

# China's Attempt to Convert its U.S. Treasury holdings into euros

By [Global Research](#)

Global Research, November 28, 2007

[M.CAM Inc.](#) 27 November 2007

Region: [USA](#)

Theme: [Global Economy](#)

As I discussed previously, the Chinese currency wild-card may become relevant far sooner than expected. An effort by China to convert its \$1.4 trillion U.S. Treasury holdings into euros is not viable for many reasons — not the least of which is the European Central Bank's inability to absorb such an event. As China continues its rush away from supporting U.S. Treasuries and as Middle Eastern investors are buying them up in more diversified holdings, a new "currency exchange" is unfolding. Realizing that they cannot liquidate their holdings, it appears that the Chinese are currently using their U.S. Treasury holdings as collateral for euro denominated purchases and long term infrastructure transactions. In other words, they may be "liquidating" their holdings as collateral and, in so doing, effectively migrating to non-dollar value without ever having to officially dump their current Treasury holdings.

Therefore, collateralize the credit in dollars — especially if you're long in dollars. The lender/financier won't call the note because you have it structured in such a way to both allow it to perform and hold illiquid collateral that no one wants. This essentially inflates euros. Although you can't sell dollars, the whole purpose of collateral is that it is a second source of payment — collateral is there to down rate the risk of the loan. Secondary becomes irrelevant.

When February comes, the Chinese are going to do something as they will have to decide what the exposure is going to be with the treasury. As I see it they have to just dump the treasury. They only keep it because they can use it — they have 43% direct/indirect of US treasuries so they'll dump them on the market.

The US Congressional pressures to decouple the RMB will work, but not in the way we want. Our plan includes helping them hold on to the treasuries, it does not involve them not holding the dollar anymore. The US wanted the tether to be part of the float. This will cause disenfranchisement of the US electorate (during primary season). February is also when public (media) will realize we won't pull out of this.

The original source of this article is [M.CAM Inc.](#)

Copyright © [Global Research](#), [M.CAM Inc.](#), 2007

---

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)

[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)