

Kingdom Vision Special Report

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World Reset Part 3: China's Financial Strategy

China has developed what they call "Capitalism with Chinese Characters". They have different approach to banking and finance and they have alternate world trade system they are developing parallel to the dollar SWIFT trading system. This is a threat to the US dollar and Western Finance Capitalism.

China transformed itself from one of the poorest countries in the world to global superpower in only four decades. Where did it get the money? Mainly, it just issued the yuan.. Citing the People's Bank of China, "Money Supply M2 in China averaged 93486.82 CNY Billion from 1996 until 2025, reaching an all time high of 320526.31 CNY Billion in February of 2025 and a record low of 5840.10 CNY Billion in January of 1996." $320526.31 \text{ divided by } 5840.10 = 54.88$, which can be rounded to a factor of 55 or 5500%.

At the same time, the U.S. money supply increased by only 600% (\$3647.9 in Jan. 1996 to \$21,671 in Feb. 2025). The U.S. money supply is increased by bank lending, so 600% can be considered an average increase from that source over 29 years. That leaves a 4900% increase in the Chinese money supply from "money printing". Despite this dramatic increase in "demand," price inflation remained relatively stable and was actually lower overall than in the U.S. The new money created new GDP, which shot up along with the money supply.

How can China increase its money supply by 5500% and not cause massive hyperinflation? In fact the financial statistics show that the aggregate cost of goods and services have decreased every year since 1999.

It is simple. If you increase the production of goods and services to match the increase of money then there is no inflation. That means you must use that vast increase in money supply to direct it into tangible infrastructure, power, factories and educating the workforces.

In China, this is enabled by a sprawling network of over 2,000 publicly-owned banks, in addition to the three federal policy banks including China Development Bank (CDB). The Big Four national banks are predominantly owned by the central government, through entities that sell shares to private investors but retain government control, while thousands of city and rural banks are controlled by local governments at the county level. These institutions channel credit into local projects, amplifying economic output.

At the national level, China's three giant policy banks funnel credit into the federal government's long-range plans for infrastructure and development. This multi-year focus has been called a major advantage of Chinese "command capitalism" over Western "stakeholder capitalism," in which

private companies are required to focus on short-term profits for their stakeholders

But China is not just about bricks and buildings and steel and power and new cities. It is also about a brand new technological money creation and banking system...the CBDC...Central Banking Digital Currency.

China's strategic deployment of its central bank digital currency (CBDC), the digital renminbi (RMB), represents the most consequential financial infrastructure project since the creation of the SWIFT network. By integrating blockchain technology with state-backed monetary policy, Beijing has engineered a parallel global payment system that processes cross-border transactions in seconds rather than days, slashes costs by over 90%, and embeds automated compliance controls. This technological leap, coupled with aggressive international partnerships through initiatives like the Digital Silk Road, positions China to redirect nearly 40% of global trade flows away from dollar-denominated systems by 2026.

Technological Architecture of the Digital RMB Ecosystem

The digital RMB operates on a hybrid blockchain architecture that combines permissioned nodes for central bank oversight with distributed ledger transparency. This structure enables real-time settlement finality while maintaining anti-money laundering (AML) controls through smart contract protocols. During the Hong Kong-Abu Dhabi pilot, the system settled a \$50 million transaction in 7.2 seconds compared to SWIFT's 72-hour average, reducing intermediary fees from \$15,000 to \$300. Mu Changchun's team at the People's Bank of China (PBoC) designed the currency with a two-tier distribution system:

1. Central bank issuance to commercial banks
2. Retail distribution through digital wallets.

This model allows offline transactions via NFC technology while maintaining cryptographic audit trails. The system's throughput capacity currently handles 300,000 transactions per second (TPS), dwarfing Visa's 24,000 TPS ceiling.

Compliance Automation and Monetary Policy Integration

Smart contracts embedded in the digital RMB's codebase automatically enforce:

- Sanctions screening against OFAC and UN lists
- Transaction amount thresholds based on user risk profiles

- Real-time tax withholding for cross-border deals.
- During the China-Indonesia "Two Parks" initiative, these features reduced customs clearance times by 40% while increasing tariff collection efficiency by 28%.

International Deployment Timeline and Strategic Partnerships

Phased Regional Rollout (2023-2025)

Phase 1: ASEAN Integration (2023-Q3 2024)

- Bilateral agreements with Malaysia, Singapore, Thailand
- Pilot integration with China-ASEAN Free Trade Area payment systems
- 120 billion yuan in cross-border settlements processed by Q2 2024.

Phase 2: Middle Eastern Energy Corridors (2024-2025)

- Digital RMB oil futures contracts launched on Shanghai INE
- UAE-Saudi Arabia petroyuan settlements reached \$12.4 billion in Q1 2025.
- Iran and Venezuela adopted digital RMB for 23% of oil exports by March 2025.

Phase 3: BRICS+ Expansion (2025-2026)

- mBridge MVP connects 30 central banks by Q3 2025.
- African Union members adopt digital RMB for 15% of China-Africa trade.
- Belt and Road infrastructure loans disbursed in digital RMB.

Institutional Adoption Metrics

- 180 million personal wallets (12.8% population penetration)
- 23 central banks participating in interoperability tests
- 87% of SWIFT member banks now dual-connected to CIPS.

Reshaping Global Trade Flows and Financial Power Dynamics

Commodity Trade Digitization

The digital RMB has become the preferred settlement mechanism for strategic resources:

Commodity	2024 Settlement Volume	Key Transactions
Crude Oil	\$214 billion	Thailand's first 100% digital RMB oil deal
Iron Ore	\$48 billion	Baowu Steel's Australia-Brazil settlements
Gold	\$14 billion	Shanghai-Hong Kong gold exchange integration

These shifts correlate with a 120% year-on-year increase in RMB-denominated ASEAN trade, reaching 5.8 trillion yuan in 2024.

Geoeconomic Realignment

Countries facing dollar liquidity constraints have embraced the digital RMB alternative:

- Russia: 68% of Sino-Russian trade settled in digital RMB as of Q4 2024^[4]
- Argentina: \$2.9 billion currency swap line activated via digital wallets^[11]
- Pakistan: 40% of CPEC project payments converted to digital RMB^[9]

The system's immunity to secondary sanctions has attracted 17 OFAC-designated entities, processing \$7.8 billion in transactions since 2023^{[4][11]}.

Challenges and Strategic Vulnerabilities

Convertibility Constraints

Despite progress, only 12% of global FX reserves are RMB-denominated (IMF Q1 2025). Capital controls limit free convertibility, with offshore RMB (CNH) trading at a 3.7% discount to onshore rates.

Technological Competition

- EU's digital euro pilot processed €1.2 trillion in wholesale transactions in 2024^[11]
- India's UPI-linked digital rupee achieved 5 million cross-border users^[7]
- US FedNow service integrates with 35% of US banks, creating potential dollar CBDC backbone^[12]

Cybersecurity Risks

A February 2025 penetration test by the ASEAN Cybersecurity Centre exposed vulnerabilities in the digital RMB's quantum encryption protocols, though no breaches occurred

Future Trajectory and Global Implications

The PBoC roadmap outlines three evolutionary stages:

2025-2027: Interoperability

- Full integration with EU's TARGET Instant Payment Settlement (TIPS)
- SWIFT compatibility layer deployment
- Expansion to 70 central banks in mBridge.

2028-2030: Asset Tokenization

- Digital RMB-backed stablecoins for private markets
- Tokenized BRI infrastructure bonds
- AI-driven monetary policy adjustments.

2031-2035: Monetary Sovereignty Shift

- 30% of global reserves in RMB (up from 2.8% in 2023)
- Digital RMB accounts for 51% of China's M2 money supply

- Integration with UN SDG financing mechanisms.

This strategy positions China to capture first-mover advantages in the CBDC race, potentially reducing dollar's trade settlement share from 88% (2020) to 62% by 2030. The digital RMB's fusion of monetary policy with blockchain efficiency creates an unprecedented tool for economic statecraft, rewriting the rules of global finance in China's institutional image.

This technology development will be a critical threat to the international use of the dollar the SWIFT system for international trade. Countries that do not trust America with its trade sanctions and punitive tariffs will use this as a parallel international trading system. Which will require less dollars for international trade. And therefore less need for dollars for an international reserve currency.