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The Hormuz Conflict and the Limits of Renminbi Internationalization

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Asia Program

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About the Author

Robert Greene is a nonresident scholar in Carnegie's Asia Program and Technology and International Affairs Program.

Asia Program

The Asia Program in Washington studies disruptive security, governance, and technological risks that threaten peace, growth, and opportunity in the Asia-Pacific region, including a focus on China, Japan, and the Korean peninsula.

Introduction

For years, Chinese financial institutions have built out renminbi payment channels across energy-exporting economies, and China's central bank has established renminbi swap lines with many of these economies' monetary authorities. The Strait of Hormuz conflict has brought increased focus on Beijing's efforts to grow the renminbi's use in global oil and gas markets—a goal endorsed by Chinese leader Xi Jinping, which aligns with his aim to build China into a "financial power."[1] Indeed, the Iranian regime has for years relied upon Chinese institutions to facilitate payments for oil exports otherwise prohibited by U.S. sanctions.[2] More recently, the regime reportedly used renminbi in a nascent Strait of Hormuz "toll-booth" scheme,[3] and considered requiring that transiting crude oil be sold in renminbi as a condition of a vessel's passage.[4] In April, amid the Strait of Hormuz conflict, China's former central bank governor declared a "golden window of opportunity" to grow the renminbi's global use,[5] and United Arab Emirates (UAE) officials reportedly expressed a potential need to use renminbi in oil payments as a result of market disruptions.[6] Chinese Communist Party-linked outlets have recently emphasized the importance of "financial security," including growing the use of renminbi in the energy trade, to China's "energy security,"[7] concepts both promoted by party leadership.[8]

Use of the renminbi in cross-border trade payments has seemingly grown in recent years across some energy exporters to China and use of renminbi swap lines returned to near-2023 highs earlier this year. In the short term, however, growth of the renminbi's global use will continue to be constrained by the dearth of renminbi-denominated assets easily accessible to offshore investors, limitations of renminbi-denominated derivatives markets, frictions associated with the currency's use in cross-border payments, and dynamics that limit the effects of the Chinese central bank's renminbi swap lines. Data indicate that most China-Middle East renminbi cross-border payments are financial transactions, and financial transactions likely also help explain recent upticks and declines in overall cross-border renminbi usage. One notable measure of offshore renminbi usage shows the value of renminbi transactions since the Strait of Hormuz conflict began down relative to comparable 2024 and 2025 periods.

Ultimately, Beijing still faces structural obstacles in expanding the renminbi's global use in pursuit of broader "financial power" ambitions—particularly with regards to efforts to reduce the dollar's role in the Middle East and in oil and gas markets. Also, the renminbi's attractiveness outside of China still depends heavily upon the ease with which it can be converted into dollars, a dynamic that gives U.S. authorities significant leverage over the use and growth of renminbi financial channels, and is quite relevant across energy-exporting economies with dollar-pegged currencies. Whether the Strait of Hormuz conflict drives Beijing to accelerate deeper and more structural policy adjustments aimed at expanding the renminbi's global accessibility and use remains to be seen.

What Iranian Cross-Border Transactions Tell Us About the Dollar

Since 2018, Iran's economy has been subject to expansive U.S. economic sanctions intended to diminish the Iranian regime's ability to finance itself.[9] Against this backdrop, Chinese and Iranian authorities have embraced efforts to facilitate cross-border transactions without the use of traditional dollar channels.[10] For example, in 2023, Xi Jinping lauded Iran joining the Shanghai Cooperation Organization, and proposed that the organization "scale up" non-dollar settlement between member economies, which include India and Russia, countries that likewise maintained meaningful cross-border trade with Iran in the years after extensive Iran-focused economic sanctions were implemented by U.S. authorities.[11]

> **Iran-linked intermediary firms have in recent years regularly facilitated conversion of renminbi proceeds into dollars and euros and the laundering of funds through larger financial institutions.**

A 2026 Congressional analysis indicated that Chinese entities have for years played a key role in facilitating non-dollar settlement for Iran's oil exports, helping enable the vast majority of Iranian crude oil to flow to China.[12] Importantly, however, because U.S. economic sanctions have discouraged large financial institutions from directly facilitating Iranian oil transactions, limited-purpose non-dollar sanctions evasion channels for China-Iran oil transactions have reportedly emerged.[13] A recent U.S. Department of the Treasury (Treasury) announcement observed that Chinese payments for Iranian oil are "primarily" settled in renminbi.[14] This settlement reportedly often occurs via mid-sized Chinese banks with limited connectivity to the dollar financial system.[15]

At the same time, reports indicate that Iran-linked intermediary firms have in recent years regularly facilitated conversion of renminbi proceeds into dollars and euros and the laundering of funds through larger financial institutions.[16] Overall, U.S. government data indicate that billions of dollars in illicit Iranian oil transactions likely flowed through dollar correspondent bank accounts in 2024,[17] although earlier this year U.S. authorities took measures targeting these channels.[18] Ultimately, the Iranian regime's efforts over the years to take elaborate steps to illicitly obtain dollars and euros—at a significant financial cost of reportedly as high as 30 to 50 percent of oil's market price[19]—is illustrative of the desire to obtain currencies that are, unlike the tightly controlled renminbi, freely usable for various trade and financial payments with numerous potential counterparties.

Understanding Beijing's Push to Grow the Renminbi's Use in the Global Oil and Gas Trade

Indeed, the dollar dominates not only the global oil trade, but trade payments more broadly: data indicate that the dollar and dollar-pegged currencies have in recent years, through 2023, likely accounted for close to 60 percent of export invoicing from countries outside of the euro area, excluding the United States, far in excess of the share of exports from these countries that are U.S.-bound.[20] Data on the use of the dollar in the global energy trade specifically is spotty, but a 2024 analysis by one global bank indicated that, in 2023, although use of the dollar for cross-border oil payments had declined over the course of several years, about 80 percent of the global oil trade was settled in dollars.[21]

> **Chinese authorities and state-owned institutions have in recent years built out renminbi payment channels across the Middle East and in other jurisdictions such as Brazil, Russia, and Malaysia that are significant energy exporters to China.**

Amid a broader de-dollarization push,[22] Xi Jinping in 2022 called for China's oil and gas trade with the Gulf Cooperation Council (GCC) states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE) to be settled in renminbi,[23] and more recently, he endorsed the renminbi becoming "widely used" in international trade and a "global reserve currency."[24] Chinese state media and researchers at state-owned banks and state-linked think tanks have emphasized growing the renminbi's use in energy payments as key to expanding the currency's global role,[25] and Chinese authorities and state-owned institutions have in recent years built out renminbi payment channels across the Middle East and in other jurisdictions such as Brazil, Russia, and Malaysia that are significant energy exporters to China.[26]

Additionally, one important motivator for Chinese authorities to promote renminbi financial channels in energy payments, as explained in recent commentary published by the Xi Jinping Thought on Diplomacy and New Era China Diplomacy outlet, affiliated with the Chinese Ministry of Foreign Affairs, is to support China's "energy security" by mitigating the potential threat of the dollar settlement system upon which the global energy trade generally relies from being cut off in "extreme cases."[27] Similarly, recent commentary published in a prominent Chinese Communist Party-linked media outlet endorsed "financial security empowering energy security."[28] Likewise, a May 2026 commentary published in a People's Bank of China School of Finance research journal by a board member of the China Chief Economist Forum framed U.S. authorities' recent use of economic sanctions as an effort to "weaponize" the dollar, and noted that one benefit of renminbi internationalization could be to “eliminate sanctions risks” facing Chinese enterprises.[29] Yet for now, despite recent significant growth in the renminbi’s use in Chinese cross-border trade,[30] the ability of Beijing to leverage renminbi payment channels to materially reduce the dollar’s role in the global energy trade is constrained.

Until recently, besides Iran, heavily-sanctioned Venezuela and Russia were seemingly the only two other major crude oil exporters with most exports not primarily settled in dollars. The former is now seemingly generally using financial channels controlled by U.S. authorities to sell oil for dollar proceeds, after former leader Nicolás Maduro’s ousting.[31] As for Russia, one of China’s largest suppliers of oil and gas,[32] data indicate that in recent years against the backdrop of extensive U.S. and European economic sanctions Russia’s oil and gas exports have heavily relied upon renminbi and Russian rubles, although the UAE dirham—which is pegged to the dollar—has also reportedly played a role.[33] As of March 2026, however, the Russian banking system, generally cut off from dollar and euro lending markets, seemingly lacked a sufficient supply of renminbi to meet Russian businesses’ demand for foreign currency to use in cross-border trade payments.[34]

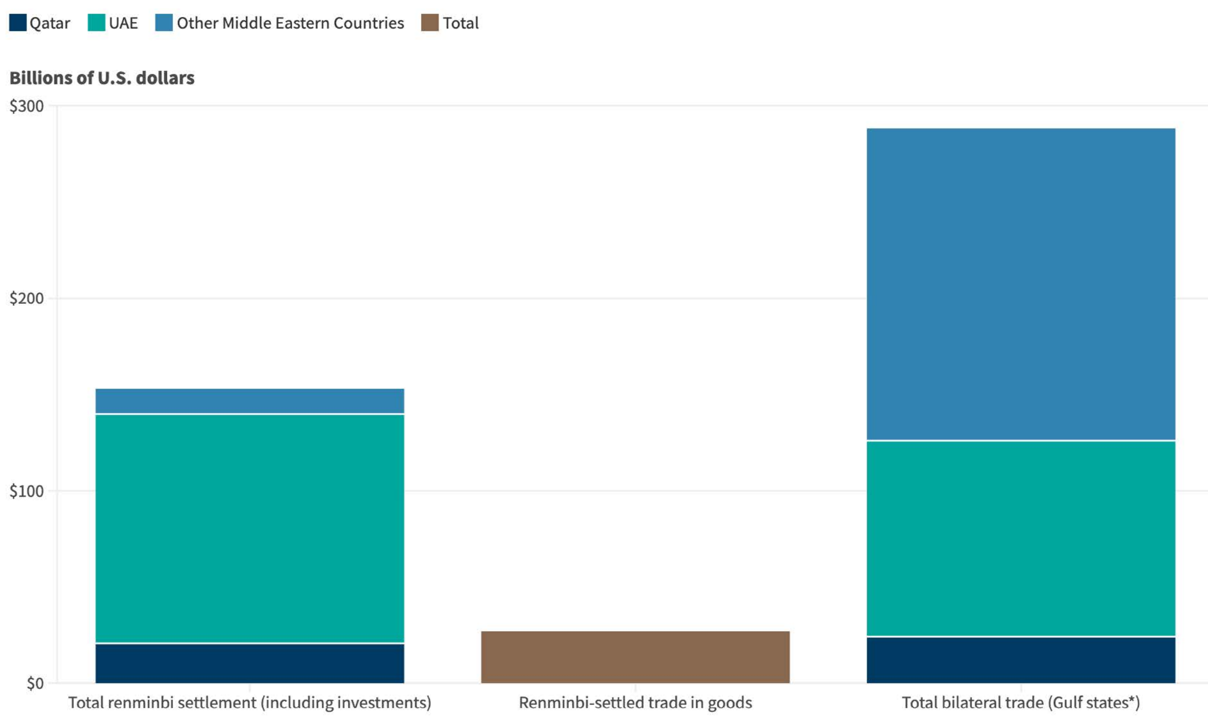
Another major supplier of oil to China is Saudi Arabia.[35] The dollar’s role in Saudi Arabia’s economy is quite entrenched, as it maintains a dollar-pegged currency re-endorsed in February 2026 by its central bank’s leader,[36] along with significant dollar debt issuances and dollar asset holdings.[37] Certainly, in the lead-up to a late 2022 summit at which agreements signaling greater Chinese-Saudi financial cooperation were signed, Saudi policymakers and Chinese counterparts reportedly discussed using the renminbi to facilitate some oil transactions, and in 2023 and 2024, Saudi officials signaled openness to non-dollar currencies being used in the oil trade.[38] China has also over the years become Saudi Arabia’s largest source of imports,[39] which provide a potential outlet for the renminbi’s use were it to be received by Saudi Arabian entities as payment for oil.[40] Nevertheless, some speculate Saudi Arabia may have avoided joining the BRICS bloc in recent years so as not to be viewed as endorsing plans to advance de-dollarization,[41] and it is difficult to see how recently expanded U.S.-Saudi economic and security ties,[42] and the Strait of Hormuz conflict, would serve as a backdrop for the renminbi’s expanded use in Saudi oil sales.

> **The Chinese central bank reported that in 2024 cross-border renminbi transactions between the Middle East region and China almost entirely involved Qatar and the UAE.**

After Saudi Arabia, another large oil exporter to China is Iraq.[43] In 2023, Iraq’s central bank allowed the country’s commercial banks to directly facilitate renminbi trade settlement via correspondent accounts at Chinese financial institutions,[44] but this initiative reportedly specifically excluded oil payments, which a prominent Hong Kong newspaper referred to as “trivializing the move.”[45] Iraq maintains a dollar-pegged currency, and in February 2026, the Iraqi central bank head emphasized that there are no plans to change this arrangement, and that it would only change if foreign exchange reserves were depleted, which is not the case.[46]

Various other Middle East countries are important suppliers of oil and gas to China.[47] The Chinese central bank reported that in 2024 cross-border renminbi transactions between the Middle East region and China almost entirely involved Qatar and the UAE, [48] which are home to the region's only renminbi clearing banks.[49] These countries reportedly supply over one-quarter of China's liquified natural gas,[50] and about 7 percent of China's oil, respectively.[51] In 2024, Qatar-China and UAE-China renminbi transactions, however, were seemingly predominantly investment flows, with only 18 percent of 2024 Middle East-China renminbi-settled transactions being trade-related, accounting for about $27 billion in transactions.[52] As **figure 1** indicates, these trade payments were meaningful in size relative to overall levels of bilateral UAE-China and Qatar-China trade, which equaled roughly $125 billion in 2024, although it is important to consider that a subset of Qatar-China and UAE-China payments could plausibly involve the Qatar- or UAE-based accounts of entities affiliated with organizations headquartered in other jurisdictions. **Figure 1** also illustrates that in 2024, renminbi-settled trade in goods across the Middle East equaled under ten percent of the dollar-value of trade between the six GCC states and China.[53]

Figure 1. China-Middle East Cross-Border Renminbi Settlement Relative to Trade Flows (2024)



Sources: People's Bank of China, Chinese Ministry of Foreign Affairs, author's calculations (using 2024 dollar-renminbi exchange rate of 7.189).
*Gulf states refers to Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

Chinese state media–reported data indicate that UAE-China renminbi trade payments may have grown significantly between 2024 and 2025.[54] But while reports indicate that some renminbi-settled gas sales have been taking place for years,[55] there are no indications that the renminbi has been meaningfully used in oil payments by Qatari or UAE exporters.[56] Also, late last year, Qatar's prime minister re-endorsed the economy's dollar-pegged currency,[57] and likewise, the UAE central bank still pegs the country's currency to the dollar.[58]

Outside of the Middle East, where the renminbi's rise has been limited, and heavily sanctioned economies, where use of the renminbi is a necessity, Beijing has grown the renminbi's role in trade with some countries important to China's energy supply. Local currency settlement of trade payments between China and Malaysia reportedly grew to over 25 percent by late 2025,[59] and Malaysia's prime minister has publicly endorsed efforts aimed at reducing the dollar's use in trade with China.[60] There are indications that the renminbi's use in cross-border trade settlement between China and Brazil, another major oil exporter to China, is significant, and reportedly includes oil payments.[61] Chinese state-owned renminbi clearing banks were authorized in Malaysia and Brazil in 2015 and 2023, respectively,[62] and both countries' financial systems are directly connected to renminbi payments infrastructure through various institutions.[63] Notably, neither Brazil nor Malaysia have a dollar-pegged currency, and instead, each country's central bank maintains a flexible exchange rate.[64]

Despite the Conflict, No Indications Yet of Lasting Changes in Renminbi Usage

Overall, despite increased attention on the renminbi's use amid conflict in the Strait of Hormuz, and Beijing's ambitions for the renminbi to play a much larger role in the global energy trade, it remains to be seen whether recent upticks in the currency's use are indicative of greater sustained growth, and it is notable that these increases may be driven in part by financial transactions, while some measures of offshore renminbi usage are down relative to 2024 and 2025 levels.

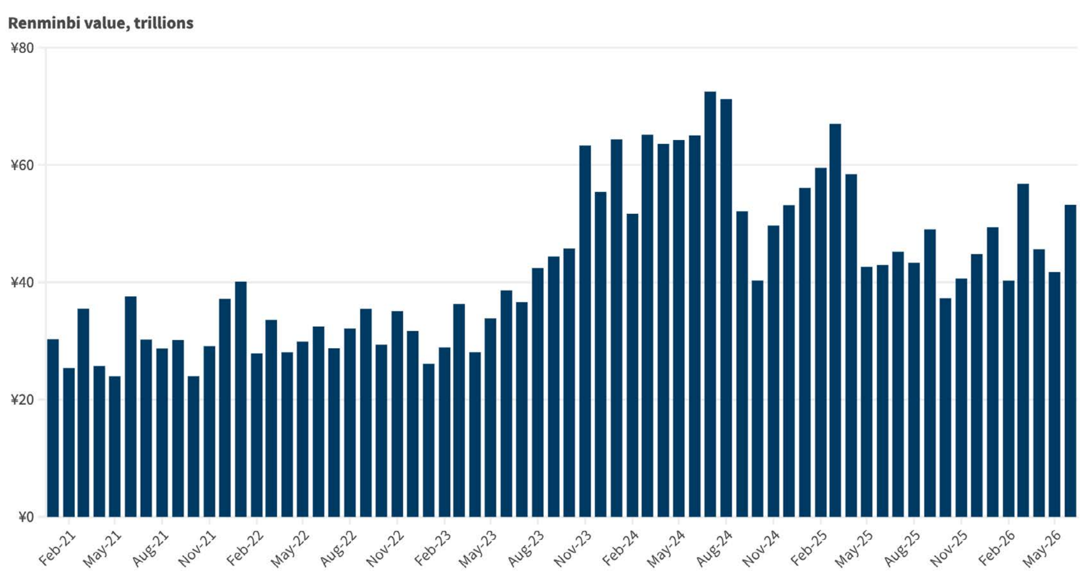
Transaction volume on the Cross-border Interbank Payment System (CIPS)—renminbi payments infrastructure that can enable bank-to-bank transactions without relying upon U.S. or European financial institutions or messaging systems[65]—reportedly remained relatively steady between early 2024 and late-2025.[66] Amid the commencement of the Strait of Hormuz conflict and related financial market volatility, CIPS transactions spiked nearly 50 percent from February 2026 to a March 2026 record high average daily transaction volume of 920.5 billion renminbi, before falling to near-April 2025 levels in April 2026 and a further 13 percent by May 2026 to 673.9 billion renminbi.[67] Between May and June 2026, a month of relatively high Chinese equity market activity, CIPS transactions rebounded 23 percent to 827.9 billion renminbi.[68]

The February to March and May to June increases in average daily CIPS transaction volumes were likely attributable in part to financial transactions. Notably, dollar clearing volume statistics show sizable upticks during these time periods: monthly overall transaction volume on Hong Kong's dollar clearing infrastructure, the U.S. Dollar Clearing House Automated Transfer System (USD CHATS), grew 31 percent and 15 percent during these periods, respectively.[69] Monthly volume on Hong Kong's euro clearing infrastructure also grew 26 percent and 47 percent, respectively, during these time periods.[70]

Importantly, transaction data for the corresponding infrastructure for offshore renminbi settlement—RMB CHATS, a Hong Kong-based payments infrastructure linked to CIPS with a 2025 renminbi transaction value over three times larger than that year's total CIPS transactions—has trended downward over the past two years.[71] In fact, RMB CHATS volume from March 1, 2026, just after the Strait of Hormuz conflict began, through June 30, 2026, was down approximately 7 and 24 percent relative to corresponding 2025 and 2024 four-month periods, respectively (see **figure 2**).

To further put these numbers in perspective, although the dollar does not have dedicated "offshore" payments infrastructure, it is worth considering that the $350 billion average 2025 dollar-value of daily transactions on RMB CHATS was just 17 percent of that year's $2.014 trillion in average daily transactions on CHIPS—the New York–based interbank dollar payment network used by large global banks.[72] The average 2025 daily transaction volume for USD CHATS was $93 billion.[73]

Figure 2. Monthly RMB CHATS Transaction Volume



Source: Hong Kong Interbank Clearing Limited.

Beijing's Ability to Grow the Renminbi's Global Role in the Short-Term Remains Highly Constrained

In the months ahead, regardless of whether a lasting resolution to the Strait of Hormuz conflict is reached, several factors appear set to continue to constrain any efforts by Beijing and its allies to increase the renminbi's global use in the energy trade.

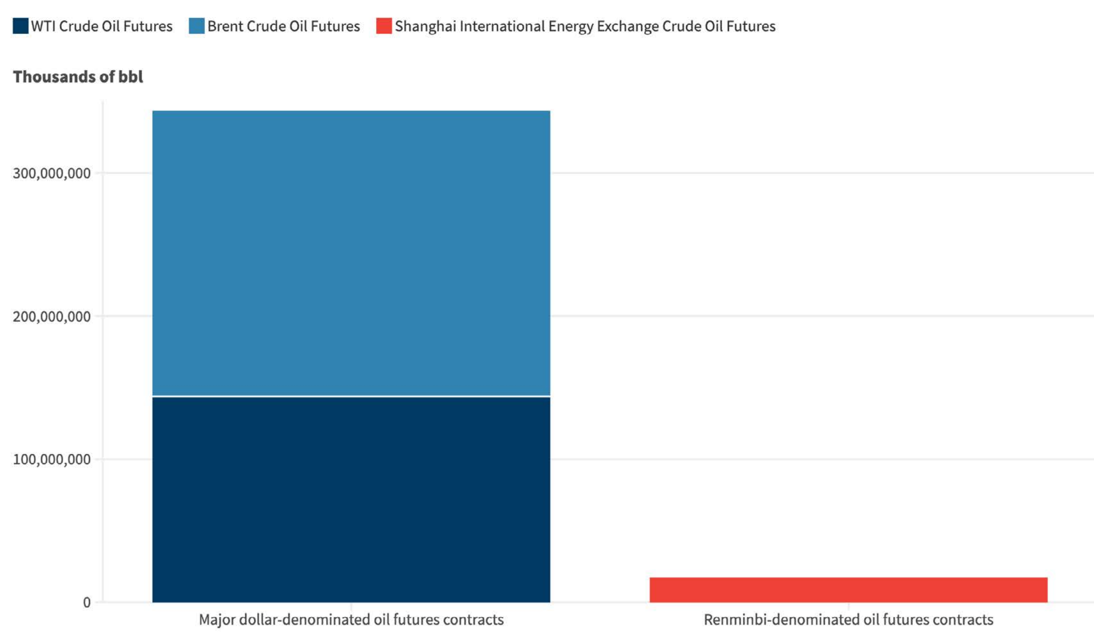
For starters, use of the renminbi as a payments currency in contexts where the payee will ultimately need to convert proceeds into its local currency is generally more inefficient and costly relative to using the dollar. Two reasons why are: First, the comparatively higher cost of converting renminbi into other non-dollar currencies relative to converting the dollar into these currencies (survey data indicate that the dollar's share of institutional over-the-counter foreign exchange transactions far eclipses the renminbi's).[74] Second, the related issue of a sizable share of such renminbi foreign exchange transactions likely being exposed to settlement risk.[75]

> **The "extremely limited" depth of the offshore renminbi derivatives market and difficulties effectively hedging exchange rate risk associated with renminbi exposure negatively affect use of the renminbi globally.**

Putting aside the costs and frictions associated with using the renminbi as a payments currency relative to the dollar, security concerns also exist given China's growing economic statecraft toolkit; this dynamic could result in certain governments discouraging renminbi use, as Indian authorities reportedly did in 2023.[76] Also, the geopolitical blowback from the U.S. government—which maintains important security relationships with major purchasers of Middle Eastern oil, such as India, Japan, and South Korea, as well as major sellers, like Saudi Arabia and the UAE[77]—could be significant. The Trump administration has signaled a willingness to confront foreign governments' embrace of non-dollar payment channels.[78]

Additionally, the renminbi's use in cross-border energy trade payments is negatively affected by the state of China's derivatives markets. Recent survey data indicate that many enterprises operating in China believe that the market's "derivatives tools for risk hedging are insufficient," which acts as an obstacle to greater renminbi use.[79] More specifically, the "extremely limited" depth of the offshore renminbi derivatives market and difficulties effectively hedging exchange rate risk associated with renminbi exposure hinder cross-border use of the renminbi, as recently explained by officials with the Shanghai Financial Association and a major Shanghai government-owned bank.[80] In April 2026, a Chinese state media–published analysis citing several analysts at Chinese state-affiliated research institutions identified the relative illiquidity and immaturity of renminbi-denominated derivatives markets as an obstacle to greater renminbi use in the oil trade in particular.[81] It quotes the honorary chairman of the Expert Committee of the China Petroleum Circulation Association, who reportedly observed that the Chinese market's inadequate risk-hedging tools constrain use of the renminbi in oil transactions.[82] Shanghai's renminbi-denominated oil futures market is very small relative to the dollar-denominated Brent and West Texas Intermediate (WTI) crude oil futures markets, as **figure 3** shows.

Figure 3. Dollar- and Renminbi-Denominated Oil Futures Trading Volume, January to June 2026



Sources: CME Group, NYMEX/COMEX Exchange Volume Report - Monthly (WTI Crude Oil futures figure excludes Micro contracts data); ICE, Historical Monthly Volumes (market: ICE Futures Europe); Shanghai Futures Exchange, Monthly Market Data.

Limited Global Access to Renminbi-Denominated Assets Acutely Affects the Currency's Use

Finally, what are market participants to do with renminbi balances accumulated in hypothetical frequent and sizable sales of oil or gas for renminbi? As noted above, the cost of converting these balances into local currencies relative to converting dollar balances into local currencies can often be relatively more expensive. Yet dollar dominance in global trade and finance is further enabled by the fact that there is an abundant, liquid supply of dollar-denominated financial assets that can be easily purchased by businesses around the world that receive dollars in trade payments.[83]

Prominent state-affiliated researchers and former senior officials in China have identified increasing the supply of renminbi-denominated financial assets available to non-Chinese investors as important to growing renminbi use globally.[84] However, the supply of such assets available to foreign investors would have to dramatically grow for Chinese policymakers to take advantage of any increased demand for the renminbi as a payments currency to promote the renminbi's overall global role and China's financial power more broadly. U.S. government data indicate that in mid-2025 there were $19.84 trillion and $13.84 trillion of foreign-held U.S. equities and long-term debt securities, respectively.[85] By contrast, in mid-2025, the total foreign holdings of onshore renminbi bonds and equities, taken together, was reportedly just about $1 trillion,[86] and the total 2025 supply of Hong Kong's offshore renminbi bonds was $185 billion.[87]

> **Even if the renminbi's global use in cross-border energy payments were to grow significantly in the years ahead, the ability of transacting parties outside of China to maintain sizable and diversified balances of sufficiently liquid renminbi-denominated financial assets that generate competitive returns may remain quite constrained.**

Despite China's bond market reportedly being the second-largest in the world,[88] the supply of renminbi assets available to foreign investors is tightly limited by China's restrictions on financial flows in and out of mainland China.[89] The country's top foreign exchange regulator recently committed to "explore" measures to loosen these restrictions, although state media coverage of his statement also emphasized comments by a former senior foreign exchange regulator that any such steps will likely be "prudent and gradual."[90] Notably, Chinese bonds experienced an eleven-month sell-off by foreign investors through March 2026—the longest stretch since at least April 2020—resulting in foreign holdings of bonds in the interbank market shrinking nearly 30 percent (partially motivated by China's comparatively low interest rates).[91] Data from the Hong Kong Bond Connect, which facilitates foreign investment into mainland Chinese bonds, indicate that by May 2026 foreign holdings of mainland Chinese bonds remained near early 2023 levels.[92]

Accordingly, even if the renminbi's global use in cross-border energy payments were to grow significantly in the years ahead, the ability of transacting parties outside of China to maintain sizable and diversified balances of sufficiently liquid renminbi-denominated financial assets that generate competitive returns may remain quite constrained. This dynamic helps explain why, as recently articulated by former Chinese central bank governor Zhou Xiaochuan, non-Chinese parties transacting in renminbi regularly avoid holding renminbi long-term, and instead exchange other currencies for renminbi near the time of payment,[93] underscoring the attractiveness of simply using the dollar instead. This dynamic would be further reinforced if the exporter receiving payment is in a dollar-pegged economy, as most Middle Eastern exporters are.

China's Future Restrictiveness on Cross-Border Financial Flows Is Uncertain

Despite the aforementioned obstacles, Chinese leadership seems intent on implementing policy changes to grow the renminbi's role globally, as indicated by the Fifteenth Five-Year Plan, as well as by numerous recent remarks by senior government officials.[94] In recent months, Chinese policymakers have taken steps to expand foreign participation in China's energy and fixed income derivatives markets.[95] Beijing has also loosened restrictions on capital flows from mainland China to Hong Kong in order to bolster demand for offshore renminbi bond issuances by major global banks and corporates, which can generally be bought and sold by non-Chinese investors regardless of restrictions on funds flowing into and out of mainland China.[96] But the extent to which Chinese authorities embrace a significant loosening in restrictions on financial flows into and out of mainland China in the coming years remains to be seen.

> **The recent foreign sell-off of onshore Chinese financial assets underscores that a significant loosening of China's restrictions on cross-border financial flows could bring about more financial market participation by foreigners that some Chinese authorities may fear could ultimately become disruptive.**

China's Finance 40 Forum—an important group with which many Chinese financial officials have been affiliated—recently published an article endorsing a meaningful loosening of capital account restrictions and a move from a managed floating exchange rate system to a “clean float” regime.[97] China’s former central bank governor was quoted in April 2026 saying that Chinese authorities have a “golden window of opportunity” to promote the renminbi’s global use, including by reducing restrictions on its cross-border use.[98] On the other hand, recent commentary published in state media quoted a prominent economist at one of China’s largest state-owned banks as saying that, although renminbi internationalization and China’s capital account opening are increasingly “two sides of the same coin,” liberalization that is not gradual could create market distortions and volatility.[99] The recent foreign sell-off of onshore Chinese financial assets underscores that a significant loosening of China’s restrictions on cross-border financial flows could bring about more financial market participation by foreigners that some Chinese authorities may fear could ultimately become disruptive. Also, net capital outflow from mainland China in the event of fully lifted restrictions on cross-border renminbi usage could be significant.[100]

The Limitations of China’s Central Bank Swap Lines

Remarks by current and former senior Chinese officials indicate that some Chinese policymakers may believe that the proliferation of bilateral central bank swap lines can promote the renminbi’s expanded global use in payments even as China maintains significant restrictions on the currency’s convertibility.[101] These swap lines have been empirically linked with some increases in cross-border renminbi payments, although the effects on renminbi use in trade payments (including for energy commodities) appear modest.[102]

> **To the extent that the existence of renminbi swap lines has bolstered renminbi usage outside of China, European Central Bank and Banque de France researchers have observed that such an outcome has been predicated on market participants’ ability to reliably convert offshore renminbi into dollars.**

Indeed, while data on the terms of Chinese central bank swap lines and the extent to which these swap lines have actually been tapped is limited, available data indicate that these swap lines have reportedly been drawn on only by a few jurisdictions, mostly emerging market economies that are in the midst of or have recently confronted sovereign debt issues or severe foreign exchange depletion.[103] The use of swap lines in these circumstances helps explain why, amid economic disruptions in early 2026 linked to the Strait of Hormuz conflict, foreign central bank draws on renminbi swap lines grew dramatically, reportedly increasing

41 percent to near-2023 highs between September 2025 and March 2026, after declining dramatically in 2024 and not growing significantly for much of 2025.[104] These draws are not necessarily reflective of increased use of the renminbi in trade payments, let alone trade payments for energy commodities.

In fact, it is worth noting that given the high concentration of reported swap line draws in Belt and Road Initiative economies, some draws may simply be a backdoor bailout by China's central bank aimed at ensuring payment of debt balances with other Chinese entities.[105] And to the extent that the existence of renminbi swap lines has bolstered renminbi usage outside of China, European Central Bank and Banque de France researchers have observed that such an outcome has been predicated on market participants' ability to reliably convert offshore renminbi into dollars.[106] Indeed, emerging market financial authorities have at times converted drawn renminbi funds into dollars.[107] Also, survey data indicate that the dollar's share of institutional over-the-counter renminbi foreign exchange transactions increased from 94 to 96 percent between 2022 and 2025,[108] underscoring the renminbi's continued connectivity to the dollar financial system.

Recently, Chinese central bank swap lines received attention as financial authorities in the UAE—which maintains a relatively modestly sized swap line with China's central bank[109]—reportedly warned U.S. counterparts in April that the UAE may use renminbi for oil payments if UAE foreign exchange reserves became excessively stressed, and suggested the establishment of a dollar swap line would prevent such an outcome.[110] Through 2025, seemingly no Middle Eastern economies (besides Egypt and Türkiye) or advanced economies (besides Singapore and Hong Kong, for many years, and South Korea, in 2013) had tapped a Chinese central bank swap line.[111] In May, negotiations between U.S. officials and UAE counterparts regarding the establishment of a dollar swap line reportedly took place.[112]

Treasury leadership has indicated support for establishing dollar swap lines with Middle Eastern countries in order to support dollar usage, maintain smoothly functioning dollar funding markets, and prevent fire sales of U.S. government debt securities during times of market stress.[113] Also, Treasury recently showcased its willingness to use Exchange Stabilization Fund (ESF) authorities to extend dollar funding to Argentina, the second-largest ever use of the ESF.[114] (Argentina has reportedly been, for over ten years through 2025, by far the world's largest user of Chinese central bank swap lines.[115])

Table 1 presents the relative sizes of recent dollar and renminbi swap lines, and draws on these facilities, to illustrate the scale with which U.S. and Chinese authorities can deploy and have recently deployed financial firepower through swap lines.[116] Additionally, it is worth noting that Middle East economies could in the future tap the Foreign and International Monetary Authorities (FIMA) Repo Facility, made permanent in 2021 and administered by the Federal Reserve System (Fed), which allows central banks confronting severe market stress to access up to $60 billion in dollar funding by pledging U.S. government debt securities—with the goal of preventing fire sales of these assets.[117] Interestingly, in April 2026, the recently retired deputy head of India's central bank called upon the Indian central bank to tap the facility to help stabilize the rupee.[118] In June 2026, the head of China's central bank announced the establishment of a renminbi Repo Facility for Foreign and International Monetary Authorities, or "FIMA RMB Repo," which Chinese state media framed as similar to the Fed's FIMA Repo Facility, but also as different in that it represents a "more proactive effort" to affect foreign demand for financial assets denominated in a particular currency—the renminbi.[119]

Table 1. Comparing the Size of Dollar and Renminbi Swap Lines

<table>
<tr><th>Select Swap Line Programs</th><th>Sizes of Select Swap Lines by Recipient Jurisdiction</th><th>Swap Line Draws</th></tr>
<tr><td>Standing Fed swap lines</td><td>No specific or fixed cap; established with European Central Bank (ECB) and central banks of Canada, Japan, Switzerland, and the United Kingdom</td><td>$0.035 billion as of late June 2026 (approx. $400 billion drawn collectively at 2020 peak, mostly by Japan's central bank and European Central Bank)</td></tr>
<tr><td>Temporary Fed U.S. dollar swap lines in 2020–2021 (expired)</td><td>$60 billion (Australia)
$60 billion (Brazil)
$60 billion (Mexico)
$60 billion (Singapore)
$60 billion (South Korea)
$60 billion (Sweden)
$30 billion (Denmark)
$30 billion (New Zealand)
$30 billion (Norway)</td><td>N/A (approx. $50 billion drawn collectively at 2020 peak, mostly by South Korea's and Singapore's monetary authorities)</td></tr>
<tr><td>Treasury ESF Usage in 2025</td><td>$20 billion (Argentina)</td><td>$2.5 billion (repaid by Argentina in 2025, and which equaled 1.1 percent of ESF's $220 billion in total 2025 assets)</td></tr>
<tr><td>Chinese central bank swap lines to Hong Kong and Macau</td><td>$112 billion (Hong Kong)
$7.0 billion (Macau)</td><td rowspan="3">$16.4 billion across all jurisdictions in March 2026 (up from mid-2025 level of $11.3 billion, 1.8 percent of the $630 billion value of all active Chinese central bank swap lines at the time)</td></tr>
<tr><td>Chinese central bank swap lines to advanced economies established or renewed in 2024–2025</td><td>$49 billion (ECB)
$28 billion (Japan)
$21 billion (Switzerland)
$5.6 billion (Hungary)
$3.5 billion (New Zealand)</td></tr>
<tr><td>Chinese central bank swap lines to emerging economies established or renewed in 2024–2025</td><td>$56 billion (Indonesia)
$27 billion (Brazil)
$4.9 billion (Türkiye)
$4.2 billion (Pakistan)
$2.1 billion (Nigeria)
$1.4 billion (Sri Lanka)
$0.3 billion (Mauritius)</td></tr>
</table>

Sources: See note 116

Will Structural Constraints to the Renminbi's Rise Persist?

Ultimately, Beijing's ability to project financial power not just through swap lines but also more broadly through the renminbi's global role is currently limited. This appears to particularly be the case in the global energy trade, and it does not appear that the recent conflict in the Strait of Hormuz has resulted in a lasting change to this dynamic. Although use of the renminbi may be on the rise in some energy-exporting economies, use of the currency in energy transactions outside of China and heavily sanctioned economies seemingly remains quite minimal, and as noted above, various prominent Chinese experts acknowledge that policy efforts to change this dynamic may be quite constrained in the short-term.

Looking further ahead, however, policymakers in Beijing indeed appear focused at the highest level on building China into a "financial power"—particularly by growing use of the renminbi in the global oil and gas trade—although the path to achieve such a lofty outcome is fraught with difficult policy trade-offs. Indeed, despite calls by some in China for meaningful near-term adjustments in restrictions on financial flows into and out of mainland China's financial system, such an outcome is far from certain. Nevertheless, recent events may ultimately lead to some Chinese policymakers pushing—perhaps successfully—for accelerated policy changes aimed at reducing barriers to the renminbi's global use in ways that make China less interconnected with the dollar financial system. The success of such efforts would depend in part on U.S. policy responses.

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