



China And Brazil Strike Deal To Ditch The US Dollar

Description

In a time when de-dollarization news are dropping fast and furious and even Elon Musk is now jumping on a bandwagon...

Combined with excess government spending, which forces other countries to absorb a significant part of our inflation

— Elon Musk (@elonmusk) [March 29, 2023](#)

... which we first defined a decade ago, not a day goes by without some modest or not so modest shift toward a world in which the US currency – fully weaponized after February 2022 for the entire world to see and fear – is no longer the world's reserve. And today was no exception.

According to the Brazilian government, China and Brazil have reached a deal to trade in their own currencies, ditching the United States dollar as an intermediary entirely, AFP reported.

The deal, **Beijing's latest salvo against the almighty greenback**, will enable China, the top rival to US economic hegemony, and Brazil, the biggest economy in Latin America, to conduct their massive trade which amounts to \$150 billion per year, and financial transactions directly, exchanging yuan for reais and vice versa instead of going through the US dollar. In doing so China extends its bilateral, USD-exempting currency arrangements beyond countries such as Russia, Pakistan and Saudi Arabia to now include the Latin American exporting powerhouse.

"The expectation is that this will reduce costs... promote even greater bilateral trade and facilitate investment," the Brazilian Trade and Investment Promotion Agency (ApexBrasil) said in a statement.

China is Brazil's biggest trading partner, with a record US\$150.5 billion (S\$200 billion) in bilateral trade last year.

The deal, which follows a preliminary agreement in January, was announced after a high-level China-

Brazil business forum in Beijing.

Brazilian President Luiz Inacio Lula da Silva was originally scheduled to attend the forum as part of a high-profile China visit, but had to postpone his trip indefinitely on Sunday after he came down with pneumonia.

The Industrial and Commercial Bank of China and Bank of Communications BBM will execute the transactions, officials said.

To be sure, we are still a long way away from the yuan replacing the USD as global reserve currency, or maybe not so far if one reads the recent reports from Zoltan Pozsar. And yet, even such foaming Bretton Woods III skeptics as Rabobank's Michael Every is starting to realize that he may have been wrong. From his morning note today:

We showed in [‘Why Bretton Woods 3 Won’t Work’](#) (2022) that an anti-US BW3 bloc does not balance its trade internally by value or structure: BW3 can sell commodities to China; but unless they absorb the exports China now sends to the West, or China runs trade deficits like the US, then it can’t happen. Instead, we all just return to global mercantilism – which is happening, is inflationary, and ultimately suits the US – just not Wall Street (either in terms of mercantilism or monetary policy). **When BW3 players no longer hold their official and unofficial savings in USD assets (if not Treasuries, then agencies or stocks, or property), and want to stash cash in Moscow and retire in China, then things are changing**

Alas, at the rate the current US ruling regime is destroying the world’s faith and confidence not only in the dollar but in what was once truly a superpower and is increasingly a third world banana republic – the latest news of Trump’s indictment for political reasons being the third world cherry on top – we won’t have very long to wait.

by Tyler Durden

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