

China's Move towards Digital Cryptocurrency

From Skepticism to Endorsement

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The participants of last week's "Block Chain Life" forum held in Moscow concluded that digital cryptocurrency and blockchain technology is an inevitable reality of the future that must be developed and harnessed. The event held on October 16-17 had over 4,800 participants, more than half of them Chinese and Russian.

It is not surprising considering China is becoming a center for digital cryptocurrency, especially when considering that over 80% of bitcoin mining activities occur in China. This of course was done with close Russian assistance who provided the necessary programming skills. However, it was a long time in the making as China initially expressed scepticism towards cryptocurrencies and blockchains before moving towards endorsement and support. National digital cryptocurrencies have the potential to become competitors with the traditionally decentralized digital cryptocurrencies and conventional payment method.

As the price of digital cryptocurrencies is very volatile and has even recently declined, China announced in 2017 that any digital cryptocurrency transaction, including the initial token offer (ICO), is illegal, with even reports that the government intends to ban mining. Beijing now appears to have a different outlook towards cryptocurrencies, especially as a vehicle to continue to the de-Dollarization of their economy.

Xu Haoyang, the founder of China's largest mining pool, ViaBTC, [explained](#) that in 2017, China ordered mining companies to dismantle their equipment as at the time they understood that the situation was unstable. This did not mean that they cannot operate there, and rather, miners just returned to Sichuan and Yunnan provinces again to continue their activities shortly after. There is no news recently that digital cryptocurrency mining is still be banned and the difference now is that the Chinese government is now beginning to understand what digital cryptocurrencies are, and they even intend to issue its own digital coins, the "renminbi." Haoyang believes that China will not ban digital mining and rather that if you consume too much electricity, access to electricity resources may be subject to certain restrictions.

China's attitude towards digital cryptocurrency has changed, especially with Wang Xin, director of the Central Bank Research Bureau, saying this summer that the State Council of China has approved plans to develop the digital renminbi. Mu Changchun, director of the Digital Currency Institute of the People's Bank of China, later said that the digital renminbi is actually ready for distribution. The digital renminbi will replace cash in circulation and the payment system can process up to 300,000 transactions per second.

After Facebook announced the establishment of the international digital cryptocurrency

Libra, China immediately stepped up its efforts to issue its own digital cryptocurrency. China's [Global Times](#) published an article entitled "China cannot be absent from the era of global digital currency competition" suggesting that China cannot ignore the inevitable rise of digital currency. The Chinese government seems to conclude that digital cryptocurrency has become an objective phenomenon.

Although digital currency was initially decentralized and dominated by companies like Bitcoin, large institutions and states are starting to issue their own digital cryptocurrencies. This also comes as the U.S., as revealed by Federal Reserve Chairman Jerome Powell, said that they are far from issuing digital currency because the technology is still in its infancy, but it is still a stated goal.

But China's current idea has been decided. Mu Changchun, a Deputy Director at the People's Bank of China, said that unlike the Libra crypto, a digital cryptocurrency that will be issued by private companies, the digital renminbi will have all the marks of China's national sovereign currency. Because there is always a risk of a private company going bankrupt which can threaten the existence of the Libra, then the digital renminbi must be much more reliable. There is reason to believe that China will use the short pauses issued by Libra to launch its digital cryptocurrency.

Rather, it can be suggested that the move to digital currencies is a natural course for China to take to de-Dollarize their economies. Although only a catastrophic market change will end the Dollar's hegemony over the global economy in the short term, China is now playing the long game to achieve 100% financial sovereignty. China has added almost 100 tonnes of gold to its reserves over the last ten months, an increase of nearly 5.4 tonnes of gold to China's holdings — bringing the total additions since December to about 96 tonnes, according to the [Financial Times](#). This includes efforts to trade in [local currencies](#) and [selling](#) its holdings in U.S. bonds.

Although it is unlikely that these efforts will topple the Dollar as the de facto currency of the world anytime soon, the long-term effects of these moves by China cannot be overlooked. Whether the Chinese Yuan will replace the Dollar remains to be seen, it is likely that in the medium-term we will begin to see a much more equitable balance in the financial markets and sectors between the Great Powers. With China pushing ahead with cryptocurrencies, it is not known yet how Washington will respond to this latest move by Beijing to liberate itself from the Dollar hegemony. There is definitely every possibility that U.S. President Donald Trump will want to consider options on how to counter Beijing's move as a wider part of his trade war against China.

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