Written by [Steve Bonta](#) on March 30, 2023

China and Brazil Ditch the Dollar


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Brazil and China struck a long-anticipated deal yesterday to "de-dollarize" bilateral trade, agreeing to reckon all trade directly in reais and yuan. This is but the latest, and certainly the most significant, move by the Chinese to accomplish their goal of replacing the U.S. dollar as the world's reserve currency, a status it has enjoyed since the end of World War II. China surpassed the United States as Brazil's largest trading partner back in 2009, and Brazil's newly inaugurated Marxist government, led by the communist Lula da Silva, has firmly taken the side of Team China.

The potential significance of this move, in terms of setting a precedent for other countries considering similar measures, cannot be overstated. Brazil is by far the largest country in South America geographically, demographically, and economically. It also has the world's fifth-largest land area and sixth-largest population. It is also, thanks to the infamous São Paolo Forum, leading the rest of Latin America into the Marxist/anti-U.S. camp.

Other countries in the world, such as Saudi Arabia, are strongly considering following Brazil's lead, and Brazil's action may end up puncturing the dollar-denominated world financial balloon.

The current dollar-based world financial order is a combined outcome of the Bretton Woods conference held near the end of World War II and Nixon's closure of the "gold window" a generation later. At Bretton Woods, then-dominant world powers agreed on a system in which all international trade would be carried out in U.S. dollars, and the U.S. dollar would in turn be pegged to gold — but only as far as international holders of dollars were concerned. This was to allay concerns that American monetary authorities might succumb to the temptation to print their way out of debt and destroy the value of the dollar. But with American involvement in Vietnam, the gold restraint imposed by Bretton Woods limited the ability of the American treasury to finance the war. Accordingly, Nixon announced unilaterally in 1971 that he was suspending international gold payments for dollars, effectively transforming the U.S. dollar — and all of the currencies linked to it — into a full fiat currency. The resulting "Nixon shock" led to paralyzing recession and "stagflation" throughout the 1970s and early 1980s. The other provisions of Bretton Woods, such as the conduct of all international trade — including oil — in U.S. dollars remained in place.

The result was an international system completely beholden to the whim of American bankers and financial authorities, a dollar hegemony as seemingly unchallengeable as the U.S. military during the same period. The entire system has been premised on the assumption that the American marketplace will always be the world's largest, that American bankers and financiers will always be the world's most competent, and that overall confidence in an America-led world will always be maintained.

The arrival of the Chinese on the world scene has changed all that. As a people with a very long history of successful commerce and international intrigue, the Chinese understand the fiat money/central banking game as well as we do; after all, the Chinese invented fiat paper money centuries before the West. For the last decade, the yuan has been remarkably stable against the dollar and the euro, encouraging many in the "global south" to start looking to China as a viable trade alternative to the West.

Although the U.S. dollar remains the dominant global currency (only about seven percent of global trade is being carried on outside the dollar sphere), the trend lines are becoming clear. Champing at the bit to shake off the reins of dollar hegemony are the likes of South Africa, India, Indonesia, Argentina, Iran, Russia, and many other countries — all of whom are blissfully unaware that a Chinese-led world financial order would be far more exploitative than the current one (just ask Sri Lanka!).

There is a very simple fix to this dilemma, one we at *The New American* have been advocating for decades, but which American leadership steadfastly refuses to consider: abolition of the Federal Reserve and the entire fiat-money system, coupled with a return to the precious metal standard (gold and silver) of the pre-World War I era. One of the many long-term advantages of such a move would be to remove political gamesmanship from money and international trade, effectively kneecapping any power desiring to "take control" of global finances. Prior to World War I, there were no significant trade wars, currency wars, or "beggar-thy-neighbor" policies, and no filthy rich international currency speculators such as George Soros. Economic strength was graded on productivity, not financial shell games.

In a future gold- and silver-dominated financial order, it would be so again. And as the Chinese are making increasingly obvious, the only alternative to such a commonsense move is eventual world financial vassalage to Communist China.