

## Article

# Actively Responding to the Expansion of the U.S. Dollar Stablecoin: Seizing the Strategic High Ground of Digital Finance ——Strategic Reflections Based on the New Game of Monetary Sovereignty and Historical Mirrors

Zong Ling<sup>1,2,\*</sup><sup>1</sup> Dean, Silicon Valley Artificial Intelligence Research Institute, San Francisco 94588, USA<sup>2</sup> Senior Engineer/Scientist, IBM, New York 95120, USA\* Correspondence: [lingzong@hotmail.com](mailto:lingzong@hotmail.com)**Received:** 30 August 2026; **Revised:** 24 September 2026; **Accepted:** 27 September 2026; **Published:** 27 September 2026

**Abstract:** Stablecoins originated from digital cryptocurrencies, but they are not merely a financial technology innovation product; rather, they are a key vehicle for major powers to conduct new types of financial and infrastructure competition in the digital age. With the explosive growth in the global circulation scale of dollar-anchored stablecoins represented by USDT and USDC, a new dollar domain based on on-chain algorithms and cryptographic trust is taking shape in digital finance space. This trend is essentially an intergenerational upgrade and spatial expansion of U.S. dollar hegemony in the fields of Web3 and Decentralized Finance (DeFi). Historically, the British pound established hegemony through the gold standard and global trade networks, while the U.S. dollar completed its monopoly over global clearing rights and reserve currency status through the Bretton Woods system and the "petrodollar" agreement. Looking across the historical mirrors of three evolutions of monetary form and sovereign competition, monetary hegemony has never depended on the preservation or abolition of physical form, but rather on control over clearing channels, the breadth of value anchoring, and the stickiness of network effects. Facing the erosion by dollar stablecoins of "digital dollarization" in peripheral economies and the threat to reconstruct the cross-border payment and clearing system, China must adhere to the principle of "coordinating security and development, balancing domestic and offshore, and placing equal emphasis on hardcore technology and flexible ecology." It is recommended to adopt a strategic path of "dual-track parallel, three-dimensional defense, and breakthrough at both ends": domestically, build a hardcore compliance defense line with the digital renminbi (e-CNY); offshore, use Hong Kong as the strategic hub to issue compliant offshore renminbi stablecoins (CNHC) and promote Real World Asset (RWA) tokenization as empowerment, while deepening the construction of the multi-central bank digital currency bridge (mBridge), cutting into global on-chain liquidity and clearing networks, and effectively seizing the strategic high ground of future digital finance and global value networks.

**Keywords:** dollar stablecoin expansion; digital currency sovereignty; historical mirror of monetary hegemony; digital dollarization; offshore renminbi stablecoin; multi-central bank digital currency bridge; RWA tokenization; on-chain financial infrastructure

## 1. Historical Evolution and Strategic Mechanism: from "Petrodollar" to "Token-Dollar"

### 1.1. The Syllogistic Evolution of Monetary Sovereignty Competition

1. Gold Standard and the Pound Network (19th century – early 20th century): The Industrial Revolution and the global trade network of the Empire on which the sun never set forged the pound into the universal language of world clearing[1].
2. Bretton Woods and the Petrodollar (mid-20th century – present): After the U.S. dollar shed its gold constraint, by binding to global energy supply (oil) and the SWIFT/CHIPS clearing network dominated by SWIFT, it locked in global seigniorage and the deterrence of financial sanctions[2].
3. Digital Assets and Token-Dollar (Web3 Era): The U.S. dollar stablecoin uses distributed ledgers as the underlying transmission medium, achieving 24/7 seamless cross-border settlement, low-cost micropayments, and high-frequency automated clearing. Through this, the U.S. dollar has penetrated monetary reach deeply into the "unbanked" populations not covered by the traditional banking system and the DeFi-native economic system.

## 1.2. The Technological and Political-Economic Essence of U.S. Dollar Stablecoin Expansion

- "Monetization" of highly liquid compliant U.S. Treasuries: Stablecoin issuers (such as Circle and Tether) allocate a large proportion of their underlying assets to U.S. Treasury bonds and short-term bills, forming a closed loop of "globally absorbing interest-free deposits — purchasing U.S. Treasury bonds — exporting digital dollars globally," which indirectly provides secondary financing for the U.S. fiscal deficit.
- New-type "Digital Dollarization": In countries with severe inflation or exchange rate volatility, U.S. dollar stablecoins are rapidly replacing local fiat currencies, weakening the monetary policy independence and seigniorage rights of central banks in small and medium-sized countries.
- Technological decoupling bypassing traditional SWIFT regulation: The permissionless transmission of stablecoins based on public blockchains is building a global clearing pipeline parallel to traditional financial regulation, eroding the control of the traditional cross-border payment system.

## 1.3. U.S. Strategy and Impact

With the U.S. GENIUS Act (Guiding and Establishing National Innovation for U.S. Stablecoins Act) formally taking effect in July 2025[3,4], the U.S. side has elevated stablecoins to a foundational tool supporting its national financial strategy. Stablecoins are no longer confined to the marginal domain of the crypto asset market, but have evolved into the digital extension through which the U.S. strengthens the global dominance of the dollar.

The GENIUS Act requires stablecoin issuers to hold 100% highly liquid reserve assets (mainly short-term U.S. Treasury bonds and cash) and to publicly disclose reserve composition on a monthly basis[3]. This institutional arrangement objectively transforms the massive liquidity of the global digital asset market into continuous support for U.S. government debt, forming an endogenous circular mechanism of "stablecoin issuance expansion — enhanced U.S. Treasury absorption capacity — on-chain anchoring of dollar credit." According to industry forecasts, the future demand of stablecoin issuers for U.S. Treasuries may reach several trillion dollars.

In some economies with high inflation or relatively strict foreign exchange controls (such as Argentina, Turkey, Nigeria, etc.), the public directly holds and trades U.S. dollar stablecoins (such as USDT, USDC) through mobile terminals. This form of cross-border digital payment bypasses traditional customs and foreign exchange regulatory barriers, constituting a substantive erosion of the fiat currency sovereignty and foreign exchange regulation capacity of the relevant countries. Meanwhile, the blockchain-based clearing system is relatively independent of the traditional SWIFT network, enabling the U.S. to form a dual hegemonic structure of "SWIFT managing large-value wholesale payments + stablecoins managing retail and DeFi" in the digital context.

## 1.4. Global Response Posture

Facing this change, major global economies have all adopted targeted response measures (see Table 1):

**Table 1.** Regulatory Response Posture of Major Global Jurisdictions toward Stablecoins

| Jurisdiction     | Strategic Posture       | Core Policy Logic                                                                                                                                                                                |
|------------------|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| United States    | Offensive Expansion     | Through the GENIUS Act, stablecoins are incorporated into the national strategy, using the dual forces of law and market to solidify dollar digital hegemony[3,4]                                |
| European Union   | Defensive Regulation    | Implementing the MiCA Act, setting strict trading limits and compliance thresholds for non-euro stablecoins to prevent damage to euro sovereignty                                                |
| Hong Kong, China | Institutional Alignment | Promulgating the Stablecoins Ordinance to establish a licensed regulatory system, leveraging the role of an offshore financial center, and building a test field for offshore RMB stablecoins[5] |
| Japan            | Prudent Control         | Requiring that stablecoin issuers be licensed financial institutions such as trust banks, strictly preventing disorderly capital outflow                                                         |

## 2. Core Challenges and Hidden Risks Facing China

1. Deconstruction Risk of Financial Channel Deterrence: The decentralized clearing network formed by U.S. dollar stablecoins is partially replacing traditional bank cross-border wire transfers, weakening the attractiveness of China's cross-border payment infrastructure in specific regions.
2. Pressure on Cross-Border Capital Flows and Foreign Exchange Management: The anonymity and high penetrability of stablecoins provide new channels for illegal cross-border capital transfer, money laundering, and covert capital flight, posing a severe test to the traditional "walled" foreign exchange regulation.
3. Marginalization of Digital Asset Pricing Power and Web3 Discourse: Currently, over 90% of transactions in global DeFi liquidity pools and digital asset trading are denominated in U.S. dollar stablecoins. Without a compliant renminbi pricing anchor, the renminbi will face the risk of marginalization in the next-generation on-chain native economic system.

At present, China's mainland implements a strict prohibition policy on stablecoin business, which has successfully isolated the direct impact of external financial risks. However, against the backdrop of accelerated transformation of the international financial system, it is necessary, while adhering to the bottom line of risk prevention, to lay out the overseas and offshore main positions in advance and seize the initiative in the digital settlement system.

## 3. Historical Mirror: Lessons from the Silver Standard Misalignment in the 19th Century for China's Financial Security

Examining the history of monetary evolution, the lag in monetary systems and settlement protocols is crucial to national competitiveness. In the late 19th century, China fell into a passive position in international financial competition, whose deep cause lay in the intergenerational misalignment of settlement protocols (Protocol Gap)[6].

### 3.1. Systemic Loss from Monetary Settlement Protocol Mismatch

Starting from the 1870s, major Western industrial countries successively shifted to the gold standard, while the Qing government still clung to the silver standard[5]. As silver continued to depreciate in international markets, China suffered a severe "gold-silver exchange rate trap" in international trade: the purchasing power of silver obtained from exports declined, while importing industrial equipment, weapons, and repaying foreign debts (such as the Boxer Indemnity and other gold-denominated debts) required paying high conversion

costs[6]. This "buy high, sell low" misalignment directly weakened the capital accumulation capacity for industrialization at that time.

### 3.2. The Compression of the Grassroots Economy by Domestic Monetary Chaos

During the late Qing period, a "silver-currency dual-track system" long existed domestically: farmers and small and medium-sized merchants earned income mainly in copper cash, while taxes and imported goods were converted according to silver[6]. When "silver expensive, copper cheap" intensified, the actual tax burden on the grassroots population rose sharply, the domestic consumer market was damaged, and the development of early national industry and commerce was severely hindered. The Qing court did not promulgate the "Monetary Regulations" to establish the silver dollar standard until 1910, but the optimal timing for adjustment had already been missed.

Profound Contrast between History and Reality: In those years, Western powers redefined the rules and protocols of global trade and payment through the "gold standard"[1,6]; today, the U.S. side attempts to embed traditional monetary hegemony into the blockchain digital foundation through the "U.S. dollar stablecoin"[3]. This reminds us: if China's backwardness in those years was due to clinging to the "silver standard" and missing the "gold standard"[6], then today, if we completely withdraw from the global public chain and stablecoin ecosystem, we may face a new type of settlement protocol intergenerational gap (Protocol Gap) risk of "clinging to the traditional bank wire transfer network (SWIFT/CIPS) while missing the on-chain native smart contract clearing network (Web3/DeFi)."

## 4. Policy Recommendations: Building a Digital Finance Strategy of "Strong Defense and Dynamic Offense"

Responding to the global expansion of U.S. dollar stablecoins requires coordinating development and security, domestic and overseas, ensuring not only the absolute stability of the mainland financial system but also the ability to demonstrate capability on the international digital finance track.

Support Hong Kong in building an offshore renminbi stablecoin hub and constructing an external buffer zone.

Based on the overall strategic principle of "strict prohibition domestically at present, prudent promotion offshore," and in response to the potential risks and challenges brought by the accelerated expansion of U.S. dollar stablecoins, it is recommended to conduct in-depth feasibility studies and scheme design from four dimensions — "offshore experimentation, institutional innovation, asset anchoring, and multilateral reconstruction" — to actively seize the strategic high ground of future digital finance and the global on-chain value transmission network:

### 4.1. Construction Plan for Offshore Pilot Zone (Taking Hong Kong, China as the Strategic Pivot)

#### 4.1.1. "HKD Stablecoin + Offshore RMB Stablecoin (CNH)" Dual-Track Coordination Mechanism

- Research Direction: Fully utilize the licensed regulatory system established by Hong Kong's Stablecoin Ordinance, and support qualified Chinese financial institutions and leading technology enterprises in issuing compliant offshore renminbi stablecoins (CNHC) in Hong Kong.
- Synergy Effect: Study the real-time conversion and liquidity complementarity mechanism between the HKD stablecoin (a transitional buffer for the dollar liquidity pool under the linked exchange rate system) and the offshore renminbi stablecoin, reducing dependence on pure U.S. dollar stablecoins (USDT/USDC).

#### 4.1.2. Guangdong-Hong Kong-Macao Greater Bay Area "Cross-Border Closed Sandbox" Isolation and Clearing Scheme

- Research Direction: In pilot areas of the Greater Bay Area such as Qianhai in Shenzhen and Hengqin in Zhuhai, establish a cross-jurisdictional "Regulatory Sandbox."
- Isolation Path: Design an architecture of "closed-loop management of domestic funds + offshore on-chain credential circulation," ensuring that offshore renminbi stablecoins are piloted in real commercial scenarios

such as cross-border trade settlement, supply chain finance, and commodity delivery, and strictly preventing on-chain risks from flowing backward into the mainland financial system.

## **4.2. Real World Asset (RWA) Tokenization Scheme (Building an On-Chain Hardcore Value Anchor)**

### **4.2.1. "Real Asset — Tokenization — Stablecoin" Value Support Chain**

- Research Direction: In view of the current situation that U.S. dollar stablecoins are mainly anchored to U.S. Treasuries (credit claims), study the use of high-quality real assets as the underlying value support for offshore renminbi stablecoins.
- Asset Selection: Explore the tokenization (RWA) of new energy power generation revenue rights, cross-border supply chain commodity warehouse receipts, and high-quality export accounts receivable, endowing offshore renminbi stablecoins with a natural real-economy yield (Yield-bearing Anchor).

### **4.2.2. "Belt and Road" Commodity On-Chain RMB Denomination and Settlement**

- Research Direction: Conduct in-depth research on introducing the combined RWA + offshore RMB stablecoin denomination and settlement model in cross-border trade of key commodities such as copper, aluminum, lithium battery materials, and agricultural products, gradually breaking the monopoly pattern in which over 90% of crypto economy and digital asset transactions are denominated in U.S. dollar stablecoins.

## **4.3. Cross-Border Mechanism and Functional Upgrade of Domestic Digital RMB (e-CNY)**

### **4.3.1. "e-CNY (wholesale/interbank) + CNHC (retail/on-chain native)" Division of Labor Scheme**

- Research Direction: Clarify the complementary positioning of the two. The digital renminbi (e-CNY) focuses on sovereign-level, interbank, and high-compliance-requirement cross-border wholesale clearing; the compliant offshore renminbi stablecoin (CNHC) serves the Web3 native ecosystem, cross-border micropayments, and retail commercial settlement. Together, the two constitute the outer protective wall of renminbi digitization.

### **4.3.2. Wholesale-Side Special Liquidity Compensation and Programmability (Smart Contract) Innovation**

- Research Direction: Study the establishment of reasonable liquidity compensation and incentive policies for funds in the dedicated digital RMB accounts that commercial banks hold at the central bank, addressing the problem of insufficient motivation for commercial banks and cross-border participants.
- Scenario Expansion: Develop a smart contract system that balances "privacy-preserving" and "RegTech (regulatory technology)," enhancing the technical attractiveness of e-CNY in cross-border automatic clearing and targeted payments.

## **5. Deepen the Construction of the Multi-CBDC Bridge (mBridge) and Reconstruct the International Settlement Network**

Accelerate the advancement of the multi-CBDC bridge project and build an efficient, low-cost, lossless cross-border payment system:

1. Expand the circle of multilateral cooperation. Attract more central banks of Belt and Road co-building countries and BRICS countries to join the mBridge network[7], and expand the proportion of RMB denomination and settlement in the trading of important commodities such as energy and minerals.
2. Take the lead in formulating international digital payment standards. Under multilateral frameworks such as the BIS[7], IMF, and G20, actively participate in formulating international regulatory standards for stablecoins and CBDCs featuring "full reserve, strict audit, and licensed operation," breaking unilateral rule monopolies and maintaining the stability of the global financial order.

## **6. Conclusion**

The evolution of monetary form reflects the underlying logic of great-power competition[1,2]. The competition between stablecoins and digital currencies is essentially a contest over control of global value transmission protocols and financial infrastructure in the digital economy era. Facing this profound transformation, China should base itself on its own advantages, maintain strategic resolve, and, through the Hong Kong offshore pilot zone[5], RWA tokenization breakthroughs, and digital RMB system upgrade, proactively participate in the formulation of international rules to ensure a favorable position in future global financial competition.

## Funding

This work received no external funding.

## Institutional Review Board Statement

Not applicable.

## Informed Consent Statement

Not applicable.

## Data Availability Statement

Not applicable.

## Acknowledgments

The authors have reviewed and edited the output and take full responsibility for the content of this publication.

## Conflicts of Interest

The authors declare no conflicts of interest.

## References

1. Angus Maddison. *The World Economy: A Millennial Perspective*. Peking University Press: Beijing, China.
2. Chen Yulu, Yang Dong. *History of World Currencies: From Mesopotamia to Dollar Hegemony*. China Renmin University Press: Beijing, China.
3. U.S. Congress (2025). S.1582 – GENIUS Act (Guiding and Establishing National Innovation for U.S. Stablecoins Act). Public Law 119-27, signed July 18, 2025. <https://www.congress.gov/bill/119th-congress/senate-bill/1582> (accessed on 16 September 2026)
4. White House Fact Sheet (2025). "President Donald J. Trump Signs GENIUS Act into Law." July 18, 2025. <https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-president-donald-j-trump-signs-genius-act-into-law/> (accessed on 16 September 2026)
5. Legislative Council of the Hong Kong Special Administrative Region (2025). Stablecoins Ordinance (No. 17 of 2025), effective August 1, 2025.
6. Lin Man-houng. *Silver Lines: China and the World in the 19th Century*. Jiangsu People's Publishing House: Nanjing, China.
7. Bank for International Settlements (BIS) (2024-2025). Project mBridge: Connecting Economies Through CBDC. <https://www.bis.org/project/mbridge> (accessed on 16 September 2026)



Copyright © 2026 by the author(s). Published by Asia Journal of Social Innovation and Development. This is an open access article under the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

Publisher's Note: The views, opinions and information expressed in all publications belong exclusively to the corresponding authors and contributors and do not necessarily represent the standpoints of Asia Journal of Social Innovation and Development or its editorial team. Asia Journal of Social Innovation and Development and its editors accept no liability for any personal injury or property damage resulting from the application of ideas, methods, instructions or products mentioned within the published content.