

IS CHINA FINALLY SEEKING TO ELEVATE ITS CURRENCY ALONGSIDE THE DOLLAR?

In January, President Xi of China repeated an intention first made in 2024, that the Renminbi should become a “strong currency”. His words resonated across the world. Clearly China was beginning to exploit the travails around the Dollar and its faltering safe-haven status. Here we examine the possibilities of China moving its currency from protected status to freely convertible.

Xi's words were reprinted in *Qiushi*, the Communist Party's own ideology journal. *[“In his speech, Xi outlined](#) what he described as the core attributes of a global financial powerhouse: a strong economic base, world-leading technological and industrial capabilities, and a widely trusted and credible currency.”* In 2024 he had gone even further. *“What constitutes a strong financial nation?” Xi had said. “First, it should have a powerful currency, widely used in international trade, investment, and foreign exchange markets, holding the status of a global reserve currency.”* Commentaries soon followed. *“Xi Jinping is done being subtle. In a newly published commentary, China's president made it crystal clear that he wants the renminbi to become a global reserve currency.” “He also wants cities like Shanghai and Shenzhen to become international financial hubs that “attract global capital and exert influence over global pricing.”*

Xi expressed the need for the currency to move from “big but not strong” to “strong” to becoming a strategic counterweight to the Dollar rather than to replace it. *“Han Shen Lin from The Asia Group added that China doesn't want to replace the Dollar overnight, but they do want the yuan to become a “strategic counterweight” that limits U.S. leverage as the global order shifts.”* But it is more than simply the shift in the global order, it is also about the underlying health of the global economy, including China, measured by debt levels. *“The real underlying driver is the deterioration in the fiscal and monetary credibility of developed economies. Government debt is close to peacetime record levels, while long-term spending commitments, unfinanced liabilities, weak growth, and aging populations make future fiscal consolidation politically challenging.”*

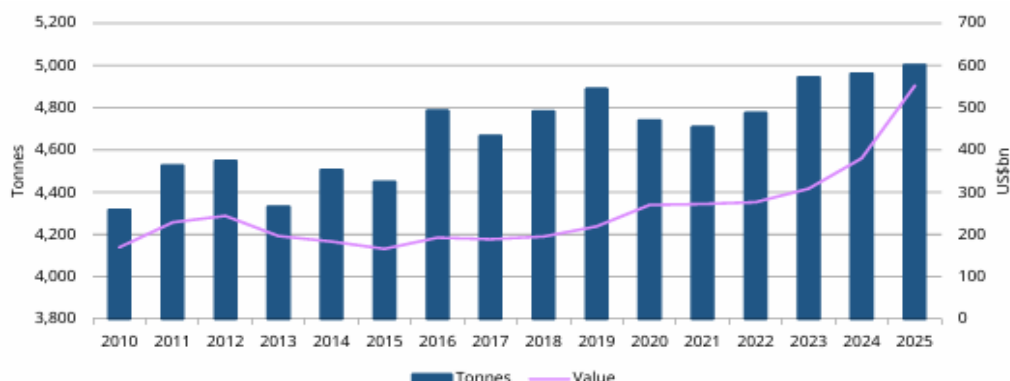
What we are therefore seeing is not a rotation from the Dollar into other currencies as much as it is a rotation into gold. *“Despite the media and social media comments, the slump of euro and yen assets as reserves has been more aggressive than that of the US Dollar. Bloomberg and the World Gold Council data show central banks and sovereign funds have doubled the pace of gold purchases in roughly three years,” “The US Dollar is losing its place as a global reserve to gold but not losing its position relative to the euro, yen, pound, or yuan.”* Gold now makes up a significant if not the largest element of central bank reserves. *“[If we take the indicative central bank gold holdings](#) in Q3 and revalue at today's price, gold now accounts for 31% of the central bank reserves. This was only 18% in the beginning of 2025 and 12% at the start of 2022. Over this period, the importance of the US Dollar fell from 52% to 39%. Gold overtook the euro as its second most important reserve asset in 2024 and is now starting to challenge the USD.”* Even in India the Reserve Bank of India boosted its gold holdings. *“The RBI now holds 17% of its forex reserves as gold, up from 12% a year ago. The reason, directly and indirectly, is US President Donald Trump.” [Business Mirror](#)*

When we look back to what occurred last year in the gold market, much of what took place was due to investment in gold, whereas jewellery purchases fell away as the price rose. *“[Heightened investment activity](#) drove overall demand growth: global gold ETF holdings grew 801t – the second strongest year on record – while bar and coin buying accelerated to reach a 12-year high. Central bank purchases of*

863t reached the upper end of our expected 2025 range; they remain historically elevated and geographically widespread but have slowed from their recent pace.”

Chart 1: Global annual gold demand breaches 5,000t and US\$500bn

Annual gold demand in tonnes and US\$bn*



*Data to 31 December 2025.

Source: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council

Gold supply and demand

Table 1: Gold supply and demand by sector, tonnes

	2024	2025	Annual y/y % change	Q4'24	Q4'25	y/y % change
Supply						
Mine Production	3,650.4	3,671.6	1	947.1	957.7	1
Net Producer Hedging	-53.8	-73.6	-	-18.2	-21.3	-
Total Mine Supply	3,596.6	3,598.0	0	929.0	936.4	1
Recycled Gold	1,365.3	1,404.3	3	357.7	366.4	2
Total Supply	4,961.9	5,002.3	1	1,286.7	1,302.8	1
Demand						
Jewellery Fabrication	2,026.6	1,638.0	-19	524.3	438.0	-16
Investment	1,185.4	2,175.3	84	344.8	595.0	73
Central Bank and Other Institutions	1,092.4	863.3	-21	366.6	230.3	-37

Which brings us to the Trillion Dollar question, how much gold is there above and below ground? And is there sufficient for gold to act as money, that is to say, for currencies to be fully convertible into gold. This data is provided by an infographic produced by [WorldAtlas](#) based on 2024 data. Converted into the price of gold, the 37,800 tons of gold held by central banks when valued at \$5,000 per ounce translates into \$6 trillion. This compares to the [total global money supply](#) managed by central banks in 2024 of \$88.1 trillion. This yields a ratio of 7:1 when we compare the money supply (M2) to the stock of gold, or if we adjust for 2025, it reduces to 6.5:1 due to increased gold holding by the central banks.

This means that if global currencies are to be backed by gold, gold would need to be revalued at over \$30,000 per ounce, not the pre-1973 price of \$35, were all these currencies, presumably bundled into a basket, to be fully convertible into gold. This larger convertibility factor is primarily due to a much larger global economy, as well as decades of depreciating currencies.

All the World's Gold (*Above & Below* the Ground)



Of course, if the price of gold rose to \$30,000, as I have said before, the following would happen. There would be queues outside dentists as patients lined up to cash in their golden crowns, pawn shops would need bouncers to control the crowds pushing through their doors, and pedestrians would have to wear gloves to hide their hands less muggers bite off their ring fingers. What is more likely is that currencies will not be convertible but will be backed by gold with swap arrangement for this gold existing between central banks to maintain orderly exchange rates.

The Renminbi.

The Renminbi or Yuan has since the opening of the Chinese economy remained a closed currency. Capital controls remain in place, its convertibility is limited and the exchange rate is managed and policy driven. The currency is not driven by open market operations nor by international demand and supply. For it to become a reserve currency these restrictions must be fully or partially lifted. The irony is, according to [Ray Dalio](#), that as China considers freeing its currency, the rest of the world may be considering restricting their currencies and imposing some degree of capital controls. *"Historically, Dalio noted, capital wars have developed around great conflicts."*

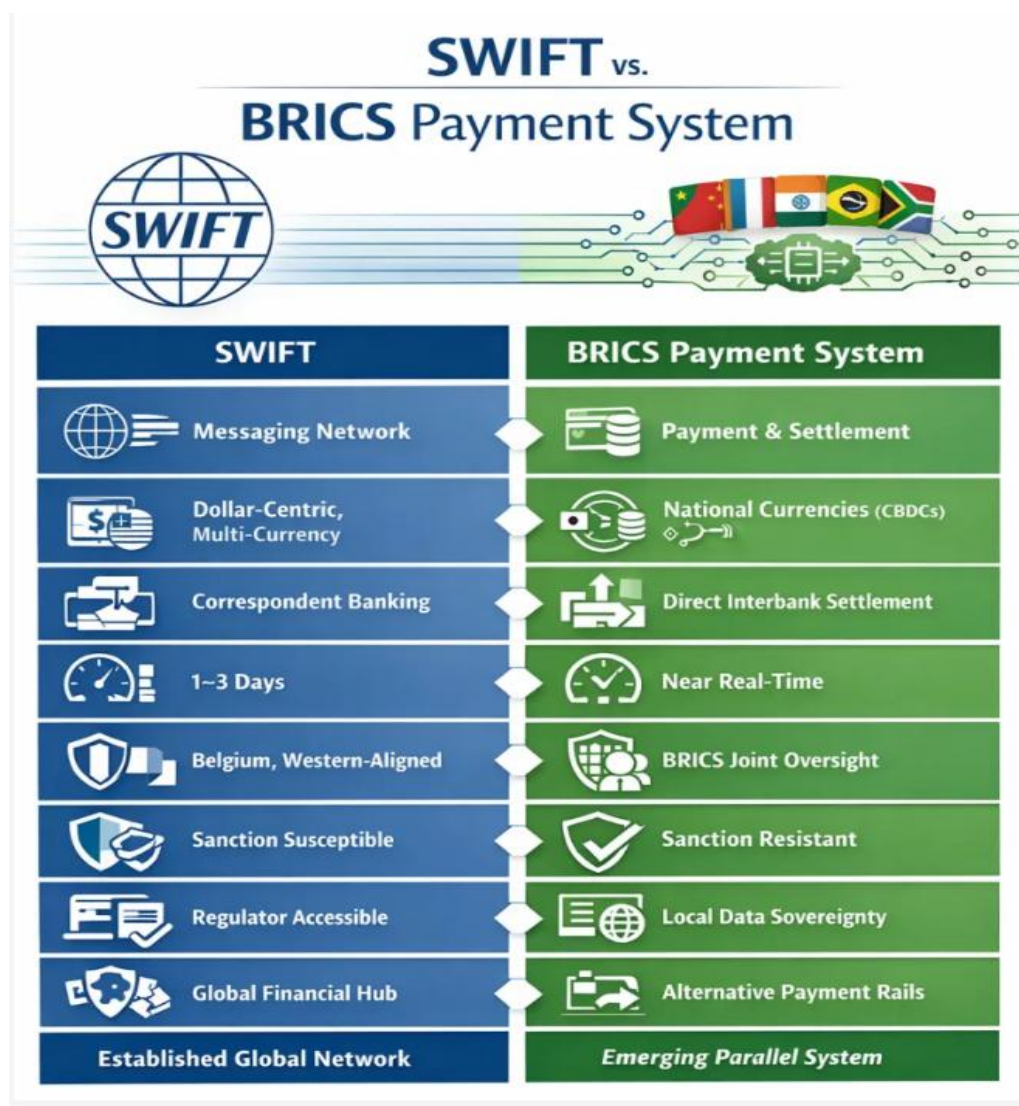
Historically, the dominant industrial power, where proportionately most value is produced, tends to be the primary creditor nation with the dominant currency and the largest banking sector. This is particularly true when that country also dominates world trade as China does. (For balance it should also be noted that China's share of capital flows puts it only in third place globally, though capital flows are far smaller than trade flows.) China certainly has the largest banks in the world. Their [combined assets amounted to \\$66.2 trillion](#) in mid-2025 compared to [global banking assets of \\$426 trillion](#) at the end of 2024. This equates to about 15% of global banking assets. In addition the [net profits of Chinese banks](#) in the first half of 2025 exceeded that of the USA, and this is despite their internationally depressed net lending margins. *"The net interest margin (NIM) of the listed banks further narrowed in 2024. The average NIM stood at 1.52%, down 0.17 percentage point from 2023, marking a fifth consecutive year of decline and consistently remaining below 2% for the past three years."*

Of the four features described above, the only anomaly is the limited presence of the Yuan in international trade. *"China's Cross-Border Interbank Payment System (CIPS) clears roughly 700 billion yuan (about \$100 billion) per day, far below the nearly \$2 trillion cleared daily by the Dollar-based*

Clearing House Interbank Payments System (CHIPS). Yuan-denominated debt issuance in global markets is also minimal, accounting for just 0.8% of total international issuance.” “The Dollar is on almost 90% of all FX transactions and roughly half of global SWIFT payments, with the euro a distant second and the renminbi still only a low-single-digit share.” This is also true for official reserves: “As of Q3 2025, the Dollar made up about 57% of global reserves, down from 71% in 2000. The euro sat at 20%. The renminbi? Just 1.93%, according to IMF data.” Nonetheless, the share held by the US Dollar is declining currently at a rate of about 2% p.a. [according](#) to the International Monetary Fund.

However, the picture is more nuanced at a granular level due to Trump weaponizing the Dollar as this report shows. “By 2025, three major countries – Russia, China and India – will have achieved 90% to 95% de-Dollarization. This move changes the dynamics of [global](#) trade, especially as China and India are major economic powers in Asia. This success puts significant pressure on the US Dollar, which is starting to lose its trust in the international market.”

Equally importantly, the BRICS payment system is becoming more popular as it offers to be cheaper and more efficient alternative as this graphic below shows which [compares SWIFT vs BRICS](#)



Conclusion.

The freeing up of the Yuan will come at a considerable cost. It is currently undervalued by at least 20%. Revaluing it will cost exports, and it will intensify deflation within China itself, but it will have the advantage of curbing capital outflows as its rising strength encourages holding it. Given the dependency of Chinese growth on exports due to the stagnant internal market, any revaluing of the Yuan comes at the worst possible moment.

An inflection point is being reached. It is unlikely that the Yuan will be able to act as an alternative to the Dollar in the near future. But the process has begun and we Marxists need to keep our eye on what is happening because this is a rare world historical moment. It is likely that a new Bretton Woods will emerge on the foundation of the BRICS. If it does it will create a forum for intense discussion and debate.

It is also more likely than not, driven by middle ranking economies, that discussion will end up focusing on setting up an international currency as Keynes once intended in the 1940s. Such a currency will be a blend of gold and weighted local currencies, but it will be a single currency, one not only new, but born out of necessity. That necessity is the growing Dollar crisis, the inability of the US government to curb its debt, and the growing technical achievements made by China which is eating into the monopoly profits enjoyed by US corporations bolstering the Dollar. The depreciation of the Dollar against gold being the most obvious indicator of the emerging Dollar crisis.

If such an international currency emerges, it will replace the Dollar in time, unless China asserts itself and champions the Yuan. This cannot be ruled out. One way or the other, the days of Dollar domination is over.

Just as most viable economies only have a single currency, so the world economy does better with a single currency rather than competing reserve currencies which create conflicts and additional costs. Such a currency then becomes the means of convertibility, the standard of price and the accepted means of payment. The question is not whether the Dollar holds its ground, but whether in the medium term it is replaced by the Yuan or by a new international currency, probably digitised. Only time and the balance of economic forces will tell. What is known, is that the USA will do anything and everything, risking all, to preserve the dollar because a change in currency accelerates the change in the world order.

Brian Green, 3rd February 2026.