

DIGITAL YUAN AS A NEW TOOL FOR ENSURING ECONOMIC SECURITY OF THE PEOPLE'S REPUBLIC OF CHINA

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Authors consider the digital yuan in the context of ensuring the economic security of the People's Republic of China. The main advantages of the introduction of e-CNY in the money turnover are analyzed. It is concluded that the use of the digital yuan in cross-border transactions can enhance international recognition of the yuan, potentially reducing dependence on the U.S. dollar and increasing China's economic security.

Keywords: central bank digital currency; digital yuan; e-CNY; People's Bank of China; economic security.

ЦИФРОВОЙ ЮАНЬ КАК НОВЫЙ ИНСТРУМЕНТ ОБЕСПЕЧЕНИЯ ЭКОНОМИЧЕСКОЙ БЕЗОПАСНОСТИ КИТАЙСКОЙ НАРОДНОЙ РЕСПУБЛИКИ

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Авторы рассматривают цифровой юань в контексте обеспечения экономической безопасности Китайской Народной Республики. Анализируются основные преимущества введения цифрового юаня в денежный оборот. Сделан вывод о том, что использование цифрового юаня в трансграничных сделках может повысить международное признание юаня, потенциально снижая зависимость от доллара США и повышая экономическую безопасность Китая.

Ключевые слова: цифровые валюты центрального банка; цифровой юань; электронный китайский юань; Народный банк Китая; экономическая безопасность.

Currently, due to the rapid popularization of the use of blockchain technology, cryptocurrencies and tokens, the attention of the world community also began to focus on the possibilities of introducing national digi-

tal currencies. According to the project monitoring the stage of implementation of central bank digital currencies worldwide (CBDC Tracker) [1], the majority of countries around the world have already shown interest in issuing their own digital currency, and are currently either at the stage of research, proof of concept, or pilot phase. Belarusian researchers note, that among major economies the leader in the race to create central bank digital currency is the project of the People's Bank of China (hereinafter – PBoC), which research in this area can rightly be called one of the most extensive and successful [2, p. 53].

The digital yuan (e-CNY) is a digital currency issued by the PBoC in pilot testing mode to provide a more efficient, secure and cost-effective payment system. Emission of the national digital currency is included in the M0 aggregator – cash in circulation (banknotes and coins in circulation) – and will circulate along with the classical (non-digital) yuan. Being a new tool for ensuring economic security, nowadays the digital yuan plays an important role in China's economic development.

At present, there are many areas and scenarios for the application of digital yuan. White paper on the progress of the country's digital fiat currency states that as of 30 June 2021, e-CNY has been applied in over 1.32 million scenarios, covering utility payment, catering service, transportation, shopping, and government services. During this period, there were more than 20.87 million personal wallets and more than 3.51 million corporate wallets opened, with a transaction volume of 70.75 million and a transaction value of about 34.5 billion yuan [3, p. 13].

On 12 October 2022, it was estimated that the total amount of digital yuan transactions in the pilot zones of 15 provinces and cities exceeded 100 billion yuan, the total number of transactions exceeded 360 million, and the number of stores supporting digital yuan exceeded 5.6 million [4]. According to the latest data, published by the PBoC, by the end of 2022 the amount of digital yuan in circulation reached 13.61 billion yuan (about 2.01 billion dollars) [5]. Based on the analysis of statistical data, we may conclude that the e-CNY has a potentially high level of efficiency.

The increasing use and popularity of the digital yuan is determined by a number of its advantages. Among the main advantages of adopting e-CNY is improved payment efficiency – transactions can be made instantly and without intermediaries, thereby reducing transaction costs as well as the risk of misappropriation of funds by third parties. Also the use of the digital yuan with smart contract technology simplifies the intermediate audit process. Thus, revenues from cross-border trade can be confirmed simultaneously at each business node, and will reduce time expenditures.

Another advantage of the digital yuan is its security. For instance, the PBoC has taken a number of measures to ensure the security of digital currency, among which are: the use of blockchain technology, multifactor authentication and encryption. The use of such technologies fully ensures transparency of transactions and protection against unauthorized access, thereby reducing the risk of fraud and hacking. The adoption of these security measures is expected to increase the global public's confidence in digital yuan and promote its broader adoption, which in turn will strengthen China's economic security.

In addition to these advantages, the digital yuan gives China more control over its monetary system. The e-CNY operates under a system of "controllable anonymity". This means that transactions between peers are anonymous and, according to the PBoC, the e-CNY offers "anonymity for small value and traceable for high value" transactions. Although the PBoC retains the authority to monitor, block, and reverse transactions, such actions require explicit approval on a case-by-case basis [6, p. 21].

The e-CNY is also seen as a tool to achieve the goal of internationalization of the yuan. As China aims to expand its influence, the use of the digital yuan in cross-border transactions could help to increase international acceptance of country's currency. Such recognition will in turn reduce China's dependence on the U.S. dollar, which is currently seen as the dominant currency in international trade. This will strengthen China's economic security by reducing its exposure to external shocks, such as changes in U.S. monetary policy.

At the same time, the e-CNY as a new product of the times and may face some challenges in the process of its promotion and popularization. At the legal level, there is a need to detail the transfer of property rights, the protection of personal information, the legal status of its holders, and measures to prevent money laundering. Besides, it is also worth considering that such digital currency involves the use of digital wallets, which are fundamentally different from traditional bank accounts and must be opened and managed by operational institutions, requiring modernized systems and risk management practices in order to function properly.

Thus, the digital yuan is a tool that helps to ensure the economic security of the People's Republic of China. Its potential efficiency, security, controllability and internationalization will make it a valuable component of China's monetary system. Despite some of the difficulties associated with its implementation, the outlined potential benefits are enormous. In this regard, the digital yuan will continue to contribute to the prosperity of the Chinese economy.

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