



Written by [Alex Newman](#) on September 6, 2011

Aware of Price Manipulation, China Fighting Dollar With Gold

The purpose of increasing its gold reserves, according to report cited in the document, was to encourage other nations to do likewise while making China's currency more appealing internationally. Another effect of the strategy, analysts noted, would be to weaken the U.S. dollar's status internationally.



[Gold-price manipulation](#) by Western central banks — and the Federal Reserve in particular — has been somewhat of an open secret for decades. But the cable released by WikiLeaks triggered significant interest among metals investors and analysts, some of whom expected the news to cause another surge in gold prices.

“Wondering why gold at \$1850 is cheap, or why gold at double that price will also be cheap, or frankly at any price? Because, as the ... leaked cable explains, gold is, to China at least, nothing but the opportunity cost of destroying the dollar's reserve status,” [noted](#) the financial analysis site ZeroHedge, adding that the news could encourage more mutual funds to purchase the precious metal. “Putting that into dollar terms is, therefore, impractical at best, and illogical at worst.”

According to the American embassy, citing a report in the communist regime's *World News Journal* based on information from China's National Foreign Exchanges Administration, Chinese gold reserves had recently increased. Most of the stockpile, however, was still held in the West — known by the Chinese to be manipulating prices.

“The U.S. and Europe have always suppressed the rising price of gold. They intend to weaken gold's function as an international reserve currency,” stated the Chinese report quoted in the cable. “They don't want to see other countries turning to gold reserves instead of the U.S. dollar or Euro. Therefore, suppressing the price of gold is very beneficial for the U.S. in maintaining the U.S. dollar's role as the international reserve currency.”

But the Chinese government had other plans. And the report, excerpted in the cable under the headline “China increases its gold reserves in order to kill two birds with one stone,” made them clear.

“China's increased gold reserves will thus act as a model and lead other countries towards reserving more gold,” the document stated. “Large gold reserves are also beneficial in promoting the internationalization of the [Chinese currency] RMB.”

For years, the [dictatorship ruling China](#) and [many other governments around the world](#) have been publicly calling for an end to the fiat dollar's position as the international reserve currency, and the introduction of a [new world monetary system](#). The International Monetary Fund (IMF) [has already been](#)



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[groomed](#) for its implementation.

But the implications of such a shift - [particularly for America](#) - are enormous.

Kenneth Schortgen, writing for the *Finance Examiner*, [noted](#): “it appears that China has been using the metal and its rising price to attack the dollar and its status as the world’s reserve currency.” He speculated that the Chinese government was preparing for the dollar’s collapse, and that gold was being used as a tool in a broader “economic war.”

Other analysts commenting on the cable, however, noted that the Chinese would also suffer under such a strategy. “And it is China that has the most to lose from dollar devaluation, being the most significant holder of US dollar-denominated debt,” [explained](#) Greg Peel with the economic and financial analysis site FNArena.

Meanwhile, gold remains close to record highs around \$1,900 per ounce as fiat currencies plunge. And an increasing number of prominent economists — [including former Federal Reserve boss Alan Greenspan](#), who admitted to Congress that the Fed was suppressing gold prices under his rule — are pointing out that the precious metal is indeed currency.

And while many central bankers continue to downplay the importance of gold and the manipulation of its price, reality is slowly beginning to set in. The WikiLeaks revelations simply lent more support to what some experts have been saying all along.

“In fact, of course, gold remains the secret knowledge of the financial universe, and its price is actually the determinant of every other price and value in the world,” [wrote](#) Chris Powell, secretary of a group working to expose the suppression called the Gold Anti-Trust Action Committee.



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