

France Brings De-dollarization to Europe by Trading in Yuan

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Following news that Brazil and China agreed to trade in their local currencies, it emerged that a French company charged the export of liquefied gas (LNG) to China National Offshore Oil Corporation in the Chinese yuan. This is another sign that the inexorable process of de-dollarization has gained momentum and even spread to the European Union.

This should not be surprising given the difficult economic situation across the EU, meaning that companies will look after their own interests above all. None-the-less, the media has already characterised the transaction between the Chinese company and Total Energy in yuan as historic.

Although this change in currency transaction may resonate with the situation in which the world is currently in, the de-dollarization process started long before the Ukrainian and pandemic crises. It is recalled that German companies were buying Russian gas from the Moscow and St. Petersburg exchanges with rubles.

Meanwhile, the dollar, which once accounted for 70% of foreign exchange reserves, has now fallen to 59%. The process is ongoing, and will take a long time, but it cannot be halted. One of the initial goals of the BRICS association was de-dollarization. Every annual conference since the founding of BRICS has stressed these processes. Although trading in foreign currencies expectedly developed between BRICS members and aspiring members, such as Egypt, it was not expected that countries like France would join the fray so quickly.

The case of Total Energy is significant because it indicates that the de-dollarization has started even in Europe. Although state leaders and governments might have certain policies, companies must adapt to the requirements of the manufacturer and major customer, which in France's case is China.

The Chinese insist on payments in the yuan so that it becomes a reserve with the same respect as the dollar, Swiss franc, euro, and yen. The yuan is an international means of payment that fully meets standard norms because currency parity can be established with it.

Such a transaction is not only important for China, but also for France. By selling oil or gas to the Chinese for yuan, it removes the need to deal with US banks to receive dollars. The accumulated yuan can then be used in China to buy nearly every product that the US can also supply. In this way, the French also bypass a middleman (the US) if they want to buy products from China.

Although French President Emmanuel Macron is obedient to American policy on Ukraine, it is recalled that he was the first to react to Donald Trump's trade war with Beijing by taking the 50 largest French companies to China, thus demonstrating he does have a willingness, when he wants, to show a semblance of French sovereignty.

The facts are that the French cannot remain a powerful military and economic power if it ignores the biggest market in the world, which is obviously China. It appears it is not only France though as an entire entourage of EU leaders are going to Beijing soon. EU leaders could distance themselves from Washington's expressions of wanting to impose further sanctions against China.

At the same time though, the head of the European Commission, Ursula von der Leyen, is going to Beijing with Macron on April 4. Ahead of the trip, on March 30, she made a fiery speech against China, saying that the country has become "bolder" and "more repressive at home and more assertive abroad."

She added that the EU needed to have "a clear-eyed picture on what the risks are," noting that EU-China relations had become "more distant and more difficult" in recent years. The European Commission president, seemingly more emboldened by being a NATO chief candidate, claimed that China moved into "a new era of security and control" and ramped up "policies of disinformation and economic and trade coercion."

Fu Cong, China's ambassador to the EU, hit back a day later, saying "Whoever wrote that speech for President von der Leyen does not really understand China or deliberately distorted Chinese positions."

"That speech contained a lot of misrepresentation and misinterpretation of Chinese policies and the Chinese positions," Fu added.

This suggests that either there is division in Europe regarding relations with China, or Macron is going down a similar path with Russia by giving mixed signals and believing that economic relations can paint over European aggression and provocation.

As confusing as Europe's position might be, as is typical, the example of the French company abandoning the dollar in transactions with China will be a signal for other European countries to not bypass the Chinese yuan as a means of payment.

At the same time, the way Washington approaches international cooperation has only served to accelerate the decline of the dollar hegemony. The exclusion of Russia from Western financial systems and institutions proved to only push forward the use of local currencies amongst states, notably India-Russia, [Brazil-China](#) and now France-China.

The fact that China's GDP is nominally smaller than the US' but its purchasing power is 25% higher, which is the most important parameter and measures China as being the strongest economy, is already understood by most of the world. It is for this reason that de-dollarization will only accelerate, even though it is an overall process that will take time.

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