bonds (USTBs)**. He cautioned that tying digital currencies too closely to traditional U.S. financial instruments could magnify risks, especially if the United States fails to correct its twin deficits, referring to the budget and trade shortfalls. "An unstable U.S. economy and dollar would inevitably undermine the stability of dollar-backed stablecoins," Li said.

As China continues to push for greater yuan adoption and the United States presses its stablecoin agenda, the two powers appear to be setting the stage for a new era of global

financial competition. While digital assets present opportunities for efficiency and innovation, they also bring new complexities that demand prudent oversight and long-term vision. The challenge ahead will be balancing innovation with systemic stability in an increasingly multipolar monetary environment.