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Sun Wenting
DBA Program Doctoral Student
Al-Farabi Kazakh National University
Kazakhstan, Almaty
Scientific Advisors:
1. Alma Karshalova, PhD, Associate Professor
2. Mynjanova Gulzhakan Tlesovna, PhD

DIGITAL YUAN, DE-DOLLARIZATION, AND THE FUTURE OF GLOBAL MONETARY GOVERNANCE

Abstract: *China's digital yuan (e-CNY) has become the world's largest live central bank digital currency (CBDC) experiment, with cumulative transaction volume reportedly exceeding 2.3 trillion US dollars by late 2025, while Project mBridge, its cross-border settlement platform, has grown roughly 2,500-fold in transaction value since its 2022 pilot. These developments are frequently cited as evidence of accelerating de-dollarization. This article evaluates that claim against the quantitative evidence on the dollar's continued role in official reserves, trade invoicing, and payment messaging. The analysis finds a genuine but asymmetric picture: China's digital currency infrastructure is expanding rapidly in absolute terms, yet the US dollar's share of global reserves, while gradually declining, remains dominant, and much of the reported quarterly variation reflects exchange-rate valuation effects rather than active reallocation. The article concludes that current evidence supports gradual, infrastructure-led diversification rather than imminent displacement of the dollar.*

Keywords: *global monetary governance, reserve currency, de-dollarization, central bank digital currency, digital yuan, e-CNY, mBridge, renminbi internationalization*

1. Introduction and Literature Review

The digital yuan's expansion is well documented: by November 2025 the PBOC reported cumulative e-CNY transaction volume surpassing 16.7 trillion yuan (≈$2.3 trillion), up over 800% since 2023, with roughly 230 million personal wallets opened (Asia Asset Management, 2026). At the wholesale level, Project mBridge — run jointly by the PBOC, the Hong Kong Monetary Authority, and the central banks of Thailand and the UAE — has processed over 4,000 cross-border transactions worth $55.5 billion, with the yuan accounting for ≈95% of settlement volume; the BIS itself withdrew from formal involvement in late 2024 over sanctions-compliance concerns, and scenario analysis finds even high-adoption trajectories would require scaled multi-regional networks to meaningfully reduce dollar reliance (Asia Asset Management, 2026; ScienceDirect, 2025). Reserve-currency research offers a more skeptical reading: IMF COFER data shows the dollar's reserve share declining from the mid-60s percent range (2015) to ≈56–58% (2025), driven substantially by currency-valuation effects rather than active reallocation (BeInCrypto/Yahoo Finance, 2025), while the renminbi's own reserve share remained essentially flat at ≈2.1% through 2025 (IMF, 2025). Few sources reconcile the CBDC-growth and reserve-stability literatures within one frame — the gap this article addresses.

2. Methodology

This is a qualitative comparative literature review combined with descriptive synthesis of public quantitative indicators — CBDC infrastructure data (e-CNY, mBridge volumes and participants, 2022–2026) and IMF COFER reserve-composition data — comparing the two evidentiary bases. Because de-dollarization is an actively contested question, the article deliberately draws on sources associated with differing conclusions rather than assuming either position.

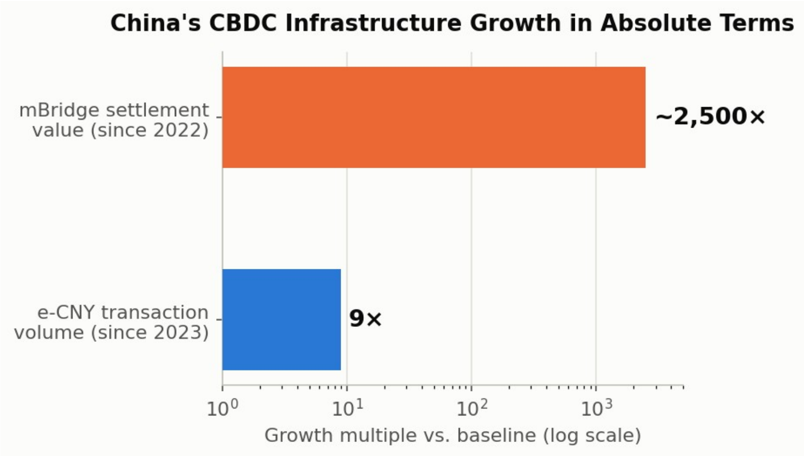

Figure 1. China's CBDC infrastructure has grown dramatically in absolute terms (note the logarithmic scale).

3. Results and Discussion

Table 1 sets the CBDC-infrastructure growth figures against the reserve-currency and payment-messaging data.

Table 1. Two evidentiary narratives on de-dollarization.

Indicator	Baseline	2025 Value	Reading
e-CNY transaction volume	2023	¥2.3T equiv. (+800%)	Rapid infrastructure growth
mBridge settlement value	2022 pilot	$55.5B (~2,500×)	Rapid infrastructure growth
USD share of reserves	~65% (2015)	56–58% (2025)	Gradual, valuation-driven decline
RMB share of reserves	~0% (2005)	2.1% (2025)	Still marginal
USD share of SWIFT messaging	40–50% (decade avg.)	40–50% (2025)	No structural decline

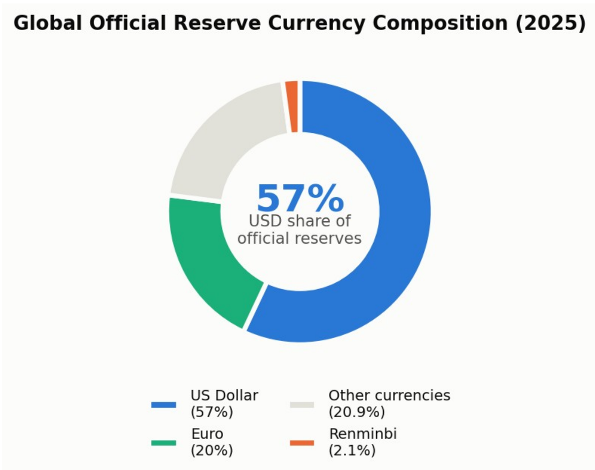

Figure 2. The US dollar remains the dominant reserve currency; the renminbi's share stays marginal despite CBDC growth (IMF COFER, 2025).

China's e-CNY, mBridge, and CIPS (a separate RMB clearing system with 1,683 participants across 180 countries by mid-2025) together form a layered payment stack designed to function independently of dollar correspondent banking wherever counterparties are willing (Kapron, 2026; Asia Asset Management, 2026). Set against this, dollar reserve decline is real but gradual and substantially valuation-driven, and the renminbi's own share has not meaningfully risen — diversification appears to flow toward the euro, gold, and other currencies rather than the yuan specifically. Summers and other skeptics question whether China's capital controls make renminbi reserves plausible at scale even as headline dollar figures decline. The most defensible synthesis is that China's infrastructure builds parallel settlement rails rather than directly displacing the dollar: "Project mBridge is unlikely to challenge dollar dominance directly, but it may incrementally erode it" (Reuters/MarketScreener, 2026) — consistent with competing initiatives such as Project Agóra and Project Mandala, which show this infrastructural multipolarity is a broader trend, not a uniquely Chinese one (CSEP, 2025).

4. Conclusion

The two most commonly cited evidentiary bases — CBDC transaction-volume growth and IMF reserve-composition data — point toward different conclusions read in isolation but a coherent, moderate synthesis together. Digital yuan and mBridge volumes have grown dramatically in percentage terms, yet the dollar's reserve share has declined only gradually, driven substantially by valuation rather than active reallocation, and the renminbi's own share has not meaningfully increased. China's strategy is best read as building parallel, China-centered settlement infrastructure that expands optionality for trading partners hedging geopolitical risk, without yet shifting the dollar's reserve status. For policymakers in Kazakhstan and other states at the Sino-Western financial intersection, near-term strategy should account for a growing menu of settlement options rather than an imminent restructuring of reserve-currency hierarchy —

while recognizing that continued infrastructural growth could, over years to decades, translate into the more consequential shift that has not yet materialized.

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