

Research on the Process of RMB Internationalization in the New Development Stage

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Abstract: Since entering the new development stage, China's economy has comprehensively stepped into a phase of high-quality development, and the process of RMB internationalization has accelerated, playing an important role in boosting foreign trade, cross-border settlements, international balance of payments adjustment, and reducing exchange rate risks. The international influence of the RMB, especially its regional economic influence, has been continuously enhanced. However, it should also be noted that in the latest global currency payment rankings (June 2025), the RMB accounts for 2.12%, ranking sixth globally after the US dollar, euro, pound sterling, yen, and Canadian dollar, which is inconsistent with China's status as the world's largest goods trader and largest manufacturing power. The process of RMB internationalization still faces a long way to go. Currently, the world is undergoing unprecedented major changes in a century, with opportunities and challenges coexisting, difficulties and hopes present simultaneously. This paper systematically reviews the current status of RMB internationalization, analyzes the opportunities and challenges faced in the process, and attempts to propose rational suggestions from economic, financial, and policy perspectives.

Keywords: RMB internationalization; opportunities and challenges; policy recommendations

1. Introduction

At present, China is in the development stage of comprehensively building a modern socialist country and advancing toward the second centenary goal. The international and domestic political and economic situations have undergone profound changes in this new development stage. The RMB's status in international trade, investment, and reserve currency has been continuously elevated, and the internationalization process has accelerated. Up to now, China has signed local currency swap agreements with 32 countries and regions. The scale of RMB transactions continues to expand, playing a constructive role in supporting China's trade partners, stabilizing financial exchange rates, and promoting the adjustment of international balance of payments. However, overall, the current international status of the RMB still lags significantly behind traditional currencies such as the US dollar and euro, and also maintains a certain distance from the pound sterling and yen. Currently, with the rise of international trade protectionism, ongoing regional conflicts, continued fluctuations of the US dollar, and the domestic effective demand not fully stimulated, although economic growth is generally upward, the growth rate faces downward pressure. Further promoting RMB internationalization is of great significance for boosting foreign trade, driving domestic demand, and maintaining high-quality economic growth. Based on this, this paper aims to comprehensively analyze the development process of RMB internationalization, fully understand the opportunities and challenges currently faced, better grasp the relationship between China's economy and its financial currency, and provide some exploration for further promoting international trade, stabilizing finance, and enhancing China's influence in the global financial system.

2. Development and Current Status of RMB Internationalization in the New Development Stage

2.1 Continuously Enhanced Capability to Serve the Real Economy

More enterprises choose RMB for cross-border trade settlement, which helps reduce the impact of exchange rate fluctuations, lowers settlement costs, and improves transaction efficiency and security. In the past two years, due to the uncertainty of US tariff policies and economic sanctions, an increasing number of domestic and foreign companies prefer to use RMB for cross-border transactions. The People's Bank of China, the State Administration of Foreign Exchange, and other institutions have focused on facilitating trade and investment, steadily promoting pilot programs for settlement facilitation, actively expanding the scope of overseas lending by banking financial institutions, improving policies for cross-border RMB business in new trade formats such as cross-border e-commerce, continuously optimizing the centralized management of onshore and offshore funds of multinational companies, and steadily enhancing the ability of cross-border RMB business to

serve the real economy.

2.2 Gradual Strengthening of RMB Investment and Financing Functions

Since the “8·11 Exchange Rate Reform” policy in 2015, interconnection channels such as the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, mutual recognition of funds, Bond Connect, and cross-border wealth management Connect have been successively launched and continuously optimized. The regulatory framework for qualified investors has been improved, making it more convenient for foreign entities to issue Panda bonds. Meanwhile, China’s stocks and bonds have been included in major international indices, continuously improving the RMB investment and financing environment. In 2024, foreign financial institutions and enterprises issued nearly 200 billion RMB worth of Panda bonds in China, a year-on-year increase of 32%, while offshore RMB bond issuance increased by 150% year-on-year. By May 2025, the scale of Chinese onshore bonds held by overseas institutions reached 4.35 trillion RMB, and RMB accounted for 5.95% of global trade finance, ranking second worldwide.

2.3 Continuous Enhancement of RMB’s Function as a Reserve Currency

With China’s economic development and growing international influence, the RMB has been included in the foreign exchange reserve systems of more countries. To date, more than 80 countries worldwide have incorporated the RMB into their foreign exchange reserves. According to International Monetary Fund (IMF) data, the RMB accounted for 2.18% of global foreign exchange reserves in 2024, ranking sixth worldwide. Meanwhile, China actively coordinates development and security, deepens reforms in trade and investment facilitation, continuously improves the Cross-Border Interbank Payment System (CIPS), and steadily enhances the RMB’s international monetary functions. However, it should also be noted that the influence of the RMB is not commensurate with China’s economic scale, and the positions of the US dollar and euro remain difficult to challenge. Additionally, China’s capital account controls also restrict the RMB’s function as a major global settlement currency to some extent.

2.4 RMB Gradually Takes a Leading Role in Cross-Border Trade Payments

In recent years, with continuous improvement of the RMB Cross-Border Interbank Payment System (CIPS), RMB settlement in cross-border trade has developed vigorously, strongly promoting the process of RMB internationalization. In 2024, RMB accounted for 641,000 billion RMB in China’s cross-border transaction settlements, representing 53% of China’s foreign trade, surpassing the US dollar. In March 2025, the RMB’s share in global cross-border trade finance was 4.13%, ranking fourth after the US dollar, euro, and yen. In trade with certain specific countries, RMB payments hold an absolute dominant position, such as with Russia, Iran, and North Korea. Looking ahead, with China’s economy continuing to improve and its great stability, the RMB is expected to form a tripartite structure with the US dollar and euro, jointly shaping the global monetary system.

3. Opportunities and Challenges Facing RMB Internationalization in the New Development Stage

3.1 China’s Economic Development Situation and International Turbulence

In the new development stage, China’s economy has transformed from a phase of rapid high growth to a stage of medium-to-high-speed high-quality development. China’s position as the world’s largest goods trader and largest manufacturing power has become more solidified. Domestic investment continues to optimize, high-tech industry investment keeps growing, and the support of scientific research and development for economic growth continues to manifest. Key “bottleneck” technologies in some critical fields are being overcome, the digital economy is booming, and economic momentum and resilience are strong. These positive economic factors provide a favorable environment and development space for advancing RMB internationalization. From the external environment perspective, the international situation is complex and volatile, with continuous regional conflicts impacting global energy markets, food supply, and industrial chain security. Most developed economies are experiencing slower growth, prominent circulation problems, and weakened overall demand. Unilateralism and trade protectionism have become more pronounced, and international financial markets are frequently volatile, all of which affect international trade and RMB internationalization. Overall, opportunities and challenges coexist, and the situation is not optimistic.

3.2 Competition and Cooperation between China and the United States in Politics and Economy

China and the United States are currently the two most important global economic powers. Their political and economic relationship determines the world economic development pattern. After Trump took office, the US wielded tariffs to apply

maximum pressure on China, but after failing in practice, China-US relations entered a stable period. Although the US has consistently emphasized “decoupling,” economic and trade ties between China and the US remain very close in reality, with mutual benefits if cooperative, and mutual harm if separated. In 2024, China-US merchandise trade and service trade volumes reached 688.3 billion USD and 155.8 billion USD respectively. Although these figures have declined from peak levels, they remain significantly higher than in 2017, with both sides still important economic and trade partners. Recently, the US lifting bans on H2O chips and China relaxing controls on certain commodities are positive signals. China-US relations exert complex and profound influences on RMB internationalization. Firstly, the economies are deeply interlinked and will remain so for a considerable time. Normalized China-US trade promotes RMB internationalization positively. Secondly, the trade war increases uncertainty in international trade and may cause RMB depreciation. Investors’ desire to preserve assets and avoid risks may trigger RMB capital outflows. The trade war will force China to stimulate the economy through large-scale infrastructure, consumption encouragement, interest rate cuts, and flexible exchange rate policies, affecting the stability and predictability of the RMB exchange rate.

3.3 Opportunities and Challenges from International Cooperation such as the “Belt and Road” Initiative

Since China proposed the “Belt and Road” Initiative in 2013, cooperation with countries along the route has continuously deepened in economic, cultural, and other fields. Under the current threat of US tariff hegemony, more countries are willing to carry out bilateral local currency settlement based on the RMB exchange rate with China. China and partner countries have greatly promoted the RMB internationalization process through local currency swap agreements. Particularly in infrastructure development and bulk energy sectors, China has signed multiple rounds of local currency swap agreements with countries such as Russia, Saudi Arabia, Brazil, and Argentina, with volumes hitting new highs annually, bypassing the US dollar for transactions. International cooperation such as the “Belt and Road” provides original momentum for RMB global circulation but also faces considerable challenges. Most countries with currency swap agreements with China are primarily exporters to China with limited overall purchasing power. Countries with stronger purchasing power such as those in Europe and the US show lower acceptance of the RMB. Countries like Japan, South Korea, and India even hold certain hostile attitudes toward RMB internationalization. In parts of Central Asia and the Middle East, religious and ethnic issues remain prominent, with widespread superstition about the US dollar, which also affects the promotion and use of the RMB.

3.4 Impact of Regional Conflicts and Geopolitics such as the Russia-Ukraine Conflict and Middle East Conflicts

In the past two years, the Russia-Ukraine conflict, Middle East conflicts, and India-Pakistan tensions have persisted. The US, together with other Western countries, has continuously imposed economic and financial sanctions on Russia, Iran, and others, using the US dollar as a political tool and weapon. This bullying approach may weaken the dollar’s status in the global monetary system. The international community and global capital may seek diversified solutions to reduce over-reliance on the dollar, potentially increasing the market shares of the euro and RMB, which is beneficial to RMB internationalization. However, there are two sides to every coin: international turmoil also leads to financial market volatility and instability. For example, the Russia-Ukraine and Middle East conflicts have caused large fluctuations in international energy prices, which may affect the stability of the RMB exchange rate, reducing its attractiveness and thereby impacting the RMB internationalization process. Finally, in the past two years, with increasing US domestic inflation and the Federal Reserve’s unstable rate hikes and cuts, the short-term environment has been unfriendly to international capital, also negatively affecting RMB internationalization.

4. Policy Recommendations for Promoting RMB Internationalization in the New Development Stage

4.1 Promote Industrial Structure Transformation and Upgrading, Vigorously Develop New Quality Productive Forces

To promote RMB internationalization, China’s economy must first strengthen its internal capabilities; only with a solid foundation can it drive RMB internationalization into broader and deeper fields. Under the current overall economic and industrial layout, we must clearly recognize that China faces increasingly severe and complex risks and challenges, with a deteriorating external environment, difficulties in boosting exports, limited domestic demand pull, and ongoing pains from anti-involution efforts. Low-end industrial chains are accelerating outflows while mid-to-high-end industries are emerging.

China's economy must adhere to the path of industrial transformation and upgrading, driven by technological innovation and entrepreneurship to develop new quality productive forces. It is necessary to persist in institutional reform and technological innovation as driving forces, continuously eliminate outdated capacity, vigorously support the development of technology-intensive and talent-intensive industries such as advanced manufacturing, electronic information, aerospace, biomedicine, new energy, and new materials, actively open up new development tracks, create new growth momentum, and enhance industrial development levels. By advancing deeply into the mid-to-high end of the value chain, accelerating the development of new quality productive forces through industrial transformation and upgrading, China can add greater certainty to the global economy with its own sustainability, continuously strengthen its discourse power and influence in international affairs, and further promote the process of RMB internationalization.

4.2 Improve China's International Credibility and Promote Reform of the Global Governance System

Enhancing China's international credibility is of great significance for the RMB internationalization process. China should participate in international affairs with a more proactive posture, play a more important role in international relations, and demonstrate a fairer, more transparent, and more responsible image, thereby promoting greater economic and financial cooperation with more countries worldwide, which in turn facilitates the scale of RMB usage in settlement, trading, and investment, advancing RMB internationalization. China must take the lead in abiding by international trade rules, show the image of a major power, and through China's trade exchanges with the world, enhance the RMB's international purchasing power and credibility, guiding more countries to proactively accept the RMB. It is necessary to continuously improve the financial market system, accelerate local currency swap agreements, expand settlement and financing scale, enrich offshore RMB product varieties, and strengthen RMB's financing functions. Strengthening financial regulation and risk control over cross-border capital flows will steadily raise the RMB's international credibility. China should actively explore increasing the quantity of RMB-denominated financial assets offered to international investors to hedge against dollar volatility and provide a diversified global monetary principle, actively promoting reforms in the global governance system. Exploring settlement systems outside the SWIFT payment system, vigorously developing the RMB Cross-Border Interbank Payment System (CIPS), and strengthening cooperation with clearing systems such as BRICS PAY and mBridge are also key measures.

4.3 Strengthen Practical Cooperation with "Belt and Road" Countries and Regions to Consolidate the Foundation for RMB Internationalization

Relying on cooperation frameworks such as the "Belt and Road" Initiative, BRICA, and RCEP, further strengthen practical cooperation with countries that maintain friendly relations with China, have geographical proximity, and possess complementary industries. Utilize bilateral trade relations to further expand the scale of local currency settlement, increase the number of direct RMB-quoted transactions, and enhance the RMB's international influence, especially regionally. It is necessary to further strengthen geopolitical and religious risk assessments of countries along the "Belt and Road," reasonably manage and handle risks, and enhance cultural exchanges to deepen mutual understanding. Further optimization of bilateral and multilateral investment protection frameworks is required to elevate China's influence in economic decision-making in third-party countries and ensure the implementation of major projects. By promoting practical cooperation between China and multilateral countries, common prosperity and development can be advanced, thereby broadening RMB application across "Belt and Road" countries and promoting deeper RMB internationalization.

4.4 Expand the Scale of RMB Pricing and Settlement in Bulk Commodity Transactions

The Russia-Ukraine conflict, Middle East conflicts, and US tariff policies have had profound impacts on the international geopolitical landscape, especially in the energy and bulk commodity sectors. Cooperation between China and countries such as Russia, Iran, Brazil, and Argentina has grown closer as an inevitable result of Western sanctions, providing a favorable opportunity for RMB pricing and settlement in bulk commodity transactions. China must firmly grasp this strategic opportunity period. On one hand, strengthen economic cooperation with countries like Russia by enhancing bulk commodity import and export trade to achieve more local currency swaps between both sides. On the other hand, leverage the implementation of RCEP to expand RMB settlement in cross-border e-commerce, providing stable trade support. Taking these two approaches simultaneously will continuously increase the scale of RMB as a pricing and settlement currency, consolidating its position in the global financial market.

5. Conclusion

Promoting RMB internationalization is the necessary path to enhance economic connectivity between China and the

world, foster China's high-quality economic development, and realize Chinese-style modernization. The world today is undergoing unprecedented major changes, with complex and volatile global relations, and the international monetary system is expected to undergo significant transformations. The process of RMB internationalization faces both opportunities and challenges. China must always adhere to reform as the driving force, strengthen its internal capabilities, seize strategic opportunities, and make meaningful progress to contribute to the high-quality development of China's economy.

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