

"China Is Using Gold To Replace the U.S. Dollar"

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Premise:

Hri Jick discusses China's strategic shift towards gold as a means to challenge the U.S. dollar's dominance in global finance. He explores how this move could reshape international monetary systems and the implications for trust in currencies.

1. China's gold accumulation strategy: China has emerged as the world's largest gold buyer, significantly increasing its reserves in response to geopolitical tensions, particularly after the U.S. froze Russian assets in 2022. This shift reflects a broader trend among emerging markets to diversify away from U.S. treasuries towards gold, which is perceived as a more stable asset.

2. Establishment of the Shanghai Gold Exchange: The Shanghai Gold Exchange (SGE) has become the largest physical gold marketplace globally, facilitating China's gold strategy. The creation of a "gold corridor" allows BRICS nations to trade yuan for gold, enhancing trust in the currency and providing a tangible asset that can be used for transactions and reserves.

3. Gold's reclassification under Basel III: As of July 2025, gold was reclassified as a Basel III tier 1 asset, allowing banks to recognize its full value on balance sheets. This change is crucial as it positions gold as a viable alternative to U.S. treasuries, which have traditionally dominated as collateral in financial transactions.

4. Potential for gold as a high-quality liquid asset: If gold is upgraded to a high-quality liquid asset (HQLA), it could be used as collateral for loans and financing, fundamentally altering how countries can fund development projects without relying on the dollar. This shift would empower nations to bypass Western financial institutions like the IMF.

5. China's solution to trust and volatility issues: To address concerns about trust and price volatility, China has developed a decentralized network of gold vaults linked to the SGE. By stabilizing gold prices through moving averages rather than daily fluctuations, China aims to make gold a reliable asset for international trade and financing.

6. Impact on global financial dynamics: The shift towards a gold-backed system could lead to a significant increase in demand for gold, with estimates suggesting a potential $2 trillion influx into the market. This demand could drive gold prices to unprecedented levels, fundamentally altering investment strategies across the globe.

7. Emerging competition between monetary systems: The evolving landscape may lead to a multi-monetary world where China's gold-backed yuan competes with the U.S. dollar and potentially digital currencies like Bitcoin. This competition could redefine global finance, allowing countries and individuals to choose between different monetary systems based on their preferences for stability, control, and technological advancement.

References:

Original video: https://www.youtube.com/watch?v=wg3HFA80d18

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