



Briefing Paper

Disrupting the world's money

China's ambitions for global finance

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**The Centre
for Geopolitics
of Global Change**

Key messages

China's ambitions for global finance have evolved from ideologically-driven imperatives to a strategy of managing systemic risk to its national development goals.

China is pursuing a dual strategy to achieve a bigger voice in global financial governance: advocating for incremental reform within existing Bretton Woods institutions while simultaneously creating alternative institutions and structures such as the NDB and AIIB.

China's desire to reduce its systemic reliance on the US dollar and US monetary policy, and enhance its resilience against potential financial sanctions is driving a strategy of renminbi internationalisation and cross-border payment system innovation, such as the launch of CIPS in 2015.

China has successfully promoted the renminbi in its own trade – 55% of its cross-border payments now use the RMB, double the share from a decade ago. Yet globally the currency handles just 7% of international trade settlement and represents only around 2% of countries' foreign reserve holdings – well below China's relative economic size.

Despite some ambitious rhetoric, China has so far failed to create a viable alternative financial architecture that is better able to allocate cross-border flows. Instead, it has been relying on repackaging existing systems, compromising efficiency in cross-border capital allocation, and chiefly supporting its own international credibility. The trajectory of current efforts is likely to undermine the future effectiveness of Western-led economic statecraft and lead to fragmentation in cross-border capital flows and payment systems.



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Abbreviations and acronyms

AIIB	Asian Infrastructure Investment Bank
BIS	Bank for International Settlements
CHIPS	Clearing House Interbank Payments System
CIPS	Cross-Border Interbank Payment System
CCP	Chinese Communist Party
DSSI	Debt Service Suspension Initiative
EMDEs	emerging market and developing economies
GDP	gross domestic product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFA	international financial architecture
IMF	International Monetary Fund
NDB	New Development Bank
RMB	Chinese renminbi
SDRs	Special Drawing Rights
SWIFT	Society for Worldwide Interbank Financial Telecommunication
WWII	World War Two

1 Introduction

1.1 The foundations of global finance and need for reform

For more than 80 years, the international financial architecture (IFA) – that is, the set of global institutions, agreements, rules, practices and payment systems that maintain global financial flows and stability – has endured, with limited reform.¹ However, rising public and private debt, trade tensions, fragmented coordination on debt resolution, and limited fiscal capacity to manage long-term risks like the impacts of climate change all point to growing systemic strain.

These challenges, among others, have prompted renewed calls to make international finance fit for the 21st century global economy. Several prominent ongoing proposals by the G20 target reform to the global economic governance through the International Monetary Fund (IMF) and World Bank. Among the main areas of discussion are the insufficient scale of concessional financing, underrepresentation of the priorities of developing economies in the Bretton Woods institutions, and fragmented debt coordination mechanisms in the context of a looming debt crisis (Prizzon, 2025).

So whilst there is agreement reform is needed, one of the most uncertain elements of this evolving landscape is the way in which China is positioning itself as a champion of alternative models for international financial cooperation. What does China's growing ambition, role and influence mean in practice? What is China trying to achieve?

In this brief, we focus on China's engagement with the IFA through the three main overlapping structures:

- International financial governance institutions that help guide the 'rules of the game' in global public and private finance, such as the IMF, the World Bank and the Bank for International Settlements (BIS)

1 The Bretton Woods Agreement of 1944 marked an effort to bring stability to the post-war international monetary system by pegging currencies to the U.S. dollar, which was pegged to gold. This decision made the dollar dominant in international transactions and payment systems, especially as previously dominant currencies such as sterling had been weakened by WWII. The agreement also created two critical institutions: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), now part of the World Bank Group. The IMF was tasked with promoting international monetary cooperation and providing a mechanism for countries to borrow funds in order to stabilise their currencies. The IBRD focused on financing the reconstruction of Europe, before broadening its development mandate. The policies and practices of the IMF and IBRD helped to standardise payment systems across countries, and together with the BIS (Bank for International Settlements), they remain central to international financial governance today.

- Payment systems that facilitate the movement of cash and the settlement of transactions. These rely on widespread use of the correspondent banking model to finalise cross-border transactions through a network of intermediary banks
- Global financial safety net mechanisms which include the IMF, national foreign exchange reserves and international monetary arrangements such as bilateral swap lines.²

To answer these questions, this brief explores the Chinese leadership's evolving ambitions for international financial system reform. Section 2 looks at the current implementation of China's plans, discussing the elements that have and have not worked thus far. Section 3 outlines the implications of these ambitions succeeding, including diminished Western-led economic statecraft and leverage, as well as fragmentation in capital flows and payment systems, which can reduce global liquidity and undermine effective risk-sharing.

1.2 What is China trying to achieve?

China's ongoing efforts to advance its financial system reform agenda have long-term geopolitical and strategic implications for the international community that extend beyond economics into hard security, technology, and wider international influence. This is because China's engagement with the international financial system aims to shape specific institutions and rules in ways that actively support, and reduce risks to, its national development target. Simply put, its objective is to deliver the Chinese Communist Party (CCP)'s national modernisation goal of 'forging a strong, democratic, culturally advanced, harmonious and modernised socialist country by 2049 – with a "world-class" military' (Xi, 2017).

Since the 1950s, Chinese participation in the IFA (and its reform ambitions for it) have been shaped by its comprehensive national security assessment: its outlook on shifting traditional and non-traditional threats, ranging from concerns about USA and Soviet invasion to managing global economic volatility and financial risks. As the Chinese national security outlook has evolved, so too has its approach to the IFA, transforming from a stance of revolutionary opposition to a strategy of systematic alternative institution building.

In the Mao era, the international financial system was considered a mechanism of imperialist exploitation (Jacobson and Oksenberg, 1990). China did not seek to establish relations with multilateral economic institutions until the 1980s, when the primary focus of the state switched from ideological conflict to economic development. It joined the World Bank and the IMF, seeking to engage with those international economic institutions from which it could benefit

2 This brief does not detail the role of China's bilateral development finance and emergence as a leading international lender to developing economies, which has been the focus of a large body of earlier work. See, for example, Nadin et al. (2024); Parks et al. (2023).

the most. Almost overnight, China was no longer an isolated socialist development state but an ‘eager recipient of aid from multilateral international economic institutions’ (Nadin, 2007).³

From crisis to vision for reform

As the Maoist ideology of financial sovereignty gave way to Deng-era opening and reform, China’s exposure to the risks and opportunities of the financial system also changed. Then came a decisive moment in Chinese international financial policy: the global financial crisis of 2007–2008. Prominent voices cited in the Chinese media laid the blame on the ‘hedge funds, investment banks and other intermediary bodies in the developed world [which] have played a dubious role in triggering the current crisis’ (Wang and Xin, 2008). From Beijing’s perspective, it was clear that the international finance system was not working in Chinese national security interests and that change was no longer an ideological nicety but an imperative.

At the 2008 G20 meeting, Chinese President Hu Jintao outlined China’s position, declaring that ‘reform of the international financial system should aim at establishing a new international financial order that is fair, just, inclusive and orderly’ (Wang and Xin, 2008). This declaration brought a different, more technically focused, nuance to the existing ideological narrative of China as a champion of the developing world, fighting for international financial architecture reform in the interests of developing countries and promoting ‘shared development’ (Li, 2025). Instead, Hu called for:

- strengthening international cooperation in financial regulation and improving international regulatory measures
- advancing the reform of international financial institutions as well as the representation mechanism in the decision-making processes of international organisations
- encouraging regional financial cooperation and enhancing the role of a regional assistance funding mechanism
- reforming the international currency system and steadily advancing the diversification of the international currency regime (Wang and Xin, 2008).

In response to the crisis, a year later, ahead of the April 2009 G20 summit in London, the People’s Bank of China (PBC) Governor Zhou Xiaochuan published his seminal independent essay ‘Reform the International Monetary System’, which laid out for the first time China’s technical proposals for reform of that system (Zhou, 2009). The essay pitched the creation of a new international reserve currency based on enhanced use of the IMF’s Special Drawing Rights (SDRs) to replace the main reserve currency, an idea that has since lost momentum. In fact, the structure of the SDRs reinforces dollar dominance in the system (see Box 1). However, the underlying premise

3 From 1979 to 1983 China received approximately US \$230 million in aid from the UNDP, UNICEF and the UN Fund for Population Activities. And in fact, since the mid-1990s, China has become an active aid donor (Nadin, 2007).

– that reliance on national currencies as major reserve currencies creates systemic risks in the international monetary system (in this case, driven by concerns over China’s expanding dollar portfolio) – set the stage for a decade of new Chinese financial initiatives that aimed to reform financial governance, internationalise the renminbi, innovate cross-border payment systems and most importantly, manage risks to Chinese national security and development pathways.

China’s global financial governance ambitions

Under Xi Jinping China’s strategy to enhance its position in international financial governance has taken a dual approach: advocating for piecemeal reform within existing Bretton Woods institutions while simultaneously creating new institutions that operate alongside them. Participation within MDBs allows China to promote its views on development, invest its excess capital, engage in regional diplomacy and build its international credibility as a responsible global power (Humphrey and Chen, 2021). Both official statements and popular discourse in China frame the new MDBs as vehicles for amplifying China’s, and other developing countries’, ‘right to speak’ in global decision-making (Wang, 2017). For example, at the G20 Finance Ministers meeting on the sidelines of the 2025 IMF and World Bank Spring meetings, China’s Minister of Finance Lan Fo-an emphasised that all parties should work to improve the international economic and financial system through multilateral cooperation (MOF, 2025).⁴

Within the IMF and World Bank, China has been vocal in calling for greater representation and voting power for developing countries. This includes the push to revise the IMF’s quota formula, which China argues remains biased toward advanced economies.⁵ Since quotas determine not only voting power, but also resource contributions, access to emergency loans and allocations of SDRs, the stakes are significant. The last time IMF quota shares were negotiated was in 2010, which means that according to the existing formula China is de facto underrepresented in terms of voting power relative to its economic weight. It has much to gain from an overdue quota renegotiation or reform that apportions it greater voting rights. Similar concerns are echoed at the IBRD, where China’s voting share remains below 6% as of April 2025. At the World Bank, China has pushed for a strong replenishment of the International Development Association (IDA), which in principle improves its ability to negotiate its vote share at the IBRD.

4 Lan advocated for the reform of multilateral development banks, advancement of the 2025 International Bank for Reconstruction and Development (IBRD) shareholding review, improving the implementation of the Common Framework for Debt Treatment beyond the Debt Service Suspension Initiative (DSSI) and incentivising the private sector and international financial institutions to better support vulnerable countries to address liquidity and solvency challenges (MOF, 2025).

5 Quota redistribution is at the heart of current IMF governance reforms, as the existing formula’s choice of variables and their weight favours advanced economies (Colodenco et al., 2025). Emerging market and developing economies (EMDEs) including China hold just 40% of voting shares despite accounting for 60% of global GDP (ibid.).

Moreover, within MDBs China has advocated for more streamlined project approval and oversight processes, less conditionality linked to policy reform, and a stronger focus on infrastructure investment as a catalyst for economic transformation (Humphrey and Chen, 2021). The establishment of the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) in 2015 and 2016 partly reflects these grievances toward the Bretton Woods institutions.

Internationalisation of the renminbi

Chinese authorities are working to promote the internationalisation of the renminbi's use for cross-border settlements as an alternative to the dollar. China is not attempting to displace the dollar system, but rather to reduce its systemic reliance on it. A full replacement of the dollar system would require major changes to the Chinese economy, and the more immediate goal is to insulate the Chinese economy from the risks associated with dollar dependence.

Like European politicians before them, Chinese leaders resent the dollar's dominance in world finance: a dominance on which they blame the misallocation of capital into the United States. Chinese leaders argue that dollar dominance increases vulnerabilities through exposure to US monetary policy and potential financial instability; in moving away from it, they seek to mitigate currency and investment risks.⁶ Reducing dollar dependence also mitigates the effect of potential US-led or Western financial sanctions and economic pressures, such as the sanctions regime imposed on Russia following the 2022 invasion of Ukraine.

In addition to its RMB-denominated bilateral lending, China has initiated a range of measures to encourage international acceptance of its currency. These include the promotion of the Shanghai Clearing House, Futures and Stock Exchanges. Measures have also been taken with international partners to encourage digital transactions through the mBridge project – a multi-central bank digital currency platform that connects central and commercial banks across China, Hong Kong, Thailand, the United Arab Emirates and Saudi Arabia (BIS, 2024). The initiative was initially supported by the BIS, but it withdrew its involvement in October 2024 in light of concerns that the system could be used to evade sanctions (Reuters, 2024).

Most recently, in April 2025, a joint action plan issued by the PBC and the Shanghai municipal government outlined further steps to facilitate increased cross-border financial services in Shanghai, including improving cross-border settlement efficiency; strengthening hedging of foreign exchange risk; enhancing global coverage of the Cross-Border Interbank Payment System

6 In a dollar-dominated global economy, changes in US monetary policy affect global liquidity and financing conditions. For example, tighter US monetary policy leads to a tightening of foreign financial conditions, contractions in the provision of domestic credit globally and retrenchment of international credit flows (Miranda-Agrippino and Rey, 2020).

(CIPS); and encouraging more banks to participate in the system, promoting cross-border use of RMB (Xinhua, 2025).

Box 1 The IMF's SDR system and dollar dominance

Special Drawing Rights (SDRs) are an international reserve asset created by the IMF to supplement member countries' official foreign currency reserves. The purpose of SDRs is to provide liquidity without increasing debt. For lower-income countries, SDR allocations can also boost foreign reserves. In practice, though, there is a wide variation in countries' access to liquidity during crises, as only a small share of SDRs are allocated to developing countries.

The IMF allocates SDRs to its members in proportion to their IMF quotas, which are calculated as a weighted average of a country's GDP, openness, economic variability and international reserves. The value of SDRs is based on a basket of five major currencies, reviewed every five years; the Chinese renminbi (RMB) was included in the SDR basket in 2016. Since the last review in August 2022, the renminbi has a weight of 12.28 compared to 43.38 for the US dollar, 29.31 for the euro, 7.59 for the Japanese yen and 7.44 for the UK pound sterling.

When SDRs are allocated, each country receives both an asset and a liability, resulting in a neutral initial position. The practical use of SDRs depends on their conversion to a usable currency, typically the US dollar, through the IMF's internal mechanism. This means that creditor countries within the system must be willing and able to provide dollars in exchange for SDRs.

Since SDRs ultimately rely on the availability of dollars for practical use, in practice this mechanism reflects and reinforces the dollar's central role in the global financial system, creating a political dimension to what was intended to be a neutral financial reserve asset. The US, as the primary source of dollars, can exert material influence over the system.

Source: authors, based on IMF data.

Cross-border payment systems

Global payments are facilitated by messaging systems, such as Society for Worldwide Interbank Financial Telecommunications (SWIFT), complemented by settlement systems, such as the Clearing House Interbank Payments System (CHIPS) for USD-denominated transfers. US dollar payments need to be cleared through the US banking system.

In 2015, China launched the Cross-Border Interbank Payment System (CIPS), aiming to provide an independent international RMB payment and clearing system. CIPS promotes the international use of RMB, and effectively expands China's anti-Western sanctions toolkit as it enables participating countries to avoid sanctions or financial pressures typically imposed through the SWIFT network.⁷ To date, however, CIPS still relies heavily on the SWIFT messaging system both for message standards and number of messages sent. Up to 80% of its messages pass through the SWIFT system (Yeung and Goh, 2022).

Summary

When it comes to the international governance infrastructure, China's efforts appear to be geared toward incremental reform within existing institutions (such as achieving greater representation and voting rights) rather than replacing those institutions. It does not seek to dismantle the system; rather, it wants a bigger voice within the system, the ability to manage risks to its national development objectives and to prevent potential negative forms of economic statecraft. Western and Global South policymakers will be concerned about reform to debt-restructuring processes, particularly in low- and middle-income economies facing solvency challenges, rather than just liquidity issues (which the global financial safety net is designed to address). While China resists the Paris Club dominance and IMF-led conditionality in this area, it has no interest in taking on an IMF-like role of trying to coordinate debtors and creditors (see Box 2 for further discussion of China's approach to debt negotiations).

China wants to reduce reliance on the dollar system, not to eliminate the dollar system. In practical terms, any meaningful shift away from the dollar would require not just a decline in its perceived safety and stability, but the emergence of a credible alternative capable of supplying liquidity at the scale the global system demands. China continues to hold large portions of its foreign reserves in dollars, and benefits from a stable global financial environment anchored by the dollar. Moreover, as a largely export-driven economy, China receives substantial dollar inflows. True internationalisation of the RMB comes with costs which the Chinese authorities are unlikely to want to bear, given the continued use of capital controls to maintain exchange rate stability. It would require full foreign convertibility of the RMB, and third countries settling transactions with each other in RMB independently of the issuing economy (which is not currently the case). Hence, China has focused on bilateral promotion of the RMB in overseas payments.

Fundamentally, China seeks political and financial resilience in the face of possible Western sanctions; an increase in its economic autonomy in the international sphere; and an expansion of its global financial influence.

7 SWIFT is not a clearing system, but a global financial messaging network which transfers payment instructions between banks using standardised codes. As part of the Western sanctions package in response to Russia's invasion of Ukraine, seven Russian banks were excluded from SWIFT in February 2022.

2 China's progress toward its stated ambitions

2.1 What has worked?

Since China's push for increased shareholding within major MDBs has been mostly unsuccessful, Beijing has launched alternative structures – e.g. co-financing funds with other MDBs (such as the Africa Growing Together Fund, launched by the PBC and the African Development Bank) – as well as creating entirely new MDBs (such as the AIIB and NDB).

These new development banks have different mandates and governance structures (see Table 1).

Table 1 Overview of the NDB and AIIB

	New Development Bank (NDB)	Asian Infrastructure Investment Bank (AIIB)
Established	2015	2016
Founders	BRICS	China-led, with broad international support
Size	\$29 billion total balance sheet; \$17 billion lending	\$57 billion total balance sheet; \$26 billion lending; \$11 billion in bonds
Membership	Originally BRICS, now expanding	Broad, including regional and non-regional members
Key priorities	Sustainable infrastructure; local currency financing in BRICS and other developing countries	Sustainable infrastructure in Asia; mobilising private capital

Source: authors, based on NDB and AIIB annual reports.

The NDB has a total balance sheet of \$29 billion, with 60% of assets allocated to 'loans and advances', lending mostly in dollars to a range of BRICS countries and others funding sustainable infrastructure (NDB, 2023).⁸ In terms of governance, its members – all BRICS – have equal shareholding, and it epitomises the South–South cooperation institutionalised in Chinese official discourse. Meanwhile, the AIIB has a balance sheet of \$57 billion, of which 46% is allocated to loans, 20% to bonds and 25% to the external managers programme (AIIB, 2025). The bank specialises in funding sustainable infrastructure and has 100 full members and 10 prospective members. In terms of operations and corporate governance it is very similar to the major existing MDBs, although China retains a leadership position, enjoying the highest shareholding and sole

⁸ The NDB annual report is released with a significant lag (the 2023 report was released in March 2025).

veto power over changes to the capital structure, board of directors or articles of agreement (Humphrey and Chen, 2021; Gu and Liu, 2022).

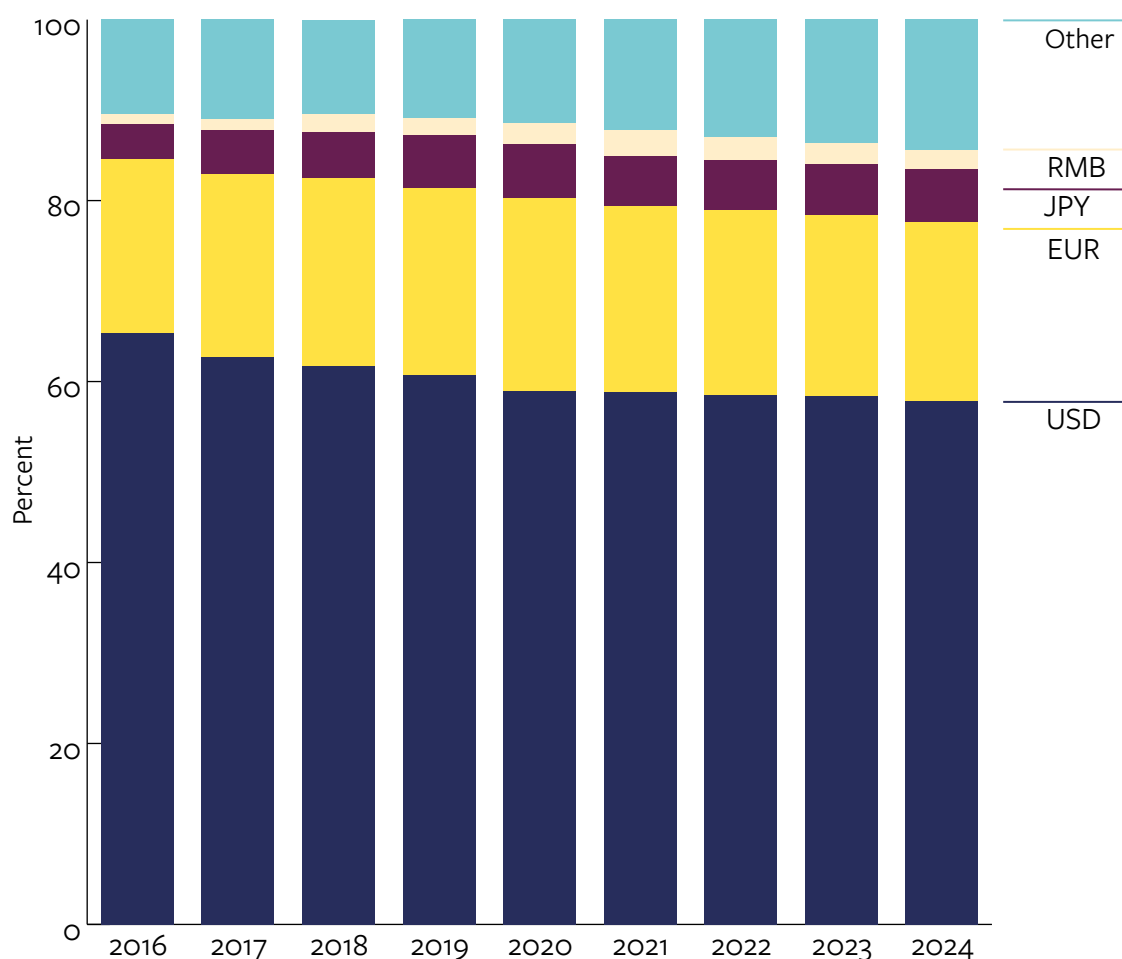
The creation and activities of the NDB and AIIB have raised several governance concerns, particularly around transparency in project selection and oversight. Compared to other institutions, such as the World Bank, the NDB and the AIIB provide only cursory information about how they choose projects to fund and how these projects are assessed, both before disbursement and throughout the project lifecycle.⁹ Additionally, the two banks have differed in terms of their performance: the AIIB has maintained a AAA credit rating supported by its broad Western country membership, its strategy of co-financing with major MDBs and its adoption of safeguards modelled on existing MDBs (Humphrey and Chen, 2021; Chin, 2024), while the NDB faces challenges to scaling up and managing geopolitical tensions among its founding shareholders (Hofman and Srinivas, 2024).

In addition to MDB creation, China has launched several other regional financial cooperation platforms and mechanisms to strengthen banking ties between Chinese and foreign financial institutions – such as the China-Africa Interbank Association (2018), China-ASEAN Interbank Association (2010) and the Belt and Road Interbank Regular Cooperation mechanism (2017). The Chinese government has also set up bilateral and multilateral investment cooperation funds and co-financing facilities to advance its economic relationships with overseas regions and partners, such as the Brazil-China Cooperation Fund for the Expansion of Production Capacity (2017) and the China-LAC Cooperation Fund (2015).

China's growing foreign trade, Belt and Road Initiative (BRI) investments and expanding network of bilateral currency swaps are driving a gradual increase in the international acceptance of the renminbi. **As of May 2025, the People's Bank of China (PBC) has established over 40 bilateral swap agreements with foreign central banks, totalling over \$580 billion in commitments** (Xinhua, 2024). The PBC's swap lines can be used at the discretion of borrowing countries' central banks. In practice, they do not represent an alternative to IMF financing but are typically used alongside IMF programmes, specifically as bridge loans or as supplementary financing to bolster IMF programmes (Watrous and Paduano, 2025).

In addition to providing currency swap agreements, China's bilateral lending to developing economies is increasingly RMB-denominated, driven largely by rescue/bailout loans to borrowers in financial distress (Parks et al., 2023). The renminbi has also entered into countries' foreign exchange reserves, though these remain dominated by the US dollar and the renminbi shows few signs of widespread acceptance as a reserve currency. **In 2024, the RMB comprised just over 2% of countries' foreign reserve holdings, up from 1% in 2016** (Figure 1).

9 At the AIIB, this is partly driven by the stronger delegation from the board of directors to the President for the approval of most financing operations, as formulated in the Regulation on the Accountability Framework (Prizzon et al., 2022).

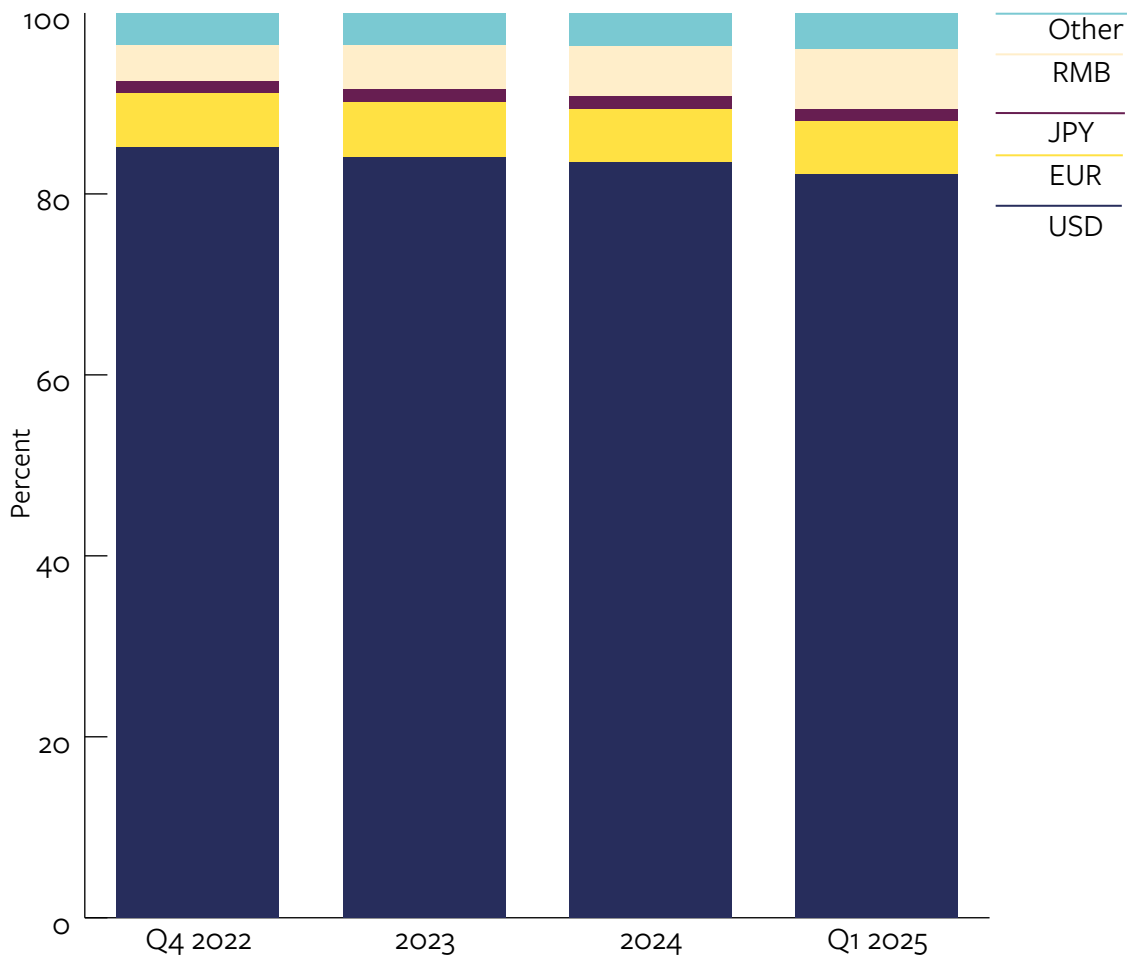
Figure 1 Currency composition of official foreign exchange reserves, 2016–2024

Source: authors' calculations, based on IMF COFER data.

The renminbi is, then, making progress in international acceptance – albeit slowly. Chinese policymakers have successfully expanded its use in China's own cross-border transactions: since March 2023, the RMB has been the main currency used for China's cross-border payments. In March 2025, 55% of China's cross-border payments were RMB-denominated, more than double the share ten years ago.¹⁰ However, its global use remains limited in relation to the size of the Chinese economy.

The RMB's use in trade settlement in the first quarter of 2025 stood at nearly 7%, which is still low compared to the US dollar (Figure 2). This share is also lower for the RMB's use as a global payments currency according to the SWIFT RMB tracker.

¹⁰ Authors' calculations based on data from State Administration of Foreign Exchange (SAFE) on monthly cross-border payments by non-banking sectors.

Figure 2 Currency composition of global trade finance, 2022–2025

Note: includes messages exchanged on SWIFT (MT400, MT700).

Source: authors' calculations based on SWIFT RMB tracker data.

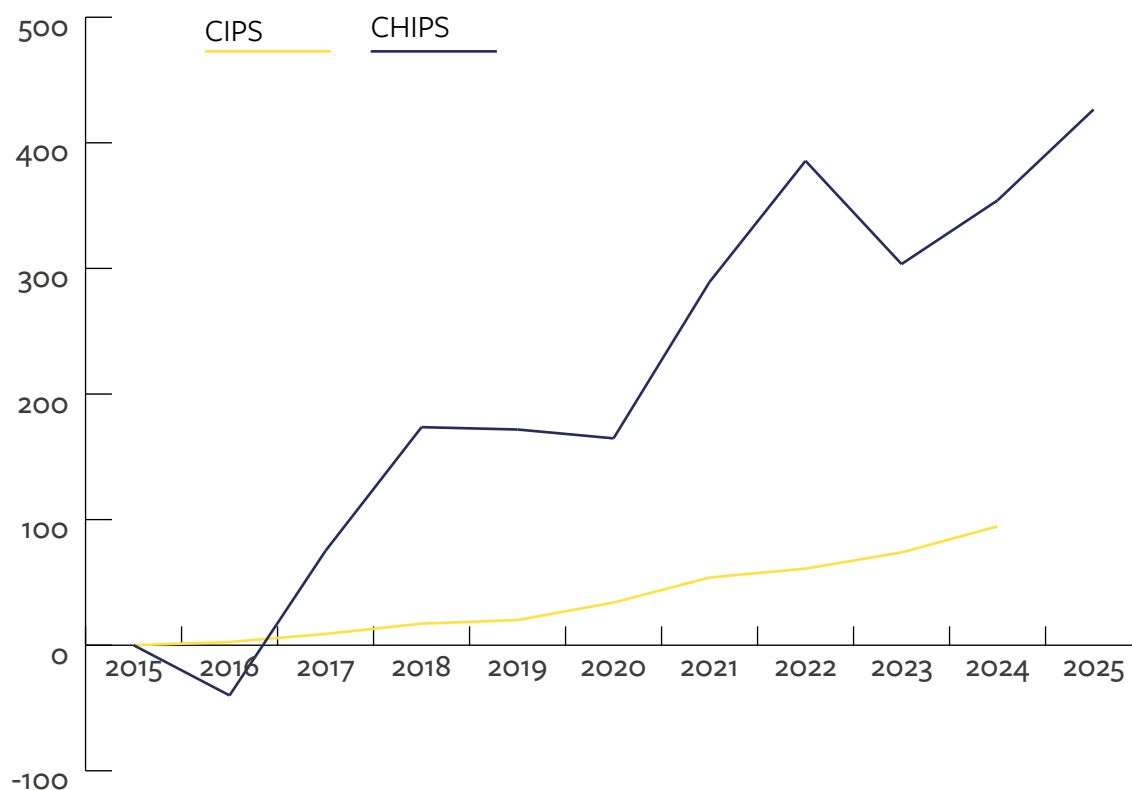
Lastly, the international acceptance of RMB has received a boost in the context of financial sanctions avoidance. For example, following the imposition of Western sanctions on Russia, the rise in the use of renminbi in trade settlements was most pronounced for goods covered by the trade sanctions and with trading partners that had an active RMB swap line and did not impose sanctions on Russia (Chupilkin et al., 2023). Iran has also increasingly used RMB for transactions with China (Perez-Saiz and Zhang, 2023).

2.2 What has not worked?

China's inception of CIPS (the Cross-Border Interbank Payment System) in 2015 sought to create an RMB payment and clearing system which would be independent of, and effectively rival to, existing systems such as CHIPS. As of 2025, CIPS is operating with 170 direct and nearly 1,500

indirect participants, including overseas branches of Chinese banks, but it does not appear to be catching up with CHIPS (Figure 3). In May 2024 Wang Yongli, the former vice president of Bank of China and SWIFT's first mainland China director, argued that any attempt to replace SWIFT with CIPS would require other countries to accept Chinese oversight of the messaging system – a requirement which would likely deter widespread international participation. He emphasised that CIPS should focus on building its fund account infrastructure while maintaining a separate messaging system (Gao, 2024).

Figure 3 CHIPS vs CIPS growth since inception, 2015–2025



Source: authors' calculations, based on PBC, CHIPS, HedgeAnalytics.

As outlined above, the renminbi is almost exclusively used for trade that involves a Chinese actor on one side of the exchange (von Berschwitz, 2024). The increase in the use of RMB in international trade (partly to avoid sanctions) is clear to see, but comes from a low starting point, and its share as a reserve currency has even slightly declined in recent years. Dollar dominance in trade settlement is unlikely to change in the short term, particularly given that China's capital account restrictions and exchange rate management limit RMB liquidity in global markets and require China to continue maintaining large dollar reserves.

Box 2 China's approach to debt restructuring

Chinese banks are the main cross-border lenders to emerging and developing economies: since 2016, China's overseas lending has exceeded the combined official lending of the IMF, World Bank and 22 Paris Club countries. China's emergence as a leading overseas creditor has complicated multilateral debt-restructuring processes, as many of its borrowers now face challenges with solvency, not just liquidity. At the time of writing, Chinese public and private creditors on average own 23% of the debt owed by low- and middle-income countries considered by the IMF to be at high risk of, or currently in, debt distress.¹¹

In debt negotiations, China has shown a preference for bilateral deals and unwillingness to grant face-value reductions. Between 2008 and 2021, China provided approximately \$240 billion in overseas rescue lending, mostly to countries with significant debt obligations to Chinese creditors – particularly debt related to Chinese-financed infrastructure projects. While low-income countries in financial distress tend to be offered bilateral debt restructuring that involves a maturity or grace-period extension, middle-income economies, which are the larger borrower group, typically receive new rescue loans to repay their existing debts or prevent default.

Although China joined the G20 Debt Service Suspension Initiative (DSSI) in May 2020, it has since raised objections to the traditional multilateral restructuring rules and procedures of the Paris Club and the IMF. In October 2020, China joined the G20 in calling for the creation of a new Common Framework for Debt Treatments beyond the DSSI, to supersede the Paris Club. While China has shown willingness for multilateral cooperation in this area and has contributed to innovations in the global sovereign debt-restructuring architecture, its unwillingness to grant permanent debt relief presents a challenge for countries in prolonged debt crises.

Source: authors' calculations, based on World Bank International Debt Statistics and IMF Debt Sustainability Analysis; Casanova, Cerutti and Pradhan (2024); Jiang (2025); Horn et al. (2023a, 2023b); Makoff, Maret and Wright (2025).

¹¹ Based on 2023 data for long-term public and publicly guaranteed external debt stock in 27 countries. In total, 35 countries are currently assessed by the IMF as being at high risk of, or in, debt distress; however, 8 of them either do not report at all or do not report in sufficient detail to the World Bank's Debtor Reporting System.

3 Implications for policymakers

Looking ahead, what is China likely to achieve? Its challenge to the dollar-dominated financial order currently remains more aspiration than reality. Though it has clear ambitions, Beijing has yet to deliver a viable alternative architecture. Rather than advancing meaningful IFA reform or improving capital flows, China's efforts so far seem to fall into three categories: repackaging existing systems as innovation (such as CIPS); promoting and prioritising dollar alternatives at the cost of efficiency; and bolstering international perceptions of the Chinese government.

Despite internationalisation efforts, the renminbi is constrained by Chinese monetary policy choices and suffers from limited convertibility, shallow financial markets and a lack of institutional trust. As a result, attempts to expand geopolitical influence through financial channels are more likely to encourage duplication and inefficiency than to achieve transformation. Combined with a mixed governance record of overseas financing, the result is likely to be less favourable to borrowing countries than current arrangements. This is likely to be particularly true for lower-income economies where institutions are already more fragile.

The structural realities of global finance and the relative depth and liquidity of US markets for any asset class remain unchanged. The bulk of investable opportunities, particularly those offering scale, security and reliable returns, remain within the greater dollar-based system. Any effort to diversify away from this system is inevitably constrained by the fact of limited viable alternatives. Rather than improving the international architecture, the emergence of China as a financial actor risks introducing layers of cost and complexity.

Alternative cross-border payment systems like CIPS are currently limited in scope and heavily dependent on the existing payments infrastructure. However, they do have the potential to affect the overall picture of the IFA in the long term – since, combined with greater use of non-dollar currency invoicing in international trade, they could contribute to reducing the effectiveness of Western economic sanctions. This in turn may encourage a geopolitically driven shift away from the dollar as a vehicle currency. In this scenario, China could mitigate its own risks from future sanctions (e.g. in the case of a potential Taiwan invasion) and exert more influence over trading partners.

Beijing is not alone in advocating for the reform of global financial institutions – many developing countries share China's grievances about underrepresentation. However, there is little evidence that China wishes to meaningfully enhance the influence of other low- and middle-income countries. Crucially, any enhancement of China's formal voting power within existing institutions would, by definition, require a reduction in the quotas of other nations – an outcome that remains contested.

At the same time, geopolitical tensions between major economies continue to impede progress on reforming the governance of the international financial architecture. The trajectory of US engagement with international financial institutions remains uncertain. The Trump administration has expressed a clear preference for bilateral deals over multilateral cooperation, consistent with the broader Project 2025 goals. Although a report on international organisations is due in August, recent remarks by Treasury Secretary Bessent suggest an intent to reform and disrupt rather than exit international organisations (US Treasury, 2025). It will be important to watch how Chinese policymakers adapt to the Trump administration's new vision for the World Bank, which includes measures that directly affect China (e.g. calls for an end to lending to China) or challenge China's position on the bank's mandate (e.g. a recalibration in energy lending away from clean energy projects).¹² In terms of financial stability, the IMF's ability to respond to global financial crises would be severely hampered without reform and engagement from both the US and China. China would be neither willing nor able to replace the IMF capacity in international crisis response.

All policymakers need to be aware that growing geopolitical tensions also risk fragmenting global finance. Fragmentation in capital flows and payment systems can undermine financial stability by reducing opportunities for cross-border risk-sharing, weakening liquidity and limiting the ability to direct capital to where it is most needed during periods of financial stress. The costs of policy-driven geoeconomic fragmentation are likely to be disproportionately higher for emerging and developing economies due to their dependence on foreign direct investment (FDI), and vulnerability to FDI relocation (IMF, 2023). This fragmentation could also limit China's own ability to raise foreign capital and pose risks to China's inbound FDI. The result is a more inefficient system, which not only raises the costs of capital allocation but also weakens the capacity to deliver global public goods.

3.1 What to watch

- How will the Chinese leadership's vision for IFA reform adapt to the Trump administration's agenda for international financial governance institutions and the global safety net?
- How will China continue to push for RMB internationalisation despite the limitations posed by capital account controls, limited convertibility and shallow financial markets?
- How will China attempt to overcome the current trust, interoperability and privacy hurdles related to its cross-border payments innovations (e.g. CIPS)?

12 For example, the new US administration has exited energy transition partnerships in South Africa, Indonesia and Vietnam, and is exerting pressure on the World Bank to fund fossil fuel projects (Lo, 2025).

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