



Chinese Yuan at Hormuz: Iran, China, and the Post-War Monetary Landscape



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Key Takeaways:

1. Iran's reported practice of conditioning Strait of Hormuz passage on yuan or stablecoin payments represents wartime monetization of a strategic chokepoint, not a systemic decline of dollar dominance.
2. The yuan is emerging as a "corridor currency" — not a universal alternative to the dollar, but a currency whose utility rises in specific routes, sectors, and sanctions environments where dollar-based settlement becomes constrained or politically costly.
3. China's role is both central and cautious: It benefits from expanded RMB use in Iranian energy trade while deliberately avoiding direct confrontation with the dollar system through its core institutions.
4. The post-war Gulf monetary landscape is likely to become increasingly fragmented, with the dollar retaining dominance in formal finance while non-dollar rails handle politically exposed or sanctions-sensitive transactions.



Introduction

The Iran war has now entered the seventh week since its outbreak in late February, with the Strait of Hormuz becoming one of its most consequential arenas. What began as a military confrontation has gradually evolved into a wider struggle over shipping access, energy flows, and the rules governing passage through one of the world's most important maritime chokepoints. In early April, reports began to surface that Iran was not only restricting transit through the strait, but also conditioning safe passage on political alignment and, in some cases, on the payment of fees in Chinese yuan (also known as renminbi or RMB) or stablecoins. These claims, while not yet independently verified across all sources, carry significant analytical weight, if accurate.

A Bloomberg report published on April 1 suggested that vessels seeking passage were being asked to negotiate with intermediaries linked to the IRGC,¹ while Reuters separately reported in late March that Iran had informed the United Nations and the International Maritime Organization (IMO) that “non-hostile” ships could still transit Hormuz under Iranian conditions.² The IMO, for its part, condemned attacks on commercial shipping and called for a safe-passage framework. Taken together, these reports suggest that Hormuz may be becoming more than a military flashpoint but also a site of monetary and legal experimentation, where wartime control over a strategic chokepoint is being translated into leverage over the currency and terms of settlement.

¹.“Secret Codes and Yuan Fees Get Ships Through Iran’s Hormuz Tollbooth.” Bloomberg. April 1, 2026”

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².Iran tells UN: ‘non-hostile’ ships can transit Strait of Hormuz.” Reuters. March 24, 2026”

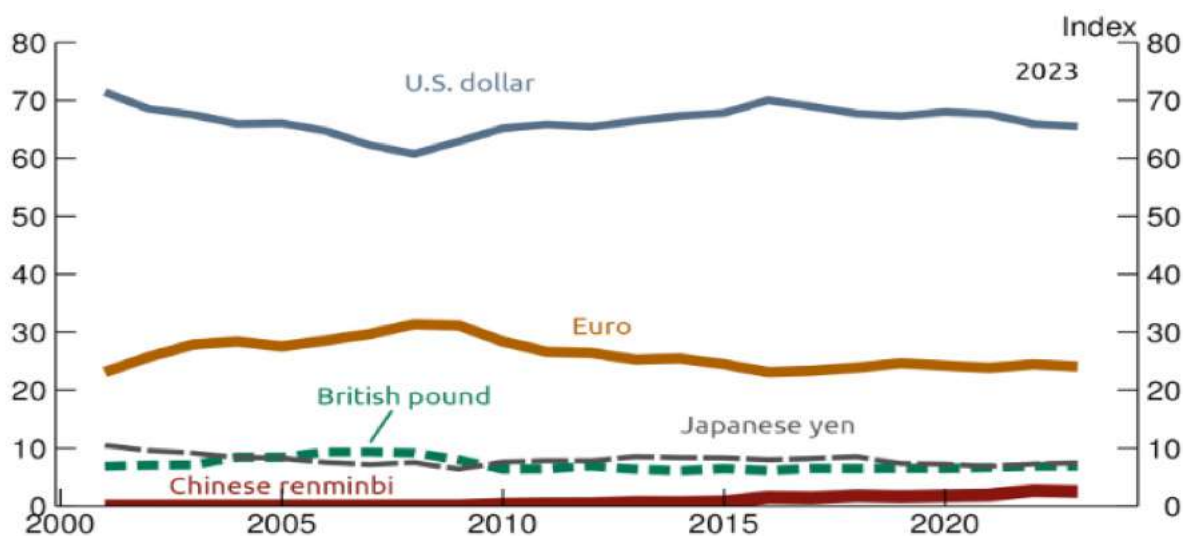
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This report argues that such developments, if sustained, should not be mistaken for evidence of imminent dollar displacement. Nor, however, should they be dismissed as a sideshow. What may be emerging is a conflict-conditioned monetary arrangement in which China's currency becomes useful precisely where U.S. power is the most coercive and where commercial actors need alternative rails quickly. The central question is therefore not whether the RMB will replace the dollar across the Gulf, but whether the Gulf is becoming the principal arena in which a more segmented monetary order is being negotiated in practice—through oil flows, shipping controls, sanctions evasion, and payment infrastructures. If so, the Gulf will be one of the main theatres in which the next phase of monetary competition is fought.

Beyond the Headlines: Why This Is Not a Simple De-Dollarization Story

What makes this episode analytically significant is not that the yuan suddenly replaces the dollar in global energy trade. It does not. The dollar remains dominant in reserves, trade finance, offshore funding, and currency hedging. IMF data for late 2025 still show the dollar accounting for well over half of disclosed official reserves, while the renminbi remains a small reserve currency by comparison.³ SWIFT's latest tracker shows the RMB improving its position in global payments, but still only at a low-single-digit share.⁴ So, the Hormuz episode should not be mistaken for a systemic demise of dollar hegemony. It is better understood as a wartime monetization of access: a coercive, politically filtered payments zone in which Iran may be able to extract value using currencies and channels less vulnerable to U.S. pressure.

Figure: Index of International Currency Usage (2000s) 5



That distinction matters because the strategic novelty lies in the combination of three things. First, Iran is reportedly linking physical access to a maritime chokepoint with a preferred settlement instrument.

3 Currency Composition of Official Foreign Exchange Reserves (COFER), IMF; IMF Data Brief: Currency Composition of Official Foreign Exchange Reserves, IMF.

4 RMB Tracker, SWIFT. Feb 2026.

5 B. Beschwitz. "Internationalization of the Chinese renminbi: progress and outlook." Federal Reserve Economic Research. Aug. 30, 2024.

Second, the preferred instrument is not Iran's own rial but a foreign currency associated with its most important economic partner, China. Third, stablecoins are reportedly being accepted alongside yuan, suggesting that the real objective is not monetary sovereignty in the classic sense but sanctions-resistant settlement. In other words, this is less a case of "Iranian monetary nationalism" than of wartime financial adaptation inside a dollar-centered international system where fragmentation is increasing. It reflects a world in which the relevant question is no longer simply which currency is most efficient, but which currency or payment rail can still function under coercion, surveillance, and blockade.

Importantly, this pattern is not without precedent. Russia's shift toward yuan-denominated energy settlement following the 2022 sanctions regime, and Venezuela's earlier experiments with non-dollar oil pricing and barter arrangements,⁶ illustrate a broader dynamic: When states face sustained financial exclusion from the dollar system, they tend to gravitate toward whatever currency or payment infrastructure their most important remaining trade partner can offer.

China, Iran, and the Emergence of a "Corridor Currency"

Before examining the specific dynamics at Hormuz, it is worth defining a concept that captures the kind of monetary role the yuan appears to be acquiring in settings like this. A "corridor currency," as used in this analysis, refers to a currency that achieves outsized relevance not through universal adoption or deep global markets, but within specific trade corridors, sectors, or geopolitical contexts where the dominant global currency — in this case, the dollar — is either unavailable, politically risky, or operationally costly to use. The yuan's growing role in Iranian energy trade, sanctioned commodity flows, and now reportedly in Hormuz transit fees exemplifies this logic.

It may sound paradoxical, but China's role in this story is both central and limited. It is central because China is by far the most important buyer of Iranian crude. Available estimates suggest that China purchased the vast majority of Iran's shipped oil in 2025, with some reports indicating volumes in the range of 1.3–1.4 million barrels per day, though exact figures are difficult to verify given the opacity of sanctions-affected trade.⁷ A separate Columbia analysis noted that China's overall crude imports reached a record high in 2025 and that Iranian and Venezuelan crude together accounted for a significant share of those inflows.⁸ This means that any wartime or post-war mechanism that keeps Iranian oil flowing is likely to be designed with Chinese demand in mind. Meanwhile, China's role is limited because Beijing is not trying to replace the dollar with its own currency everywhere.⁹ It is building pockets of RMB usage

6 "Russia receiving more energy payments in yuan and rouble, says deputy PM." Reuters. April 22, 2023; "Exclusive: Venezuela swapped PDVSA oil for food, then punished dealmakers," Reuters, Aug.24, 2021; "Venezuela publishes oil prices in Chinese currency to shun U.S. dollar," Reuters. Sept. 15, 2017.

7 "China's heavy reliance on Iranian oil imports." Reuters. Jan 13, 2026.

8 E. Downs. "Where China Gets its Oil". Center on Global Energy Policy at Columbia University. Jan 29, 2026.

9 Note: Becoming a global reserve currency on the scale of the U.S. dollar requires deep, liquid, and fully open capital markets offering free convertibility, unrestricted cross-border flows, and credible rule-of-law protections. Foreign investors must be able to move funds in and out at will and hold large balances with confidence. This degree of openness, however, directly contradicts Beijing's political priorities. The Chinese government relies on capital controls, managed exchange rates, and state direction of the financial system to maintain domestic stability, prevent capital flight, and preserve its authority over the economy. See, for example, E. Prasad. *Gaining Currency: The Rise of the Renminbi*. 2017; E. Freymann, "The Logic of Partial RMB Internationalization: PRC Perspectives on Financial War." *The China Quarterly*, Vol. 262, June 2025: 429 – 444.

where trade dependence, sanctions pressure, and Chinese institutional reach overlap. Hormuz fits that logic perfectly.

Seen this way, the recent shipping reports do not point to a generalized “petroyuan” order. They show something more modest but perhaps more durable: the emergence of a “corridor currency.” The mechanism is straightforward. When a state such as Iran is constrained by U.S. sanctions, the problem is not only whether trade can occur physically, but whether payments can be executed through the financial channels that normally support cross-border commerce. Restrictions on access to dollar-based settlement channels, Western correspondent banking relationships, and other compliance-sensitive financial services make transaction execution more difficult and costly, even where underlying trade demand remains strong. In such conditions, alternative payment infrastructures become valuable not because they outperform the dollar system in general, but because they remain usable where dollar-centered channels are restricted.

This is where China’s Cross-Border Interbank Payment System (CIPS) becomes relevant. CIPS provides infrastructure for RMB-denominated cross-border payments and therefore offers a partial workaround for transactions that face heightened exposure to U.S. sanctions. Its scale has expanded significantly, and Beijing has continued to refine its institutional framework while also experimenting with digital-yuan applications. But CIPS should not be overstated. It does not replicate the scale, liquidity, legal reach, or network effects of the broader dollar-based financial system. Nor does it provide full insulation from that system: Many participating institutions still interact with global financial networks shaped by Western regulation, correspondent banking and, in some cases, SWIFT-based messaging. What CIPS offers, then, is not monetary independence, but partial transactional workaround. This is the sanctions-arbitrage logic at the core of corridor-currency usage: RMB settlement becomes attractive not because it replaces dollar settlement across the board, but because it remains more available in politically exposed transactions where dollar channels are constrained.

Even if the wartime mechanism itself proves temporary, its monetary implications may outlast the immediate crisis. If wartime transit fees in yuan become normalized even temporarily, regional actors may draw three lessons. The first is that the currency of emergency settlement need not be the dollar. The second is that access to Chinese financial infrastructure can confer geopolitical insurance. The third is that chokepoint politics can be monetized through non-dollar channels even when global balance sheets remain dollar centric.

These lessons would matter not only to Iran and China, but also to Gulf producers, Asian importers, insurers, commodity traders, and shipping firms. Once market actors begin preparing for the possibility that key routes may require politically acceptable currencies, they start diversifying payment capacities even if they continue pricing core contracts in dollars. That is how monetary fragmentation advances in the real world--not through overnight replacement, but through layered redundancy. The Russian and Venezuelan experiences already demonstrate this dynamic. Even when sanctions are partially relaxed or renegotiated, the payment habits and institutional relationships formed under pressure tend to persist. Infrastructure, once built, creates its own constituency.

For Iran, the benefits are evident. Charging transit fees in yuan or stablecoins would help Tehran generate revenue while reducing exposure to the dollar system and to Western banks' compliance machinery. It also deepens Iran's dependence on China, but from Tehran's perspective that may be a price worth paying. Washington has spent years tightening sanctions on Iranian shipping, shadow banking, and oil networks, including vessels, intermediary firms, and maritime evasion channels. In that context, any transaction settled outside the dollar clearing system carries political value beyond its nominal amount. In effect, the mechanism suggests a strategy in which geography, coercion, and alternative rails are used to reprice access outside the most vulnerable dollar channels. This does not make Iran economically stronger in a general sense, but it does improve its bargaining position.

For China, the picture is more ambiguous. Beijing benefits whenever the RMB is used in high-profile cross-border transactions, especially in energy and transport. Chinese commentary and market reactions already reflect that logic: reports that yuan was being used for Hormuz tolls helped lift shares in Chinese payment-related firms, and analysts explicitly tied the move to expectations of wider RMB internationalization.¹⁰ But Beijing also faces risk. Chinese state-owned firms, banks, and mainstream shipowners remain deeply exposed to the dollar system and to secondary sanctions. Lloyd's List reported that many mainstream China-linked fleets had actually pulled back from Hormuz exposure and left more opaque actors to operate in the area.¹¹ So China's likely preference is not a frontal monetary confrontation with the U.S., but a cautious expansion of RMB use through peripheral, politically deniable, or commercially segmented channels. Beijing wants more RMB usage without forcing its core institutions to absorb all the geopolitical heat. This is characteristic of Chinese statecraft: cautious, incremental, and reluctant to absorb unnecessary geopolitical costs.

The Post-War Gulf Monetary Landscape: Fragmentation, Not Replacement

The Arab Gulf states should pay close attention, because the deeper issue is not Iran alone. The issue is whether the post-war Gulf monetary landscape becomes more stratified. On one hand, the dollar will remain dominant for sovereign reserves, commodity pricing, portfolio investment, and most formal financial intermediation. On the other hand, however, politically exposed trade may increasingly migrate toward non-dollar settlement, local-currency arrangements, barter-like offsets, and digital assets. This would not produce a clean dollar-versus-yuan divide. It would produce a fragmented monetary order: dollar for scale, depth, and safety; yuan for politically sheltered trade with China; and stablecoins or other digital instruments for grey-zone settlement where formal banking channels are too risky. The danger for Gulf policymakers is that such stratification can erode transparency, complicate regulatory oversight, and create separate payment ecologies inside the same regional economy.

There are at least three plausible post-war scenarios. The first is reversion: once the conflict subsides and maritime security is restored, the wartime yuan-toll mechanism disappears, and the dollar-centered status quo largely resumes. This is the most likely, especially because the legal basis for Iranian tolls is widely disputed and because commercial actors prefer predictable, dollar-based markets when

10 "Yuan Fees for Ships to Pass Hormuz Boost Chinese Payment Stocks". Bloomberg. April 3, 2026.

11 "China-linked Hormuz transits retreat to shipping's opaque fringes." Lloyds List. March 16, 2026.

they are available. The second is persistence at the margins: the explicit toll regime fades, but the habits it created remain. Traders, importers, and shipping intermediaries retain the operational capacity to settle selected transactions in RMB or digital assets, especially for Iranian oil and sanctioned cargoes. The Russian precedent is instructive here. Even as geopolitical conditions shifted after 2022, the yuan-settlement infrastructure built during the sanctions period became a durable feature of Sino-Russian trade, not easily reversed once commercial actors had invested in the operational capacity to use it. The third is institutionalization: China and Iran, possibly with sympathetic regional partners, use the wartime experience to formalize more durable RMB clearing, bilateral swap usage, or dedicated shipping-payment arrangements.

The broader implication is that post-war de-dollarization, if it advances, will likely do so less through headline reserve shifts than through the politics of infrastructure. The key battleground is not only what currency appears on an invoice, but which payment system clears the transaction, which legal jurisdiction governs disputes, which insurers underwrite the cargo, and which state can guarantee access when normal rules break down. In that sense, Hormuz is not simply about Iran extracting tolls. It is a stress test for the future of monetary power in a fractured world economy. The dollar still dominates because it is backed by deep capital markets, legal predictability, and unmatched financial scale. But episodes like this show how rival monetary spaces can grow in the cracks opened by war, sanctions, and chokepoint coercion. The real post-war shift, then, may not be from dollar to yuan, full stop. It may be from one global monetary hierarchy toward a more fragmented landscape in which different currencies rule different corridors, under different political conditions, for different kinds of risk. That is a smaller claim than “the end of the dollar,” but it is also a more serious one.

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