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Events in Xiānggǎng (Hong Kong) and US Fight for Dollar

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An attempt to launch a classic «orange coup» in Xiānggǎng has become unexpected for many. Washington is simultaneously involved in the war in Ukraine, «sanctions» stand-off with Moscow and combat actions against the Islamic State. Looks like the time is wrong for exacerbating tensions with China. But that's what the United States did...

No doubt the US is involved in the ongoing turmoil. The scenarios of Xiānggǎng's «revolution of umbrellas» and the Maidan events in Ukraine look very much the same. China's media outlets point out that the leaders of Occupy Central movement have gone through special training provided by US special services. It took start in the Xiānggǎng American Center. US consulate workers visited the acts of protests as they did in Kiev. The American Center Executive Director Morton Holbrook and Xiānggǎng media tycoon Jimmy Lai, who has funded the unrest, are close to one of leading neo-conservative lobbyists in the United States - former Deputy Defense Secretary Paul D. Wolfowitz.

China's Foreign Ministry Spokesperson Hua Chunying said, «I'd like to reiterate that Hong Kong is a special administrative region of China, and Hong Kong affairs fall entirely within China's internal affairs. We urge relevant countries to be prudent in words and deeds, refrain

from interfering in Hong Kong's internal affairs in any way, and do not support the illegal activities such as the «Occupy Central» nor send any wrong signal». China's Foreign Minister Wang Yi told US State Secretary John Kerry that other states should not interfere into the Xiānggǎng situation.

Washington is not hiding its intent to undermine the stability in China. Like if repeating the very same stuff he said about Ukraine, John Kerry called on Beijing to display restraint towards the protesters and let them peacefully express their opinion. Once again blocking administrative buildings is called peaceful actions while the activities of the government aimed at establishing law and order are called violence...

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October 17 is a debt ceiling deadline. The federal debt limit stands at \$16.7 trillion. It'll be raised again because neither Americans, nor US creditors are interested in US economy spinning out of control to collapse. But the debt has its limit too, it cannot grow forever. James Rickards, senior managing director at Tangent Capital Partners, said if the policy is not changed the next crisis will hit in a year or two, anyway it will certainly occur within a six year period.

Meanwhile Beijing has said no to the Washington's proposal to create a «big two» world governance pattern (the United States-China). In September 2013 Chinese President Xi Jinping unveiled his «Silk Road Economic Zone» project. Besides Russia and friendly states of Central Asia, it planned to involve Ukraine. Former President of Ukraine Victor Yanukovich visited Beijing in December 2013 to reach an agreement on signing a contract on building a deep water port in Evpatoria. The projected capacity of the port was from 140 million tons a year. The deep-water port was not the only maritime project China envisaged for the peninsula. Along Crimea's Black Sea coast were planned a chain of cargo terminals, a deep water canal, modernizing airports, shipyards, oil refineries, liquid natural gas refineries and other objects.

In November 2013 the Chinese Central Bank decided that accumulating foreign currency reserves did not suit China's interests anymore and delivered a strike at the US financial instrument - Bitcoin serving to outweigh the importance of gold. It made an official statement banning Bitcoin in China. At that 62% of all Bitcoins are in China. The US is concerned over China's policy of accumulating gold reserves, something seen as a mainstream strategy to guarantee economic security and speeding up internationalization of yuan (renminbi - RMB) The Shanghai stock exchange operates using the Chinese currency. China has adopted the Basel III capital framework for commercial banks. Gold is »zero percent risk-weighted« in terms of credit risk. This is a huge upgrade for the metal. Granted a favourable liquidity profile, it opens the door for gold to compete with cash and government bonds on bank balance sheets – and provide banks with an asset that actually has the chance to appreciate. The US and West European banks, except Switzerland, were not ready to adopt new rules to become effective on January 1, 2013. There is one more factor that is evoking US concern. The Rothschilds enjoy significant presence in Xiānggǎng. They want the gold standard to be back since a long time to make the dollar collapse as a currency without back up. For instance, in 2000 Standard Chartered Bank, which had close ties with the Rothschilds, bought the retail business of the Rockefellers' Chase

Manhattan Bank in Xiānggǎng pushing the US competitors out of China.

There have always been many risks for US dollar, but the situation in and around Ukraine has exacerbated the US-China stand-off.

Moscow and Beijing have decided to use national currencies settlements. The same kinds of agreements were reached in 2012 between China and Japan. China and Argentina agreed to use yuan for settlements. The total volume of currency swaps will reach 11 billion dollars. Russia is on the way to stop using the US dollar as a tool for foreign trade settlements. Speaking at Russia Calling Forum Russian President Vladimir Putin said Russia intends to switch to the use of national currencies in foreign trade settlements with China and other partners in the field of energy industry. Not that long ago, Russia's Gazprom Neft conducted a first trial oil delivery to China and two trials to Europe for Russian rubles. Switching to ruble and getting rid of dollar would require the creation of stock exchanges to define the price for oil in rubles strengthening the Russian currency and weakening the oil dollar.

The recent happenings in gold markets do impress. On September 19 the Shanghai gold stock exchange held its first trading session with 40 foreign companies signed up for trade. The stock exchange currently employs a network of 58 certified vaults, 55 of which are for storing gold and 3 of which store silver. These 58 vaults are located in 36 Chinese cities that are considered important for gold refining and gold consumption and physical delivery can actually occur between the vaults. Large quantities of gold make the Shanghai stock exchange a serious competitor to others. The *London Stock Exchange* offers investors a method of holding gold without taking physical delivery. The *New York Stock Exchange* prefers to focus on futures trading. The Xiānggǎng-based Chinese *Gold and Silver Society* (CGSE) plans to build a massive new precious metals vault in Shenzhen, Qianhai. The vault is not a stand alone project and its real purpose is to support a CGSE gold trading platform in Shenzhen and allow this new Shenzhen gold exchange to link up with the Shanghai Gold Exchange. The Shanghai - Xiānggǎng Stock Connect initiative starts next month on October 13, 2014. Isn't it a reason the unrest in Xiānggǎng was sparked on September 30?

The yuan is stable and well backed-up, so the Chinese currency is getting international recognition. The UK Treasury has issued first yuan bonds. The profit will fill the Great Britain's foreign currency reserves of the currency stabilization fund. The *Swiss National Bank* is considering adding renminbi as one of its reserve assets. The growing international role of the RMB will be confirmed in 2015 by its entry into the IMF's Special Drawing Rights (SDR) basket. In parallel other countries increase their gold reserves. According to World Gold Council, Russia's gold reserves have grown by 54 tons making the country the fifth largest world gold holder. The National Bank of Kazakhstan has acquired 24, 7 tons of gold to significantly increase its gold assets. David Marsh of the Official Monetary and Financial Institutions Forum said the ongoing gold accumulation trend by both Russia and Kazakhstan could be part of a coordinated monetary policy. The real amount of China's gold reserves is not known. Pooled gold holdings total for Russia, China, Kazakhstan, and other SCO members will become known

when China finally does provide the world with an update on its official gold holdings.

Let's not make guesses about the chances of the paper dollar against the currencies backed up by gold. Probably the outcome of the competition will be decided not by financial but rather geopolitical battles. The US resoluteness to fight for the sake of dollar is also reflected by its Middle East, Ukraine and Xiānggǎng policy but the time is an ally of Eurasian states. Waiting till the time is ripe is the very much Chinese way of doing things.