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Symposium on Building the Financial System of the 21st Century: An Agenda for China and the United States

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Final Report

SYMPOSIUM ON BUILDING THE FINANCIAL SYSTEM OF THE 21ST CENTURY: AN AGENDA FOR CHINA AND THE UNITED STATES

The 22nd China-U.S. Symposium of the Program on International Financial Systems was held in Washington, DC on September 24-26, 2025. Topics included digital assets and financial technology, the future of financial services in the U.S. and China, the impact of tariffs on the two countries, and current trends and future outlook for reserve currencies.

Topic 1: Digital Assets and Financial Technology

In Topic 1, participants discussed the prospects and potential impacts of digital assets and artificial intelligence (AI) on financial markets. There was considerable discussion of the diverging approaches to stablecoins and tokenization in the U.S. and China. Participants discussed both the potential benefits and the potential risks of the spread of stablecoins, tokenization, and other uses of distributed ledger technology in investing and payments. There was also considerable discussion of how AI might transform financial markets and regulation.

Digital Finance — Crypto and Tokenization

Participants discussed the range of digital financial assets, including digitally native crypto assets like Bitcoin, tokens backed by other financial assets (also known as RWA, or "real world assets" in China), and digital currencies including stablecoins and central bank digital currencies (CBDC).

They noted that China and the U.S. were taking divergent approaches to crypto assets. While Chinese investors had initially been enthusiastic miners and investors of Bitcoin and other crypto assets, concerns over illegal activities and capital flight had led authorities to restrict crypto ownership and trading, culminating with a complete ban in 2021. While some Chinese investors held crypto assets outside of the mainland, including in Hong Kong and Singapore, crypto assets in the mainland were strongly associated with bribery and organized crime.

The U.S. had long had an ambivalent regulatory approach to crypto assets. While mining, ownership, and trading were legal and there had been a profusion of crypto assets and initial coin offerings, crypto exchanges had operated in a regulatory gray zone. While mostly hands-off in terms of crypto mining and ownership, regulatory efforts had focused on keeping the crypto world separate from the formal financial system, in order to prevent any financial contagion. In the absence of clear legislative authority to regulate crypto assets, existing regulatory agencies had sought to insulate the banking system and protect investors under existing laws, which led to swings in enforcement priorities and legal challenges. Under the Biden administration, the SEC hesitated to authorize crypto ETFs (until 2024) while also cracking down on exchanges in the name of investor protection following the implosion of FTX in 2022. While the CFTC had been somewhat more open to uses of crypto, legal concerns had hampered the development of U.S.-based investment products and exchanges.

However, the second Trump administration in 2025 heralded a major shift toward a more crypto-friendly regime. For the first time, Congress succeeded in advancing legislation on crypto regulation, including the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act that passed in July and the Digital Asset Market Clarity (CLARITY) Act, which many participants still expected to pass by the end of the year. With regard to regulatory agencies, the approach of the SEC shifted rapidly from crackdown to promotion of crypto trading, and already a variety of ETFs and other investment vehicles had come online. With the emergence of a clear regulatory framework and the supportive stance of the administration, it was anticipated that the sector would grow quickly.

In both China and the U.S., regulators sought to address the trade-offs associated with crypto assets. While it was evident that there was demand for crypto assets among at least some investors, regulators had a variety of concerns. Two stood out in particular. First, the anonymity of many crypto holdings and transactions could make them useful for illicit activities, ranging from cybercrime and tax evasion to money laundering and terrorist financing. While anonymity could offer legitimate benefits for many users, the difficulty of detecting criminal activities and enforcing financial laws created real concerns for regulators. Second, the speed of transactions had the potential in principle to damage financial stability, either through bank runs or even currency runs, if crypto assets were adopted at scale. Chinese authorities had concluded that these costs outweighed the preferences of investors. In contrast, under the second Trump administration, the U.S. had embraced digital assets as an important and attractive financial innovation, while trying to address the issues of criminal behavior and financial stability through regulation.

While a number of participants retained skepticism about the value and usefulness of digitally native crypto assets, many were enthusiastic about the potential of tokenization to serve the needs of investors, with some arguing that it could revolutionize the financial system. Tokenization could improve the efficiency of settlement, reducing both costs and time associated with traditional financial services. Smart contracts could increase certainty of trades while possibly making escrow and custody arrangements that protect investors in traditional financial transactions, unnecessary in some cases, as well as dealing with dividends, compliance, and transfer restrictions automatically. Tokenization could also enable fractional ownership, which could give small investors expanded opportunities to invest in high-priced assets including illiquid assets such as private equity and collectibles. At the same time, some participants raised concerns about tokenization of financial and real assets. For illiquid assets, they argued that there was no reason to expect that pricing would be efficient or that liquidity would be available if a tokenized asset investor wanted to exit a position. Tokenization also raised potentially thorny questions about the legal basis of ownership. How would the underlying asset be held, and by whom? How would that entity and its relationship with token owners be regulated? Without clear answers to those questions, these participants remained skeptical. Some participants also questioned whether tokenization might have financial stability implications, given the speed and frictionlessness of trading.

U.S. and Chinese regulators are still assessing how to address tokenization. While the U.S. has been more permissive than China, participants agreed that the divergence was less pronounced than with digitally native crypto assets (digital assets not backed by real assets, e.g. Bitcoins). In the U.S., tokenization is legal, but not yet widely used. Chinese authorities have been exercising caution about moving forward with tokenization on the mainland, but were allowing experimentation in a regulatory sandbox in Hong Kong. Participants saw this as reflecting a desire not to miss out on what could be an important financial technology, while minimizing direct impact on Chinese investors, companies, and financial stability

Digital Finance — Stablecoins

Much of the discussion in Topic 1 focused on stablecoins. Stablecoins are the most widely used tokenized asset globally and accordingly have been a focus of regulators around the world. By the end of 2024, the two most important financial centers without stablecoin regulation were the U.S. and China, but that situation had changed with the passage of the GENIUS Act in the second Trump administration. Whether or when China would follow suit was a big question for participants.

While the U.S. has been a relative latecomer to creating formal regulation of stablecoins, participants observed that the GENIUS Act paralleled a growing international consensus in major financial centers including the EU, Japan, and Singapore about how to regulate stablecoins. The key elements include a prudential framework that requires issuers to invest their underlying currency holdings in high-quality liquid assets and prohibited rehypothecation. Issuers are also required to meet risk-based AML and KYC standards. In the U.S., as in other major financial markets, the GENIUS Act bars interest being paid on stablecoins. While stablecoins had previously been characterized by some critics as unregulated money market funds, the combination of strict prudential regulation and the rule against paying interest was meant to reduce their potential to be a systemic risk by reducing stablecoin issuers' incentive to take on liquidity risk in order to chase yield. Some have argued that another reason for the restriction is to reduce competition with banks and money market funds. The prohibition on interest payments would also mean that stablecoins would not compete directly with banks and money market funds as a savings vehicle.

In contrast, China has shown hesitance toward stablecoins. As in other instances of financial experimentation, Hong Kong has progressed much further along the road to the use of stablecoins. Since 2023, the Securities & Futures Commission had put in place a mandatory licensing system for digital asset trading platforms that subjected them to similar rules as broker-dealers. In August 2025, new stablecoin legislation came into force that was similar to regulation in the U.S. and other developed markets. While the Hong Kong authorities were not actively promoting stablecoin and other digital assets, the foundations were in place for more use of stablecoins, and in fact stablecoin pilots and licensing regimes had already begun in Hong Kong based on both the Hong Kong dollar and the Chinese RMB (CNH). However, stablecoins are not yet legal on the mainland. Some participants saw this as reflecting a wait-and-see attitude while observing how stablecoins developed in Hong Kong and whether they created benefits or risks there before considering introducing them on the mainland. Others argued that Chinese reluctance on stablecoins reflected an official preference for CBDC. From the authorities' point of view, a digital yuan would have all the benefits of a stablecoin in terms of speed and efficiency of payments, without raising concerns about anonymity, money laundering, and run risk. However, the digital yuan had so far had little traction among the Chinese public, whether due to concerns over surveillance or because existing electronic payment systems were already so cheap and widespread.

In discussing the future importance of stablecoins, participants discussed potential use-cases and whether they offered businesses and individuals an advantage over existing payment systems. One important use-case for stablecoins has been converting between the traditional financial system and crypto assets, which was among the earliest widespread uses in practice. As long as a barrier was maintained between the two systems, stablecoins would be indispensable for transactions. Many participants also saw a burgeoning market for stablecoins as a means of international household remittances, an enormous global market that was plagued with high costs, uncertainty, and delays, and that in some countries was further impeded by capital controls. Using stablecoins for remittances would bypass multiple layers of intermediaries and verification, while allowing privacy to users.

There was less consensus over whether stablecoins could make large inroads into other segments that advocates had identified. One of these was day-to-day payments. While stablecoins promised instant, inexpensive, transparent, and verifiable transactions, participants noted that China, the U.S., and other advanced economies already had fast, verifiable, and relatively cheap electronic means of transactions, ranging from credit and debit cards, bank-based electronic funds transfers, and app-based payment options in the U.S. to payment options like Alipay and WeChat Pay in China. These payment options were seen to be so ubiquitous and highly trusted that many participants stated that they never used cash in China and seldom used it in the U.S. Another potential use-case would be store of value. Unlike having a bank account, holding stablecoins in a digital wallet would allow for instant payments, no fees, and convenience. However, as long as stablecoins were barred from paying interest, many participants doubted that they would supplant banks or money market funds in developed economies. However, it was argued that in countries where access to banks was limited or expensive or where inflation and expropriation were concerns, stablecoins could be an attractive way of holding money. Even in a developed economy like the U.S., younger and unbanked populations may prefer stablecoins to bank accounts, which over time could lead to more widespread usage.

Participants also recognized that stablecoins raised some important concerns from a regulatory perspective. One of these was, as noted above, the important issue of prudential regulation (a concern that was perhaps amplified by the fact that the largest stablecoin issuer in the world was now headquartered in El Salvador). Anonymity raised AML and KYC challenges; although some participants expressed confidence that these could be handled through non-anonymous on-ramps and off-ramps as well as programmable blockchains that prevented payments to sanctioned jurisdictions and entities, others remained skeptical. Another major concern about stablecoins resulted from the instantaneous settlement of transactions. Unlike the case of transactions using traditional payment methods, like cards or wire transfers, stablecoin transactions are not easily reversible. This could lead to losses in the case of mistaken transactions or cyber crimes, where lost or stolen money could become irretrievable. In addition, many participants raised concerns about the risk of capital flight and/or loss of monetary sovereignty for many economies. While this seemed unlikely for major economies with globally traded currencies, such as the U.S., it could be very real for developing economies. Chinese authorities also worried about the ways in which the spread of stablecoins could enable individuals and businesses to circumvent capital controls, which many participants saw as one of the reasons for Chinese hesitancy to introduce stablecoins on the mainland. Finally, some participants argued that stablecoin issuance would create a natural oligopoly, where only the largest competitors would survive, based on economies of scale and network effects. If stablecoins were to become a major component of the financial system, major issuers could in turn become too big to fail or use their market power to reduce competition.

Overall, most participants anticipated that stablecoins would become established as one part of the greater financial ecosystem, but would not crowd out other payment systems for the foreseeable future. They also agreed that, in order to maximize the usefulness and trustworthiness of stablecoins, it would be important for global regulatory authorities to work to harmonize stablecoin regulation and to ensure high-quality prudential supervision of issuers.

AI in Finance

The final set of issues in Topic 1 concerned the uses of artificial intelligence in the financial system. Participants acknowledged that AI comprised a variety of approaches and concepts, including large language models (LLMs), machine learning (ML), deep learning (DL), and—aspirationally at least—artificial general intelligence (AGI). AI has already been used extensively in some parts of the financial sector such as research and fraud detection while still being experimental in others. Actual and potential use-cases include chatbots and robo-advising, trading execution, portfolio design, research, KYC/AML compliance, credit risk analysis, and AI-driven prudential and market conduct supervision.

Participants saw AI as potentially a force-multiplier in many financial functions. LLMs could have the ability to summarize and synthesize documents rapidly in a way that could vastly improve research productivity, for example. Similarly, machine learning could enable supervisors and compliance officers to identify patterns and anomalies among vast numbers of transactions. Some participants identified credit risk analysis as a particularly attractive target for AI in China, since credit rating for individuals and small businesses was more limited than in the U.S., where full-file credit rating was the norm. They noted experimental use of AI to synthesize a variety of quantitative and qualitative data and develop predictive models based on those data.

While AI was seen to hold promise in any number of financial functions, financial institutions and regulators had remained cautious about implementation in some areas. Participants noted that AI had the potential to introduce serious risks into the financial system, whether for investors, lenders, or systemic stability. Two key concerns were the potential lack of explainability and the potential for hallucinations. Hallucinations are particularly a problem for LLMs, which cannot easily distinguish between fact and fiction or necessarily draw logical links among data. While this could be partly controlled by curating training sets and data, the potential of AI-based systems to make major mistakes remains ever-present. Explainability was equally a problem, as AI creates its own logic and algorithms to process data rather than having them programmed in a conscious manner. If a financial institution could not explain its decisions to directors or supervisors, it would raise serious questions about liability and whether the financial institution was acting responsibly toward its clients. For this reason, participants agreed that ultimate responsibility for sensitive decisions would have to be in the hands of humans, and that it would be important to improve the explainability of critical AI systems.

Another issue addressed by participants was what the employment impacts of widespread use of AI would be on the financial sector. Some argued that it would inevitably lead to reductions in employment, as a small number of people could do jobs that previously required substantial manpower. Entry-level and mid-management jobs in particular would be threatened, as rote or repetitive tasks such as summarizing research, managing data, and searching for information could be left to AI agents. Others disagreed with the notion that AI use would necessarily lead to reduced headcounts. While acknowledging that some jobs would be made redundant, they made the case that technological innovation does not just destroy jobs, but also creates them. However, the types of jobs available in finance and the compensation they would earn was likely to change dramatically.

Finally, and related to the question of employment, some participants raised the question of who would actually profit from widespread use of AI in finance. One part of the question was about distribution of profits—would financial institutions themselves reap the profits of greater efficiencies, better analysis, and faster reactions to market changes? Or would the greatest advantages accrue to tech companies such as cloud providers and advanced chip producers? Some also mused about whether AI in finance would actually improve allocation, productivity, or financial stability. These questions necessarily remained unresolved at the Symposium.

Topic 2: Future of Financial Services in the U.S. and China

In Topic 2, participants discussed the future of financial services in the U.S. and China. Many stressed the opportunities for mutual benefit between the two financial systems. However, they also noted challenges in both. For China, these included low valuations in public equity markets, a continued reliance of households on banks and real estate, and rising corporate debt. For the U.S., high and rising fiscal deficits and debt were a particular concern. Some also worried that political pressures on the Federal Reserve would lead to higher inflation and reduce global confidence in U.S. markets. Rising geopolitical tensions between China and the U.S. were also seen as a threat to financial flows. Participants also discussed emerging issues in financial markets, including the use of AI as well as digital assets and carbon markets.

Opportunities in U.S. and Chinese Financial Markets

Participants pointed to a variety of mutual interests between Chinese and U.S. financial markets. These had contributed to over three decades of mutually beneficial financial interactions.

They noted that U.S. financial institutions had played an important role in improving the quality and competitiveness of Chinese financial markets over the years. U.S. investors and financial institutions remained active in Chinese markets, reflecting the attractiveness of China as an investment destination. Partly, this was simply a function of the sheer size of the Chinese economy, as well as the improvement of Chinese financial markets in breadth, depth, and liquidity. Several participants pointed to three other factors as well. First, Chinese markets were seen to offer excellent opportunities for growth, given rising consumer demand and the successes of Chinese companies in the global economy. Second, they argued that Chinese tech companies were emerging as some of the most innovative and competitive companies in the world in a range of sectors, from automobiles to AI to precision manufacturing. Third, Chinese corporate valuations remained quite low to either their assets or earnings compared to U.S. firms.

While some participants saw low valuations of Chinese companies as an attraction for U.S. and other international investors, others also saw it as indicating problems in Chinese markets. They posited several reasons for undervaluation. One was simply that cutthroat competitive conditions and overcapacity led to low margins even for companies that seemed like industry leaders, such as in the electric vehicle sector. If that was the case, then perhaps there was no undervaluation at all. Others focused on structural factors in the Chinese economy. For example, household wealth is still primarily held in bank accounts and real estate, with the stock market often seen as an arena for speculation. Until Chinese households saw the stock market as a place to store and build wealth, companies would likely remain undervalued. Capital controls might also remain a disincentive to foreign investors, despite the significant liberalization over the past two decades. Some participants also blamed governance issues. Despite improvements, the quality of information and auditing in China was still below that of the most developed global financial markets, raising uncertainty about the actual value of companies and driving prices down. Several participants also raised more general questions of rule of law, noting that many foreigners remained nervous about whether companies would be punished for political reasons, whether market prices would be manipulated to prevent market instability, and whether they might encounter impediments in repatriating investments.

Many participants also stressed that China continued to value its relations with U.S. finance. Authorities were continuing the long-term trend toward opening up its financial markets, with U.S. financial institutions being important players. They argued that many Chinese companies still prized U.S. listing, even though there was plenty of access to capital in China. U.S. markets offered opportunities that Chinese markets still did not. One of these was, perhaps surprisingly, lower barriers to IPOs than at home—not in the sense of less rigorous rules, but rather because innovative companies that could not yet show a track record of profits could list in the U.S. but found it harder in China. Chinese authorities also still control the number of domestic IPOs in a given year, which could delay IPOs and capital raising indefinitely. U.S. markets also offer the world's deepest and most liquid markets, which could lead to better pricing of stock and debt. And listing in U.S. markets was seen to offer credibility to international investors, who could be confident in the quality of reporting and disclosure. This also could raise the valuation of Chinese companies relative to listing only on domestic markets. Some of the same points could be made for Hong Kong, but participants observed that many companies still saw U.S. listing as offering more credibility and attracting a broader pool of investors.

Emerging Financial Challenges in China and the U.S.

While the Chinese and U.S. financial markets possess many strengths, participants also discussed challenges that could reduce their attractiveness. These included both financial market concerns and macroeconomic concerns.

Participants noted that Chinese households still hold their wealth predominantly in banks and real estate. This leads directly to the corporate sector relying heavily on bank loans. A number of participants argued that this reduced incentives for profit maximization and helped to enable issues of overinvestment and excess competition. They agreed with official assessments that China should move from indirect to direct financing, from debt to equity, and from short-term to long-term investing. While these shifts have been proceeding over the previous two decades with government approval, participants saw those changes as relatively slow, with households, investors, and companies reluctant to change their behavior dramatically.

One of the impacts on capital markets has been volatility. While capital market investment had become popular among individual investors, many participants argued that many of those investors were momentum traders, making investment decisions based on short-term goals and speculation. They argued that short-termism on the part of investors is paralleled by short-termism in the capital markets in general, including among at least some institutional investors. For example, mutual funds have had to adapt their investment strategies to the reality of frequent purchases and withdrawals, making it hard to follow longer-term strategies. This weakens the key capital market functions of price determination and capital formation, while also exposing investors to greater risk.

In order to increase patient capital, participants discussed two possible approaches. One was to attract and nurture more institutional investors. Participants argued that a larger proportion of institutional investors with long time horizons, such as life insurers and pension funds, would keep funds within the capital markets rather than cashing out at the sight of a market downturn. This would reduce volatility, while professionally managed institutional investors should also improve price determination.

Many participants also advocated the introduction of defined-contribution retirement accounts (also known as FICMIs, or "funded, individually owned, collectively managed, mandatory or incentivized" accounts) in order to incentivize households to make long-term investments, including in equities. FICMIs would offer a number of benefits both to their owners, to financial inclusion, to market functioning, and to long-term financial viability in a rapidly aging society. Retirement accounts would enforce patience, risk pooling, and risk diversification for household investors, all at a lower cost than speculation on individual securities. An additional benefit would be opportunities for financial education that could be applied to non-retirement accounts; ideally, this would increase the investment skills of individual investors, improving their long-term gains and reducing market volatility. Several participants noted that FICMIs like 401(k) accounts in the U.S. and similar programs in other economies had been an important part of the development of domestic financial markets as well as offering wealth creation and pension sustainability for workers. Still, it was recognized that a commitment to increase funded portion of total pensions would entail significant transition costs for the government if new contributions were diverted away from defined-benefit pay-as-you-go pension systems, as current contributions would no longer be available to pay obligations to current pensioners. It was suggested that one way to make the transition smoother would be to sell some state-owned assets and use the proceeds to address the gap between premiums and mandated benefits.

A number of participants also identified opportunities for improvement in financial market regulation. Some argued that there had long been a focus on the growth of financial markets, including the number of listed companies and the amount of equity trading. While that had been important in establishing markets and attracting investors, they argued that it was time to focus much more on quality rather than just quantity. For example, they noted with approval recent efforts to delist poorly performing companies, urging authorities to continue to do so. In addition to winnowing out weak companies, many participants advocated making Chinese financial markets more accessible to emerging industries and companies. They made the case that listing requirements that included evidence of a track record of profits, while perhaps appropriate for mature companies, prevented dynamic new companies from accessing markets. This was seen as detrimental for both the companies themselves, which had a hard time accessing growth capital, and for investors, who were losing out on potential gains.

A variety of macroeconomic issues also raised challenges for Chinese financial markets. One of these is high and rising corporate debt. Together with slowing domestic growth and low corporate profitability, a number of participants expressed concern that there could be new rounds of corporate failures and a growth of non-performing loans in the banking system. If failures were widespread, they questioned whether the banking system would be able to manage losses. In order to avoid large-scale losses and economic dislocations, either indebted corporations would need to improve their performance or they would need to increase equity relative to debt. China's declining growth was seen to be exacerbated by the problem of underconsumption, an issue identified by the government for over a decade. Lack of domestic demand contributed to fierce price competition and low returns in a variety of manufacturing industries. Moreover, the macroeconomic flip sides of underconsumption were overinvestment and trade surpluses, both of which posed problems for the Chinese economy and businesses. As some participants noted, U.S. tariffs would force Chinese manufacturers to find markets either at home or in third countries, but those countries might be increasingly unwilling to accept floods of imports. Thus, they argued that expansion of domestic consumption was essential for both the economy and the financial system. A third concern was over local government debt. That debt has continued to grow, even as revenue sources were limited. For years, local governments had made up the difference with land sales, but many participants argued that that was no longer viable for many indebted local governments. One alternative would be to sell other state-owned assets, but that too would have its limits. To address issues of underconsumption and excess business and local government debt, a number of participants argued that fiscal stimulus by the central government would be the best option. However, participants agreed that the central government was reluctant to use fiscal stimulus, despite a low debt-GDP ratio. Whether and to what degree fiscal support for the economy and banking sector might occur remained an open question.

Many of the challenges facing Chinese financial markets were due to their stage of development, and thus did not apply to U.S. financial markets. For example, the U.S. has a strong institutional investor base, widespread use of FICMIs, deep and liquid markets, and a strong record of innovation and high-quality regulation. However, participants did identify a number of important challenges that could damage the attractiveness of U.S. financial markets.

While U.S. stock valuations were at record levels, some participants expressed concern that that was not sustainable. Some argued that there was a bubble based on unrealistic expectations about corporate profitability and the potential growth impact of AI. Others argued that the very high valuations of indexes were driven primarily by a small number of huge tech companies. If those companies were to falter, whether due to competition or failed investments or trade policy issues, these participants anticipated that the market indexes would also fall.

Participants also expressed a variety of concerns about U.S. macroeconomic policies. At the top of the list for many participants was the problem of U.S. fiscal deficits and debt. With total debt over 100% and growing every year, debt service would be increasingly challenging for the U.S. government. While debt sustainability could be enhanced by reducing deficits over a long term, many participants observed that deficits were actually growing even during periods of strong economic growth, and argued that societal aging would only add to the pressure. Some participants pushed back on the expectation that fiscal deficits would necessarily continue to grow. They argued that the Trump administration was restraining fiscal spending and that its economic policy package would ignite rapid enough economic growth to more than make up for the revenue loss of tax cuts. Still, many participants agreed that U.S. fiscal debt had the potential to become a serious problem in the future if investors were to lose their faith in the government's ability to pay it back. In the extreme, that could lead to capital flight and much higher long-term interest rates.

The second major concern was over the future path of inflation. A number of participants worried that inflation would continue to exceed targets due either to tariffs (see fuller discussion in Topic 3 below) or political pressure to lower interest rates. The highly vocal criticism of Federal Reserve policy by the president and top administration officials, as well as threats to remove a Fed governor and possibly the chair, raised concerns among some participants that the Fed would lose its independence. Given the strong body of academic literature showing that central bank independence leads to lower inflation rates, many participants saw threats to Fed independence as presaging looser monetary policy and higher inflation, which could persist far into the future if markets no longer anchored their inflationary expectations around Fed targets.

Not all participants shared this concern. They argued that there had been no change in the Fed's legal status and that political pressure was actually normal—indeed, it was possibly desirable as it reflected the Fed's proper accountability to the American people. In terms of current policy debates, several participants argued that those voices in favor of lower rates were actually correct, and that the Fed's cautious stance was holding back the economy. Thus, they did not agree that current circumstances suggested higher inflation over the long term.

Finally, some participants expressed a more general concern over rule of law in the U.S., particularly as it pertained to regulatory, fiscal, and trade policy. While that claim was debated by other participants, it was argued that a weakening of the rule of law could make U.S. markets less desirable

Geopolitics and China-U.S. Financial Relations

Beyond issues of regulation, market structure, and macroeconomic policy, participants discussed at length the impact of geopolitics on China-U.S. financial relations and global economic prospects. They saw a number of factors as potentially destabilizing cross-border financial activity between the two economies.

Of central concern was increasing U.S.-China frictions. U.S. bilateral trade deficits with China had driven concerns in the U.S. over unfair trading practices and the loss of manufacturing jobs in the U.S. due to competition with China leading to a variety of trade measures by the U.S. and retaliatory measures by China. While the current Trump administration's tariff hikes and technology export bans are particularly vigorous, participants agreed that U.S.-China trade frictions had been a defining feature of bilateral economic relations for the last quarter century, with increasingly strong measures being seen even prior to 2025 in both the Biden and first Trump administrations. Although the two countries had reached a tentative truce on the trade war at the time of the Symposium, participants saw considerable scope for further escalation.

Participants expressed differing views on the likely outcomes of a trade war. Some argued that a rough equilibrium had been reached between China and the U.S., with China grudgingly accepting higher U.S. tariffs but pushing back when it felt threatened. They pointed out that many other countries around the world had already agreed to unbalanced bilateral agreements with the U.S., including major economies like the EU and Japan; this seemed to demonstrate the power of the U.S. in shaping its trading environment. Others emphasized the rise of multipolarity, with the U.S. no longer having the ability to unilaterally impose its preferred policies on other countries. The rise of China as an economic, manufacturing, and technological superpower in particular were seen to reduced U.S. leverage. While the threat of cutting off access to the U.S. market and technologies was a powerful one, China also had strong bargaining chips based on its scale of manufacturing, important position in global supply chains, dominance in rare earths, and increasing prowess in AI and other advanced technologies. Ironically, some noted, it was U.S. friends and allies that had conceded most quickly to the U.S. in Trump-era trade negotiations. Meanwhile, there were also questions about whether efforts at decoupling or "derisking" could lead to the establishment of geoeconomic blocs, one clustered around China and the other around the U.S. The economic rise of other large middle-income countries like India and Brazil was also seen to dilute U.S. economic leverage. If the U.S. tried to force such countries to choose between it and China, it could not be certain which bloc they would join.

Many participants agreed that the global trading system had been significantly and perhaps permanently disrupted. For some, this was not necessarily a bad thing. From the perspective of supporters of the Trump administration's trade policy, the existing order had allowed a variety of unfair trade and exchange rate policies that had damaged U.S. manufacturing and devastated the working class. They saw reciprocity as a better principle for the global trading system than a rules-based system that favored China and other surplus countries. From a Chinese perspective, a potential silver lining was to provide a national security spur to move forward in developing critical technologies such as AI and biotech. But most participants agreed that disrupting the global trading system was deeply problematic. They argued that operating in a world of varied trade restrictions and a patchwork of country-specific tariffs would inevitably be inefficient, damaging economic growth around the world and increasing political contention. For this reason, they hoped that a rules-based order could be reestablished through the leadership of the EU, Japan, and possibly China, to which the U.S. might return at some point.

All of this appeared likely to have consequences for China-U.S. financial relations. Although mutually beneficial financial interactions had continued despite contention in other areas so far, many participants questioned how long finance could be kept separate from geopolitics and trade conflict. Already, there were indications of possible decoupling. On the U.S. side, there had been an increase in incoming and outgoing FDI controls, removal of Chinese securities as an option in federal government's defined-benefit pension scheme, and threats of delisting Chinese companies. On the Chinese side, participants noted some evidence of shifting reserves toward gold and reducing Treasuries holdings, as well as speculation about more Chinese companies voluntarily delisting from U.S. equity markets in favor of Hong Kong or the mainland. However, a number of participants saw a willingness to cooperate on both sides. For example, the PCAOB had made agreements with mainland and Hong Kong authorities to inspect auditors in both markets and had reported effective cooperation with their counterparts. While the agreement had been made under the threat of delisting by the U.S., the inspections were leading to mutually beneficial improvements in auditing practices. Moreover, despite FDI restrictions on both the Chinese and the U.S. side, portfolio investment to the U.S. remained strikingly open and portfolio investment to China was growing and accessible thanks to liberalization and innovations like the Stock and Bond Connects.

Emerging Issues in Financial Markets

Turning finally to emerging issues in financial markets, participants discussed two in particular. One was AI, which overlapped with Topic 1 and is summarized there. The other was energy and carbon markets.

Participants agreed that energy markets would be increasingly important in the coming years. One reason was efforts in most economies around the world to facilitate a green energy transition. This would entail enormous investment not only in greener electrical generation meaning renewables in many countries, but also nuclear in others), but also in rebuilding energy storage transmission networks that could manage intermittent electrical production from sources such as wind and solar. Moreover, energy demand is expected to grow substantially, partly due to the growth of global middle classes and partly due to the AI revolution, whose need for data centers would require expanding electrical production and transmission.

Participants noted that the U.S. and China were taking diverging approaches to energy transition. China, which had long resisted greenhouse gas targets and had become the world's largest producer of atmospheric carbon, had changed direction and recently pledged to cut greenhouse gases and was establishing carbon markets. Even before that, Chinese industry had become the global leader in production and installation of wind turbines and photovoltaics, and had been contributing to green energy transition in foreign markets (for example, through the Belt and Road Initiative). In contrast, the U.S. has moved away from greenhouse gas targets and under the Trump administration is emphasizing production of fossil fuels. Some participants argued that this would offer China further global financial opportunities to participate in energy and carbon markets, while the U.S. would stay on the sidelines.

Topic 3: Impact of Tariffs on U.S. and China

In Topic 3, participants discussed the impact of tariffs on the U.S., China, and the world trading system. They debated whether tariffs were damaging economic growth and price stability in the U.S., while also increasing the prospects for onshoring more industrial production. One important question for both the U.S. and Chinese economies is whether U.S. consumers, U.S. importers, or foreign exporters would ultimately bear the costs of tariffs, even as it appeared that (so far) the impact on U.S. inflation has been limited. Another point of discussion was whether China could find markets even at home or in third countries for its goods in the face of U.S. tariffs. There was also some discussion of how the world trading system would change, including the prospects for future retaliation or decoupling by more U.S. trading partners.

Effects of Tariffs on U.S. Economy

Some participants noted that the Trump administration's tariff policy did not yet seem to have had a negative impact on the U.S. economy. Inflation remained relatively stable (albeit still above the Fed's target range), unemployment was low, growth was up slightly, and the stock market was at record levels. Moreover, tariffs are on track to raise several hundred billion dollars per year for the federal government, reducing the government's reliance on income and corporate taxes.

In the longer term, advocates for the Trump tariff policy argued that tariffs were essential to bring manufacturing jobs back onshore and to counter other countries' abuse of international trade rules and their own exchange rates. They saw tariffs as the only way to level the playing field internationally. They made two main arguments. First, they pointed out that incomes of working-class and middle-class households had stagnated over an extended period, even as incomes in fields such as finance and high-tech had ballooned. The growing inequality had driven political and economic frustration that other policies had not effectively addressed. Reshoring could provide higher-paying manufacturing jobs, while immigration controls would ensure that those jobs would go to Americans. Second, advocates focused on national security. Overreliance on other countries, particularly China, in the supply chains for items ranging from military hardware and shipbuilding to pharmaceuticals and semiconductors made the U.S. vulnerable to supply shocks deriving from geopolitical rivalry, natural disasters, or future pandemics.

There was strong pushback on many of the economic claims made by tariff advocates. They argued that tariff policies have begun to feed through to a slowdown in the economy, as evidenced by the weakness of the job market. Moreover, inflation had begun to rise again in the second quarter of 2025 following a tapering earlier in the year. While tariffs are just one element of the new administration's overall economic policy, which includes both expansionary policies (e.g., tax cuts and regulatory easing) and contractionary policies (e.g., federal spending cuts and layoffs and tougher immigration enforcement), these participants pointed to indications that prices of imported goods were rising faster than other prices. They argued that many businesses in both the U.S. and abroad have adopted a wait-and-see policy regarding tariffs due to the unpredictability surrounding exemptions and their likely final level; however, once tariffs were locked in place, businesses would not be able to absorb their full cost and would continue to raise prices. Worse, with the economy as a whole weakening and the Fed under enormous political pressure to lower interest rates to support growth, these participants predicted that loose monetary policy would push prices even higher, reversing the gains made by anti-inflationary policies in the last two years.

Critics of the tariffs raised other criticisms as well. One was about the effects of unpredictability on investment. They noted that, since the reimposition of Section 232 tariffs early in the Trump administration and more so since "Liberation Day" in April, there has been widespread confusion over which tariffs would apply to particular goods and countries. A variety of goods from particular economies have been exempted or had their originally announced tariffs raised or lowered, in some cases even after bilateral tariff negotiations have been concluded. Moreover, there was uncertainty as to whether the next administration would continue the Trump administration's tariff policies. Many participants argued that the resulting uncertainty made investment and hiring decisions more risky for companies, and predicted that it would limit the potential of tariffs to attract manufacturing investment back to the U.S. Other participants disagreed. They argued that the administration had shown flexibility in responding to adverse effects of some announced tariffs and was constantly calibrating them to maximize their benefits.

Another point of contention was of the claim that tariffs were a major new source of revenue for the federal government, which could reduce the need for income and corporate taxes. While some participants pointed to the hundreds of millions of dollars rolling into the federal coffers through tariff collection, many participants agreed that they could not make up for the revenue losses associated with tax cuts. Moreover, if the tariffs were to actually have the desired effect of reducing imports, there was a low ceiling on potential revenues from them. There was also debate over both the efficiency and distributive effects of using tariffs for revenue. A key question in this regard was who is bearing the burden of tariffs. Some participants argued that the low impact on inflation proved that the burden was primarily borne by foreign exporters, who were being forced to lower their prices to compete in U.S. markets. Other participants noted conflicting evidence that suggested that price hikes so far were being borne by U.S. consumers and corporate importers as well as by foreign producers. Since low-income households use a larger proportion of their income on goods purchases than higher-income households, this further suggested that tariffs were a regressive form of taxation. With regard to efficiency, it was noted that economic theory predicts deadweight loss from transactions that did not occur due to tariff caused higher prices, which would be expected to negatively affect the overall economy. An alternative perspective presented by some participants was that tariffs would work together with other key elements of the Trump administration's supply-side policies to increase growth enough to make up for any such impacts.

Effects of Tariffs on Chinese Economy

Participants also offered mixed perspectives on the impact of U.S. tariffs on the Chinese economy. As with discussion of effects on the U.S. economy, they acknowledged a high level of uncertainty about the tariffs and other trade measures (such as export and FDI controls) despite the May 2025 bilateral agreement that had been extended until November. Participants remarked that new tariffs or barriers could arise unexpectedly due to political or economic issues, which could lead to upward tariff cycles. They also noted that the form of any retaliation by either the

U.S. or China was unpredictable. Thus, it was agreed that any conclusions about the long-term effects of the trade war were provisional at best.

In the short-term, a number of participants offered data that supported the notion that Chinese exporters were absorbing much of the cost of the tariffs, in order to stay competitive in U.S. markets. Some participants argued that this showed that the Trump administration had been correct that U.S. market power gives it enormous leverage versus its trading partners. Others were more cautious. They argued that some Chinese exporters were deliberately holding prices down for the moment in order not to lose market share, but that this would not prove viable in the longer run if tariffs on Chinese products remained high. They anticipated that, once tariff rates on particular countries and products stabilized, Chinese (and other) exporters would adjust their pricing to ensure profitability. This would, however, also likely reduce the volume of Chinese exports to the U.S.

Thus, one anticipated long-run effect of tariffs on Chinese manufacturers was that they would need to find new markets for their production, either at home or abroad. Indeed, data are already demonstrating higher exports to countries other than the U.S., suggesting that Chinese companies were searching for other markets, although some participants suggested that this might partly reflect transshipment via countries facing lower U.S. tariffs. The potential for a surge of Chinese exports to third countries also raised the prospects of new U.S. import tariffs imposed on those countries. Many participants argued that the situation called for a Chinese domestic demand stimulus, given the limited absorptive capacity of non-U.S. economies and the possibility of additional trade measures in those economies. Some also made the case for demand stimulus on macroeconomic grounds; they argued that the large Chinese trade surpluses in recent years reflected a significant problem of underconsumption that required government intervention.

This discussion linked to two ongoing debates on Chinese economic policy. First, the Chinese government has been calling for over a decade for rebalancing of the economy away from export dependence. Stimulating domestic consumption has been a key element of these proposals. A second debate has been over how to address manufacturing overcapacity in some sectors, driven by overinvestment and the lack of exit by weak companies. Price pressures in overinvested sectors, which would be exacerbated by loss of access to U.S. markets and possible protectionism on the part of other economies, could be addressed domestically either by increasing domestic demand or incentivizing exit of weak companies and retirement of inefficient plant and equipment.

In Topic 3, participants also addressed the U.S. export and foreign direct investment restrictions on certain high-tech products and intellectual property. Many agreed that these could have a slight negative effect on Chinese high-tech manufacturers' competitiveness in the short run, although they saw it as more probable that restrictions would reduce access and raise prices than actually prevent access. In the longer run, few expected that export and investment controls would hurt Chinese firms' ability to access the most advanced technologies. Indeed, some argued that restrictions would be a spur to indigenous innovation, creating new opportunities for Chinese tech giants.

Finally, many participants agreed that China had a stronger capacity to retaliate against U.S. restrictions than any other economy, even major ones like the EU and Japan. China dominates a variety of globally essential industries and product areas, including ones that would be essential for industries the Trump administration was prioritizing, such as advanced materials and pharmaceuticals. It is also a nexus in many global supply chains, as well as a major trader with economies around the world. And unlike U.S. allies in Europe and Japan, China is not dependent on U.S. security guarantees, removing one more source of leverage. Thus, participants predicted that China's response to U.S. tariffs and other restrictions would continue to be more vigorous and effective than that of other U.S. trade partners.

Future of the Global Trading System

Looking beyond the effects of tariffs on China and the U.S., participants discussed how these actions would affect the global trading system. There was widespread agreement that U.S. tariffs would remain high for years to come, reversing nearly 80 years of U.S.-led efforts to reduce trade barriers globally. For many participants, this meant that the WTO-based global trading system—which has been based on reducing barriers to trade, multilateralism, agreed rules like most-favored nation, and adjudication by the WTO—would change fundamentally.

Some participants welcomed the prospect of major change. They argued that the existing system had failed to provide fair competition across borders while also exacerbating inequality within countries. They looked forward to a global trading system that enabled sovereign decisions about national priorities. Others were dismayed, even if they agreed that the existing system had been imperfect—for example, in allowing the build-up of huge macroeconomic imbalances and not preventing distortionary industrial and trade policies. They argued that complex supply chains would have to be completely rebuilt atop a complex and changing array of bilateral tariffs and trade agreements, adding costs and complicating investment, production, and sourcing decisions for businesses. They pointed out that the post-World War Two global trading system had been designed to prevent the reemergence of the patchwork of protectionism that had prevailed in the 1930s; moreover, they argued, the complexity of cross-border supply chains would make such a system even worse. In contrast, some participants argued that some dislocation would be worth unwinding what they saw as the excessive globalization of recent decades. In this perspective, globalization had led to a loss of sovereignty, as well as challenges to national security and resilience, that could not be justified by just looking at the efficiencies created by reducing impediments to trade.

Looking at the role of China in the new global trading system, participants raised two questions. First, how would other countries respond to possible surges of imports from China, as Chinese firms would increasingly have to seek out non-U.S. markets? Many anticipated pushback from those countries, but given the economic and technological power of China, some expected that retaliation would be limited. The second question was whether there would be a decoupling of China-centered and U.S.-centered or Western-centered economic spheres. Participants agreed that would be very economically and politically costly for countries around the world. It would also be impossible to predict which countries would choose which side.

A final possibility suggested by some participants was that a new "coalition of the willing" could try to recreate the global rules-based trade system, minus the U.S. Several pointed to efforts being made by the EU to expand its own network of trade agreements with regional FTAs, including with the Common Market of the South (MERCOSUR) and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) as a potential path to doing so.

Topic 4: Reserve Currencies—Trends, Risks, and Outlook

In Topic 4, participants discussed the current status and future prospects for the U.S. dollar and other currencies as international reserve currencies. They noted that the U.S. dollar remained dominant in international reserves and payment, but some argued that its dominance was slowly eroding. Participants considered economic and political forces that could weaken the role of the dollar, including fiscal and monetary policy, rule of law, and geopolitics. There was also some discussion of how the rise of stablecoins and tokenization in the financial system might affect the role of various currencies, with many arguing that widespread use of stablecoins in particular would likely strengthen the global role of the U.S. dollar.

Reserve Currencies in the Global Economy

International finance and trade depend upon cross-border payments, while global investors look for opportunities globally. In the post-World War Two world, the international system relied heavily on a small number of global currencies, preeminently the U.S. dollar, to transfer and store value across borders. Reserve currencies fulfill three main functions, as a store of value, unit of account ("invoice" function), and means of payment. While the dollar has been the most important global currency across all three functions, participants noted that its importance varies depending on which measure is emphasized.

One common measure of the importance of a reserve currency is the degree to which economies' foreign exchange reserves are denominated in particular currencies. By far the largest share of reserves are still held in U.S. dollars, comprising nearly 60% of the total, followed distantly by the Euro at about 20% and Japanese yen at around 6%. Chinese RMB accounts for less than 3% of official global reserves. However, participants also noted that the share of the dollar in reserves has been declining over time, albeit slowly, having dropped from slightly over 70% in 2000. Participants had varying opinions about the importance and implications of the decline. Some argued that this was evidence of declining confidence in the dollar or in the economic and political strength of the U.S. However, looking at the role of potential challengers, the share of euro-denominated reserves has been essentially unchanged over the quarter century of its existence and the RMB share remains in low single-digits despite recent increases. In fact, the biggest increases in recent years have been in peripheral currencies like the Canadian and Australian dollar. While the U.S. dollar might have become less attractive to reserve managers, other currencies remain even less so. Some participants noted that the biggest shifts in reserve composition in recent years has not been from the USD to other currencies, but rather from the USD toward gold, with an estimated 1,000 tons of gold purchased by central banks from 2022-24. They argued that this was a response to the aggressive use of financial sanctions by the U.S. over the last two decades, raising concerns among some foreign governments and central banks that their assets might likewise be targeted.

The central role of the dollar is also evident in other measures. Globally-traded commodities were still universally invoiced in USD. Manufactured goods also are heavily invoiced in USD, although the Euro, JPY, and RMB were also regionally important. Some participants theorized that the dollar's position could be weakened if major oil-producing states shifted away from dollar invoicing, but there is as yet little evidence to suggest that it was likely. In payments, the USD is also dominant, with no declining trend. Nearly 90% of all foreign exchange transactions feature the dollar on one side or the other. Roughly half of all cross-border payments and cross-border bank loans are in USD.

Participants agreed that the widespread use of the dollar reflects a number of factors. The U.S. economy is the largest in the world. U.S. financial markets are by far the world's largest, deepest, and most accessible. High-quality regulation and adherence to rule of law ensure that financial markets worked smoothly and fairly. A combination of low transaction costs, high liquidity, and network effects make the dollar uniquely attractive as a reserve currency. The political power of the U.S. was also seen by some participants as a reason for the importance of the dollar; they noted, for example, that U.S. allies are more likely to hold a higher share of reserves in USD than U.S. rivals did.

Pressures on the U.S. Dollar

Participants discussed three forces that could undermine the role of the USD in the global economy: U.S. policies, the emergence of non-USD cross-border payments systems, and the rise of digital assets. Participants also noted increased interest among central banks in gold as a reserve asset.

A number of participants argued that the biggest threats to the role of the dollar derived from U.S. policies. A major issue in this regard was fiscal sustainability. Participants noted that U.S. fiscal deficits are growing due to tax cuts and difficulties in reducing spending. They expected restraint on spending to become even more difficult as the population ages, which would inevitably lead to higher outlays on Social Security and Medicare. A number of participants warned that debt, which is already over 100% of GDP, would continue to grow to a level that investors would doubt the ability of the U.S. government to pay debtholders. A loss of confidence in Treasuries would raise interest rates while also making the dollar less attractive as a reserve asset.

Participants raised other concerns about the long-term attractiveness of the dollar. One was that political pressures on the Fed threatened central bank independence. If interest rates were to be driven by political considerations, they anticipated that monetary policy would be looser, leading to higher inflation rates, which could scare away investors in dollar-denominated assets. Some participants also raised concerns that the Trump administration's tariff policies might signal to foreign counterparts that the U.S. was disengaging from global leadership. And several participants worried that rule of law was being eroded, weakening one of the pillars of the attractiveness and liquidity of the U.S. financial system.

Not all participants agreed with these assessments. Some anticipated that the administration's economic policies would accelerate economic growth, which would reduce deficits over time. Increased revenue from tariffs would also contribute to fiscal sustainability. With regard to the Fed, they argued that increased political accountability would not necessarily lead to higher inflation but would ensure that monetary policy would more appropriately fulfill its dual mandate.

Regardless of any discontent with U.S. fiscal and monetary policies, many participants made the point that there are no strong alternatives to the dollar to act as a global reserve currency. One reason is the network effects of the widespread use of the dollar in reserves, payments, and invoicing, which would be extremely difficult for other currencies to match. Moreover, the major alternatives all face obstacles to their widespread use as reserve currencies. The euro lacks a common fiscal policy or even a unified default risk-free bond market. As for the RMB, which some saw as an important future challenger, the lack of capital account convertibility is seen by many participants as a serious stumbling block, as is the relative lack of depth and liquidity in Chinese financial markets and the fact that China is continuing to run large trade surpluses.

Some participants disagreed with the argument that the RMB would not be in a position to significantly erode the global role of the dollar. They pointed to evidence of rising amounts of cross-border payments using the RMB. Partly, this was due to RMB invoicing by Chinese exporters; given China's status as the world's largest exporter, they saw considerable room for growth. There was also considerable discussion of China's Cross-Border Interbank Payments System (CIPS), which some saw as a potential rival to the SWIFT system. They argued that the weaponization of the U.S. dollar through the use of financial sanctions would make it attractive for some countries to use CIPS as an alternative cross-border payment rail. It was noted, for example, that a growing share of the trade between China and Russia since the 2022 Ukraine invasion has been settled through CIPS. Other participants were less impressed, arguing that CIPS has grown slowly and that the countries making use of it remained limited.

It was argued that another developing advantage for the global use of RMB was through China's proactive development of CBDC. In particular, several participants pointed to the experiment with mBridge as a cross-border payments platform based on CBDC. This could lower costs considerably, as it would avoid the transaction costs associated with correspondent banking and would also allow direct exchange of value rather than requiring an intermediate trade through the U.S. dollar. While some participants argued that mBridge had been rendered less effective by the withdrawal of the BIS from the project, others stated that mBridge is still viable and growing, but that the BIS withdrawal has reduced visibility into it, so no one could tell just how fast it was growing. If non-dollar settlement were to become more prevalent in petroleum transactions, they argued, it would reduce the overall usefulness of dollars for invoicing and reserves.

Some participants posited digital assets as a viable alternative to the dollar. They noted the inefficiencies and costs generated by traditional cross-border payments—one estimate was that cross-border payment revenue was equivalent to around 2% of GDP in developed economies. Digital assets could bypass many of those costs, as well as the time lags involved in cross-border payments, using either distributed ledger technology or permissioned blockchains such as CBDC. Blockchains could provide certainty about availability of funds while self-executing smart contracts could reduce the need for added expenses like escrow and custodianship. While participants were skeptical that digitally native crypto assets would become a large part of countries' foreign exchange reserves (despite the establishment of the U.S. Strategic Bitcoin Reserve), some saw real promise for CBDCs, stablecoins, or other tokenized assets to play a bigger role in transferring value across borders.

Whether this would actually reduce the role of the dollar was a matter for debate. Some participants argued that the U.S. had potentially ceded ground by choosing not to develop a digital dollar, in contrast to China, which was continuing to promote the digital yuan for cross-border official payments. In contrast, other participants argued that stablecoins would be much more important in commercial cross-border transactions, and that the vast majority of existing stablecoins are USD-denominated. Thus, they anticipated that more widespread use of stablecoins would actually solidify the role of the dollar. And if digital assets were to displace traditional payments systems, the network effects supporting use of the dollar would be even greater.

There were mixed opinions as to whether a world of instantaneous cross-border payments is actually a good idea, as it could speed capital flight and lead to instability among lesser-used currencies, as more individuals and businesses would be able to evade currency controls by accessing dollar stablecoins. But in terms of the effects on the global use of the dollar, it was argued that the prospects of such instability would likely lead to more developing economies dollarizing, whether officially or de facto.

A final potential alternative to the dollar is an old-fashioned one: gold. While private investors often see gold as an inflation hedge, it was argued that some central banks, including in China and Russia, see gold as a political hedge against the possibility of U.S. financial sanctions. Still, a number of participants were skeptical that gold would replace dollars as the primary component of reserves. They noted that the price of gold is unstable, that it is difficult to convert quickly into needed currencies, and that, unlike Treasuries, gold pays no interest and is costly to store.

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