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Dollar, Digital Yuan Or Stablecoins – What Is The Thing Of The Future?

Could cryptocurrencies become a threat to the dollar? If these are viewed as an alternative to global reserve currencies in international settlements, then the “yes” answer would seem only logical. However, it is not that simple. The devil is in the details.

In its May 2025 review the Bank for International Settlements (BIS) recognized the digital transformation of money and the increasing role of crypto assets, including stablecoins, in international transfers. Growing interest in the new kind of money is also explained by lower fees and higher transaction speed versus traditional transfers, and also by lax regulatory oversight, if we speak of private cryptocurrencies.

In the context of rising crypto flows in the international trade, national borders are losing their meaning and the classic financial system is becoming less attractive. Blockchain-based private crypto projects are now posing a challenge to central banks, which calls for a response. Some regulators are ready to introduce their own digital currencies (CBDC) into a new technology reality. China is a prime example of this. The digital yuan (e-CNY) is actively taking over the field of domestic transfers, which has just recently been dominated by popular cryptocurrencies. The total digital yuan transaction volume in the PRC by the end of June 2024 reached up to 7 trillion yuan, which is about USD 986,07 billion. That’s how the People’s Bank of

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China is successfully integrating into the digital transformation process and meeting the challenge by decentralized crypto assets.

Having perfected the technology domestically, Beijing has launched an expansion of the digital yuan to the global markets as well. This April the Chinese regulator announced of complete integration of its digital currency into the cross-border settlement system of all ten member states of the Association of South East Asian Nations (ASEAN) and six Middle Eastern countries, launching the CIPS 2.0. cross-border interbank payment system, based on e-CNY. The expert community unequivocally recognized this Chinese payment system as a real threat to SWIFT. The key advantages of the system versus the classic Western product are high-speed transactions, offline transaction options and a radical reduction of costs. Now more than 38% of the global trade volume can bypass the SWIFT system, where the dollar is the key (though not the only) settlement currency. ASEAN members are planning to use the digital yuan in 90% of cross-border trades among themselves, and Indonesia has included the currency into its currency reserve list. It is also reported that Saudi Aramco quotes 65% of its crude oil contracts with the Chinese Sinopec in the digital yuan.

Alternative money flow routes are an important economic sovereignty driver for those countries that seek to break free from the dictate of Western organizations. Therefore, by using new financial technologies, the primary economic adversary of the USA is dealing a major blow to the global financial system, based on the domination of the classic fiat dollar.

In terms of logic of the shift from classic currencies to digital ones, we could expect an upcoming release of a digital dollar, issued by the FRS. However, the USA have abandoned this idea. Why have they?

One of the possible reasons is that the existing stablecoins, being private projects, nevertheless provide good support to the classic fiat dollar.

Now, the prerequisite for stablecoin existence is whether it is covered by a currency or any other assets (for example, gold), to which it is pegged. The most widely known and popular stablecoins – USDT and USDC – are pegged to the US dollar and are secured, among other, by the American Treasury bills. Formally, USDT and USDC are covered by the dollar under 1 crypto coin – 1 dollar ratio. The question is this really the case is arguable. The USA is currently developing relevant laws, making the precondition of the reserve coverage ratio of 1:1 mandatory. The laws also provide for disclosure procedures, monthly reserve structure reports, certification and a set of measures to protect customer rights. The legal basis under development will enable introduction of stablecoins into the main financial ecosystem on legal grounds.

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In other words, if the 1:1 coverage ratio precondition is observed, further growth of USDT and USDC popularity for settlements will only increase the demand for dollars and dollar-denominated treasury bills. Given the situation, should a digital dollar by the FRS even be created? If American regulators manage to control several major crypto projects, issuing dollar-pegged stablecoins, then there would be no sense in CBDC. At the same time, access to crypto wallets and control over their owners could be managed under agreements with issuers of these crypto assets.

According to BIS estimates, as of March 2025 the total assets in the American securities, held by USDT and USDC issuers, exceeded USD 200 billion, surpassing by their volume the short-term US security assets of major foreign investors. In 2024 US Treasury bills in the amount of USD 40 billion dollars were acquired to issue stablecoins, which is comparable to the largest government funds at the US money market and exceeds the volume of the majority of purchases by foreign investors.

Paolo Ardoino, CEO of Tether (USDT) in his interview to CNBC said that now Tether owns more US Treasury bills than Germany, Spain, Australia or UAE. His corporation is the 5-th largest buyer of the US government debt (!). Rapid stablecoin growth is affecting the markets where the coins are invested, with potential broader consequence for the monetary policy and financial stability, notes the BIS survey.

The explosive growth of stablecoins has led yet to another interesting effect. The abovementioned stablecoins have begun gradual ousting of Bitcoin and Ethereum from international settlements, which are in turn becoming more of a savings and speculation medium, rather than a settlement vehicle.

Source: BIS Working Papers No 1265. DeFiying gravity? An empirical analysis of cross-border Bitcoin, Ether and stablecoin flows by Raphael Auer, Ulf Lewrick and Jan Paulick

In summary, a new fight for the markets of cross-border payments via cryptocurrencies is revving up. And there is ongoing rivalry across several areas, one of which is raging on between cryptocurrencies and CBDC: the digital yuan is winning territory over from Bitcoin and stablecoins. The second rivalry features stablecoins and unsecured crypto assets: USDT and USDC are gradually ousting Bitcoin and Ethereum in cross-border payments. At the same time the current digital transformation in the cross-border payment area presents a challenge for the financial system in place, and all this is happening at the background of the increasing struggle between the largest economies of the world, China and the USA, and their currencies. Will the dollar hold its ground under the current conditions? For now, the United States are quite successfully facing off the arising challenges, taking control of the major stablecoins. This creates a synergy between the decentralized

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crypto assets, pegged to the dollar, and the fiat dollar.

Further division of the world into ecosystems, designed for various digital currency zones, seems inevitable.

Ekaterina Borisova, PhD in History, SRF of Institute of Oriental Studies of the Russian Academy of Sciences

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