



HARVARD Kennedy School

**MOSSAVAR-RAHMANI CENTER**  
for Business and Government

# **Financial Competition and Coexistence in a Bipolar World: Building an Effective U.S. Strategy for Engagement with China**

**Connie M. Friesen**  
**Harvard Kennedy School**

March 2023

## **M-RCBG Associate Working Paper Series | No. 200**

The views expressed in the M-RCBG Associate Working Paper Series are those of the author(s) and do not necessarily reflect those of the Mossavar-Rahmani Center for Business & Government or of Harvard University. The papers in this series have not undergone formal review and approval; they are presented to elicit feedback and to encourage debate on important public policy challenges. Copyright belongs to the author(s). Papers may be downloaded for personal use only.

FINANCIAL COMPETITION AND COEXISTENCE IN A BIPOLAR WORLD:  
BUILDING AN EFFECTIVE U.S. STRATEGY FOR ENGAGEMENT WITH CHINA

Connie M. Friesen

Senior Fellow

Mossavar-Rahmani Center for Business and Government

Harvard Kennedy School

March 2023

## ABSTRACT

This paper explores ways in which the United States might shape the structure and terms of its financial engagement with China more effectively. The recommended policies envision international institutions, payment systems and strategies that will affirm U.S. interests and values, demonstrate economic leadership in a bipolar world and promote a stable relationship with China. Steps that the United States might take to protect the primacy of the U.S. dollar (“USD”) over the long term and promote payment systems and strategies led by the United States and its allies are identified and evaluated.

## ACKNOWLEDGEMENTS

I am deeply grateful for the support of the Mossavar-Rahmani Center for Business and Government at the Harvard Kennedy School. In particular, I would like to acknowledge the helpful comments of Hal Scott, Richard Zeckhauser, John Haigh, Dan Murphy and my Senior Fellow colleagues. All errors are my own.

## EXECUTIVE SUMMARY

Meeting in December 2022, the Central Economic Work Conference included boosting domestic demand, attracting foreign capital and granting foreign-funded enterprises national treatment among China's economic priorities for 2023. When he spoke at Davos, Switzerland, China's Vice Premier Liu He delivered a business-friendly message. Also in January 2023, Zhou Lijian, a prominent "wolf warrior," was demoted from his position as official spokesperson for China's Ministry of Foreign Affairs. Wang Yi, Director of the general office of the Central Foreign Affairs Commission, stated that, while China would fight against all forms of hegemony, it would also seek to "correct course" in relations with the United States.

When the 14<sup>th</sup> National People's Congress convened in March 2023, China's diplomatic rhetoric had changed. President Xi Jinping remarked that Western countries – led by the United States – had implemented a policy of containment and suppression against China, thereby introducing severe challenges to its development. Qin Gang, China's newly appointed foreign minister, spoke of the conflict and confrontation that would ensue if the United States continued on the "wrong path." January's messaging, which seemed to open possibilities for a better dialogue between China and the United States, had faded. The U.S. response to a Chinese balloon over North American airspace and its warnings about potential sales of Chinese weapons to Russia for use in the Ukraine war reflected a downward spiral in relations. Attempts to develop "guardrails" for the U.S.-China relationship had been challenged. Nonetheless, China's new Premier, Li Qiang, was conciliatory when he spoke at a press briefing in March 2023: "China and the United States can and must cooperate. There is a lot that the two countries can achieve by working together."<sup>1</sup>

Such changes in diplomatic messaging are at times confusing, but do not alter the underlying issues shaping financial engagement between the United States and China. China's long-term efforts to redefine the terms of its financial relationship with the United States remain in place. China continues to promote the internationalization of the renminbi ("RMB"), develop China-centric cross-border financial messaging and payment systems, and support financial organizations and transactions that will accommodate its strategic objectives. China's goal of becoming a fully developed economy that is prosperous and globally-dominant by 2049 has not changed.

The United States needs to acknowledge that China's role in international finance will increase as its economic and military power grows. However, the United States also needs to respond to China's growing financial power in a manner that will demonstrate U.S. economic leadership, promote a stable relationship in a competitive bipolar world and avoid excessive confrontation. To date, it has not done so. The United States needs a new strategy for financial engagement with China.

For purposes of this paper, “financial engagement” includes cross-border interactions between or affecting the relationship between the United States and China relating to currency, payments, credit and debt. “Payment systems” include formal cross-border networks as well as informal measures such as bilateral currency swaps and blockchain payment applications.

Chinese Initiative and Supporting Strategies. Since the financial crisis of 2008-2009, China has been determined to reshape the framework of its financial relationship with the United States and its allies. In pursuit of this goal, the Chinese leadership has elevated financial and monetary policy to a top priority. It has deployed several specific strategies in support of the broad objective of increasing its global financial influence.

First, China has sought to increase its authority within international organizations such as the World Trade Organization (“WTO”), International Monetary Fund (“IMF”) and World Bank, while also working to create new organizations and institutions that it can control.<sup>2</sup> One example of China’s attempt to develop new organizations that might serve as alternative global forums in the future is its establishment of the Asian Infrastructure Investment Bank (the “AIIB”), an entity that is intended to rival the Asian Development Bank (the “ADB”). Similarly, the BRICS New Development Bank (“NDB”) has been promoted as a potential alternative to the World Bank. The Silk Road Fund supports long-term investments in countries that participate in the Belt and Road Initiative (“BRI”) and seeks to strengthen their economic cooperation and trade with China. The Shanghai Cooperation Organization (“SCO”) has been promoted as a Eurasian political, economic and security forum. It supports the use of local currencies and RMB in trade and alternative payment systems capable of sanctions avoidance.

An example of China’s determination to work within existing organizations while building up parallel challengers is its work within the Society for Worldwide Interbank Financial Telecommunication (“SWIFT”) while developing the Cross-Border Interbank Payments System (“CIPS”). Over the past ten to fifteen years, China has worked to increase its influence within SWIFT while at the same time building up CIPS as a parallel messaging system that has the additional capacity to clear and settle transactions.

Second, China has become a leader in the development of digital currencies. Domestically, the digital RMB has been promoted by the Chinese leadership because, in addition to being an efficient means of exchange, it is an effective surveillance tool and serves to manage potential competition from fintech companies like Alibaba and Tencent. The Chinese leadership has also focused on the international uses of a digital currency, including sanctions avoidance. China has used its leadership in the development of a central bank digital currency (“CBDC”), the e-CNY, to propose global financial rules for digital currencies and has also experimented with blockchain-based e-CNY payment arrangements. China’s effective development and use of blockchain and other new formats in recording transactions based on digital currencies provide new avenues to encourage wider use of the RMB and challenge the dominance of the USD.

China has also pursued several related strategies. It has used bilateral currency swap arrangements and trade transactions as well as regional economic agreements to encourage cross-border use of the RMB. It has promoted the use of the RMB within Russia and in commodity-linked trade with Saudi Arabia. China is also working to de-dollarize its foreign reserves. While China has invested in U.S. Treasury securities for the past four decades, it is now taking steps to reduce its holdings of such securities as it attempts to diversify its foreign reserve holdings. Further, China has been developing offshore RMB clearing centers as part of its strategy to internationalize the RMB. The issuance of RMB-denominated bonds has grown significantly in recent years.

While China has made meaningful progress in developing China-centric alternative payment systems and promoting the international use of the RMB, significant roadblocks remain. These include a lack of transparency and predictability, as well as an excessive government role in financial markets. The Chinese capital account remains closed, investor confidence in Chinese laws and institutions is low, the Chinese leadership overrides markets for political ends, and the RMB is not freely exchangeable. For these reasons, the RMB is not ready to challenge the USD. However, that day may come as China gains in economic and military influence.

U.S. Response. To date, the United States has not developed a comprehensive, effective strategy for managing its financial engagement with China and responding to China's efforts to internationalize the RMB and develop alternative payment systems that do not rely on the USD. The United States needs to develop a comprehensive, affirmative financial engagement strategy that will promote its interests and values.

Several factors account for the current U.S. policy shortcomings. First, the United States has relied generally on what a former European leader famously called the "exorbitant privilege" of the USD. The Board of Governors of the Federal Reserve System (the "FRB") and other relevant U.S. agencies have been content not to disrupt existing cross-border payment systems that they seem to control and have served the United States well for many years. Such complacency is misguided in the context of China's determination to expand its control over relevant systems and develop the RMB as a viable international reserve currency.

Second, in contrast to China's active role in trying to influence governance and policy issues within the IMF, World Bank and similar international entities, the United States has at times been ambivalent about its role and objectives. This has facilitated Chinese attempts to reshape such institutions from within and promote rules and policies consistent with China's objectives.

Third, the United States has for many years relied on sanctions as a central tool of financial foreign policy. The problem with this approach is that China, like other significant potential targets of U.S. sanctions, typically responds to the threat of sanctions by avoiding payment channels controlled by the United States, thereby reducing the economic leverage the United States seeks to deploy.

Fourth, the United States has relied too heavily on SWIFT as a tool to enforce sanctions. As a Brussels-based financial utility, SWIFT is subject to European Union law as implemented by Belgium. The United States can pressure the European Union and the Belgian government to enforce U.S. sanctions and has done so on several occasions. However, while the United States might express its views strongly, it cannot impose its laws on SWIFT. SWIFT's system of corporate governance is also a cause for U.S. concern. Another issue is the security of critical SWIFT systems. Further, because of its reliance on correspondent banking channels which can make transfers slow and costly, SWIFT is regarded by many as technologically backward.

Fifth, the U.S. approach to regulating financial messaging systems such as SWIFT focuses too much on the prevention of money laundering. While commercial banks headquartered in the United States or organized under the laws of its allies have spent billions of dollars pursuing financial crime by adhering to rigorous SWIFT-related screening and record-keeping requirements, money laundering supported by adversarial regimes takes place beyond SWIFT's reach. Moreover, while adherence to SWIFT protocols has not enabled banks to meet the primary objective of preventing money laundering, it has been accompanied by enormous cost. One study has reported that compliance costs for banks and other financial institutions are perhaps 100 times higher than the value of laundered funds seized.

Sixth, despite significant recent efforts, such as Project Hamilton and Project Cedar, the United States has only recently accelerated its efforts to evaluate the strengths and weaknesses of different types of CBDCs and other digital currencies and explore their potential use in alternative cross-border payment systems. The general view of the FRB has been that the United States does not need to be the "first out of the gate" in evaluating or adopting a CBDC or other digital currency. This measured pace seems too slow in view of China's determination to develop and deploy the e-CNY for use in international trade and cross-border payments. Nonetheless, it is encouraging that 2022 seemed to mark the transition to a more urgent pace in evaluating types and possible uses of CBDCs. Even though responsible U.S. government agencies may ultimately determine that a U.S. domestic digital currency is inappropriate or unnecessary, it is important for the United States to understand how digital currencies might be used in cross-border transactions by China and other countries.

Why is Financial Engagement on Terms that Affirm U.S. Values and Support the Continued Primacy of the USD Important? Fair and open payment systems and financial transactions based on clearly articulated, consistent standards are reasonable objectives for cross-border financial engagement. The position of the USD as the world's leading reserve currency supports U.S. financial leadership and needs to be protected. China's determination to reshape the terms of its financial engagement with the United States challenges pursuit of these objectives. At present, cross-border payment systems and financial transactions relevant for China and the United States have become politicized and weaponized. While the USD remains dominant for now, the long-term outlook is less certain. The United States needs to pursue financial

engagement with China on terms that will affirm American values and promote fairness, openness and consistency.

What Should Be Done? Secretary of State Antony Blinken has stated that America's objective is to coexist with China on terms favorable to American interests and values.<sup>3</sup> Financial engagement on terms favorable to the United States is an essential component of such co-existence. As noted in a recent Brookings Institution policy brief, "It is in America's interest to preserve a preponderance of influence in the development of rules, norms and institutions that enable international commerce and the peaceful resolution of international disputes."<sup>4</sup>

In sum, the United States needs to develop a proactive, resilient strategy for financial engagement with China. Such a strategy will of necessity be multi-faceted and based on enduring principles that can be adjusted in response to changing circumstances. While working towards a goal of financial engagement that is appropriately rules-based and inclusive, the United States needs to address the challenges of a China that is determined to reshape global payment systems and cross-border transactions to its advantage.

This paper identifies several core components of a strategy intended to meet these criteria. First, the United States should develop and implement a strategy that supports the continued use of the USD as a strong reserve currency. Such a strategy should be clearly articulated in a high-level document such as the U.S. National Security Strategy. It should be supported by renewed U.S. attention to traditional forums such as the IMF and World Bank. Second, the United States should be more selective in its use of sanctions as a financial foreign policy tool. Sanctions might be used effectively as a supplement to military action in certain situations where the objective is to stop military aggression immediately and decisively. Targeted sanctions might also usefully be applied to disrupt weaponized supply chains. In such situations, sanctions need to be precisely drafted, timely implemented and readily enforceable. Third, the United States should encourage modernization of SWIFT through corporate governance reforms and technological improvements.

Fourth, the United States should continue to step up its efforts to review of the potential benefits and/or drawbacks of digital currencies, including the possible international use of a CBDC. Fifth, the United States should support appropriate use of blockchain and other innovative private sector payment solutions. Sixth, the United States should devote more attention to setting global standards for payments systems and digital currencies and promoting their use as public goods based on a liberal economic order. Seventh, the United States should take steps to reinforce constructive communications and other market connections with China. This is especially important in current circumstances where there seems to be very little communication between mid-to-high level U.S. and Chinese bureaucrats on a regular basis. Finally, the United States needs to support initiatives for financing and socioeconomic growth in the developing world that are independent of China's BRI. Such a multi-faceted approach would enable the United States to shape the terms of its financial engagement with China from a position of strength.



## A. Introduction

Speaking about Taiwan, a Wall Street Journal columnist observed that, “What is utterly reckless about America’s longtime China policy . . . is the strategic passivity and incompetence that blinded a generation of American political leaders to the growing threat of great-power war in the western Pacific.”<sup>5</sup> A recent op-ed discussion notes that, in the context of dealing with China’s “Made in China 2025” initiative to develop new technologies in a range of industries, “The failure of the Biden administration’s piecemeal approach in countering China’s ambitions has been alarming.”<sup>6</sup> Other observers have complained more generally that, in its relationship with China, the United States is a “superpower without a plan.”<sup>7</sup>

Similarly, the United States has lacked an effective strategic plan to address China’s attempts to shape the structure and terms of financial engagement with the United States. For purposes of this paper, “financial engagement” includes cross-border interactions between or affecting the relationship between the United States and China relating to currency, payments, credit, and debt. “Payment systems” include formal cross-border networks as well as informal measures such as bilateral currency swaps and blockchain payments applications.

The U.S. national security strategy for 2022 states that China has “the intent to reshape the international order and, increasingly, the economic, diplomatic, military and technological power to achieve that objective.”<sup>8</sup> President Xi Jinping has spoken frequently about the ideological underpinnings of “comprehensive national power,” defined as China’s combined military, economic and technological power that supports a more assertive foreign policy.<sup>9</sup> Moreover, “Xi has communicated to the party a crystal-clear message: China is much more powerful than it ever was, and he intends to use this power to change the course of history.”<sup>10</sup> For China, reshaping the international financial order includes advancing its influence over cross-border payment systems, promoting the internationalization of the RMB, developing a CBDC that can be helpful in evading sanctions, de-dollarizing its foreign reserves, and using measures such as bilateral currency swaps, RMB-denominated bonds and blockchain applications to reshape the international financial order.

The United States does not have a coherent, comprehensive affirmative or responsive strategy or plan of action. It has been too hesitant to put forward ideas to adjust international payment systems and other mechanisms for financial engagement with China in a manner that will advance and protect U.S. interests. This hesitancy is unnecessary and counter-productive, especially at a time when the Chinese leadership has been faced with the triple challenge of “a healthcare crisis, a weakening economy and political protests.”<sup>11</sup> As noted by one observer, “These vulnerabilities – each attributable to the Chinese Communist Party under Mr. Xi’s leadership – allow the [United States] to combat the party’s mercantilist policies and debunk its narrative that China’s rise to global dominance is inevitable.”<sup>12</sup> While China’s role in international

finance will increase as its economic and military power grows, the United States needs to develop and deploy a strategy for financial engagement appropriate for the leading power in a bipolar world.

## B. China's Initiative

Since the global financial crisis of 2008-2009, China has been determined to shape the framework of its financial relationship with the United States and its allies. To this end, China has promoted the international use of the RMB and developed new cross-border payment mechanisms that it can control. At the G20 meeting in 2008, Hu Jintao cited inherent drawbacks associated with the USD-dominated international financial system as a major reason for the financial crisis.<sup>13</sup> In 2009, Zhou Xiaochuan, then chairman of the People's Bank of China (the "PBOC"), advocated using a basket of currencies of "all major economies" to create a super-sovereign SDR-based international reserve currency that could replace the USD as a reserve currency.<sup>14</sup>

### 1. RMB Internationalization

Subsequently, RMB internationalization was articulated as a strategic priority in the 12<sup>th</sup> Five-Year Plan (2011-2015), which cited the objectives of expanding the use of the RMB in cross-border trade and investment and pressing ahead with making the RMB convertible under capital accounts.<sup>15</sup> Likewise, the 13<sup>th</sup> Five-Year Plan (2016-2020) cited the objective of promoting the international use of the RMB.<sup>16</sup> At about the same time, Li Ruogu, then president of the Export-Import Bank of China, noted that, "Only by eliminating the [USD's] monopolistic position [will] it be possible to reform the international monetary system."<sup>17</sup> In 2016, the IMF added the RMB to a basket of major currencies that determines the values of special drawing rights ("SDRs").<sup>18</sup> The 14<sup>th</sup> Five-Year Plan (2021-2025) cited maintaining the stability of the global financial markets and formulating international rules for digital currency as important objectives.<sup>19</sup>

### 2. Development of China-based Cross-Border Payment Systems

The Chinese leadership has treated the development of China-based cross-border payment systems as a necessary corollary to promotion of the international use of the RMB. Shortly after President Xi Jinping assumed power in 2012, the PBOC began developing CIPS as an alternative to SWIFT.<sup>20</sup> CIPS was officially launched with just 19 bank participants by the PBOC in October of 2015.<sup>21</sup> Fan Yifei, vice president of the PBOC, noted at the time that CIPS would boost the global use of the RMB. In a written statement, the PBOC cited the establishment of CIPS as a milestone that marked "major progress" in building a modern system to support cross-border payments in RMB.<sup>22</sup> Hu Xiaolian, president of the Export-Import Bank of China, lauded CIPS as the "worldwide

‘payment superhighway’ [that] will accelerate the internationalization of the RMB.”<sup>23</sup> Support for RMB internationalization has often been accompanied by criticism of U.S. “dollar hegemony.” A policy paper recently issued by the Ministry of Foreign Affairs included the following comments: “By taking advantage of the dollar’s status as the major international reserve currency, the United States is basically collecting ‘seigniorage’ from around the world . . . .”<sup>24</sup>

Even as it was just being launched, CIPS was promoted as a mechanism that would “remove one of the biggest hurdles to internationalizing the [RMB] and greatly increase global usage of the Chinese currency.”<sup>25</sup> Starting in 2015, each of China’s Five-Year economic plans has included provisions related to strengthening CIPS as a means of supporting international use of the RMB. In speaking of a need to accelerate the development of China’s digital economy, accompanied by a “modern infrastructure system with a better layout and structure, more effective functions, and greater system integration,” President Xi Jinping reaffirmed China’s payments systems objectives at the 20<sup>th</sup> National Congress of the Chinese Communist Party (“CCP”) in October of 2022.<sup>26</sup>

Interestingly, in early November of 2022, there were reports that China’s Central Commission for Discipline Inspection (“CCDI”) was investigating Fan Yifei, then the deputy governor of the PBOC responsible for payments and financial technology, for “serious violations of law and discipline.”<sup>27</sup> In February of 2023, there were indications that Xi Jinping was preparing to support new leaders for the PBOC. An article in the Wall Street Journal stated that Zhu Hexin, chairman of Citic Group Corp., would succeed Yi Gang as PBOC chairman, and He Lifeng, a close associate of Xi Jinping, would serve at the PBOC’s CCP chief.<sup>28</sup> However, at the National People’s Congress, it was announced that Yi Gang would retain his position as chairman of the PBOC. He Lifeng was appointed as Vice Premier and is also expected to serve as the PBOC’s CCP chief. A new National Financial Regulatory Commission, directly under the State Council, will incorporate the China Banking and Insurance Regulatory Commission and absorb the PBOC’s supervisory body for financial holding companies.<sup>29</sup> These changes are apparently part of a shake-up intended to give President Xi and his close associates more control over China’s financial sector. President Xi’s continued support for CIPS and internationalization of the RMB as key components of China’s strategy to reshape international financial engagement on its terms does not seem to be at issue.

### C. Strategies in Support of China’s Initiative

In attempting to shape the framework of its financial relationship with the United States and its allies and achieve its objectives for a new global economic order, China’s leadership has elevated financial and monetary policy to a top priority. Several specific strategies have been deployed in support of this initiative:

## 1. Exercising Influence within International Organizations and Building Alternate Payment Structures

### (a) China and the WTO, IMF and World Bank

First, China has sought to increase its influence within international organizations such as the WTO, IMF and World Bank. As noted by Jude Blanchette and Ryan Hass in a recent article, “China strives to shape global governance institutions from within, while simultaneously creating its own set of parallel and overlapping initiatives.”<sup>30</sup> While China’s growing influence in international organizations is well-documented, China’s actions have sometimes been criticized. In 2020, a China Power Team report noted that, “Since joining the WTO, China has been one of the organization’s most active members . . . . Yet . . . its mixed compliance with WTO dispute rulings has at times challenged the WTO’s underlying norms.”<sup>31</sup> As noted in one recent report, “While President Xi continually affirms China’s commitment to the multilateral rules-based trading framework, China continues to renege on its WTO commitments.”<sup>32</sup> Contrary to WTO rules, China does not report its subsidies of state-owned enterprises (“SOEs”) or their activities accurately, and it has not undertaken domestic reforms required by the WTO.<sup>33</sup> China’s insistence on retaining its “developing country” status has enabled it to receive “special and differential treatment.” This has led to heightened tensions within the WTO.<sup>34</sup> Some years ago, China indicated that it would become a member of the WTO’s Government Procurement Arrangement; it has used its developing country status as a reason for not meeting this commitment.<sup>35</sup>

China’s relationship with the IMF has been quite positive in some respects. China has acknowledged that the inclusion of the RMB in the SDR basket of reserve currencies in 2016 was a “milestone event.” As noted by Yi Gang, then a deputy governor of the PBOC, “It marks the recognition of the international community for China’s economic development and the achievements of reform and opening up.”<sup>36</sup> However, China’s care in defining itself as a developing country in order to avoid assuming the IMF-related duties of “rich countries” has been an issue. Additionally, China has resisted capital account convertibility so that it can more readily manage capital inflows and outflows and control the exchange rate of the RMB.<sup>37</sup>

Deng Xiaopeng first met with Robert McNamara, then President of the World Bank, in 1980. Deng reportedly told McNamara that China would modernize with or without World Bank assistance but could do so more rapidly with its assistance.<sup>38</sup> Subsequently, there was cooperation and assistance for many years. Especially in recent years, however, China’s insistence on defining itself as a developing country has been sharply criticized by the United States and other western countries. A dispute in 2021 over the data used to compute China’s ranking in a widely-used report aroused further criticism. The World Bank announced in September 2021 that it would discontinue its “Doing Business” reports after an investigation by a U.S. law firm concluded that, with the knowledge of its chief executive officer Kristalina Georgieva, World Bank staff members changed data on China to improve its ranking.<sup>39</sup>

Commenting generally on the effects of Chinese influence in global economic organizations such as the WTO, IMF and World Bank, an article in *The Economist* concluded that growing Chinese influence had been accompanied by worrisome indications that global institutions had fallen into “disrepair” and were “struggling for influence and tarnished by scandal.”<sup>40</sup> Separately, a China scholar commented that, “The current situation is characterized by China deeply embedded in the global economic system as a developing country, reluctant to take on the responsibilities of a rich country, and conducting bilateral relations that often run counter to global norms.”<sup>41</sup> The designation of China as a developing country may again be challenged in 2023. As recently reported by China’s National Bureau of Statistics, its national gross domestic product per capita reached the RMB equivalent of about USD 12,741 in 2022. The World Bank’s income threshold for designation as a rich country is USD 13,205, a measure that China is likely to reach in 2023. An article in the *South China Morning Post* noted that, “Losing the developing country tag [would] challenge Beijing’s positioning in the global governance system, as its foreign policy has been based around the idea that China represents the developing world.”<sup>42</sup>

President Xi Jinping views China’s role in international organizations from a different perspective. In his speech to the National Party Congress in October of 2022, he explained that “China works to see that multilateral institutions such as the WTO . . . better play their roles, cooperation mechanisms such as BRICS and the [SCO] exert greater influence, and emerging markets and developing countries are better represented and have a greater say in global affairs.”<sup>43</sup> In February of 2023, the Ministry of Foreign Affairs outlined some of China’s grievances about organizations like the WTO and IMF: “After WWII, the United States established . . . institutional hegemony in the international economic and financial sector by manipulating the weighted voting systems, rules and arrangements of international organizations, including ‘approval by 85 percent majority,’ and its domestic trade laws and regulations.”<sup>44</sup>

#### (b) China and New Regional and International Organizations

As suggested by Xi Jinping’s comments cited above about the BRICS cooperation mechanism and the SCO, China has sometimes elected to fund new organizations that could serve as future alternatives to more established global forums. One example is the AIIB which is intended to rival the ADB and the World Bank by working with emerging market countries that may feel underrepresented within more established global institutions.<sup>45</sup> President Xi Jinping announced the establishment of the AIIB in 2013. In his words, the AIIB would “enable ASEAN countries to benefit more from China’s development.”<sup>46</sup> Headquartered in Beijing, the AIIB began operations in 2016 with 57 founding members (37 regional and 20 nonregional). It now has 106 members, a capitalization of USD 100 billion and a AAA credit rating.<sup>47</sup> As stated on its website, the AIIB invests in “infrastructure that is green, technology-enabled and promotes regional connectivity.”<sup>48</sup>

From its inception, the objectives and operating methods of the AIIB have been questioned by the United States. The National Security Council had the following statement about the AIIB: “Based on many discussions, we have concerns about whether the AIIB will meet [the high standards of the World Bank and the regional development banks, such as the ADB] particularly [those standards] related to governance, and environmental and social safeguards.”<sup>49</sup> There has also been skepticism about governance provisions in the AIIB’s Articles of Agreement that, in practical terms, guarantee China “an outsized role in determining the bank’s investment and direction.”<sup>50</sup> Some observers have also been critical of the geographic extension of the AIIB’s lending programs well beyond Asia to countries such as Ecuador, Rwanda and Brazil.<sup>51</sup>

The NDB and the Silk Road Fund are additional examples of such alternative organizations. Often described as China’s answer to U.S.-led global financial institutions, each of these entities is supported by significant financial commitments from China.<sup>52</sup> Each of the NDB and the Silk Road Fund has also been a significant promoter of CIPS and use of the RMB in international financial transactions.

The NDB, formerly known as the BRICS Development Bank, was established in 2015 by the BRICS countries (Brazil, Russia, India, China and South Africa), with China providing most of the initial capital.<sup>53</sup> The United Arab Emirates, Uruguay, Bangladesh and Egypt became NDB members in 2021.<sup>54</sup> The NDB’s stated objective is to mobilize funding for infrastructure and sustainable development in its member countries, as well as in other emerging market economies.<sup>55</sup> With its headquarters in Shanghai and authorized capital equivalent to USD 100 billion, the NDB was initially seen by its members as a potential alternative to the World Bank.<sup>56</sup> Recently, the NDB has been criticized by Western observers for its lack of transparency and accountability, as well as for its ties to Russia. The NDB placed its operation in Russia “on hold” in March 2022 after the Ukraine invasion. In August 2022, the NDB was reported to be in “active” talks with investors about a new USD bond to be issued to fund projects in all member countries except Russia. This project, which currently remains uncompleted, was intended in part to provide reputational support after Fitch downgraded the NDB’s credit rating because of its links to Russia.<sup>57</sup> On October 25, 2022, the NDB successfully priced a three-year RMB 3 billion bond in the China Interbank Bond Market, thereby completing the NDB’s second RMB 20 billion bond program. An NDB press release indicated that the proceeds were to be used as general corporate resources of the NDB for financing infrastructure and sustainable development projects.<sup>58</sup>

The Silk Road Fund, with headquarters in Beijing, was established in 2014. Its objective is to support long-term investments in countries that participate in the BRI in order to strengthen their economic co-operation and trade with China, and, as noted by President Xi Jinping, “to get on board the train of China’s development.”<sup>59</sup> At the time of establishment of the Silk Road Fund, China announced that it would contribute USD 40 billion in initial capital.<sup>60</sup> In 2017, President Xi Jinping announced a further contribution of RMB 100 billion to the Silk Road Fund.<sup>61</sup> As explained on the Silk Road Fund’s website, it operates as a dual currency fund and is therefore able to “offer

financing solutions with flexible currency choices to suit the needs of individual projects and help enterprises mitigate currency exchange risks.”<sup>62</sup> The dual currency capitalization also “allows the Silk Road Fund to meet the needs of investment-recipient countries to diversify the currency composition of their foreign reserves.”<sup>63</sup> In other words, the Silk Road Fund is intended to encourage use of the RMB along with its promotion of multilateral and bilateral economic cooperation. The Silk Road Fund’s government sponsors include the State Administration of Foreign Exchange (“SAFE”), the China Investment Corporation, the China Export-Import Bank and the China Development Bank. Even though SAFE has a 65% stake in the Silk Road Fund, it is “semi-directly” supervised by the PBOC.<sup>64</sup>

While some observers view the SCO as a security-focused organization seeking to counterbalance NATO, others have noted its efforts to promote the use of local currencies in trade and alternative payment and settlement systems.<sup>65</sup> The SCO was established in 2001 as a Eurasian political, economic and security forum. Its stated objectives were “addressing anti-terrorism and instability, border security, political affairs and economic and energy issues.”<sup>66</sup> The initial members were China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. India and Pakistan became members in 2017 and Iran’s accession to full member status is scheduled to take place in April 2023. Afghanistan, Belarus and Mongolia have observer status and there are a number of additional “dialogue” partners, including Turkey. China’s objectives in promoting the SCO have evolved as the number of members, observers and dialogue partners has expanded. In the words of one recent report, “China views the SCO as a means to ensure security in its neighborhood and to protect its economic interests across Eurasia, where it has invested billions of dollars in infrastructure as part of [the BRI].”<sup>67</sup> The SCO is also viewed as integral to China’s promotion of trade in national currencies and the RMB. At the SCO’s September 2022 meeting, members agreed to expand trade in national currencies, thereby reducing dependency on the USD for bilateral trade. The SCO presents itself as a “reliable alternative for its members to thwart economic shocks and financial uncertainty stemming from sanctions . . . .”<sup>68</sup>

### (c) China’s Work with CIPS and SWIFT

China’s determination to work within existing organizations while building up parallel challengers is on full display in its work with SWIFT and CIPS. Over the past ten to fifteen years, China has worked to increase its influence within SWIFT, while at the same time building up CIPS as a parallel messaging system that, like its U.S. counterpart, the Clearing House Interbank Payments System (“CHIPS”), has the additional capability of clearing and settling transactions. As noted by Eswar Prasad, “CIPS has been designed as a system that could eventually also serve as a conduit for interbank communications concerning international RMB transactions that operates independently from SWIFT. . . . China’s government is astute enough not to challenge SWIFT until CIPS has matured, but no doubt one day the challenge will come.”<sup>69</sup> At present, RMB transaction messages amount to only about 3.2% of all transaction messages processed by

SWIFT, but the volume of transactions completed through CIPS has grown by 50 percent per year in recent years.<sup>70</sup>

Before it developed CIPS, China conducted cross-border transactions primarily through designated offshore RMB clearing banks or through correspondent banks. Its domestic interbank clearing system, the China National Advanced Payment System (“CNAPS”) did not support international payments.<sup>71</sup> Like CNAPS, CIPS is controlled by the PBOC. It was created to support RMB clearing and settlement domestically as well as offshore and to promote the international use of the RMB.<sup>72</sup> One frequently cited benefit of CIPS is that it provides direct access for onshore and offshore banks to CNAPS. CIPS payment messages are written both in English and Chinese. CIPS utilizes SWIFT bank identifier codes for its communication with SWIFT member banks. As of February 2023, CIPS had 1366 participants (79 direct and 1287 indirect).<sup>73</sup> As indicated on its website, financial institutions in 109 countries and regions were connected to CIPS. Some 979 participants were from Asia (including 554 from China), 191 from Europe, 30 from North America, 47 from Africa, 23 from Oceania and 17 from South America.<sup>74</sup> Direct participants, all of which are major financial institutions incorporated in China, can send and receive payment instructions directly. Indirect participants must access CIPS through direct participants.

To date, with over 11,500 financial institutions from approximately 200 countries as members, SWIFT remains the dominant cross-border messaging system.<sup>75</sup> The value and volume of CIPS transactions are still tiny by comparison. As noted by one observer, “In 2021, CIPS processed a mere USD 12 trillion in transactions, the equivalent of messages processed by SWIFT in less than three days . . . RMB payments represent less than ten percent of global financial transactions.”<sup>76</sup> However, with the full support of the Chinese leadership and the PBOC, CIPS is becoming an important alternative and supplement to SWIFT whenever payments in RMB are involved.

A 2016 agreement with SWIFT provided interconnectivity between CIPS and SWIFT and furthered CIPS’ integration with the payments systems generally used by international commercial banks. Subsequently, the adoption by CIPS of the ISO 20022 standard for international payments messaging facilitated connections with other payments systems.<sup>77</sup> On January 16, 2021, SWIFT and the PBOC entered into a joint venture with the PBOC’s clearing center and digital research institute.<sup>78</sup> In March of 2021, the PBOC announced that the joint venture, called the Finance Gateway Information Services Co., would provide users with financial gateway services, including the establishment of local data warehouses and other related services to monitor and analyze cross-border payment messaging.<sup>79</sup> While they are in some respects complementary to SWIFT services, these measures have also supported the development of an independent, parallel CIPS system that routes all SWIFT messages related to China through CIPS and facilitates offshore RMB payments without any use of SWIFT.<sup>80</sup>

## 2. Developing Digital Currencies, including a CBDC



### (a) Promotion of Digital Currencies by Chinese Leadership

China has been a leader in the development of digital currencies.<sup>81</sup> Somewhat ironically, one of the factors behind China's interest in rapid development of a viable digital currency apparently came from the view of Chinese authorities that the United States was trying to be the first to create a digital currency by promoting Libra, an e-currency developed by Facebook (now Meta). It was assumed by Chinese regulators at the time that Libra and the USD would be linked. In December 2020, Libra was renamed Diem and in January 2022 the whole project was abandoned.<sup>82</sup>

The 13<sup>th</sup> and 14<sup>th</sup> Five-Year Plans for 2016-2020 and 2021-2025, respectively, included general directives to promote the development of a digital currency. For example, the 14<sup>th</sup> Five-Year Plan, published in March 2021, included the directive: "Steadily promote the development of digital currency."<sup>83</sup> The PBOC first set up a team to study digital currencies generally in 2014 and soon expanded the team's remit to include measures to develop them for practical use. In 2017, China's State Council authorized the PBOC to begin designing a digital currency in cooperation with China's major commercial banks.<sup>84</sup> In May of 2019, PBOC Governor Yi Gang stated that top-level design of a retail digital currency for electronic payments ("DCEP") had been completed and announced pilot testing projects.<sup>85</sup> By April of 2022, the PBOC had expanded the pilot program to include 23 cities in China.<sup>86</sup>

### (b) Domestic and International Uses of Digital Currencies

Domestically, the digital RMB (sometimes referred to as the DCEP in this context) that is used for retail purposes functions much like cash and is accessible via cellphones. It has been promoted by the Chinese leadership, in part because it has effective surveillance features. From the perspective of the PBOC, a digital currency it issues and controls presents an attractive alternative to payment methods independently developed and managed by fintech companies.<sup>87</sup>

The Chinese leadership has also focused on the international uses of a digital currency, typically in the form of a CBDC. Among other features, a CBDC can be used to evade sanctions: "The United States has no way to restrict the use of a virtual coin that is issued by another country's central bank."<sup>88</sup> In 2020, the Hong Kong Monetary Authority was reported to be working with the Digital Currency Institute of the PBOC on technical preparations for making cross-border payments using a digital currency.<sup>89</sup> On July 15, 2021, the PBOC released a white paper describing the digital RMB's long-term international potential.<sup>90</sup> Some 300 or more staff members of the PBOC have reportedly been working on ways to promote the international use of a CBDC, typically referred to in this context as the "e-CNY."<sup>91</sup> The head of China's digital currency initiative has stated that the e-CNY has the potential to support a processing speed of 300,000 transactions per second.<sup>92</sup>

China has used its leadership in the development of the e-CNY to propose global financial rules for digital currencies. For example, at the Bank for International Settlements (“BIS”) Innovation Summit in March of 2021, China submitted a Global Sovereign Digital Currency Governance proposal that sets forth China’s proposals on standards for cross-border digital transactions, including risk supervision and types of data to be collected.<sup>93</sup> Mu Changchun, director of the Digital Currency Institute at the PBOC, has indicated that, because the PBOC has made significant progress in developing the e-CNY, it is well-positioned to set global standards for CBDC development generally.<sup>94</sup> Daleep Singh, a former National Security Adviser, has expressed concerns that unless the United States can present a viable CBDC program of its own in discussions at the BIS and other global forums, the design of cross-border CBDCs and their regulation will reflect the priorities and values of China and other rivals rather than those of the United States.<sup>95</sup> As summarized in a recent Wall Street Journal op-ed discussion, “[China’s] leaders envision e-CNY as a parallel international payment and currency network to that of the West. If a new bipolar world emerges . . . the dollar’s dominant role could be undermined. Decoupling the world’s two largest economies . . . could well include the rise of a powerful alternative reserve currency.”<sup>96</sup>

#### (c) Use of CBDCs In BRI Projects and Bilateral Trade

China is also experimenting with the use of CBDC in BRI projects and in bilateral trade.<sup>97</sup> In particular, China has used BRI lending agreements to promote the use of the RMB and encourage use of CBDC arrangements. While a 2020 study estimated that 85% of BRI loans were at that time denominated in USD, Chinese sources often emphasize that the RMB is expected to gradually become the main settlement currency for countries participating in the BRI.<sup>98</sup> Increasingly, BRI borrowers are being required or encouraged to repay their RMB loans by using CBDC payment arrangements with the PBOC. Some 140 countries have signed memoranda of understanding with China and its BRI.<sup>99</sup> A comprehensive study of more than 100 contracts between Chinese state-owned entities and government borrowers in 24 developing countries found that, in addition to providing CBDC repayment options, Chinese lenders typically seek advantage over other creditors by using collateral arrangements such as lender-controlled revenue accounts for payments and commitments to keep the debt out of collective restructuring through “no Paris Club” and similar clauses.<sup>100</sup>

#### (d) Development of mBridge

In 2021, China launched a pilot program with Hong Kong, Thailand, the United Arab Emirates and the BIS Innovation Hub to establish a “CBDC Bridge” (subsequently, usually referred to as the “mBridge”) that is intended to enable real-time cross-border currency transactions. A September 2021 report on mBridge published by participating monetary authorities estimates that it could reduce cross-border payment costs by as much as 50% and cut payment times from a few days

to a few seconds.<sup>101</sup> The main objective is to facilitate cross-border payments using CBDCs and distributed ledger technology (blockchain).<sup>102</sup> Like BRI lending agreements based on CBDC repayment arrangements, these efforts are designed to promote the international use of the RMB. As Wang Xin, director of the PBOC's Digital Currency Research Institute, has noted, "If a digital currency is closely associated with the [USD], there would be in essence, one boss, that is the [USD] and the United States."<sup>103</sup> The implicit reasoning is that a similar association of a digital RMB with the PBOC would have the opposite effect.

In a recent USD 22 million pilot test of mBridge, the e-CNY was the most issued and actively transacted digital currency. A total of RMB 11.8 million (approximately USD 1.64 million) worth of e-CNY was issued in testing between August 15 and September 23, 2022. The RMB was used in 72 payment transactions, far more than any other currency.<sup>104</sup> Arguably, mBridge is still in its infancy, as evidenced by the very small size of the test study, but the Chinese leadership seems determined to develop it quickly.

### 3. Utilizing Bilateral Currency Swap Agreements ("BSAs")

#### (a) Use of Bilateral Swap Agreements to Promote Use of RMB

PBOC Governor Yi Gang pledged at the February 2022 meeting of G-20 finance ministers and Central Bank governors to support increased local currency usage in Asia.<sup>105</sup> One practical way to accomplish this objective is by using BSAs between China and other Asian countries. A BSA is an agreement between two central banks to swap their currencies at a fixed interest rate. Because each central bank can lend the proceeds of the swap lines to commercial banks within its domestic jurisdiction, these banks gain temporary liquidity in a foreign currency. The PBOC stated in a 2021 report that it has swap facilities with 40 countries that have an aggregate capacity of about RMB 4 trillion (approximately USD 575 billion).<sup>106</sup>

The primary objectives of China's BSAs are to encourage RMB-based trade and promote the internationalization of the RMB.<sup>107</sup> However, despite the existence of numerous BSAs between China and other countries, to date only a few countries seem to have actually tapped these credit lines. Just prior to the Ukraine invasion, bilateral swap lines between Russia and China appeared to be the most active. As of early 2022, Russia had a RMB 150 billion BSA with China and about RMB 90 billion of deposits with the PBOC.<sup>108</sup> Like mBridge, BSAs are strongly supported by the Chinese leadership.<sup>109</sup>

#### (b) Promotion of Regional Liquidity Arrangements

In June 2022, the PBOC executed an agreement with the BIS relating to an RMB liquidity arrangement. The initial participating central banks were from Indonesia, Malaysia, Singapore and Chile. The Hong Kong Monetary Authority also participated.<sup>110</sup> More flexible than most BSAs,

this arrangement provides for a participating central bank to pledge “qualified collateral” from its balance sheet in return for a sizeable injection of RMB.<sup>111</sup>

#### (c) Chiang Mai Initiative

The Chiang Mai Initiative of 2000 (“CMI”) was launched as a set of bilateral swap lines among various ASEAN countries and China, Japan and South Korea after the 1997 Asian financial crisis. It was designed so that central banks of participating states could support each other financially in times of crisis without any reliance on the IMF or use of USD. The RMB had a leading role in this arrangement. In March 2010, CMI was enlarged through a multilateral arrangement called the Chiang Mai Initiative Multilateralization (“CMIM”). CMIM was commenced with a liquidity pool of USD 240 billion. Member countries are permitted to draw down as much as 30% of their qualified shares without securing assistance from the IMF. The program was adjusted and expanded in 2021.<sup>112</sup> A crisis prevention facility, the CMIM Precautionary Line was introduced in 2014.<sup>113</sup>

### 4. Promoting China-centric Regional Economic Arrangements

#### (a) Regional Comprehensive Economic Partnership (“RCEP”)

China has used regional economic agreements to promote the use of the RMB. The RCEP agreement was signed on November 15, 2020 and became effective on January 1, 2022. Members include China, Australia, Japan, South Korea, New Zealand and the ten ASEAN members (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam). The RCEP has been characterized by some observers as “platitudinous and ineffective” but it is expected to accelerate a shift in global trade towards Asia. In addition to enabling China to strengthen trade ties with neighboring countries, RCEP provides a regional forum for China to promote the use of the RMB.<sup>114</sup>

According to a recent Congressional Research Service report, “China actively shaped the [RCEP] negotiations and views RCEP as a ‘victory of multilateralism and free trade.’”<sup>115</sup> Because China is one of the key beneficiaries of RCEP’s purported benefits, President Biden has expressed concern that the United States must “set the rules of the road instead of having China and others dictate outcomes.”<sup>116</sup> In practical terms, the RCEP concept gained traction from renewed interest in a regional trade deal once the United States withdrew from the Trans Pacific Partnership (the “TPP”) in 2017.

#### (b) BRICS Initiatives

China has used its influence within the BRICS grouping of countries to promote financial arrangements dominated by China and the RMB.<sup>117</sup> BRICS Plus, BRICS Pay and the BRICS CRA are examples of such initiatives. BRICS Plus was launched by China as a regional forum in 2017. Current members include Brazil, Russia, India, China and South Africa. A recent China Daily article touted BRICS Plus as a “safety net” for developing countries that would facilitate formation of a new international economic order.<sup>118</sup> Like the RCEP, BRICS Plus is expected to provide opportunities to promote the use of the RMB.

On March 5, 2019, the BRICS countries announced the creation of a single payment system, BRICS Pay, to provide a basis for a common system for retail payments and transactions among the member countries. BRICS Pay is a service for linking the credit or debit cards of residents of the five BRICS countries to online wallets, which offer BRICS residents the ability to make payments using a smartphone.<sup>119</sup> The entire system is designed to operate without the need for SWIFT or the USD. In a keynote speech in June 2022, President Xi Jinping called on the BRICS business community to expand cooperation and cross-border e-commerce.<sup>120</sup> A lesser-known initiative, the BRICS Contingent Reserve Arrangement (the “BRICS CRA”) was established in 2015. It is a swap agreement supported by USD 100 billion in funds, of which China has contributed USD 41 billion. The BRICS CRA is intended to mitigate liquidity crises.<sup>121</sup>

## 5. De-Dollarizing Foreign Reserves

### (a) Significant Reduction in Holdings of U.S. Treasury Securities

China is working to de-dollarize its foreign reserves. While China has steadily accumulated U.S. Treasury securities over the last few decades, it is now taking steps to reduce its USD reserve holdings of such securities. According to data reported by SAFE, China reduced its holdings of USD reserves from 79% of its total foreign exchange reserves in 1995 to 59% in 2016. Subsequently, there was a further decline and by 2020 China held only 50 to 60% of its reserves in dollar-denominated assets.<sup>122</sup> As of October 2021, China held USD 1.065 trillion in U.S. Treasury securities, constituting about 3.68% of the then USD 28.9 trillion national debt.<sup>123</sup> According to U.S. Treasury Department data, China’s portfolio of U.S. government debt dropped to USD 980.8 billion as of May 2022. This represented a decline of nearly USD 100 billion from May 2021. By January 2023, China’s holdings of U.S. Treasury securities had fallen to USD 859.4 billion (compared to USD 1.104 trillion for Japan).<sup>124</sup>

### (b) Diversification of Foreign Reserve Holdings

The decline in USD holdings can be attributed primarily to China’s efforts to diversify its foreign reserves. According to Tian Yun, former vice director of the Beijing Economic Cooperation Association, “The reduction in China’s holdings underscored that [China’s] resistance to the

hegemony of the [USD] as a reserve currency has strengthened.”<sup>125</sup> Tian stated that for the immediate future, China may continue to buy U.S. Treasury bonds, because there are few other better options for China to invest its vast foreign exchange assets. Tian suggested that, as a future alternative to investing in U.S. Treasury securities, China should increase its gold reserves, anchor the RMB to critical resource exports like rare earths, and increase the amount of RMB settlement and pricing power when importing resources from other nations.<sup>126</sup> Similar comments were made by Yu Yongding, a prominent economist at the Chinese Academy of Social Sciences, during a Tsinghua PBCSF Chief Economists Forum. Among other measures, Yu suggested that Chinese authorities should reduce holdings of U.S. Treasury securities, increase holdings of other assets, and make more direct investments in strategic resource-producing countries.<sup>127</sup>

## 6. Developing Offshore RMB Centers

### (a) Offshore RMB Clearing Centers

Encouraging the growing offshore use of the RMB has long been an important part of China’s foreign exchange liberalization strategy.<sup>128</sup> A deep offshore market is an important prerequisite to enhancing the international status of the RMB. China first allowed the use of the RMB in the settlement of its cross-border trade in 2009. Offshore RMB activity has increased rapidly since that time, with Hong Kong, London, Singapore and Frankfurt serving as major trading hubs. The first RMB clearing hub located outside Asia was established in Frankfurt in 2014. At that time, it became possible to settle RMB-denominated payments via the Frankfurt branch of the PBOC.<sup>129</sup> By September 2016, 17 RMB centers for clearing and settling RMB transactions had been established (7 located in Asia, 6 in Europe, and 4 in the Americas), with that number growing to 25 in 2022.<sup>130</sup> RMB trading occurring in the United States has also increased in recent years. As explained in detail in a recent study, making greater use of these offshore RMB centers is an important priority.<sup>131</sup> In September 2022, China announced plans to set up an RMB clearing hub in Kazakhstan.<sup>132</sup>

### (c) CEINEX and Offshore-Based Securities Trading

There have been related efforts to promote offshore RMB-based trading of securities products. The China-Europe International Exchange (“CEINEX”) was launched in Frankfurt as the first platform for RMB-denominated trading of equity securities and related investment products outside China. CEINEX was established in 2015 as a joint venture among the Shanghai Stock Exchange (“SSE”), the Deutsche Borse Group (“DBAG”) and China Financial Futures Exchange (“CFFE”).<sup>133</sup> As explained by Carl-Ludwig Thiele, CEINEX uses DBAG’s infrastructure and provides investors with the “enticing option” of gaining access to the Chinese capital markets during European and U.S. trading hours.<sup>134</sup>

## 7. Issuing RMB-Denominated Bonds

The issuance of RMB-denominated bonds has grown significantly in recent years.<sup>135</sup> In a speech at the 12<sup>th</sup> Lujiazui Forum in 2020, Pan Gongsheng, Deputy Governor of the PBOC and SAFE administrator, noted that there had been an annual growth rate of nearly 40% in the aggregate value of RMB bonds held by overseas investors in recent years.<sup>136</sup> At the beginning of 2014, foreign investment in onshore RMB bonds was less than USD 100 billion. While foreign investment increased rapidly thereafter, there was a significant outflow of funds between July 2015 and February 2016. By the beginning of 2022, foreign investment in RMB bonds was approximately USD 640 billion.<sup>137</sup> However, due in part to concerns about geopolitical risks following Russia's invasion of Ukraine, foreign investors reduced their exposure to RMB bonds, resulting in a net investment total of about USD 343 billion by July 2022.<sup>138</sup>

Chinese commercial banks (including China Construction Bank and the Bank of China) have been issuing offshore RMB-denominated bonds to finance BRI projects. This helps to promote the internationalization of the RMB because raising capital for such infrastructure projects by issuing RMB-denominated bonds also encourages greater use of the RMB in related international financial transactions.<sup>139</sup>

## 8. Promoting Blockchain Applications

### (a) Blockchain and Future Payment Systems

The Chinese leadership views blockchain technology as the basic foundational infrastructure for future payment systems. In October 2019, Xi Jinping gave a speech to the Politburo Central Committee highlighting the potential benefits to the Chinese economy of blockchain applications. He suggested that research should be conducted on how to integrate blockchain into payment systems, artificial intelligence (“AI”) applications and the so-called “Internet of Things.” However, he did not specify how blockchain technology would actually be used to support the digital RMB.<sup>140</sup>

### (b) Launch of Blockchain Service Network (“BSN”)

China launched the Blockchain Service Network (“BSN”) in 2020. A white paper issued at the time noted that, “Once the BSN is deployed globally, it will become the only global infrastructure network autonomously developed by Chinese entities and for which network access is Chinese-controlled.”<sup>141</sup> China has also developed plans for cross-border stablecoins. A blockchain company favored by the leadership, Conflux, announced in September 2021 that it was engaged in pilot testing (in a free-trade zone of Shanghai) of an offshore RMB stablecoin that could be

used for cross-border payments. Subsequently, Hong Kong-based Red Date Technology (“Red Date”), one of the designers of China’s BSN, launched a new project to use both stablecoins and CBDCs in cross-border payments on a future platform, to be named “Universal Digital Payments Network” (“UDPN”). A spokesperson for Red Date noted that, “Just as the SWIFT network created the original common standard for messaging between financial institutions across different settlement systems, the UDPN will serve the same purpose for the emerging generation of CBDCs and stablecoins.”<sup>142</sup>

### (c) Issuance of Tokenized Bond

On February 16, 2023, the Hong Kong Monetary Authority (“HKMA”) announced that it had assisted the government in issuing the world’s first government-sponsored tokenized green bond (herein, a “tokenized bond”). HKMA’s press release stated that, “Tokenizing a bond means recording the beneficial interests in a bond on a [distributed ledger (such as blockchain)] rather than in traditional computerized book entries.”<sup>143</sup> Hong Kong dollar (“HKD”) cash tokens issued by the HKMA were exchanged for fiat cash provided by the banks underwriting the transaction. This facilitated on-platform settlement of primary issuance and secondary trading, as well as coupon payment and redemption at maturity. HKMA’s announcement noted that issuance and redemption of the cash tokens used in this transaction were based on the mBridge platform and stated that eventually linkage between a tokenized bond platform and mBridge could facilitate cross-border bond settlement and investment.<sup>144</sup>

## 8. Special Bilateral Arrangements

One result of the Ukraine war has been a significant increase in trade between Russia and China. Such trade increased by 34.3% in 2022 to USD 190 billion.<sup>145</sup> China and Russia are promoting their national currencies in bilateral oil trade.<sup>146</sup> There have been related attempts to increase the use of the RMB within Russia. Recent reports indicate that nearly 50 financial institutions in Russia now offer RMB savings accounts.<sup>147</sup> There are several other indications that the RMB is becoming quite widely used within Russia. For example, in December 2022, Russia’s sovereign wealth fund doubled the share of RMB that it is permitted to hold to 60 percent of total funds.<sup>148</sup> The share of Russian exports paid for in RMB had risen from 0.4 percent before the start of the Ukraine war to about 14% by September 2022.<sup>149</sup>

## 9. Assessing the Success of China’s Strategy

While China has made meaningful progress in developing China-centric alternative payment systems and promoting the international use of the RMB, significant roadblocks remain. A key issue has been the closed nature of the Chinese capital account. Chinese officials steadfastly note



that progress has been made. For example, Pan Gongsheng, a deputy governor of the PBOC, stated in a speech to the 13<sup>th</sup> Lujiazui Forum that, “Since the beginning of this century, we have been steadily moving ahead with the liberalization of our capital account, which has become highly convertible according to international standards.”<sup>150</sup>

However, many Western observers disagree. As summarized by one analyst, “The [RMB] is not freely exchangeable, the Chinese capital account is not open, and investor confidence in Chinese institutions, including the rule of law, is relatively low.”<sup>151</sup> As summarized by other observers, “Although it has made remarkable progress in recent years, the RMB has a long way to go before replacing the USD as the world’s dominant reserve currency . . . RMB adoption boils down to trust.”<sup>152</sup> Another study notes that, “RMB internationalization will not take place until China allows for significant capital account liberalization, which must come with allowing market-determined interest rates and greater exchange rate flexibility.”<sup>153</sup>

#### D. U.S. Response

As described above, the Chinese leadership has consistently supported development and expansion of cross-border organizations, payment systems and transactions that China can control in order to challenge the United States and the primacy of the USD. To date, the United States has not developed a comprehensive, effective strategy for managing its financial engagement with China. The broad analysis provided by Jessica Chen Weiss in a recent article might also be applied to the narrower issue of financial engagement: “Without a clear sense of what it seeks or any semblance of a domestic consensus on how the United States should relate to the world, U.S. foreign policy has become reactive, spinning in circles rather than steering toward a desired destination.”<sup>154</sup> The U.S. response to Chinese efforts to internationalize the RMB, downplay the role of the USD and develop alternative payments systems that do not rely on the USD has been too weak. The United States needs to develop a comprehensive, affirmative strategy to promote its interests and values. Several factors account for the current policy shortcomings.

##### 1. Reliance on “Exorbitant Privilege” of the USD

First, the United States has relied generally on what former French foreign minister and president Valery Giscard d’Estaing famously called the “exorbitant privilege” of the USD. For a time after World War II, the Bretton Woods system, which effectively pegged other currencies to the dollar (while the USD was loosely pegged to gold) gave the United States the special advantage of a dominant reserve currency.<sup>155</sup> Subsequently, after the early 1970s, the international monetary system became more decentralized, with the floating rate values of major currencies being determined by markets.<sup>156</sup> At present, the United States can still rely on the strength of the USD if it chooses to disconnect banks (such as those from Russia, North Korea,

Iran and to a lesser extent China) from SWIFT, prohibit banks from engaging in transactions with certain Russian (or Chinese) counterparties, and freeze foreign reserves. Such measures are effective because the USD remains strong and the United States has significant influence over SWIFT. Additionally, the Federal Reserve manages CHIPS (the domestic payment system) very effectively.

The USD has been the world's dominant reserve currency since World War II. As noted in a recent CRS report, central banks hold about 60% of their foreign exchange reserves in USD. Approximately half of international trade is invoiced in USD. Similarly, about half of international loans and global debt securities are denominated in USD.<sup>157</sup> By contrast, use of the RMB remains low. According to one estimate, the RMB was used in only about 2.7% of international transactions as of December 2021.<sup>158</sup> Another estimate placed the RMB's share of global payments at 2.4% in September of 2022.<sup>159</sup> In sum, U.S. policy makers cite stability of value, liquidity, safety and ability to rely on a strong lender of last resort as key lasting attributes of the USD.<sup>160</sup>

While acknowledging that the PBOC's development of a digital currency and its multi-faceted efforts to influence global finance may allow China to challenge USD leadership and the application of sanctions in certain instances, the U.S. position has generally been that use of the USD can be leveraged effectively to promote U.S. foreign policy objectives.<sup>161</sup> At a recent conference on the international role of the USD, FRB Chair Jerome Powell summarized the reasons for its continuing global preeminence: the depth and liquidity of U.S. financial markets, the size and strength of the U.S. economy, its stability and openness to trade and capital flows, and international trust in U.S. institutions and the rule of law.<sup>162</sup> The FRB and other relevant U.S. government agencies have been content not to disrupt a system that they seem to control and that has served the United States well for many years. Such complacency may be misguided in the context of Chinese determination to expand China's control over relevant cross-border payment systems and to develop the RMB as a viable international reserve currency.

Some analysts argue that in a world increasingly divided into spheres of influence led by the United States and China, it is likely that a bipolar currency regime will eventually emerge.<sup>163</sup> Others foresee a more fragmented, multipolar currency regime.<sup>164</sup> A third outlook rests on the idea that in the future, currencies may be linked to commodities such as oil.<sup>165</sup>

## 2. Ambivalence About Role in International Rule-Setting Bodies

In contrast to China's active role in trying to influence governance issues in the IMF, World Bank and similar international entities, the United States has at times been ambivalent about its role and objectives. Joseph Nye's recent comment about the U.S. response to China's WTO misconduct could also be applied to other international bodies: "It is . . . clear in retrospect that the Bush and Obama administrations should have done more to punish China for its failure to comply with the spirit and rules of the WTO."<sup>166</sup> Such hesitancy has facilitated Chinese attempts

to reshape such institutions from within and promote rules and policies consistent with Chinese objectives. As noted in one recent article, “Without guiding principles about which elements of the existing order are most crucial for protecting U.S. interests and values, the United States will find itself backfooted and reactive to initiatives emanating from Beijing . . . .”<sup>167</sup>

### 3. Reliance on Sanctions

The United States has for many years relied on sanctions as a central tool of financial foreign policy. During World War II, sanctions were used to freeze the assets of the Danish and Norwegian governments in order to prevent the Nazis from seizing them. The Office of Foreign Assets Control (“OFAC”) was created in 1950. During the Cold War, Congress gave the U.S. President new powers to impose sanctions.<sup>168</sup> In various circumstances, sanctions have been assigned objectives of deterrence, enforcement and punishment. The problem with this approach is that China, like other significant potential targets of U.S. sanctions, typically responds to the threat of sanctions by avoiding payment channels controlled by the United States, thereby reducing the economic leverage that the United States tries to deploy.

As noted almost 25 years ago by Richard Haass in a Brookings report, “The widespread use of economic sanctions constitutes one of the paradoxes of contemporary American foreign policy. Sanctions are frequently criticized, even derided. At the same time, economic sanctions are fast becoming the policy tool of choice for the United States in the post-Cold War world.”<sup>169</sup> The Haass article included a long list of reasons why sanctions do not work.<sup>170</sup> Since then, many others have noted that while sanctions are intended to express U.S. power forcefully while avoiding military intervention, they may undermine rather than strengthen the economic hegemony of the United States. For example, in 2016, Jack Lew, then U.S. Secretary of the Treasury, warned that overuse of sanctions “could undermine [the U.S.] leadership position within the global economy, and the effectiveness of the sanctions themselves.”<sup>171</sup>

A recurring problem with sanctions is that they do not operate in isolation from other U.S. actions. They need to be consistent with and integrated into the overall U.S. policy response in order to be effective.<sup>172</sup> The U.S. Treasury’s 2021 Sanctions Review report noted that alternative payment systems (such as CIPS) have the potential to diminish the effectiveness of U.S. sanctions. Competing regimes such as China construct such systems in a bid to weaken the USD’s role in international payments markets.<sup>173</sup> In addition to limiting the effectiveness of sanctions, successful alternative payment systems may also result in a loss in influence of U.S. financial oversight and regulatory capabilities.

### 4. Reliance on SWIFT to Enforce Sanctions

#### (a) SWIFT’s Failure as Enforcement Tool

The United States has relied too heavily on SWIFT as a tool to enforce sanctions. As a Brussels-based financial utility, SWIFT is subject to European Union (“EU”) law as implemented by Belgium. The United States can pressure the Belgian government to enforce U.S. sanctions and has done so on several occasions, most notably after 9/11 when Congress threatened to sanction SWIFT if it did not cooperate fully with U.S. attempts to trace terrorist financial flows. However, while the United States can express its views strongly, it cannot impose its laws on SWIFT.

Attempts to sanction Iran provide another example of U.S.-EU friction over sanctions to be imposed through SWIFT. In 2012, banks from Iran were disconnected from SWIFT at the request of the United States. On February 2, 2012, the Senate Banking Committee expressed support for a bill that gave the executive branch authority to impose sanctions on SWIFT for providing services to designated Iranian banks. Six weeks later, the European Union ordered SWIFT’s management to expel the designated Iranian banks from its network.<sup>174</sup> However, when the Trump administration pulled out of the Iran nuclear deal in 2018 and re-imposed sanctions on Iran, the EU protested. In 2019, France, Germany and the United Kingdom developed the Instrument in Support of Trade Exchanges (“INSTEX”) to help their companies avoid U.S. sanctions. INSTEX is a special purpose vehicle designed to facilitate “legitimate European” non-USD and non-SWIFT transactions with Iran. INSTEX completed its first transaction in early 2020. It related to the export of European medical goods to help Iran combat COVID.<sup>175</sup>

In addition to challenges to U.S. authority from European countries within SWIFT, there is the larger issue of China’s ability to circumvent SWIFT altogether. Because of its operations through CIPS, China can circumvent SWIFT-enabled sanctions on countries like Iran, North Korea and Russia. However, at present, while China could process prohibited payments to Russia using CIPS and a similar Russia-based network, the System for Transfer of Financial Messages, it has been reluctant to do so because the major Chinese commercial banks could be denied access to the SWIFT platform on account of such actions. China’s CIPS is not yet ready to operate effectively without SWIFT. However, China continues to expand the capacity of CIPS while at the same time it seeks to reduce its dependence on SWIFT.

#### (b) Governance Issues

SWIFT’s system of corporate governance is also a cause for U.S. concern. While SWIFT’s shareholding structure is reallocated every three years and the amount of control that accrues to a shareholder is proportional to its usage of SWIFT’s basic services, the 25 seats allocated for SWIFT’s board of directors include just two places for U.S. firms (currently occupied by Citibank and a smaller U.S. bank).<sup>176</sup> The National Bank of Belgium leads oversight activities with the G-10 central banks to ensure SWIFT’s role as a “critical service provider.” The SWIFT Oversight Forum, which includes 16 central banks, was set up in 2012 to increase information sharing. The Federal

Reserve Bank of New York (“FRBNY”) and the FRB represent the U.S. Federal Reserve within this oversight group.<sup>177</sup>

### (c) Security Issues

Another issue is the security of critical SWIFT systems. In 2016, North Korean hackers stole SWIFT credentials for the Central Bank of Bangladesh and managed to withdraw funds from its account at the FRBNY.<sup>178</sup> To address such security issues, SWIFT created a framework under its Customer Security Program to make certain that participating financial institutions have adopted effective security measures. While SWIFT is not responsible for the security of its users, it does require users to certify that they comply with its security control framework.<sup>179</sup>

### (d) Technology Issues

Because payments related to SWIFT messages are made through correspondent banking accounts which can make transfers slow and costly, SWIFT is regarded by many as technologically backward. The net result of these issues is that many large banks, including some banks from the United States, are not especially loyal to SWIFT. To address transparency, transaction speed and cost issues, SWIFT launched a cloud-based service, called SWIFT Global Payments Innovation (“SWIFT gpi”) in 2017. This add-on service offers end-to-end tracking of payment-related messages and makes fees more transparent. Use of SWIFT gpi enabled SWIFT to send approximately 50% of payment-related messages within 30 minutes or less in 2019.<sup>180</sup> By 2021, SWIFT gpi was used in connection with approximately 75% of SWIFT messages.<sup>181</sup>

### (e) Development of Proprietary Systems as Alternatives to SWIFT

In recent years, some banks, such as JPMorgan Chase, have experimented with proprietary cross-border payment systems. Among the JPMorgan Chase initiatives are Onyx, Liink and Coin Systems. Onyx is a proprietary blockchain-based platform for the exchange of value, information and digital assets. A sub-platform, Onyx Digital Assets, is a network that enables exchange of value for various types of digital assets. Liink is an information exchange network supported by blockchain technology that facilitates data-sharing between institutions. Over 400 financial institutions participate in Liink.<sup>182</sup> Coin Systems is a permissioned system that serves as a “payment rail and deposit account ledger.” It allows participating JPMorgan Chase clients to transfer USD held on deposit with JPMorgan Chase and make payments to other participating entities. Each of Onyx, Liink and Coin Systems has been developed as a specialized system to support cross-border payments and foreign currency exchange without the use of SWIFT.<sup>183</sup>

In a separate initiative in 2021, JPMorgan Chase teamed up with DBS Bank and Temasek (the Singapore sovereign wealth fund) to launch Partior. A press release stated that the three entities

planned “to develop an open industry platform to reimagine and accelerate value movements for payments, trade and foreign exchange settlement through Partior, a new company.”<sup>184</sup> The Partior network records transfers on “permissioned” blockchain ledgers, where only members can validate transactions and funds are transferred only if certain conditions are met.<sup>185</sup> Other major U.S. commercial banks are also working on specialized proprietary systems that would not require the use of SWIFT. For example, Wells Fargo has entered into a bilateral agreement with HSBC to settle foreign exchange transactions using a blockchain solution.<sup>186</sup>

## 5. Focus on Prevention of Money Laundering

The U.S. approach to regulating payment messaging systems such as SWIFT focuses too much on the prevention of money laundering. Ever since 9/11, the United States has focused on catching money launderers rather than making SWIFT more transparent and efficient. While commercial banks headquartered in the United States or organized under the laws of its allies have spent billions of dollars pursuing financial crime by adhering to rigorous SWIFT screening and record-keeping requirements, money laundering supported by adversarial regimes takes place beyond SWIFT’s reach.<sup>187</sup> A study reported in *The Economist* concluded that the global AML effort could be “the world’s least effective policy experiment.” While adherence to SWIFT protocols has not enabled financial institutions to meet the primary objective of preventing money laundering, compliance costs for banks and other businesses have been perhaps 100 times higher than the value of laundered funds seized. A report published by LexisNexis in 2020 found that worldwide spending on AML and sanctions compliance by financial institutions exceeds USD 180 billion a year.<sup>188</sup>

## 6. Development of a Digital Currency

### (a) Initial Delays in Evaluation

While it has recently expanded and expedited its efforts, the United States was initially too slow to focus on evaluating the strengths and weaknesses of different types of CBDCs and other digital currencies. Testimony by a CRS representative in 2019 cautioned that, “the adoption of digital fiat currencies by many major economies could raise concerns about maintaining the role of the USD as a reserve currency.”<sup>189</sup> While acknowledging that some central banks (including the European Central Bank, Bank of England, the Reserve Banks of Australia and New Zealand, and the Bank of Israel) had doubts about the benefits of a digital fiat currency, a CRS report supported further research and discussion about a U.S. CBDC.<sup>190</sup> In November 2019, in response to Congressional inquiries, the FRB stated that it was “not currently developing a CBDC” and had only committed to “continue to analyze the potential benefits and costs” in the future.<sup>191</sup>

Two years later, one study noted that the United States remained “stuck in preliminary discussions about a digital dollar,” even though “as CBDCs proliferate, the era of unchallenged dollar dominance is giving way to one of competition and choice among a basket of currencies, most importantly, the digital [RMB].”<sup>192</sup> By the time the FRB published its first extensive discussion paper on CBDCs in January 2022, some 87 countries (including Japan, the United Kingdom, China, Russia and the Eurozone countries) were already exploring digital currencies. A BIS survey in 2022 found that 90% of responding central banks were engaged in research experiments or work related to CBDCs.<sup>193</sup> In early 2023, a Wall Street Journal article noted that 114 countries were exploring CBDCs.<sup>194</sup> It was not until March 9, 2022 that President Biden signed an Executive Order on Ensuring Responsible Development of Digital Assets. Executive Order No. 14067 directed various government agencies, including the Department of the Treasury and Department of State to submit a report on the future of money and payment systems, including CBDCs.<sup>195</sup> As noted by former Fed Governor Kevin Warsh in a November 2022 op-ed piece in the Wall Street Journal, “The Fed and Treasury should cease to play the slow game while China builds a new digital monetary and financial architecture.”<sup>196</sup> As noted by one economist, “There’s a worry that if we don’t launch a digital currency in the United States or Europe, China will set the standards for them, and then we will be at a disadvantage.”<sup>197</sup>

At the FRB’s “inaugural conference” on the international role of the dollar in June 2022, Chairman Powell stated, “To summarize, I would like to stress the importance of the dollar to the United States and global economies and financial markets. It is critical that we understand the channels, connections and effects of the role of the dollar.”<sup>198</sup> The general view of the Federal Reserve has been that the United States does not need to be the “first out of the gate” in adopting a CBDC. This approach was emphasized in the Federal Reserve’s background paper (the “Consultation Paper”) published in January 2022: “This paper . . . is the first step in a public discussion between the Federal Reserve and stakeholders about [CBDCs].”<sup>199</sup> Other officials have also expressed skepticism about potential rivals to the USD. Randal Quarles, at the time Federal Reserve Vice Chair for Supervision, observed that, “it seems unlikely . . . that the dollar’s status as the dominant currency in international financial transactions will be threatened by a foreign CBDC.” Quarles added that he was unconvinced that a U.S. CBDC was required and speculated that outsourcing the digital currency question to the private sector might be the best policy.<sup>200</sup>

In fact, 2022 seems to have been a year of transition towards accelerated study of a possible CBDC for the United States. In December 2022, the new U.S. perspective was described succinctly as “We see what the world is doing on CBDCs and the United States is not going to be left behind.”<sup>201</sup> The Consultation Paper requested comment on 22 questions. The FRB received more than 2000 comments in response. The Consultation Paper focuses primarily on the benefits and risks of a retail CBDC, with commercial banks acting as intermediaries between the FRB and retail holders. However, it also notes that a CBDC could be designed for international use.<sup>202</sup>

At present, several important U.S. studies and experiments are underway: (a) Project Hamilton is a multiyear exploratory research project conducted by the FRB-Boston in

collaboration with MIT’s Digital Currency Initiative; (b) The FRBNY Innovation Center (the “NYIC”) has launched Project Cedar and has commenced a project to collaborate with the BIS on a number of financial innovations related to cross-border payments and digital currencies; and (c) The FRB in Washington, D.C. has several CBDC experiments in progress at its Technology Lab.<sup>203</sup>

Project Hamilton commenced in 2020 as a joint project of the FRB-Boston and MIT to code and test new technologies that could support a CBDC. The project was concluded in December 2022.<sup>204</sup> As explained in an FRB press release, the focus of Project Hamilton was to develop “an understanding of the capacities and limitations of the relevant technologies, rather than to serve as a prototype for a Federal Reserve-issued digital currency or to address the wide-ranging policy issues associated with its potential issuance.”<sup>205</sup>

As described by a senior FRBNY officer in a speech on November 4, 2022, “Project Cedar is the inaugural project of the NYIC and represents the first stage of the NYIC’s research efforts into CBDCs . . . with an objective of defining a technical design for a [wholesale CBDC].”<sup>206</sup> In Project Cedar’s Phase I, a prototype for a wholesale CBDC that uses blockchain was developed and tested in the context of foreign exchange spot transactions.<sup>207</sup>

The FRB’s Technology Lab in Washington, D.C. has been experimenting with technologies relevant to digital currencies and other payment innovations. It is supported by a multi-disciplinary team of experts in payments, economics, law, information technology and computer science who explore CBDC policy issues.<sup>208</sup>

#### (b) Wholesale and Retail Versions of a CBDC

It is important to distinguish between wholesale and retail versions of a CBDC. The Consultation Paper contemplates a retail model and that may be one reason why the FRB followed an initially cautious approach when discussing a possible future U.S. CBDC. Depending on the specifics of its implementation, a retail CBDC could dramatically alter the functions of Federal Reserve banks and commercial banks and would require an entirely new approach to bank regulation. If adopted in a form that would permit U.S. individuals to open bank accounts at Federal Reserve banks, a retail version of a CBDC could potentially weaken or even destroy a key business function of U.S. commercial banks. It is not surprising that the American Bankers Association (“ABA”) is opposed to such a retail CBDC. The ABA has concluded that, “As we have evaluated the likely impacts of issuing a CBDC it has become clear that the purported benefits of a CBDC are uncertain and unlikely to be realized, while the costs are real and acute. Based on this analysis we do not see a compelling case for a CBDC in the United States today.”<sup>209</sup>

In its comments on the Consultation Paper, the Committee on Capital Markets Regulation (The “CCMR”) concluded that, “as of now, there is not a strong case for substantial benefits from the creation of a CBDC.”<sup>210</sup> The CCMR focused primarily on a potential retail CBDC, but also acknowledged the Consultation Paper’s statement that there might be “a narrower use case for



a CBDC designed for large value institutional payments . . . not widely available to the public.” The CCMR stated that “such a use case warrants further study.”<sup>211</sup>

It should also be noted that alternatives to an FRB-linked retail CBDC have been suggested. Howell Jackson and Timothy Massad have proposed that the U.S. Treasury Department create “Treasury Accounts” as a means of improving access to retail financial services. As described in a Brookings study, “These would be digital accounts that would facilitate distribution of federal benefits and provide low cost, no-frills payment services.”<sup>212</sup> One benefit of such accounts is that they could be created under existing authority. Jackson and Massad propose a limit on account size and would limit rollovers to private accounts to minimize disintermediation of bank deposits.<sup>213</sup>

### (c) Domestic and International Use of a CBDC

Domestic and international use of a CBDC should also be distinguished. As noted above, in early discussions of a CBDC in the U.S. context, it was often assumed that a CBDC would be retail-oriented and domestic. For example, the Consultation Paper defined a CBDC as a digital liability of a central bank that is widely available to the general public. To date the FRB has not fully explored the potential of a CBDC that might be designed primarily for international use. Nonetheless, the Consultation Paper notes that a CBDC has the potential to streamline cross-border payments by using new technologies, introducing simplified distribution channels and creating additional opportunities for cross-jurisdictional collaboration and interoperability. The Consultation Paper notes that “another potential benefit of such a U.S. CBDC could be to preserve the dominant international role of the dollar.”<sup>214</sup> Of course, a CBDC designed primarily for international use would face special challenges. For example, as noted by FRB Governor Christopher Waller, international availability of Federal Reserve CBDC accounts might promote international use of the USD, but could make some risks, such as money laundering, more difficult to manage.<sup>215</sup>

To date, central banks have not followed a single CBDC model and are interested in CBDCs for a variety of reasons, including their potential for reducing dependency on the USD and modernizing domestic payment systems. China is exploring a CBDC model that has both retail and wholesale components. This is understandable in a system where the state owns commercial banks. The Chinese leadership may favor a CBDC designed for broad usage because it could increase the government’s ability to supervise and control retail and wholesale transactions and obtain information about the individuals and entities engaged in such transactions.<sup>216</sup> Internationally, the Chinese leadership has focused on the potential for a CBDC to reduce the cost of large value cross-border payments, especially in BRI and emerging markets.<sup>217</sup>

## 7. Need to Explore Potential of Blockchain

Although the private sector has worked on prototypes for new payment systems that use blockchain technology and do not require the use of SWIFT, relevant U.S. government agencies have only recently undertaken in-depth studies of blockchain and worked on potential guidelines for its regulation.<sup>218</sup> Private attempts to develop and use blockchain technology for payment systems have had mixed results. Some private efforts have focused on using blockchain in connection with cryptocurrencies. One example of a “failed” attempt involving cryptocurrency-related blockchain technology is RippleNet, a blockchain-based payments network based in California. RippleNet did not rely on SWIFT and used cryptocurrency to facilitate transactions. At one point, Ripple claimed to have hundreds of financial institutions in over 55 countries engaged in facilitating cross-border payments. However, in December 2020, the SEC filed an action against Ripple for selling unregistered securities in the form of its digital asset XRP.<sup>219</sup> As noted above in connection with a discussion of proprietary cross-border payment systems, a few banks, most notably JPMorgan Chase, have also developed independent blockchain-supported messaging and payment systems.

## 8. Geopolitical Power Shifts Linked to Payments

U.S. policy makers have not given sufficient attention to the growing use of China-based payment systems and bilateral RMB-local currency agreements in certain countries in Africa, Latin America and Southeast Asia. BRI agreements relating to trade and infrastructure often require that payments related to trade and transactions be made in RMB. Chinese fintech applications have also been promoted at a retail level in selected emerging market countries. One recent analysis concluded that the growing presence of such applications may encourage local consumers and businesses to use RMB-based banking services and credit products, thereby supporting the Chinese government’s ambitions to increase its influence in international financial markets.<sup>220</sup> Such developments could further divide the world’s economies into fragmented blocs operating pursuant to bilateral agreements with China or promoting payments interoperability within a given “pro-China” bloc.<sup>221</sup>

### E. What Should Be Done?

A common theme in recent assessments of the overall geopolitical and economic relationship between the United States and China is that the United States is a “superpower without a plan.”<sup>222</sup> Citing George Kennan’s famous policy recommendation of “firm containment” to manage the Soviet threat, some observers suggest that a similar policy be applied to China: “To succeed against a rising China, the [United States] must relearn the lessons of containment.”<sup>223</sup> Other analysts recommend that U.S. policy should be informed by an

awareness of America’s long-term national interests and how China relates to them.<sup>224</sup> Recognizing that the United States needs allies to compete successfully with China, others suggest that adopting “collective resilience” as a peer competition strategy may be the best way to keep the global economy free and open.<sup>225</sup> Secretary of State Antony Blinken has emphasized that the U.S. objective is to coexist with China on terms favorable to American interests and values.<sup>226</sup>

In the context of financial engagement with China, the United States needs to promote payment systems and platforms for cross-border financial transactions that will affirm U.S. interests and values and protect the primacy of the USD over the long term. Whether one labels such an approach competitive co-existence on terms favorable to the United States, collective resilience, or containment is less important than the simple need to articulate a clear, affirmative and multi-faceted U.S. strategy for financial engagement with China. The United States needs to promote cross-border payment systems and financial transactions that support the continued use of the USD as a strong reserve currency. The United States should reduce its use of sanctions as a financial foreign policy tool, seek to modernize SWIFT through corporate governance reforms and technological improvements, continue to evaluate the potential of a CBDC for cross-border use, and encourage the study and development of blockchain and other innovative private sector solutions. Such a multi-faceted approach would enhance the resilience and reliability of the U.S. payments system. It would also support the continued role of the USD as a strong reserve currency. Further, such an approach would enable the United States to address Chinese payment strategies from a position of strength.

It is important to continue to seek financial as well as political and military “guardrails” for the U.S.-China relationship. We live in a bipolar world where China’s influence in international finance will grow along with its economic and military power. In an economically interdependent world, re-globalization on terms favorable to the United States and its allies is a more viable approach than pursuit of “de-coupling.” As it recovers from the pandemic, deals with signs of social unrest and seeks to reinvigorate a slowing economy, China has seemed at times to be adopting a less confrontational diplomatic style. While some China scholars think this may be a practical manifestation of Mao Zedong’s “struggle, struggle – talk, talk” approach that may prove to be temporary, it has at times provided a welcome relief from “wolf warrior” diplomacy. The United States should act on such messaging by attempting to restart a dialogue on practical issues of cross-border financial engagement. Some key components of this strategy are noted below:

#### 1. Development of Strategy Statement

The United States should articulate a strategy that reflects U.S. resilience, power and international influence and promotes engagement with China on terms favorable to American interests and values.<sup>227</sup> Maintaining the primacy of the USD should be a core element of this strategy. Many benefits accrue from maintaining the USD’s position as the world’s primary

reserve currency. These include allowing the United States to borrow money more easily and impose sanctions when necessary. The dominance of the USD also provides support for an authoritative and influential role of the United States in international organizations, lending and investment agreements and diplomacy. Foreign governments that hold extensive reserves denominated in USD can intervene in foreign exchange markets to defend the price levels of their currencies in times of crisis. They also benefit from the ready acceptability of the USD for trade and investment.

The United States should pay more attention to traditional forums such as the IMF and World Bank. It should exercise economic diplomacy within these organizations and seek to enhance their effectiveness in promoting the public good of a liberal economic order. A strong domestic economy based on open markets and a strong reserve currency would lend authority to such an effort. At present, the RMB is held back by a closed capital account, lack of free exchangeability and low investor confidence in China's commitment to the rule of law. The United States can confidently support the USD and promote institutions and payment systems premised on the USD's continuing strength and ready accessibility.

In developing its strategy, the United States should be mindful of its obligations in a bipolar world. As former Australian Prime Minister Kevin Rudd has argued, the West's objective should be to manage competition with China, not to achieve "victory." Similarly, Joseph Nye has stated that, "The sound strategy is to avoid demonizing China and instead frame the relationship in terms of "competitive coexistence."<sup>228</sup>

## 2. More selective Use of Sanctions

The United States should be more selective in its use of sanctions as a foreign policy strategy. U.S. Treasury officials (especially in the Obama and Trump administrations) have repeatedly cautioned that extensive use of financial sanctions could threaten the central role of the USD and undermine the strength of the U.S. financial system.<sup>229</sup> Of course, there are situations in which sanctions must be applied. The economic sanctions imposed against Russia as a result of its invasion of Ukraine were necessary and have been somewhat effective. Following the U.S. example, more than 40 other countries have also imposed sanctions against Russia.

The relative success of Ukraine-related sanctions suggests that joint sanctions may sometimes be the most effective. Although they would be difficult to draft and enforce, multilateral sanctions that could be supported by the United States, Japan, South Korea, Australia, the United Kingdom and the European Union might be effective in specific situations. As noted by one observer, "Even China would not be able to afford losing access to the European, U.S. and Japanese markets at the same time."<sup>230</sup>

In the end, sanctions, whether unilateral or multilateral, have a serious weakness – they can often be circumvented. Even though Western nations "inflicted [on Russia] arguably the most expansive financial sanctions in history," the verdict on their effects is mixed.<sup>231</sup> Rather than forcing China to be ever more creative in developing bilateral and multilateral payment systems

and transactions that facilitate avoidance of sanctions, U.S. policymakers should focus on developing cross-border payment systems that can function reliably, efficiently and openly in most circumstances without regard to political motivations of payors and payees. Sanctions should be reserved for use in situations where political or military aggression must be stopped immediately and decisively. To be effective, sanctions need to be precisely drafted, timely implemented and readily enforceable.

### 3. Modernization of SWIFT

In recent years, SWIFT has introduced a number of meaningful improvements. For example, the SWIFT gpi supports the SWIFT system with a new set of rules relating to transparency of fees, end-to-end tracking of payment-related messages and confirmation of credits to a recipient's account. Any bank that joins the SWIFT gpi is required to follow these rules.<sup>232</sup> The Financial Stability Board (the "FSB"), an international body that monitors and makes recommendations about the global financial system, has proposed additional measures for SWIFT that would result in a major overhaul of the current system to reduce cost, increase message transmission speed, improve transparency and facilitate access.<sup>233</sup> The United States should support full implementation of these "Roadmap" measures. The United States should also continue to put forward specific proposals for reforming the corporate governance structure of SWIFT and enhancing its resilience against cybersecurity threats.

### 4. Increased Attention to International Aspects of CBDCs

The United States needs to accelerate its efforts to assume a leading role in setting ground rules for international use of CBDCs. One observer has noted, "U.S. dollar dominance has underpinned American economic and geopolitical leadership since World War II. It's no stretch to say that Washington's strong hand in trade relationships, military power and alliances depend on the dollar's pre-eminence. This structural advantage, however, will begin to crumble over the next few years unless the federal government prioritizes a [CBDC with potential for international use]."<sup>234</sup> Such do not fully reflect the strong recent efforts of the United States, but the importance of further study of CBDCs is clear. While domestic retail use of a CBDC in the United States may not be advisable, especially in view of the disruption it might cause for the current commercial banking system, development of a CBDC solely for cross-border use may be appropriate.

The United States should work with its allies to develop and coordinate appropriate standards of interoperability, privacy, cybersecurity and anti-money laundering for such CBDCs.<sup>235</sup> A first step in this direction was taken in September 2022 when the U.S. Treasury Department report recommended further study of a CBDC for international use in accordance with the framework set forth in President Biden's Executive Order 14067.<sup>236</sup> The United States

should take the initiative in developing a possible model for a CBDC designed for international use that respects democratic values such as privacy. It should also do more to highlight issues with the Chinese model which facilitates surveillance and government oversight of specific transactions.

In this connection, current collaboration with the BIS and with G7 countries should be continued and expanded. The FRB worked together with six other central banks and the BIS to produce a report in October 2020 on foundational principles for CBDCs.<sup>237</sup> The FRB and BIS continued this work in 2021 with further analysis of policy options and practical implementation issues.<sup>238</sup> A June 5, 2021 communique issued by the G7 countries cited the potential benefits of an appropriately designed CBDC and stated that the G7 countries would continue to work together to develop common principles. As noted in the September 2022 Treasury Department report, this work is ongoing.<sup>239</sup>

#### 5. Encourage Development of Blockchain and Similar Innovative Strategies

The United States should encourage continued public and private sector experimentation with blockchain. Blockchain-based solutions may usefully be designed to help individual market participants develop solutions that avoid use of complicated correspondent banking chains in cross-border transactions.

#### 6. Setting Global Standards

The United States needs to be more active in setting global standards for payments systems, CBDCs and blockchain. In a 2020 speech, President Xi Jinping called for the development of a digital currency in China in order to “actively participate in the formulation of international rules to shape new competitive advantages.”<sup>240</sup> The United States should similarly seek to have a leading role in shaping the global regulatory structure for CBDCs. It needs to be more active in leading standard-setting initiatives in such bodies as the BIS, IMF and World Bank. The future success of a fair and open rules-based international order for cross-border international transactions will depend on the support of strong international organizations in which the United States and its allies are significant participants.

#### 7. Reinforcing Constructive Market Connections with China

The United States needs to strike a balance between enabling private U.S. business transactions with Chinese entities and pursuing “decoupling” in specific instances where the political and economic risks seem too great. The United States should view recent indications that the Chinese leadership may encourage a less confrontational approach on certain practical issues, at least as it relates to desired U.S. investments in financial advisory firms, mutual funds,

and consumer products and services as a possible basis for initiating a renewed dialogue among bureaucrats, academics and business leaders on practical issues of mutual concern. Certain recent remarks of Li Qiang, China's new Premier, provide a somewhat hopeful backdrop for such continued dialogue.<sup>241</sup>

Of course, better communication between the United States and China is unlikely to change China's long-term objectives. The remarks of Wang Yi, the current Chinese foreign minister who was promoted to the Politburo following the recent National Party Congress, should be taken at face value. He has stated that China would continue to deepen mutual trust with Russia and cement its bilateral strategic partnership, but would also explore and establish guidelines on China-U.S. relations and "correct course."<sup>242</sup>

Small, practical steps may prove to be effective. China continues to encourage U.S. and Western investments in financial advisory firms and mutual funds. In his final work report, delivered during the opening ceremony of the National People's Congress in early March 2023, outgoing Premier Li Keqiang stated that China would make greater efforts to attract and use foreign capital, by expanding market access to foreign investors, "especially in the modern service sector."<sup>243</sup> McDonald's and other U.S.-headquartered consumer companies continue to expand their business in China.<sup>244</sup> Recently, a senior policy official at the U.S. Treasury Department held meetings which were reported to be friendly and constructive in Beijing with his Chinese counterpart on macroeconomic and financial issues.<sup>245</sup> All such business opportunities and meetings should be viewed as opportunities to develop appropriate "guardrails" for day-to-day financial interactions between the United States and China. At the same time, the United States needs to be mindful that Chinese authorities retain the power to shut down or restrict foreign companies operating in China if they choose to do so.<sup>246</sup>

## 8. Supporting Initiatives for Financing and Socioeconomic Growth in the Developing World

The United States needs to support lending and financing initiatives that are independent from the BRI. U.S. support for the recently launched Partnership for Global Infrastructure and Investment ("PGII"), a G-7 initiative that aims to provide up to \$600 billion in loans and grants for sustainable, quality infrastructure projects in developing countries, is a step in the right direction.<sup>247</sup> However, more needs to be done if the United States and its allies are to regain some of the influence that has been ceded to China acting through the BRI.<sup>248</sup>

The United States also needs to do more to publicize the pitfalls of many BRI loans. The specific terms and governance metrics of BRI loans are rarely disclosed. One recent study found that as much as half of China's lending to developing countries is not reported to the IMF or World Bank.<sup>249</sup> Because China has not joined the Paris Club, Chinese lenders are under no pressure to cap interest rates on loans or share information. BRI loans are generally made on close-to-commercial terms rather than concessionary terms that may be more appropriate for developing countries. BRI loans are often negotiated on terms set mostly by China with countries that may

lack strong legal standards important for setting default and collateral standards.<sup>250</sup> Further, China has generally been unwilling to participate in a meaningful way in multilateral debt-restructuring negotiations.<sup>251</sup>



<sup>1</sup>Chun Han Wong, “China’s Premier Seeks to Soothe Anxieties About Economy, Business Environment,” Wall Street Journal, March 13, 2023, available at <https://wsj.com/articles/chinas-premier-seeks-to-soothe-anxieties-about-economy-business-environment-aa4affab>.

<sup>2</sup>Jude Blanchette and Ryan Hass, “Central Questions in U.S.-China Relations Amid Global Turbulence,” Center for Strategic and International Studies (CSIS), July 21, 2022, available at <https://www.csis.org/analysis/central-questions-us-china-relations-amid-global-turbulence>.

<sup>3</sup>Antony J. Blinken, “The Administration’s Approach to the People’s Republic of China,” Speech, The George Washington University, Washington, D.C., May 26, 2022, available at <https://www.state.gov/the-administrations-approach-to-the-peoples-republic-of-china>; see also The White House, Indo-Pacific Strategy of the United States, February 2022, available at <https://www.whitehouse.gov/wp-content/uploads/2022/02/U.S.-Indo-Pacific-Strategy.pdf>.

<sup>4</sup>Ryan Hass, Patricia M. Kim, and Jeffrey A. Bader, “A Course Correction in America’s China Policy,” Brookings, Policy Brief, November 2022, available at <https://brookings.edu/research/a-course-correction-in-americas-china-policy>.

<sup>5</sup>Walter Russell Mead, “A Costly Passivity Toward China,” Wall Street Journal, August 8, 2022, available at <https://www.wsj.com/articles/a-costly-passivity-toward-china-nancy-pelosi-taiwan-visit-military-buildup-diplomacy-pacific-japan-south-korea-investment-trade-security-11659991742>.

<sup>6</sup>William P. Barr, “America Can’t Depend on China for its Electric Vehicles,” Wall Street Journal, November 21, 2022, available at <https://www.wsj.com/articles/america-cant-depend-on-china-for-its-cars-inflation-reduction-act-electric-vehicles-batteries-tax-credit-permitting-production-11669035998>.

<sup>7</sup>Hal Brands, “Containment Can Work Against China, Too,” Wall Street Journal, December 3, 2021, available at <https://www.wsj.com/articles/containment-can-work-against-china-too-11638547169>.

<sup>8</sup>The White House, National Security Strategy, October 2022, available at <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>.

<sup>9</sup>See, for example, Kevin Rudd, “The World According to Xi Jinping,” Foreign Affairs, November-December 2022, available at [https://www.foreignaffairs.com/china/world-according-xi-jinping-china-ideologue-kevin-rudd?utm\\_source](https://www.foreignaffairs.com/china/world-according-xi-jinping-china-ideologue-kevin-rudd?utm_source).

<sup>10</sup>*Id.*

<sup>11</sup>Thomas J. Duesterberg, “China’s Myth of Communist Competence,” Wall Street Journal, January 6, 2023, available at <https://www.wsj.com/articles/chinas-authoritarian-competence-xi>

[real-estate-zero-covid-protest-western-model-mercantilism-import-stock-exchange-delist-11672928674](#).

<sup>12</sup>Id.

<sup>13</sup>Hu Jintao, Selected Works, 2016, vol. 3, at 281, cited in Rush Doshi, *The Long Game: China's Grand Strategy to Displace American Order* (London: Oxford, 2021), at 751 (digital edition).

<sup>14</sup>Zhou Xiaochuan, "Reform the International Monetary System," Speech, March 23, 2009, available at <https://www.bis.org/review/r090402c.pdf>.

<sup>15</sup>Katherine Koleski and Joseph Casey, "China's 12<sup>th</sup> Five-Year Plan," Backgrounder, U.S.-China Economic and Security Review Commission, June 24, 2011, available at <https://www.uscc.gov/research/backgrounder-chinas-12th-five-year-plan>.

<sup>16</sup>Katherine Koleski, "The 13<sup>th</sup> Five-Year Plan," Staff Research Report, U.S.-China Economic and Security Review Commission, February 14, 2017, available at [https://www.uscc.gov/sites/default/files/Research/The%2013th%20Five-Year%20Plan Final 2.14.17 Updated%20\(002\).pdf](https://www.uscc.gov/sites/default/files/Research/The%2013th%20Five-Year%20Plan%20Final%202.14.17%20Updated%20(002).pdf).

<sup>17</sup>Cited in Jonathan Kirshner, "Regional Hegemony and an Emerging RMB Zone," in Eric Helleiner and Jonathan Kirshner, eds., *The Great Wall of Money: Power and Politics in China's Monetary Relations* (Ithaca: Cornell University Press, 2014), at 223; see also Rush Doshi, "China's Ten-Year Struggle Against U.S. Financial Power," *The National Bureau of Asian Research*, January 6, 2020, available at <https://www.nbr.org/publication/chinas-ten-year-struggle-against-u-s-financial-power/>.

<sup>18</sup>IMF, "Chinese Currency Added to SDR Basket," available at <https://www.imf.org/external/pubs/ft/ar/2016/eng/sdr.htm>.

<sup>19</sup>"Outline of the People's Republic of China 14<sup>th</sup> Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035," Translation, Georgetown Center for Security and Emerging Technology, May 13, 2021, available at [https://cset.georgetown.edu/wp-content/uploads/t0284\\_14th\\_Five\\_Year\\_Plan\\_EN.pdf](https://cset.georgetown.edu/wp-content/uploads/t0284_14th_Five_Year_Plan_EN.pdf).

<sup>20</sup>"PBOC Plans Payment System in Step Toward Convertibility," *Bloomberg News*, April 11, 2012, available at <https://www.bloomberg.com/news/articles/2012-04-11/pboc-plans-payment-system-in-step-toward-convertibility#xj4y7vzkg>.

<sup>21</sup>"China Launches International Payment System," *Xinhua*, October 8, 2015, available at [http://english.www.gov.cn/news/top\\_news/2015/10/08/content\\_281475207087538.htm](http://english.www.gov.cn/news/top_news/2015/10/08/content_281475207087538.htm); see also Liz Mak and Don Weinland, "China's Global Payment System for Yuan Sees Limited Launch," *South China Morning Post*, October 9, 2015, available at <https://www.scmp.com/business/banking-finance/article/1865370/chinas-global-payment-system-yuan-sees-limited-launch>.

<sup>22</sup>“Beijing Creates Its Own Global Financial Architecture as a Tool for Strategic Rivalry,” Government of Canada, Canadian Security Intelligence Service, (Date Modified) May 5, 2018, available at <https://www.canada.ca/en/security-intelligence-service/corporate/publications/china-and-the-age-of-strategic-rivalry/beijing-creates-its-own-global-financial-architecture-as-a-tool-for-strategic-rivalry>.

<sup>23</sup>“New Cross-Border Interbank Payment System a Milestone in Renminbi Internationalization,” Xinhua, October 2015, available at <https://www.ecns.cn/business/2015/10-08/183588.shtml>.

<sup>24</sup>PRC Ministry of Foreign Affairs, “U.S. Hegemony and Its Perils,” February 20, 2023, available at [https://www.mfa.gov.cn/eng/wjbxw/202302/t20230220\\_11027664.html](https://www.mfa.gov.cn/eng/wjbxw/202302/t20230220_11027664.html).

<sup>25</sup>“China’s International Payment System Ready,” China Daily, March 10, 2015, available at [http://europe.chinadaily.com.cn/business/2015-03/10/content\\_19766186.htm](http://europe.chinadaily.com.cn/business/2015-03/10/content_19766186.htm).

<sup>26</sup>“Full Text of Xi Jinping’s Speech at China’s Party Congress,” Low De Wei, translator, Bloomberg, October 18, 2022, available at <https://www.bloomberg.com/news/articles/2022-10-18/full-text-of-xi-jinping-s-speech-at-china-20th-party-congress-2022>.

<sup>27</sup>Sha Hua, “Officials Investigate Central Bank Deputy in First Major Probe Since Party Congress,” Wall Street Journal, November 5, 2022, available at <https://www.wsj.com/articles/china-investigates-central-bank-deputy-governor-in-first-major-probe-since-party-congress-11667631069>.

<sup>28</sup>Keith Zhai and Lingling Wei, “China to Shake Up Financial System as Xi Jinping Installs Key Associates,” Wall Street Journal, February 23, 2023, available at <https://www.wsj.com/articles/china-to-shake-up-financial-system-as-xi-jinping-installs-key-associates-1b962796>.

<sup>29</sup>Frank Tang, “Beijing to Set Up Super Regulator to Control Risks,” South China Morning Post, March 8, 2023, available at <https://scmp.epaper.pressreader.com/article/281496460498838>.

<sup>30</sup>Blanchette and Hass, *supra* note 2.

<sup>31</sup>“How Influential is China in the World Trade Organization?” China Power Team, Center for Strategic and International Studies (CSIS), July 31, 2019, updated August 25, 2020, available at <https://chinapower.csis.org/china-world-trade-organization-wto/>.

<sup>32</sup>Joshua P. Meltzer and Neena Shenai, “The U.S.-China Economic Relationship: A Comprehensive Approach,” Brookings Report, February 28, 2019, available at <https://www.brookings.edu/research/the-us-china-economic-relationship-a-comprehensive-approach>.

<sup>33</sup> “How Influential is China in the World Trade Organization?” *supra* note 31.

<sup>33</sup>*Id.*

<sup>34</sup>Brett Fortnam, “China Rebukes U.S. for Proposal on WTO Development Designation,” Inside U.S. Trade Daily Report, March 1, 2019, available at <https://insidetrade.com/daily-news/china-rebuked-us-proposal-wto-development-designation>.

<sup>35</sup>David Dollar, “Reluctant Player: China’s Approach to International Economic Institutions,” Brookings Article, September 14, 2020, available at <https://www.brookings.edu/articles/reluctant-player-chinas-approach-to-international-economic-institutions>.

<sup>36</sup>PBOC, “A Press Briefing on the Renminbi Joining the SDR,” 2015, Press Release, cited in Victor Shih, “How China Would Like to Reshape International Economic Institutions,” Atlantic Council, October 17, 2022, available at <https://www.atlanticcouncil.org/in-depth-research-reports/report/how-china-would-like-to-reshape-international-economic-institutions/>.

<sup>37</sup>Dollar, supra note 35.

<sup>38</sup>Id.

<sup>39</sup>“World Bank Kills Business Climate Report After Ethics Probe Cites ‘Undue Pressure’ on Rankings,” CNBC, September 16, 2021, available at <https://www.cnbc.com/2021/09/16/probe-found-undue-pressure-from-world-bank-leaders-to-boost-china-business-rankings.html>

<sup>40</sup>“The Geopolitics of Money is Shifting Up a Gear,” The Economist, October 23, 2021, available at <https://www.economist.com/leaders/2021/10/23/the-geopolitics-of-money-is-shifting-up-a-gear>.

<sup>41</sup>Dollar, supra note 35.

<sup>42</sup>Xin Zhou, “Developing Status of China Likely to be Next U.S. Bone of Contention,” South China Morning Post, March 7, 2023, available at <https://scmp.epaper.pressreader.com/south-china-morning-post-6150>.

<sup>43</sup>“Full Text of Xi Jinping’s Speech at China’s Party Congress,” supra note 26.

<sup>44</sup>PRC Ministry of Foreign Affairs, “U.S. Hegemony and Its Perils,” supra note 24.

<sup>45</sup>Chris Humphrey, “China’s AIIB to Become Major Player While New BRICS Bank Lags Behind,” ODI, available at <https://www.odi.org/en/insights/chinas-aiib-bank-set-to-become-major-player-while-new-brics-bank-lags-behind/>.

<sup>46</sup>Xi Jinping, Speech to Indonesian Parliament, Jakarta, Indonesia, ASEAN-China Centre, available at [https://www.asean-china-center.org/english/2013-10/03/c\\_133062675.htm](https://www.asean-china-center.org/english/2013-10/03/c_133062675.htm); cited in Paola Subacchi, “China and the Global Financial Architecture: Keeping Two Tracks on One Path,” Friedrich Ebert Stiftung, April 2022, available at <https://paolasubacchi.com/2022/05/20/china-and-the-global-financial-architecture-keeping-two-tracks-on-one-path>.

<sup>47</sup>AIIB – Who We Are, available at <https://www.aiib.org/en/who-we-are/about-aiib/index-m.html>.

<sup>48</sup>AiIB – What We Do, available at <https://www.aiib.org/en/about-aiib/who-we-are/our-work/index.html>.

<sup>49</sup>Pedro Allende, “What Do the Asian Infrastructure Investment Bank’s Recent Forays Outside of Asia Mean?” Center for Strategic and International Studies (CSIS), October 28, 2022, available at <https://www.csis.org/analysis/what-do-asian-infrastructure-investment-banks-recent-forays-outside-asia-mean>.

<sup>50</sup>Id.

<sup>51</sup>Id.

<sup>52</sup>Hong Shen, “Building a Digital Silk Road? Situating the Internet in China’s Belt and Road Initiative,” International Journal of Communication, 12 (2018), at 2683-2701, available at <https://ijoc.org/index.php/ijoc/article/view/8405>.

<sup>53</sup>New Development Bank, About Us, available at <https://www.ndb.int/about-us/organisation/members>.

<sup>54</sup>Id.

<sup>55</sup>New Development Bank, “General Strategy for 2022-2026: Scaling Up Development Finance for a Sustainable Future,” Executive Summary, available at [https://www.ndb.int/wp-content/uploads/2022/07/NDB\\_StrategyDocument\\_eVersion.pdf](https://www.ndb.int/wp-content/uploads/2022/07/NDB_StrategyDocument_eVersion.pdf).

<sup>56</sup>“A New Development Bank – A New Funding Source and a New Way of Doing Things for Energy and Infrastructure Projects Globally,” King & Spaulding Energy Newsletter, August 10, 2015, available at <https://www.jdsupra.com/legalnews/a-new-development-bank-a-new-funding-13558/>.

<sup>57</sup>“Fitch Downgrades New Development Bank to ‘AA,’ Outlook Negative,” Fitch Rating Action Commentary, July 18, 2022, available at <https://www.fitchratings.com/research/sovereigns/fitch-downgrades-new-development-bank-to-aa-outlook-negative-18-07-2022>; see also Shabtai Gold, “Exclusive: BRICS-led Bank Plans U.S. Dollar Bond to Downplay Russia Ties,” Devex, August 3, 2022, available at <https://www.devex.com/news/exclusive-brics-led-bank-plans-us-dollar-bond-to-downplay-russia-ties-103771#>.

<sup>58</sup>New Development Bank, Press Release, October 26, 2022, available at <https://www.ndb.int/press-release/new-development-bank-issued-cny-3-billion-bond-in-the-china-interbank-bond-market>.

<sup>59</sup>“China to Establish \$40 Billion Silk Road Infrastructure Fund,” Reuters, November 8, 2014, available at <https://www.reuters.com/article/us-china-diplomacy-idUSKBN0IS0BQ20141108>.

<sup>60</sup>Id.

<sup>61</sup>“China to Contribute Additional 100 Billion RMB to Silk Road Fund, May 14, 2017, Xinhua, available at [https://www.xinhuanet.com/english/2017-05/14/c\\_136281304.htm](https://www.xinhuanet.com/english/2017-05/14/c_136281304.htm).

<sup>62</sup>Silk Road Fund website, available at <https://www.silkroadfund.com.cn/enweb/>.

<sup>63</sup>Id.

<sup>64</sup>See, generally, Richard Kozul-Wright and Daniel Poon, “Development Finance with Chinese Characteristics? Project Syndicate, May 20, 2015, available at <https://www.project-syndicate.org/commentary/china-silk-road-fund-development-financing-by-richard-kozul-wright-and-daniel-poon>.

<sup>65</sup>Matthew Sutherland, Will Green and Sierra Janik, “The Shanghai Cooperation Organization: A Testbed for China Power Projection,” U.S.-China Economic and Security Review Commission, Issue Brief, November 12, 2020, available at <https://www.uscc.gov/research/shanghai-cooperation-organization-testbed-chinese-power-projection>.

<sup>66</sup>Richard Boucher, Assistant Secretary of State for South and Central Asian Affairs, written testimony before the Commission on Security and Cooperation in Europe, “The Shanghai Cooperation Organization: Is It Undermining U.S. Interests in Central Asia? September 26, 2006, at 29, available at <https://www.csce.gov/international-impact/events/shanghai-cooperation-organization-it-undermining-us-interests-central>, cited in Sutherland, Green and Janik, supra note 65.

<sup>67</sup>“What is the Shanghai Cooperation Organization?” The Economist, September 14, 2022, available at <https://economist.com/the-economist-explains/2022/09/14/what-is-the-shanghai-co-operation-organisation?>

<sup>68</sup>Rebecca Nadin, Ilayda Nijhar, and Elvira Mami, “Shanghai Cooperation Organization Summit 2022, Key Takeaways,” ODI, September 23, 2022, available at <https://www.odi.org/en/insights/shanghai-cooperation-organisation-summit-2022-key-takeaways/>.

<sup>69</sup>Eswar Prasad, *Gaining Currency: The Rise of the Renminbi* (Oxford: Oxford University Press, 2017), at 116.

<sup>70</sup>Ananya Kumar and Josh Lipsky, “The Dollar Has Some Rivals: Meet the Challengers,” New Atlanticist, September 22, 2022, available at <https://www.atlanticcouncil.org/blogs/new-atlanticist/the-dollar-has-some-would-be-rivals-meet-the-challengers/>.

<sup>71</sup>Doshi, supra at 765.

<sup>72</sup>Emily Jin, “Why China’s CIPS Matters (and not for the reasons you think),” Lawfare, April 5, 2022, available at <https://www.lawfareblog.com/why-chinas-cips-matters-and-not-reasons-you-think>.

<sup>73</sup>CIPS, “Wherever there is RMB, there is CIPS Service, 2022, available at <https://www.cips.com.cn/en/index/index.html>.

<sup>74</sup>*Id.*; A. Feigenbaum and Adam Szubin, “What China Has Learned from the Ukraine War,” Foreign Affairs, February 14, 2023, available at <https://www.foreignaffairs.com/china/what-china-has-learned-ukraine-war>.

<sup>75</sup>Liana Wong and Rebecca M. Nelson, “International Financial Messaging Systems,” Congressional Research Service, July 19, 2021, R46843, available at <https://crsreports.congress.gov/product/pdf/R/R46843/1>; see also SWIFT website at <https://swift.com/about-us>.

<sup>76</sup>Agathe Demarais, “The End of the Age of Sanctions? How America’s Adversaries Shielded Themselves,” Foreign Affairs, December 27, 2022, available at <https://www.foreignaffairs.com/united-states/end-age-sanctions>.

<sup>77</sup>Wong and Nelson, *supra* note 75.

<sup>78</sup>Update 1 – SWIFT Sets Up JV with Central Bank,” Reuters, February 4, 2021, available at <https://www.reuters.com/article/china-swift-pboc-idUSL1N2KA0AK>; Rebecca M. Nelson and Karen M. Sutter, Congressional Research Service, “De-Dollarization Efforts in China and Russia,” July 23, 2021, available at <https://crsreports.congress.gov/product/pdf/IF/IF11885>; Michael Greenwald, “What Happens to the Dollar if the Chinese Digital Yuan Goes Global?” Belfer Center for Science and International Affairs, Harvard Kennedy School, April 13, 2021, available at <https://www.belfercenter.org/publication/what-happens-dollar-if-chinese-digital-yuan-goes-global>.

<sup>79</sup>“China Central Bank Says New SWIFT JV Will Set Up Localized Data Warehouse,” Reuters, March 23, 2021, available at <https://www.reuters.com/world/china/china-cbank-says-new-swift-jv-will-set-up-localized-data-warehouse-2021-03-23/>; see also Eli MacKinnon, “Is SWIFT’s Joint Venture with the People’s Bank of China Related to the Digital Yuan?” DigiChina, March 8, 2022, available at <https://digichina.stanford.edu/work/is-swifts-joint-venture-with-the-peoples-bank-of-china-related-to-the-digital-yuan/>, and China International Fair for Trade in Services, “China’s Central Bank Announces Establishment of Financial Gateway JV to Improve Cross-Border Financial Network and Information Services,” March 29, 2021, available at <https://www.ciftis.org/en/xwzx/fmdt/2021033014201111917/index.html>.

<sup>80</sup>Doshi, *supra* at 766, 769-770.

<sup>81</sup>Theodore Benzmilller, “China’s Progress Towards a Central Bank Digital Currency,” Center for Strategic and Internal Studies (CSIS), CSIS blog post, April 19, 2022, available at <https://www.csis.org/blogs/new-perspectives-asia/chinas-progress-towards-central-bank-digital-currency>.

<sup>82</sup>Ying Huang and Maximilian Mayer, “Digital Currencies, Monetary Sovereignty, and U.S.-China Power Competition,” Wiley Online, Policy and Internet, June 2022, available at <https://onlinelibrary.wiley.com/doi/epdf/10.1002/poi3.302>.

<sup>83</sup>Government of the People’s Republic of China, “Outline of 14<sup>th</sup> Five-Year Plan of the People’s Republic of China for National and Social Development and the Outline of 2035,” March 13, 2021, available at [https://www.gov.cn/xinwen/2021-03/13/content\\_5592681.htm](https://www.gov.cn/xinwen/2021-03/13/content_5592681.htm).

<sup>84</sup>“How Will a Central Bank Digital Currency Advance China’s Interests?” Center for Strategic and International Studies (CSIS), August 20, 2020, available at <https://chinapower.csis.org/china-digital-currency/>.

<sup>85</sup>Id.; see also Frank Tang, “Chin’s Digital Currency Not Set for Launch as Trials are Just Routine,” South China Morning Post, May 26, 2020, available at <https://www.scmp.com/economy/china-economy/article/3086079/chinas-digital-currency-not-set-launch-trials-are-just>.

<sup>86</sup>“China’s Central Bank to Expand Digital Yuan Pilot Program,” Forkast News, available at <https://forkast.news/headlines/chinas-expand-digital-yuan-pilot/>.

<sup>87</sup>“How Will a Central Bank Digital Currency Advance China’s Interests?” supra note 84.

<sup>88</sup>Demarais, supra note 76; see also Edwin L.-C. Lai, One Currency, Two Markets: China’s Attempt to Internationalize the Renminbi, Cambridge: Cambridge University Press, 2021.

<sup>89</sup>E.Yue, “A New Trend for Fintech Cross-Border Payment,” Hong Kong Monetary Authority, Insight, December 4, 2020, available at <https://www.hkma.gov.hk/eng/news-and-media/insight/2020/12/20201204/>; see also Bank for International Settlements, “Central Bank Digital Currencies for Cross-Border Payments,” Report to the G20, July 2021, available at <https://www.bis.org/publ/othp38.htm>.

<sup>90</sup>People’s Bank of China, Working Group on e-CNY Research and Development, “Progress of Research and Development of e-CNY in China,” available at <https://www.pbc.gov.cn/en/3688110/3688172/4157443/4293696/2021071614584691871.pdf>.

<sup>91</sup>Kumar and Lipsky, supra note 70.

<sup>92</sup>Daleep Singh, “It’s Not Just the Economics: Why U.S. Leadership in CBDCs is a National Security Imperative,” Harvard National Security Journal, October 14, 2022, available at <https://harvardnsj.org/2022/12/28/its-not-just-the-economics-why-u-s-leadership-on-cbdcs-is-a-national-security-imperative/>.

<sup>93</sup>Nelson and Sutter, supra note 78.

<sup>94</sup>Robert Greene, “Beijing’s Global Ambitions for Central Bank Digital Currencies are Growing Clearer,” Carnegie Endowment for International Peace, October 6, 2021, available at



<https://www.carnegieendowment.org/2021/10/06/beijing-s-global-ambitions-for-central-bank-digital-currencies-are-clearer-pub-85503>.

<sup>95</sup>Howell Jackson, Commentary, “A Meeting of Minds on Central Bank Digital Currencies for the United States: Commentaries from Participants in the Harvard National Security Journal’s October 14, 2022 Symposium on Digital Currencies and National Security,” Harvard National Security Journal, 2022, available at <https://harvardnsj.org/2022/12/28/a-meeting-of-minds-on-central-bank-digital-currencies-for-the-united-statescommentaries-from-participants-in-the-harvard-national-security-journals-october-142022-symposium-on-digital-curre/>

<sup>96</sup>Kevin Warsh, “The U.S. Needs a Better Digital Dollar,” Wall Street Journal, November 20, 2022, available at <https://www.wsj.com/articles/the-chinese-cryptocurrency-threat-e-cny-digital-dollar-yuan-reserve-privacy-wholesale-transfer-fed-reform-inflation-11668954794>.

<sup>97</sup>“How Will a Central Bank Digital Currency Advance China’s Interests?” Center for Strategic and International Studies (CSIS), China Power Project, August 20, 2020, available at <https://chinapower.csis.org/china-digital-currency/>.

<sup>98</sup>Sebastian Horn, Carmen M. Reinhart and Christoph Trebesch, “China’s Overseas Lending,” National Bureau of Economic Research, Working Paper 26050, Issued July 2019, Revised May 2020, subsequently published at 133 Journal of International Economics (November 2021) 103539, available at <https://www.nber.org/papers/w26050>; Wang Yongzhong and Song Shuang, “The Financing Mechanism for the Belt and Road Initiative,” available at <https://lib.manaraa.com/books/The%20Financing%20Mechanism%20for%20the%20Belt%20and%20Road%20Initiative.pdf>.

<sup>99</sup>Greenwald, *supra* note 78.

<sup>100</sup>Anna Gelpern, Sebastian Horn, *et al.*, “How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments,” Peterson Institute of International Economics, Working Paper 21-7, May 2021, available at <https://www.piie.com/publications/working-papers/how-china-lends-rare-look-100-debt-contracts-foreign-governments>.

<sup>101</sup>Greene, *supra* note 94.

<sup>102</sup>See Raj Gupta, “China’s CBDC: Cross-Border Prospects and Challenges, August 23, 2021, The Institute of Chinese Studies (Delhi), available at <https://www.icsin.org/blogs/2021/08/23/chinas-cbdc-cross-border-prospects-and-challenges/>.

<sup>103</sup>Wang Xin, cited in Doshi, *Id.* at 982; see also M. Mayer and Y. Huang, “Digital Currencies, Monetary Sovereignty and U.S.-China Power Competition,” University of Bonn, June 8, 2022, available at [https://www.cassis.uni-bonn.de/en/publications/publikation?set\\_language=en](https://www.cassis.uni-bonn.de/en/publications/publikation?set_language=en).

<sup>104</sup>Georgina Lee and Samuel Shen, “China’s Digital Yuan Stands Out in Cross-Border Pilot in a Show of Global Ambition,” Reuters, October 27, 2022, available at <https://www.euronews.com/next/2022/10/27/china-yuan-digital>.

<sup>105</sup>Robert Greene, “Southeast Asia’s Growing Interest in Non-dollar Financial Channels – and the Renminbi’s Potential Role,” Carnegie Endowment for International Peace, August 22, 2022, available at <https://carnegieendowment.org/2022/08/22/southeast-asia-s-growing-interest-in-non-dollar-financial-channels-and-renminbi-s-potential-role-pub-87731>.

<sup>106</sup>Dezan Shira & Associates, Silk Road Briefing, December 13, 2022, available at <https://www.silkroadbriefing.com/news/2022/12/13/china-using-currency-credit-swaps-to-help-finance-errant-bri-projects>; see also Hung Tran, “Internationalization of the Renminbi via Bilateral Swap Lines,” Econographics, March 18, 2022, available at <https://www.atlanticcouncil.org/blogs/econographics/internationalization-of-the-renminbi-via-bilateral-swap-lines/>.

<sup>107</sup>Kaixuan Hao, Liyan Han and (Tony) Wei Li, “The Impact of China’s Currency Swap Lines on Bilateral Trade,” International Review of Economics and Finance,” September 2022, at 173-183, available at [www.econpapers.repec.org/article/eeereveco/v\\_3a81\\_3ay\\_3a2022\\_3ai\\_3ac\\_3ap\\_3a173-183.htm](http://www.econpapers.repec.org/article/eeereveco/v_3a81_3ay_3a2022_3ai_3ac_3ap_3a173-183.htm); see also Demarais, *supra* note 76.

<sup>108</sup>“Sanctions on Russia Puts Focus on China’s Central Bank PBOC,” Bloomberg, February 28, 2022, available at <https://www.bloomberg.com/news/articles/2022-02-28/sanctions-on-russia-puts-focus-on-china-s-central-bank#xj4y7vzkg>; see also Alicia Garcia Herrero, “China Can Only Offer an Immediate Respite for the Russian Economy,” Global Europe, March 30, 2022, available at <https://globaleurope.eu/globalization/china-can-only-offer-an-immediate-respite-for-the-russian-economy/>; and see Mrugank Bhusari and Maia Nikoladze, “Russia and China: Partners in De-dollarization,” Econographics, Atlantic Council, February 18, 2022, available at <https://www.atlanticcouncil.org/blogs/econographics/russia-and-china-partners-in-dedollarization/>.

<sup>109</sup>See, generally, Michael Perks, Yudong Rao, Jongsoon Shin and Kiichi Tokuoka, IMF Working Paper, “Evolution of Bilateral Swap Lines,” IMF, WP/21/210, available at <https://elibrary.imf.org/view/journals/001/2021/210/001.2021.issue-210-en.xml>.

<sup>110</sup>“BIS Announces Renminbi Liquidity Arrangement,” June 25, 2022, available at <https://www.bis.org/press/p220625.htm>.

<sup>111</sup>Greene, *supra* note 105

<sup>112</sup>“Chiang Mai Initiative Multilateralization,” July 2022, available at [https://www.bsp.gov.ph/Media\\_and\\_Research/Primers%20Fags/Chiang\\_Mai\\_Initiative\\_Multilateralization\\_FAQ.pdf](https://www.bsp.gov.ph/Media_and_Research/Primers%20Fags/Chiang_Mai_Initiative_Multilateralization_FAQ.pdf); see also Ministry of Finance (Japan), “The Amended Chiang Mai Initiative Multilateralization,” March 31, 2021, available at [https://www.mof.go.jp/english/policy/international\\_policy/financial\\_cooperation\\_in\\_asia/cmi/210331\\_e.html](https://www.mof.go.jp/english/policy/international_policy/financial_cooperation_in_asia/cmi/210331_e.html).

<sup>113</sup>Subacchi, *supra* note 46.

<sup>114</sup>Oriol Caudevilla, “China’s Digital Yuan Can Leverage the Belt and Road Initiative,” China Daily, August 12, 2022, available at <https://epaper.chinadaily.com.cn/a/202208/12/WS62f5c3d2a3109375516ee5f0.html>; see also Jimmy Choi, “RCEP and Renminbi’s Role as a Reserve Currency,” Central Banking, December 8, 2022, available at <https://www.centralbanking.com/central-banks/reserves/foreign-exchange/7953921/rcep-and-renminbis-role-as-a-reserve-currency>.

<sup>115</sup>“Regional Comprehensive Economic Partnership,” Congressional Research Service, Updated October 17, 2022, available <https://crsreports.congress.gov/product/pdf/IF/IF11891>.

<sup>116</sup>*Id.*

<sup>117</sup>See, generally, Zongyuan Zoe Liu and Mihaela Papa, “Can BRICS De-dollarize the Global Financial System?” Cambridge: Cambridge University Press (online), February 24, 2022, available at <https://www.cambridge.org/core/books/can-brics-dedollarize-the-global-financial-system/OAEF98D2F232072409E9556620AE09B0>.

<sup>118</sup>Vladimir Petrovskiy, “BRICS Plus to Become ‘Safety Net’ for Developing Economies,” China Daily, June 23, 2022, available at <https://global.chinadaily.com.cn/a/202206/23/WS62b3da17a310fd2b29e68181.html>.

<sup>119</sup>“BRICS Nations Creating BRICS Pay as Cloud Platform Accessible Via Smartphone to Avoid U.S. Dollar Trade,” Silk Road Briefing, Dezan Shira & Associates, May 15, 2019, available at <https://www.silkroadbriefing.com/news/2019/05/15/brics-nations-creating-brics-pay-cloud-platform-accessible-via-smartphone>.

<sup>120</sup>“As BRICS Summit Kicks Off, Calls Grow for Parallel Payment System to Counter U.S. Hegemony,” Global Times, June 22, 2022, available at <https://www.globaltimes.cn/page/202206/1268800.shtml>

<sup>121</sup>Subacchi, *supra* note 46.

<sup>122</sup>Nelson and Sutter, *supra* note 78.

<sup>123</sup>Gertrude Chavez-Dreyfus, “Foreign Holdings of Treasuries Hit Record High in October,” Reuters, December 15, 2021, available at <https://www.reuters.com/markets/rates-bonds/foreign-selling-treasuries-october-was-largest-since-may-data-2021-12-15>.

<sup>124</sup>“China Holdings of U.S. Debt Fall Below USD One Trillion for First Time Since 2010,” CNBC, July 18, 2022, available at <https://www.cnbc.com/2022/07/18/china-holdings-of-us-debt-fall-below-1-trillion-for-the-first-time-since-2010.html>; see also “Major Foreign Holders of U.S. Treasury Securities as of November 2022,” Statista, available at <https://www.statista.com/statistics/246420/major-holders-of-us-treasury-debt/>; U.S. Treasury Department, “Major Foreign Holders of Treasury Securities,” available at <https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt>.

<sup>125</sup>Qi Xijia, “China Cuts U.S. Treasury Holdings to Lowest in Nearly 12 Years Amid Volatility in the U.S.,” *Global Times*, May 17, 2022, available at <https://www.globaltimes.cn/page/202205/1265887.shtml>.

<sup>126</sup>*Id.*

<sup>127</sup>*Id.*

<sup>128</sup>Torsten Ehlers, Frank Packer and Feng Zhu, “The Changing Landscape of Renminbi Offshore and Onshore Markets,” *BIS Quarterly Review*, December 11, 2016, available at [https://www.bis.org/publ/qtrpdf/r\\_qt1612w.htm](https://www.bis.org/publ/qtrpdf/r_qt1612w.htm).

<sup>129</sup>Carl-Ludwig Thiele, “Internationalization of the Renminbi – Prospects and Challenges,” Keynote Speech, Carl-Ludwig Thiele, member of the executive board of the Deutsche Bundesbank, at the Third European-Chinese Banking Day, Frankfurt, November 16, 2016, available at <https://www.bis.org/review/r161118c.htm>.

<sup>130</sup>Jonas Schachtschneider, “CIPS—China’s Cross-Border Interbank Payment System and Its Role within the RMB Internationalization Process,” October 23, 2019, available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4096107](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4096107); see also Bank of China, Designated Clearing Bank, available at <https://www.bocusa.com/financial-institutions-services/rmb-clearing-and-settlement>.

<sup>131</sup>Lai, *supra* note 88.

<sup>132</sup>The State Council, The People’s Republic of China, “China, Kazakhstan Sign Memorandum on RMB Clearing in Kazakhstan,” September 20, 2022, available at [China Daily, September 21, 2022, available at <https://www.chinadaily.com/cn/a/202209/21/WS632a7a38a310fd2b29e78e47.html>.](https://www.english.gov.cn/news/international/exchanges/202209/20/content_WS6329c2e1c6d0a757729e0454.html#:~:text=China%2C%)

<sup>133</sup>China Financial Futures Exchange, “China Europe International Exchange,” available at [https://www.cffex.com.cn/en\\_new/ChinaEuropeInternationalEx.html](https://www.cffex.com.cn/en_new/ChinaEuropeInternationalEx.html); see also <https://www.ceinex.com>.

<sup>134</sup>Thiele, *supra* note 129.

<sup>135</sup>For a comprehensive introduction to China’s bond market, including investment by foreign investors, see Marlene Amstad and Zhiguo He, “Chinese Bond Markets and Interbank Market,” in Amstad, Sun and Xiong, eds., *The Handbook of China’s Financial System*, at 105-150, Princeton: Princeton University Press, 2020.

<sup>136</sup>Pan Gongsheng, Deputy Governor of PBOC and SAFE Administrator, Speech at the 12<sup>th</sup> Lujiazui Forum, “Shanghai International Financial Center, 2020: New Starting Point, New Mission, New Vision,” Shanghai, June 18, 2020, available at <https://www.bis.org/review/r200814i.htm>.

<sup>137</sup>Christopher Clayton, Amanda Dos Santos, Matteo Maggiori and Jesse Schreger, “Internationalizing Like China,” National Bureau of Economic Research, August 2022, available at <https://www.nber.org/papers/w30336>.

<sup>138</sup>Rebecca Feng, “Foreign Investors Turned Net Buyers of Chinese Government Bonds in July,” Wall Street Journal, August 16, 2022, available at <https://www.wsj.com/articles/foreign-investors-turned-net-buyers-of-chinese-government-bonds-in-july-11660649488?tpl=cb>.

<sup>139</sup>See Sauradeep Bag, “Digital Yuan: Is the Renminbi Ready to Take On the Dollar?” Observer Research Foundation, June 27, 2022, available at <https://www.orfonline.org/expert-speak/digital-yuan-is-the-renminbi-ready-to-take-on-the-dollar/>.

<sup>140</sup>“China’s Xi Urges Acceleration of Development of Blockchain Technology,” Reuters, October 25, 2019, available at <https://www.reuters.com/article/us-china-economy-xi-idUSKBN1X419Y>; see also William Foxley, “President Xi Says China Should ‘Seize Opportunity’ to Adopt Blockchain,” Coindesk, October 25, 2019, available at <https://www.coindesk.com/markets/2019/10/25/president-xi-says-china-should-seize-opportunity-to-adopt-blockchain/>.

<sup>141</sup>Jacob J. Lew and Gary Roughead, co-chairs, Jennifer Hillman and David Sacks, Project Directors, “Independent Task Force Report No. 79, China’s Belt and Road: Implications for the United States,” Council on Foreign Relations, March 2021, footnote 51, available at <https://www.cfr.org/report/chinas-belt-and-road-implications-for-the-united-states/>.

<sup>142</sup>Ningwei Qin, “China Has No Plan to Promote its e-Currency Within BRI Countries – Yet,” October 22, 2021, Forkast, at <https://forkast.news/headlines/china-no-plan-yet-digital-yuan-belt-road/>; see also Lubomir Tassev, “China-Backed Blockchain Project Proposes SWIFT alternative for Stablecoins and CBDCs,” Bitcoin.com, January 23, 2023, available at <https://news.bitcoin.com/china-backed-blockchain-project-proposes-swift-alternative-for-stablecoins-and-cbdcs/>.

<sup>143</sup>Eddie Yue, HKMA, “Tokenized Bond: Huge Potential to be Unlocked,” Insights, February 16, 2023, available at <https://www.hkma.gov.hk/eng/news-and-media/insight/2023/02/20230216/>.

<sup>144</sup>Id.

<sup>145</sup>Feigenbaum and Szubin, supra note 74.

<sup>146</sup>Carla Norrlof, “The Dollar Still Dominates,” Foreign Affairs, February 21, 2023, available at <https://www.foreignaffairs.com/united-states/dollar-still-dominates>.

<sup>147</sup>Chelsea Dulaney, Evan Gershkovich and Victoria Simanovskaya, “Russia Turns to China’s Yuan in Effort to Ditch the Dollar,” Wall Street Journal, February 28, 2023, available at <https://www.wsj.com/articles/Russia-turns-to-chinas-yuan-in-effort-to-ditch-the-dollar-a8111457>

<sup>148</sup>Id.

<sup>149</sup>Id.

<sup>150</sup>Pan Gongsheng, “Situation and Development of China’s Foreign Exchange Market,” Speech, 13<sup>th</sup> Lujiazui Forum, Shanghai, June 10, 2021, available at <https://www.bis.org/review/r211229j.pdf>.

<sup>151</sup> Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, “The International Role of the Dollar,” October 6, 2021, FEDS Notes, at <https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-20211006.html>; see also J. Wincuin, “The China Position: Gauging Institutional Investor Confidence,” Economist Intelligence Unit, 2019, available at <https://www.eiuperspectives.economist.com/financial-services/china-position-gauging-institutional-investor-confidence/>.

<sup>152</sup>Jacob Kurien and Bernard Yudkin, “The Political Economy of International Finance: A Revised Roadmap for Renminbi Internationalization,” available at <https://www.yalejournal.org/publications/the-political-economy-of-international-finance-a-revised-roadmap-for-renminbi-internationalization>.

<sup>153</sup>Mercy A. Kuo, “China’s CIPS: A Potential Alternative in the Global Financial Order,” The Diplomat, April 25, 2022, available at <https://thediplomat.com/2022/04/chinas-cips-a-potential-alternative-in-global-financial-order/>.

<sup>154</sup>Jessica Chen Weiss, “The China Trap: U.S. Foreign Policy and the Perilous Logic of Zero-Sum Competition,” Foreign Affairs, September/October 2022, available at <https://www.foreignaffairs.com/china/china-trap-us-foreign-policy-zero-sum-competition>.

<sup>155</sup>Ben Bernanke, “The Dollar’s International Role: An ‘Exorbitant’ Privilege’?” Brookings, January 7, 2016, available at <https://www.brookings.edu/blog/ben-bernanke/2016/01/07/the-dollars-international-role-an-exorbitant-privilege-2/>

<sup>156</sup>Id.

<sup>157</sup>Rebecca M. Nelson and Martin A. Weiss, “The Dollar as the World’s Dominant Reserve Currency,” Congressional Research Service, September 15, 2022, available at <https://crsreports.congress.gov/product/pdf/if/if11707>.

<sup>158</sup>“RMB Becomes 4<sup>th</sup> Most Active Currency for Global Payments: SWIFT,” Xinhua, January 21, 2022, available at [https://www.china.org.cn/business/2022-21/21/content\\_78002770.htm](https://www.china.org.cn/business/2022-21/21/content_78002770.htm); see also “China Wants to Insulate Itself Against Western Sanctions,” The Economist, February 26, 2022, available at <https://www.economist.com/business/china-wants-to-insulate-itself-against-western-sanctions/21807805>.

<sup>159</sup>Georgina Lee and Samuel Shen, “China’s Digital Yuan Stands Out in Cross-Border Pilot in a Show of Global Ambition,” Euronews, October 27, 2022, available at <https://www.euronews.com/next/2022/10/27/china-yuan-digital>.

<sup>160</sup>Bernanke, *supra* note 155.

<sup>161</sup>Nelson and Weiss, *supra* note 157.

<sup>162</sup>Jerome H. Powell, Welcoming Remarks at “International Roles of the U.S. Dollar,” Research Conference sponsored by the FRB, Washington, D.C., June 17, 2022, available at <https://www.federalreserve.gov/newsevents/speech/files/powell20220617a.pdf>; see also Bertaut, von Beschwitz and Curcuru, *supra* note 151

<sup>163</sup>Nouriel Roubini, “A Bipolar Currency Regime Will Replace the Dollar’s Exorbitant Privilege,” Financial Times, February 5, 2023, available at <https://ft.com/content/e03d277a-e697-4220-a0ca-1f8a3dbecb75>.

<sup>164</sup>“IMF Warns Russia Sanctions Threaten to Chip Away at Dollar Dominance,” Reuters, March 31, 2022, available at <https://www.reuters.com/business/imf-warns-russia-sanctions-threaten-chip-away-dollar-dominance-ft-2022-03-31/>.

<sup>165</sup>Zoltan Poszar, “Money, Commodities and Bretton Woods III,” Credit Suisse, March 31, 2022, available at <https://www.macrodasiac.com/content/files/2022/04/document-1196624.pdf>.<sup>64</sup>

<sup>166</sup>Joseph S. Nye, Jr., “The Evolution of America’s China Strategy,” Project Syndicate, November 2, 2022, available at <https://www.project-syndicate.org/commentary/us-china-biden-national-security-strategy-by-joseph-s-nye-2022-11?barrier=accesspaylog>.

<sup>167</sup>Blanchette and Hass, *supra* note 2.

<sup>168</sup>See, generally, “Sanctions are Now a Central Tool of Governments’ Foreign Policy,” The Economist, April 22, 2021, available at <https://www.economist.com/finance-and-economics/2021/04/22/sanctions-are-now-a-central-tool-of-governments-foreign-policy>.

<sup>169</sup>Richard N. Haass, “Economic Sanctions: Too Much of a Bad Thing,” Brookings, June 1, 1998, available at <https://www.brookings.edu/research/economic-sanctions-too-much-of-a-bad-thing>.

<sup>170</sup>*Id.*

<sup>171</sup>David Francis and Lara Jakes, “Sanctions are a Failure . . . Let’s Admit That,” Foreign Policy, April 28, 2016, available at <https://foreignpolicy.com/2016/04/28/sanctions-are-a-failurelets-admit-that/>.

<sup>172</sup>Jeffrey Schott, “U.S. Economic Sanctions: Good Intentions, Bad Execution,” June 3, 1998, PIIE, available at <https://www.piie.com/commentary/speeches-papers/us-economic-sanctions-good-intentions-bad-execution>.

<sup>173</sup>U.S. Treasury Department, The Treasury 2021 Sanctions Review, October 2021, available at <https://home.treasury.gov/news/press-releases/jy0413>.

<sup>174</sup>Cameron Rotblat, “Weaponizing the Plumbing: Dollar Diplomacy, Yuan Internationalization and the Future of Financial Sanctions,” *UCLA Journal of International Law and Foreign Affairs*, vol. 21, No. 2 (Spring 2017), at 311-360, available at <https://www.jstor.org/stable/i40229934>.

<sup>175</sup>“Europe’s Trade System with Iran Finally Makes First Deal,” AP News, March 31, 2020, available at <https://www.apnews.com/article/ca930836cdb66f0cd67af5c62c53d396>.

<sup>176</sup>“The Geopolitics of Money is Shifting Up a Gear,” *supra* note 40.

<sup>177</sup>Wong and Nelson, *supra* note 75.

<sup>178</sup>Krishna N. Das and Jonathan Spicer, “The SWIFT Hack: How the New York Fed Fumbled Over the Bangladesh Bank Cyber-Heist,” Reuters, July 21, 2016, available at <https://www.reuters.com/investigates/special-report/cyber-heist-federal>.

<sup>179</sup>Wong and Nelson, *supra* note 75.

<sup>180</sup>*Id.*

<sup>181</sup>*Id.*; see also “The Race to Redefine Cross-Border Finance,” *The Economist*, October 22, 2021, available at <https://www.economist.com/finance-and-economics/the-race-to-redefine-cross-border-finance/21805736>.

<sup>182</sup>Wong and Nelson, *supra* note 75.

<sup>183</sup>JPMorgan Chase website, available at <https://www.jpmorgan.com>.

<sup>184</sup>“DBS, J.P. Morgan and Temasek to Establish Platform to Transform Interbank Value Movements in a New Digital Era,” JPMorgan Press Release, April 28, 2021, available at <https://www.jpmorgan.com/news/dbs-jpmorgan-and-temasek-to-establish-platform>.

<sup>185</sup>“The Race to Redefine Cross-Border Finance,” *supra* note 181.

<sup>186</sup>“Wells Fargo and HSBC Establish Bilateral Agreement to Settle FX Transactions Through a Blockchain-Based Solution,” Press Release, December 13, 2021, available at <https://www.bloomberg.com/press-releases/2021-12-13/wells-fargo-and-hsbc-establish-bilateral-agreement-to-settle-fx-transactions-through-a-blockchain-based-solution>.

<sup>187</sup> See, for example, SWIFT website information on anti-money laundering, available at <https://www.swift.com/your-needs/financial-crime-cyber-security/anti-money-laundering-aml>.

<sup>188</sup>“The War Against Money Laundering is Being Lost,” *The Economist*, April 12, 2021, available at <https://www.economist.com/finance-and-economics/2021/04/12/the-war-against-money-laundering-is-being-lost>.



<sup>189</sup>Rebecca M. Nelson, “Examining Regulatory Frameworks for Digital Currencies and Blockchain,” CRS, Testimony, July 30, 2019, available at <https://www.banking.senate.gov/hearings/examining-regulatory-frameworks-for-digital-currencies-and-blockchain>.

<sup>190</sup>*Id.*; see also Rebecca M. Nelson. “International Approaches to Digital Currencies,” Updated December 19, 2018, Congressional Research Service, R454440, available at <https://crsreports.congress.gov/product/pdf/R/R45440>.

<sup>191</sup>Marc Labonte, Rebecca M. Nelson and David W. Perkins, Congressional Research Service, “Financial Innovation: Central Bank Digital Currencies,” March 20, 2020, available at <https://crsreports.congress.gov/product/pdf/IF/IF11471>.

<sup>192</sup>Michael B. Greenwald, “A National Security Strategy for Dollar Innovation,” Harvard Kennedy School, Belfer Center for Science and International Affairs,” December 2, 2021, available at <https://www.belfercenter.org/publication/national-security-strategy-dollar-innovation>.

<sup>193</sup> Anneke Kosse and Ilaria Mattei, “Gaining Momentum – Results of the 2021 BIS Survey on Central Bank Digital Currencies,” Bank for International Settlements, BIS Papers, No. 125, May 2022, available at <https://www.bis.org/publ/bppdf/bispap125.pdf>; see also Labonte, Nelson and Perkins, *supra* note 191.

<sup>194</sup> Christopher Mims, “Central Bank Digital Currencies are Coming – Whether Countries are Ready or Not,” Wall Street Journal, January 16, 2023, available at <https://www.wsj.com/articles/digital-currencies-banking-system-11673625716>

<sup>195</sup>Executive Order No. 14067, 87 Fed. Reg. 14143, March 9, 2022, available at <https://www.federalregister.gov/documents/2022/03/14/2022-05471/ensuring-responsible-development-digital-assets>; see also U.S. Department of Treasury, “The Future of Money and Payments: Report Pursuant to Section 4(b) of Executive Order 14067,” September 2022, available at <https://home.treasury.gov/system/files/136/Future-of-Money-and-Payments.pdf>.

<sup>196</sup>Warsh, *supra* note 96.

<sup>197</sup>Megan Greene, cited in Mims, *supra* note 194.

<sup>198</sup>Jerome Powell, “Welcoming Remarks at International Roles of the Dollar FRB Research Conference, June 17, 2022, available at <https://www.bis.org/review/r220620i.htm>.

<sup>199</sup>Federal Reserve Board, “Money and Payments: The U.S. Dollar in the Age of Digital Transformation,” January 2022, available at <https://www.federalreserve.gov/publications/money-and-payments-discussion-paper.htm>.

<sup>200</sup>Philip Middleton, “Leaders Warn of China’s CBDC Dominance,” Official Monetary and Financial Institutions Forum, July 13, 2021, available at <https://www.omfif.org/2021/07/central-bankers-warn-of-chinese-cbdc-dominance>.

<sup>201</sup>Josh Lipsky and Ananya Kumar, “It’s Official: The United States is Developing a Bank-to-Bank Digital Currency,” New Atlanticist, December 15, 2022, available at <https://www.atlanticcouncil.org/blogs/new-atlanticist/its-official-the-united-states-is-developing-a-bank-to-bank-digital-currency/>.

<sup>202</sup>David J. Portilla and Danjie Fang, “An Overview of the Central Bank Digital Currency Debate,” ABA, Business Law Today, September 1, 2022, available at <https://businesslawtoday.org/2022/09/central-bank-digital-currency-debate-overview/>.

<sup>203</sup>Jay Lindsay, “Boston Fed, MIT Complete Research Project Into Feasibility of a Central Bank Digital Currency,” Federal Reserve Bank of Boston, Press Release, December 22, 2022, available at <https://www.bostonfed.org/news-and-events/news/2022/12/project-hamilton-boston-fed-mit-complete-central-bank-digital-currency-cbdc-project.aspx>; Federal Reserve Bank of New York, New York Innovation Center, available at <https://www.newyorkfed.org/aboutthefed/nyic>; Federal Reserve Board, “Federal Reserve Highlights Research and Experimentation Undertaken to Enhance Its Understanding of the Opportunities and Risks Associated with Central Bank Digital Currencies,” Press Release, August 13, 2020, available at <https://www.federalreserve.gov/newsevents/pressreleases/other20200813a.htm>.

<sup>204</sup>Lindsay, *supra* note 203.

<sup>205</sup>FRB, “Federal Reserve Highlights Research and Experimentation Undertaken to Enhance Its Understanding of the Opportunities and Risks Associated with Central Bank Digital Currencies,” Press Release, August 13, 2020, available at <https://www.federalreserve.gov/newsevents/pressreleases/other20200813a.htm>.

<sup>206</sup>Michelle Neal, Executive Vice President and Head of Markets, Federal Reserve, “Advances in Digital Currency Experimentation,” Remarks at the Singapore Fintech Festival, Singapore, November 4, 2022, available at <https://www.newyorkfed.org/newsevents/speeches/2022/nea221104>.

<sup>207</sup>Federal Reserve Bank of New York, “Project Cedar: Improving Cross-Border Payments with Blockchain Technology,” November 2022, available at <https://www.newyorkfed.org/aboutthefed/nyic/project-cedar>.

<sup>208</sup>Kevin Helms, “U.S. Federal Reserve Actively Working on Digital Dollar,” September 26, 2020, available at <https://news.bitcoin.com/federal-reserve-digital-dollar/>.

<sup>209</sup>“Digital Assets and the Future of Finance: Examining the Benefits and Risks of a U.S. Central Bank Digital Currency,” American Bankers Association, Statement for the Record, Before the House Financial Services Committee, May 26, 2022, available at <https://www.aba.com/advocacy/policy-analysis/examining-the-benefits-and-risks-of-a-us-central-bank-digital-currency>.

<sup>210</sup>“Letter to FRB Re: Money and Payments: The U.S. Dollar in the Age of Digital Transformation,” Committee on Capital Markets Regulation, May 20, 2022, available at <https://www.capmksreg.org/wp-content/uploads/2022/05/CCMR-CBDC-Comment-Letter-05.20.22.pdf>; see also Money and Payments, *supra* note 199.

<sup>211</sup>*Id.*

<sup>212</sup>Howell Jackson and Timothy Massad, “The Treasury Option: How the U.S. Can Achieve the Financial Inclusion Benefits of a CBDC Now,” available at <https://www.brookings.edu/research/the-treasury-option-how-the-us-can-achieve-the-financial-inclusion-benefits-of-a-cbdc-now/>.

<sup>213</sup>*Id.*

<sup>214</sup>Money and Payments, *supra* note 199.

<sup>215</sup>FRB Governor Christopher Waller, “CBDC: A Solution in Search of a Problem?” Speech, August 5, 2021, available at <https://www.federalreserve.gov/newsevents/speech/waller20210805a.htm>.

<sup>216</sup>Anshu Siripurapu and Noah Berman, “Cryptocurrencies, Digital Dollars and the Future of Money,” Council on Foreign Relations, September 24, 2021 (updated on February 28, 2023), available at <https://www.cfr.org/backgrounder/cryptocurrencies-digital-dollars-and-future-money>; see also Labonte, Nelson and Perkins, *supra* note 189.

<sup>217</sup>Greene, *supra* note 94.

<sup>218</sup>See, for example, Rachel F. Fefer, CRS, “Blockchain and International Trade,” June 25, 2019, available at <https://crsreports.congress.gov/product/pdf/IF/IF10810/4>.

<sup>219</sup>Wong and Nelson, *supra* note 75.

<sup>220</sup>Nadia Schadlow and Richard Kang, “Financial Technology is China’s Trojan Horse,” Foreign Affairs, January 13, 2021, available at <https://www.foreignaffairs.com/articles/china/2021-01-13/financial-technology-chinas-trojan-horse>; see also U.S. House of Representatives, Committee on Financial Services, Memorandum, Financial Services Committee Majority Staff, September 20, 2022, National Security, International Development and Monetary Policy Subcommittee Hearing entitled, “Under the Radar: Alternative Payment Systems and the National Security Impacts of Their Growth,” available at <https://www.congress.gov/event/117th-congress/house-event/115144>.

<sup>221</sup>*Id.*

<sup>222</sup>Hal Brands, “Containment Can Work Against China, Too,” Wall Street Journal, December 3, 2021, available at <https://www.wsj.com/articles/containment-can-work-against-china-too-11638547169>.

<sup>223</sup>Id.

<sup>224</sup>Hass, Kim and Bader, supra note 4.

<sup>225</sup>Victor Cha, “How to Stop Chinese Coercion: The Case for Collective Resilience,” Foreign Affairs, January/February 2023, available at <https://www.foreignaffairs.com/world/how-stop-china-coercion-collective-resilience-victor-cha>.

<sup>226</sup>Secretary of State Antony Blinken, Speech, Washington, D.C., May 26, 2022, available at <https://www.state.gov/the-administrations-approach-to-the-peoples-republic-of-china>.

<sup>227</sup>See Jude Blanchette, “A Policy Agenda for Strategic Competition with China,” CSIS Commentary, March 13, 2023, available at <https://csis.org/analysis/policy-agenda-strategic-competition-china>.

<sup>228</sup>Kevin Rudd, Collection of Speeches, Asia Society Policy Institute, “The Avoidable War: The Case for Managed Strategic Competition,” available at <https://asiasociety.org/policy-institute/avoidable-war-case-managed-strategic-competition>; Joseph S. Nye, Jr., “Popping China’s Balloon,” Project Syndicate, March 2, 2023, available at <https://www.project-syndicate.org/commentary/china-us-western-competition-more-1914-than-cold-war-by-joseph-s-nye-2023-03?barrieraaccesspaylog>.

<sup>229</sup>Wong and Nelson, supra note 75.

<sup>230</sup>Demarais, supra note 76.

<sup>231</sup>Martin Sandbu, “What to Do with Russia’s Blocked Reserves: Legal Arguments Over Confiscating Central Bank Assets Must Be Economically Literate,” Financial Times, March 2, 2023, available at <https://www.ft.com/martin-sandbu>.

<sup>232</sup>SWIFT, “SWIFT gpi: The New Norm in Cross-Border Payments,” available at <https://www.swift.com/our-solutions/swift-gpi>; Greenwald, supra note 194.

<sup>233</sup>Financial Stability Board, “Enhancing the Cross-Border Payments Roadmap,” 2020, available at <https://www.fsb.org/2020/10/enhancing-cross-border-payments-stage-3-roadmap>.

<sup>234</sup>Greenwald, supra note 192.

<sup>235</sup>Id.

<sup>236</sup>The White House, Executive Order 14067, supra note 195.

<sup>237</sup>Bank for International Settlements, “Central Bank Digital Currencies: Foundational Principles and Core Features,” Basel, October 2020, available at <https://www.bis.org/publ/othp33.htm>.

<sup>238</sup>Bank for International Settlements, “Central Banks and BIS Explore What a Retail CBDC Might Look Like,” Press Release, September 2021, available at <https://www.bis.org/press/p210930.htm>.

<sup>239</sup>U.S. Department of the Treasury, “G7 Finance Ministers and Central Bank Governors Communique,” Press Release, June 5, 2021, at Paragraph 17, available at <https://home.treasury.gov/news/press-releases/jy0215>; September 2022 Treasury Department Report, *supra* note 193.

<sup>240</sup>Xi Jinping, “Major Issues Concerning China’s Strategies for Mid-to-Long-Term Economic and Social Development,” Quishi, October 31, 2020, translated for CSIS, Interpret: China, available at <https://interpret.csis.org/translations/major-issues-concerning-chinas-strategies-for-mid-to-long-term-economic-and-social-development/>.

<sup>241</sup>“Premier Li Urges U.S.-China Cooperation, Seeks ‘Concrete Actions,’” Bloomberg, March 13, 2023, available at <https://www.bloomberg.com/news/articles/2023-03-13/china-s-new-premier-strikes-conciliatory-tone-on-ties-with-us>.

<sup>242</sup>“China’s Communist Party Names Wang Yi to Lead Foreign Policy,” Bloomberg News, January 1, 2023, available at <https://www.bloomberg.com/news/articles/2023-01-01/china-s-communist-party-names-wang-yi-to-lead-foreign-policy#xj4y7vzkg>.

<sup>243</sup>Ji Siqi, “Li Signals Opening to Foreign Businesses: Premier’s Work Report Urges Fair Treatment of Overseas Investors,” available at <https://www.pressreader.com/china/south-china-morning-post-6150/20230306/281556590036707>.

<sup>244</sup>Dan Strumpf, “From McDonald’s to Ralph Lauren, U.S. Companies are Planning China Expansions,” Wall Street Journal, March 1, 2023, available at <https://www.wsj.com/articles/from-mcdonalds-to-ralph-lauren-u-s-companies-are-planning-china-expansions-c1a33969>.

<sup>245</sup>Andrew Duehren and Keith Zhai, “U.S. Treasury Official Travels to Beijing Despite China Tensions,” Wall Street Journal, March 1, 2023, available at <https://www.wsj.com/articles/treasury-official-travels-to-beijing-despite-u-s-china-tensions-5c2ca9d6>.

<sup>246</sup>Scott Kennedy *et al.*, “The Completed Construction of the Xi Jinping System of Governance,” Center for International and Strategic Studies, CSIS Blog Post, March 15, 2023, available at <https://csis.org/blogs/trustee-china-hand/completed-construction-xi-jinping-system-governance>.

<sup>247</sup>The White House, “Fact Sheet: President Biden and G7 Leaders Formally Launch the Partnership for Global Infrastructure and Investment,” June 26, 2022, available at <https://www.whitehouse.gov/briefing-room/statements-releases/2022/06/26/fact-sheet-president-biden-and-g7-leaders-formally-launch-the-partnership-for-global-infrastructure-and-investment/>.

<sup>248</sup>Elizabeth C. Losos and T. Robert Fetter, “Building Bridges, PGII versus BRI,” Brookings, September 29, 2022, available at <https://www.brookings.edu/blog/future-development/2022/09/29/building-bridges-pgii-versus-bri>.

<sup>249</sup>Horn, Reinhart and Trebesch, supra note 98.

<sup>250</sup>Lew and Roughead, supra note 141.

<sup>251</sup>Anne O. Krueger, “China and the Sovereign Debt Bomb,” Project Syndicate, January 13, 2023, available at <https://www.project-syndicate.org/commentary/debt-restructuring-china-paris-club-imf-by-anne-o-krueger-2023-01#>.













