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# China's Digital RMB Cross-Border Payment Platform and Implication to East Africa

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## Introduction

The rapid expansion of China's Digital RMS (e-CNY) cross-border settlement system of $ 1.2 trillion across six Middle East and ten ASEAN countries signals a progressive and potentially transformative shift in regional, continental, and global finance. The trade on this system is estimated to account for 38% volume of global commerce. The roll-out possibly bypasses the US-dominated SWIFT network that has long been criticized for inefficiencies, cost, and geopolitical weaponization. The digital RMB is slowly redefining traditional geo-commercial relationships by providing alternative financial platforms for commerce. For East Africa, a region that is deeply integrated into China's Belt and Road Initiative (BRI) and the increasing reliance on digital financial solutions, this development offers both opportunities and challenges. This commentary explores the implication of the Digital RMB for East Africa, especially its potential to accelerate regional and continental trade systems, reduce exposure from US financial systems and sanctions, and strengthen financial inclusion.

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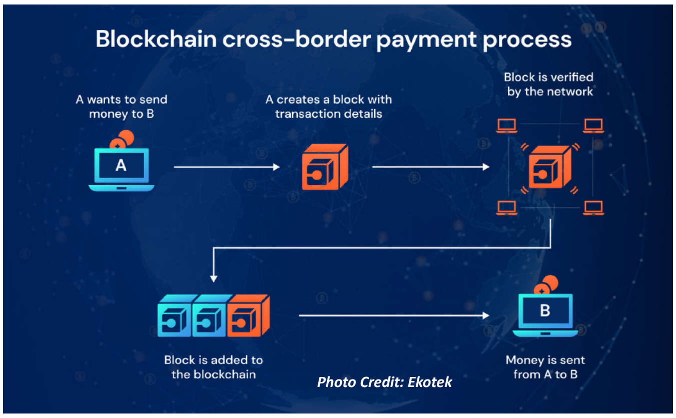
## Digital RMB and Cross-Border Payments

The People's Bank of China (PBOC) launched the Digital RMB which is a central bank digital currency (CBDC). This is designed to complement and eventually replace the use of physical Yuan in domestic and international transactions. Complimentary integration initiatives have been undertaken with an estimated 23 Central Banks, especially in the Global South. Unlike traditional fiat currencies, this payment platform leverages blockchain technology to enable faster, cheaper, and more transparent cross-border settlements. It is important to note that the Digital RMB is not a replacement, but rather a growing alternative to SWIFT.

The Digital RMB payment platform is exciting for its improved speed and cost efficiency. For instance, traditional SWIFT transactions often take 3-5 business days and involve multiple intermediary banks. This results in high fees at each stage of payment processing and delays in executing transactions. In contrast, the Digital RMB's blockchain-driven architecture reduces cross-border settlement times to mere seconds. For instance, a pilot project between Hong Kong and Abu Dhabi business entities demonstrated that payments could be settled in around seven seconds. Additionally, the transaction fee to facilitate the payment was reduced by 98% compared to SWIFT transaction fees and eliminated intermediary banks. This efficiency is particularly transformative for developing economies where cross-border payment delays and high costs have long hindered trade, investment, and capital transfer.



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Equally, the Digital RMB's blockchain infrastructure ensures full transaction traceability across the payment processing ecosystem. This has been lauded as enabling real-time monitoring and compliance with anti-money laundering (AML) and counter-terrorism financing (CFT) regulations in international trade. Importantly, the embedding of smart contracts in this system automatically enforces regulatory requirements, reduces risks of fraud, and enhances transparency.

Importantly, the rise of the digital RMB payment platform has coincided with the growing skepticism towards the US dollar hegemony, more so following the announcement of the Trump administration's tariff and the continued weaponization of SWIFT as a tool for economic and political sanction. This trend has been witnessed in the exclusion of countries like Iran and Russia from the SWIFT network. These actions by the US have inadvertently spurred demand for alternative financial platforms. As such, the Digital RMB payment system offers a viable alternative, particularly for countries seeking to insulate themselves from US sanctions and dollar dependency while securing their presence in international trade.


*Photo Credit: The Japan Times*

## Digital RMB Platform's Implications for East Africa

The region's integration into China's BRI makes it a natural and potential beneficiary of the platform's expansion endeavors. The Digital RMB system has been dubbed the "Digital Silk Road" which will more likely underpin all payment and transactions under the BRI. This is likely to inform action by central banks in the Global South to hold the Yuan as part of its foreign reserves.

Lessons learned regarding the Digital RMB could catalyze its integration with continental payment infrastructures such as the Pan-Africa Payment and Settlement Systems (PAPPS). The entrenchment of PAPPS in regional and continental trade, coupled with strategic collaboration with the cross-border RMB payment platform, could enable East African nations to bypass SWIFT for intra-regional transactions while reducing costs and delays. Furthermore, they would complement efforts to strengthen the East African Payment Systems (EAPS) and deepen financial integration under the East African Community (EAC).

Regarding the Africa Continental Free Trade Area (AfCFTA) which aims to create a single market of 1.3 billion people across Africa, efficient and complimentary cross-border payment systems are imperative. The Digital RMB's speed and low cost could facilitate faster capital movement and thus boost intra-African trade. Similarly, the cross-border payment system of BRICS Pay which was developed by BRICS nations, could leverage the Digital RMB to enhance trade between East Africa and other Global South economies.

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Likewise, the Digital RMB platform has the potential to revolutionize development financing by enabling faster disbursement of loans and grants while reducing reliance on Bretton Woods Institutions like the World Bank and IMF. Chinese-funded infrastructure projects in East Africa, like railways, ports, and roads, will more likely be financed directly through the Digital RMB payment platforms.

Lessons from the roll-out of the Digital RMB platform in China pose exposure to mobile payment platforms in the region like Safaricom, Vodacom, and MTN. This is informed by companies' continued efforts to integrate their financial systems with Digital RMB to benefit from emerging opportunities. With the cost of remittance of funds through these platforms being a major hindrance to the financial inclusion of the region's rural population, increased integration of the Digital RMB platform may be a considerable threat in the long term. However, opportunities for early adoption and collaboration with the cross-border platform can enable the region to achieve seamless cross-border transactions and boost remittances and e-commerce revenues for these mobile network operators (MNOs). For example, the Safaricom M-Pesa platform could partner with Chinese technology firms to enable real-time cross-border payments, reduce transaction costs, and expand financial access to rural populations.

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## Conclusion

The roll-out of the Digital RMB across ASEAN and Middle East economies represents more than a technological innovation. It is a harbinger of a multipolar financial order. For East Africa, its adoption could accelerate regional integration, reduce exposure to US sanctions, and enhance financial inclusion and commerce. However, this transition process must be carefully managed. It is imperative to carefully navigate regulatory, technical, and geopolitical challenges and opportunities, including users and country data rights under the Digital RMB platform. By embracing the Digital RMB platform for cross-border payment and trade, East Africa can leverage its financial partnerships and position itself to benefit from the emerging digital economy and financial revolution. Importantly, the region must guard against over-reliance on a single currency or system thus avoiding new forms of financial dependency.