Written by **Angeline Tan** on April 25, 2023

China Stocks Up on Bullion to Prepare for Possible Western Sanctions

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SINGAPORE — China increased its gold reserves for a fifth consecutive month as Beijing readies itself for possible future Western-led sanctions, according to a New York-based newspaper, quoting industry experts.

Chinese scholar and finance author Sun Xiaoji claimed that China's Central Bank is actively boosting its stockpiles of bullion for fear it could be eventually excluded from the global U.S. dollar payment system.

"Domestically, the Chinese Communist Party (CCP) advertises that it is 'proactively challenging the United States and de-dollarizing,' but the real reason is that it knows it will be sanctioned by the United States sooner or later. Therefore it is looking for an alternative to the US dollar, and the only alternative is gold," Sun posited.

Moreover, Sun referred to the ongoing drive for de-dollarization by the BRICS group, of which China is a member, apart from Brazil, Russia, India, and South Africa. The analyst explained that de-dollarization is happening as the recent trend of Western-dominated globalization is coming to a stop, and that the world is about to enter into an era of regional development and inter-regional clashes.

Furthermore, U.K.-based financial consultant Fang Qi opined that he believes China's Central Bank has decreased its holdings of U.S. bonds and increased Chinese gold reserves to reduce volatility.

These aforementioned comments came shortly after the People's Bank of China bulked up 18 tons of bullion after a pause between September 2019 and October 2022. China's total holdings of bullion presently rests at about 2,068 tons, after increasing by about 102 tons in the four months before March.

Ekaterina Zaklyazminskaya, senior research fellow at the Center for World Politics and Strategic Analysis at the Institute of China and Modern Asia of the Russian Academy of Sciences, posited that potential American sanctions were not the root reason why Beijing has been increasing its bullion holdings, as China has been doing so for more than a year already.

"China is already under US sanctions. You have to take the economic factor into account, that is, why China makes such investments in gold and refuses US Treasury bonds," Zaklyazminskaya said in an interview with Russia-based Sputnik News.

"China wants to hedge risks. The instability of the American economy leads to such decisions. Of course, the political factor should not be discounted."

The academic added,

> We are witnessing a reshaping of the world economy, the formatting of a new world economic order is now very active. China started this process literally not yesterday. The desire for de-dollarization has been observed in China since 2009, after just a major financial and economic crisis, which was unleashed by the United States. China seeks to increase the number of mutual settlements in national currencies. In particular, at the moment, China uses mutual settlements in national currencies with more than 30 countries of the world, that is, with countries such as Russia, Iran, India, Singapore, Venezuela, Türkiye, Indonesia.

Last month, China also inked an agreement with Brazil to conduct bilateral trade in their national currencies, in order to ditch the U.S. dollar as an intermediary.

In response, Western media outlets reported that this bilateral agreement was slated "to enable China, the top rival to US economic hegemony, and Brazil, the biggest economy in Latin America, to conduct their massive trade and financial transactions directly, exchanging yuan for reals and vice versa instead of going through the dollar."

Based on recent data from the Central Bank of Brazil, the proportion of the yuan in Brazil's international exchange reserves had reached 5.37 percent, exceeding the proportion of the euro at 4.74 percent, at the end of last year, implying that yuan already became Brazil's second-largest reserve currency.

Additionally, the White House in February this year declared that it was mulling over the prospect of limiting China's access to the greenback amid worries over China's military assertiveness, American media sources reported.

Elaborating, these reports stated that while the White House had been already finalizing restrictions on American investments in China, such as in certain technology sectors, depriving China of U.S. dollars could curb the financing of advanced military technological developments.

The U.S. Treasury has been pressuring other governments, including the European Union (EU) bloc, to join America in its curbs against China and not offer replacement financing, the reports added.

However, America's sanctions against rivals such as China and Russia have undermined the dollar's dominance on the global stage, as targeted nations and their allies seek alternatives, as U.S. Treasury Secretary Janet Yellen acknowledged.

Significantly, the U.S. dollar's status as a reserve currency eroded in 2022 at 10 times the pace seen over the past 20 years owing partially to switching to national currencies in international settlements, Eurizon SLJ Asset Management claimed.

These asset-management strategists contended that the dollar's share of total global reserves dropped to 47 percent in 2022, from 55 percent in 2021 and as much as two-thirds in 2003.

Media sources have argued that the dollar's drop is partly attributable to China, which has been seeking to undermine the dollar's dominance by urging for the yuan to substitute the greenback in energy agreements amid Beijing's closer trade ties with Moscow.

Another factor would be Malaysia's talks with China to set up an Asian Monetary Fund to de-link from the dollar.

"There is no reason for Malaysia to continue depending on the dollar," the country's Prime Minister

Anwar Ibrahim said earlier in April, while stating that Kuala Lumpur and Beijing are already in discussions to use the ringgit and the yuan for trade agreements.

Alluding to Yellen's comments, Dr. Paul Craig Roberts, a U.S. economist and former assistant secretary of the treasury in the Reagan administration, told Sputnik News,

> Well, US Treasury secretaries have to put a positive face on things…. I mean, she can't come out and say we're about to have a recession. It's not all that easy to answer the question, because US economic data is so bad. The way they measure unemployment and inflation, for example, are designed to understate both. They don't count unemployment in a proper way, and they don't measure inflation in a proper way. There are historical reasons for this. They don't like to measure inflation properly, because they have to pay out more cost of living adjustments. For example, to Social Security. And a number like high unemployment numbers. So we don't really know what the numbers tell us. They're making their optimistic view on the basis of 156,000 new jobs in March, and they claim no further rise in inflation. So they're thinking in the old Phillips curve way that if you want to grow, you have to pay for it by having higher inflation. And they're saying, "Oh, we're not having the higher inflation, but we still have 156,000 jobs." Well, we don't know if we did or not.

Concurrently, money supply growth has turned negative, with the current situation filled with risks of a recession, the former Reagan official pointed out, stating that the previous time it happened was during the Great Depression.

"What happened during the Great Depression, when there were runs on banks, the Federal Reserve did not meet its obligation as a lender of last resort to supply the reserves to the banks to keep them from failing," he posited, continuing,

> And so, when a bank failed, the money supply would shrink by the amount of the bank's deposits. Today, the money supply shrinks largely — I mean, it can still shrink for the same reason. For example, when a bank fails, it still shrinks the money supply. But the Fed, also the way it manages policy, can cause the money supply to shrink. And what it means is the amount of money in circulation no longer supports the amount of goods and services. So, when the money supply shrinks, either the prices of the goods and services have to shrink, or the supply of goods and services. And it seems it's always the supply. So when the money supply shrinks, employment shrinks, and the economy declines.

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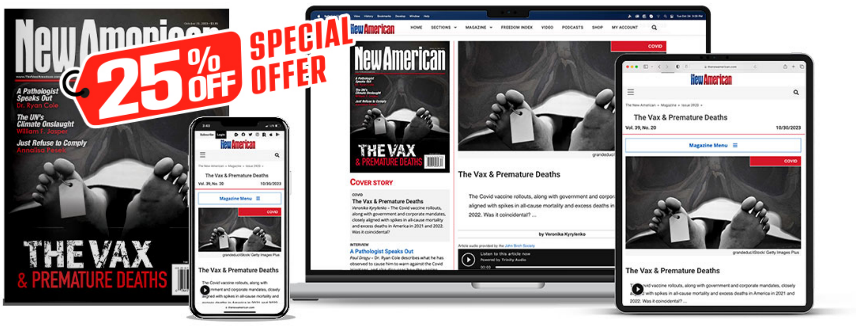

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