



中国传媒大学  
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Institute for a Community  
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人类命运共同体研究院



## China's Growing Role in Global Finance



By Ms. Wajeeha Mubarak, PRCCSF Fellow and  
Participant of FJHS-PRCCSF Fellowship Program  
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One of the main features of the 21st century is the expanding influence of China in global finance, creating a whole new set of economic dynamics and challenging the traditional supremacy of Western financial institutions. China has made the remarkable leap into a key player in the world financial system; this emergence has occurred at



brehtaking speed with respect to economic growth and has been complemented significantly with strategic policy options and overseas investments. Through several channels, we can examine this transformation: renminbi (RMB) internationalization, China's role in multilateral financial institutions, the Belt and Road Initiative (BRI), and increased activity in global debt markets.

Conversely, another cornerstone of China's economic prominence is internationalization of the renminbi. However, although the U.S. dollar is, for now, the currency of choice the world over, China seeks to present the RMB as a strong competitor in the field of international trade and investment. The inclusion of the RMB in the IMF Special Drawing Rights basket (SDR) in 2016 was a symbolically significant milestone, on one hand representing the increased global acceptance of the currency. On the other hand, China has been signing currency swap agreements with a host of countries to settle trade in RMB and limit reliance on the U.S. dollar. That brought about the establishment of offshore RMB

trading centers in London, Hong Kong, and Singapore, signifying China's efforts to internationalize its currency.

The strength of China is further lent from its position at various multilateral forums. The establishment of the Asian Infrastructure Investment Bank (AIIB) in 2015 was part of China's strategy to provide an alternative to the West-led financial institutions



like the World Bank and the IMF. With more than 100 member countries, the AIIB has become a major infrastructure project financier in Asia and beyond, showcasing China's capacity to mobilize global capital. Simultaneously, China has strengthened its position within existing financial institutions and has increased its financing in them while calling for representation of emerging economies. This global financial governance proposition indicates a change in the current power configuration in view of China's geopolitical intentions at large.

Launched in 2013, the BRI is another investment in China used to exert financial influence in the world. This ambitious infrastructure and investment project encompasses more than 140 countries. By financing roads, ports, railways, and energy projects, China has established itself as a key lender to developing nations. While the initiative has accelerated economic development in many regions, it has also drawn criticism over concerns about debt sustainability and China's strategic leverage over borrower nations. The so-called

"debt-trap diplomacy" has sparked heated debate on whether the Chinese financial relationship is truly founded on genuine economic partnership, or whether it is, in fact, an effort to develop dependencies to further China's broader geopolitical objectives.



The increasing prominence of China in the international debt markets demonstrates the strong financial position that China has built up over the past years. Chinese financial institutions have become major creditors to both developed and developing nations, with significant holdings of U.S. Treasury securities and sovereign bonds issued by emerging economies. China's role as a global lender is particularly evident in Africa, where it has provided billions of dollars in loans for infrastructure development. With these investments fueling economic growth in the recipient countries, there are mounting concerns on debt repayment and transparency. Invariably, some of these countries have found it very difficult to service their debt and have gone into renegotiations, and sometimes more extreme measures like asset seizures demonstrate the riskiness of Chinese lending.

In fact, China is also utilizing its financial clout to gain significant technological traction in digital finance. Financial technology, or fintech modernization in China spearheaded by Alipay and WeChat Pay, has changed the payment landscape domestically and is now poised for global outreach. An equally important maneuver is the introduction of a central



bank digital currency (CBDC), the digital yuan, in strengthening China's monetary sovereignty. Hosting cross-border trade using the digital yuan would help siphon trade financing from the conventional banking system and largely minimize China's dependence on the western-dominated financial architecture. This would give China much stronger leverage in terms of directing global financial transaction flows.