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China Reconsiders Stablecoins as U.S. Dollar Dominance Deepens in Asia

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China is re-evaluating its stance on stablecoins, once viewed as a risk to financial stability, as the U.S. advances regulatory support for dollar-backed digital tokens. Beijing is now moving to develop yuan-linked alternatives to counter the growing influence of U.S. financial tools in Asia.

In 2021, the People's Bank of China (PBOC) raised alarms about the potential risks posed by global stablecoins, warning they could disrupt international monetary systems and policy controls. At the time, that concern was largely aimed at private-sector experiments like Facebook's now-defunct Libra project. But as the digital currency space has evolved and particularly as dollar-pegged stablecoins such as Tether (USDT) and USD Coin (USDC) have become vital tools in global finance, China's caution has shifted toward urgency.

Evan Auyang, President of Animoca Group, a Hong Kong-based blockchain investment firm, told *CoinDesk* that China's interest in stablecoins has been growing rapidly. "Stablecoins are making a comeback for policymakers," he said. "The signals coming out of the U.S., especially under Trump-era economic positioning, are pressuring China to act more quickly."

Auyang pointed to the recently enacted GENIUS Act, short for Guaranteeing Regulatory Oversight of New and Innovative U.S. Stablecoin, as a turning point. The law provides a federal framework for fiat-backed stablecoins, effectively integrating them into the U.S. financial system. For China, this move represents a digital extension of U.S. dollar dominance, a challenge that can't be ignored.

Stablecoins are cryptocurrencies backed by fiat currencies like the U.S. dollar or local currencies, and they are designed to maintain price stability. With their ability to streamline cross-border payments and enhance supply chain financing, they have found strong adoption in Asia's business sectors.

Animoca, through a consortium involving Standard Chartered Bank and Hong Kong Telecom, is working on a stablecoin pegged to the Hong Kong dollar (HKD). According to Auyang, this development is just one part of a broader strategy by Beijing to internationalise the yuan through regulated offshore vehicles, specifically the CNH (offshore yuan) stablecoin.

"If you're trying to make the renminbi more global, but still keep control, the offshore CNH stablecoin is the path forward," Auyang explained. It offers Beijing a way to project its currency abroad without loosening domestic capital controls. Issuing such stablecoins via Hong Kong also takes advantage of the city's semi-autonomous legal and financial systems, offering a flexible testing ground.

The contrast between this proactive approach and the PBOC's 2021 stance is stark. Back then, stablecoins were lumped together with volatile cryptocurrencies, portrayed as threats to monetary sovereignty. Today, the conversation has evolved: rather than resisting the trend, China is preparing to compete within it.

Auyang also predicted that stablecoins, not central bank digital currencies (CBDCs), will become the preferred method for business-to-business transactions, especially in international trade. CBDCs like China's e-CNY (digital yuan) are typically permissioned and institution-focused, whereas tokenised fiat currency offers greater flexibility and compatibility with public blockchain networks.

Other nations are likely to follow suit. "Once the U.S. passed the GENIUS Act, the writing was on the wall," Auyang said. "Every country will start developing regulated stablecoins."

Still, Auyang emphasised that this movement is not about displacing the dollar entirely, a task he called impossible, given its unmatched liquidity. But it is about building alternatives. "There's enough liquidity in non-USD stablecoin pairs to support regional trade," he said, especially in Southeast Asia.

As Beijing turns its attention to blockchain infrastructure and regulated digital finance, its pivot reflects a broader geopolitical shift. Stablecoins are no longer just a tech novelty; they are becoming a tool of strategic economic positioning.