The Currency War Will Escalate as China's 'Petro-Yuan' Challenges the U.S. Military-Backed 'Petro-Dollar'

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Of relevance to the ongoing currency war, first published in November 2017

One quote that always crosses my mind regarding the decline of the U.S. dollar and the state of geopolitics associated with it, is by Gerald Celente, founder of the Trends Research Institute who said that "When all else fails, they take you to war."

As the U.S. dollar continues to lose its status as the world's premiere reserve currency, the reality of a world war seems inevitable, especially when major countries such as China, Russia and Iran are making strategic moves to bypass the U.S. dollar in favor of other currencies such as China's 'Petro-Yuan'. China has made the decision to price oil in their own currency the "Yuan" by a new gold-backed futures contract which will change the dynamics of the world's economy. China is preparing to launch the petro-Yuan later this year that will eventually threaten the U.S. dollar as the world's reserve currency.

At the end of World War II, the international economic system was in shambles, so a plan was devised to create a new economic system. By July 1944, more than 730 delegates arrived at *the United Nations Monetary and Financial Conference* in Bretton Woods, New Hamphire and signed on to the historic *Bretton Woods agreements* which was a plan to set up a system of rules, regulations that eventually led to the creation of the *International Bank for Reconstruction and Development* (IBRD) and the *International Monetary Fund* (IMF). The IMF's main purpose was to prevent any temporary imbalances of payments. The framework of the Bretton Woods agreements was to control the value of money between various countries. Each country had to have an established monetary policy that kept the exchange rate of its own currency within a fixed value in terms of gold. By 1971, the U.S. terminated the convertibility of the U.S. dollar to gold (at the time, the fixed rate of gold was at $35 an ounce) ending the Bretton Woods system allowing the U.S. dollar to become a fiat currency which has allowed central banks (especially the Federal Reserve bank) to *"print money out of thin air."*

China's move will have consequences. For starters, it will certainly undermine Washington's ability to impose economic sanctions on any nation at will and at the same time, will slowly diminish the purchasing power for U.S. consumers as imports become more expensive.

China (the largest holder of U.S. debt) is the largest importer of oil, while Russia, one of the largest exporters of oil in the world have agreed to use the petro-Yuan to bypass the petro-dollar. The petro-Yuan threatens the U.S. dollar's hegemony around the globe as several nations have recently demonstrated as they all share an interest in joining the transition from the U.S. dollar to the Yuan for oil transactions including Washington's arch enemies

Iran, Venezuela and even Indonesia (currently not on Washington's hit list).

The mainstream-media has been reporting on the latest developments concerning China's plan to bypass the dollar and introduce the petro-Yuan to the international community in an article by *CNBC* titled *'China has grand ambitions to dethrone the dollar. It may make a powerful move this year':*

> China is looking to make a major move against the dollar's global dominance, and it may come as early as this year. The new strategy is to enlist the energy markets' help: Beijing may introduce a new way to price oil in coming months — but unlike the contracts based on the U.S. dollar that currently dominate global markets, this benchmark would use China's own currency. If there's widespread adoption, as the Chinese hope, then that will mark a step toward challenging the greenback's status as the world's most powerful currency.
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> China is the world's top oil importer, and so Beijing sees it as only logical that its own currency should price the global economy's most important commodity. But beyond that, moving away from the dollar is a strategic priority for countries like China and Russia. Both aim to ultimately reduce their dependency on the greenback, limiting their exposure to U.S. currency risk and the politics of American sanctions regimes

Washington is on a collision course for another war with North Korea with U.S. President Donald Trump leading the charge. With the power of the U.S. dollar on life support, the U.S. empire of debt continues to use the threat of war and in some cases, wage actual wars around the world namely Iran, Syria and Venezuela which have been on Washington's hit list for some time. Iran and Russia are already slowly transitioning away from the U.S. dollar to avoid any future economic sanctions imposed by Washington. Venezuela is also ready and willing to make its move against the U.S. dollar. *Reuters* did report on the decision made by the Maduro government to implement a new system of international payments for its oil exports. The report headlined with *'Venezuela's Maduro says will shun U.S. dollar in favor of yuan, others'* quoted what Maduro had said during a session of the National Constituent Assembly at Palacio Federal Legislativo in Caracas, Venezuela:

> "Venezuela is going to implement a new system of international payments and will create a basket of currencies to free us from the dollar," Maduro said in an hours-long address to a new legislative superbody, without providing details of the new mechanism. "If they pursue us with the dollar, we'll use the Russian ruble, the yuan, yen, the Indian rupee, the euro," Maduro said

Another recent article published by *CNBC 'China will 'compel' Saudi Arabia to trade oil in Yuan — and that's going to affect the US dollar'* interviewed Carl Weinberg a chief economist and a managing director at *High Frequency Economics* about how the US dollar will lose its global dominance in the near future once Saudi Arabia will be forced to use the petro-Yuan since China is the world's top importer of oil:

> Carl Weinberg, chief economist and managing director, said Beijing stands to become the most dominant global player in oil demand since China usurped the U.S. as the "biggest oil importer on the planet."
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> Saudi Arabia has "to pay attention to this because even as much as one or two years from now, Chinese demand will dwarf U.S. demand," Weinberg said. "I

> believe that yuan pricing of oil is coming and as soon as the Saudis move to accept it — as the Chinese will compel them to do — then the rest of the oil market will move along with them"

The U.S. dollar is slowly losing its' status as the world's reserve currency, so is a war with China a possibility? Would the U.S. attack North Korea as a stern warning to China or would it bring China into the conflict in an attempt to save the U.S. dollar? Saddam Hussein wanted to trade in Euro's instead of the U.S. dollar for Iraq's oil exports and Libya's Muammar Gaddafi wanted the Gold Dinar to dethrone the U.S. dollar in the continent of Africa. The decisions made by both Iraq and Libya had consequences that led to their destruction by U.S. and NATO forces. Can the U.S. do the same to China? I highly doubt it since China has a formidable military that can defend itself against any U.S. attack. China is certainly not Iraq nor Libya. So will there be a war against China in the long term? With the U.S. steadily collapsing at a slow pace, Washington would do anything to survive. The U.S. dollar supports the Military-Industrial Complex and its destructive and very expensive adventures around the world.

The launch of the petro-Yuan will accelerate the process in what we can call *De-Dollarization*. However, there are some people in the mainstream-media that are not convinced that the petro-Yuan will overthrow the U.S. dollar anytime soon, for instance, David Fickling from *Bloomberg News* recently wrote *'The Petroyuans time hasn't come'* said:

> Look, for instance, at the most-traded product on the Dalian Commodity Exchange in China, iron ore. While mainland commodity markets have seen febrile activity in recent years, bid-ask spreads are still several times higher than those on major contracts traded in London and New York. That makes trading more costly, volatility higher, and price discovery weaker — and as a major consumer of crude, Beijing ought to be opposed to that sort of change.
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> There are the producers to consider, too. Most of the Middle East's oil exporters have currencies that are pegged to the greenback. Switching to yuan pricing would introduce foreign-exchange risk to their budgets for little obvious gain, especially as China generally consumes less than 20 percent of their exports.
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> That doesn't mean the planned contract is useless. China will benefit from having a benchmark that's more appropriate for its own purposes — particularly one that reflects the medium sour grades of crude that are chiefly consumed by local refineries, as opposed to the sweet, light varieties that underpin the main Western contracts.
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> Just don't expect it to change the world. While the economic center of gravity has been moving east, oil's connections to West Texas and the North Sea will remain strong for years to come

James Rickards, the author of *'Currency Wars: The Making of the Next Global Crisis'* will most likely disagree with Fickling's analysis:

> Printing dollars at home means higher inflation in China, higher food prices in Egypt and stock bubbles in Brazil. Printing money means that U.S. debt is devalued so foreign creditors get paid back in cheaper dollars. The devaluation means higher unemployment in developing economies as their exports become more expensive for Americans. The resulting inflation also means

> higher prices for inputs needed in developing economies like copper, corn, oil and wheat. Foreign countries have begun to fight back against U.S.-caused inflation through subsidies, tariffs and capital controls; the currency war is expanding fast

The U.S. dollar is failing because of Washington's economic and foreign policies and its collusion with the Wall Street banking cartels, multi-national corporations and the Military-Industrial Complex. Max Keiser of *The Keiser Report* was interviewed on *RT News* and explained why the world is seeking to move away from the U.S. dollar:

> Countries worldwide are tired of funding the America's "military adventurism by being a party to the 'Empire of Debt,' as it's known around the world – the US dollar," and therefore, will likely join the de-dollarization movement, Keiser said. The US financial sector and its military-industrial complex are unlikely to give up the dollar hegemony without a fight, though, as the dollar is both the basis and the main product of America. And the US will use its other favorite tool for it – war, Keiser believes.
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> "Maybe they will start a war between Japan and China, and maybe they will start a war with North Korea. America will do anything to keep the US dollar as the world's reserve currency," Keiser said. "They will invade the countries, like Afghanistan, they will stop at nothing. Because this is the basis of the US empire. It's not land-based, it's not based on material goods, it's based on rent-seeking. It's based on landing dollars, getting out income and when countries can't pay they dismantle the assets and take them over. We saw it in Latin America, South America, this is how America built its empire"

Whether you agree or not, a currency war has begun and we are all going to be paying close attention in the coming months and years ahead to see how far Washington will go to maintain the supremacy of the U.S. dollar. So as China is getting ready to launch the petro-Yuan, is the U.S. willing to launch a war against North Korea?

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