Russia Finance Minister: We May Abandon Dollar in Oil Trade as It Is Becoming "Too Risky"

By Zero Hedge
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One month ago, the bond market and political pundits did a double take when according to the latest Treasury International Capital report, Russia had liquidated virtually all of its US Treasury holdings, selling off the bulk of its US government bonds in just two months, March and April.

And with the US threatening to impose a new set of "crushing" sanctions on Russia, including in retaliation for the alleged Novichok nerve gas attack in the UK, Russia not only intends to continue liquidating its US holdings, but to significantly reduce its reliance on the US Dollar.

Speaking in an interview for the Rossiya 1 TV channel, **Finance Minister Anton Siluanov** said that Russia "aims to keep reducing its investments in American securities" following new U.S. sanctions and said that the "**US dollar is becoming an unreliable tool for payments in international trade**." The minister also hinted at the possibility of using national currencies instead of the dollar in oil trade.

> "I do not rule it out. **We have significantly reduced our investment in US assets. In fact, the dollar, which is considered to be the international currency, becomes a risky tool for payments**," Siluanov noted.

On Friday, the Russian ruble sank to the lowest level in over two years after news about new US sanctions against Russia over the alleged poisoning of former Russian intelligence officer **Sergei Skripal** and his daughter **Yulia** in Salisbury, UK, coupled with general selling of emerging market currencies as a result of the growing Turkish financial crisis.

According to media reports, the first package will imply a complete ban on the export of electronic devices and dual-use components to Russia, whilst the second package may include a decrease in diplomatic relations, a ban on flights of Russia's Aeroflot carrier to the United States and an almost complete suspension of US exports.

Siluanov said the sanctions are "unpleasant," but nothing fatal. In response, Moscow will only continue to minimize investment in the US economy and securities and will push for payments in rubles and other currencies, including the euro.

The response, however, will not target American companies operating in Russia, he said.

> "Currently, we do not plan any restrictive measures or closures, for example, to close McDonald's, as our citizens work in these companies."

Meanwhile, as Russia is contemplating abandoning the dollar, the recently introduced Chinese "petroyuan" oil futures contract has seen a surge in interest recently, and just last week [we showed](#) that the Chinese oil futures contract spiked to a new record high, coinciding with the re-imposition of US sanctions on Iran. This was the biggest daily move in China's oil futures since the contract's inception in March to a new all time high.

The move coincided with the first of two rounds of US sanctions against Iran kicking off and targeting Iran's access to US banknotes and key industries, including cars and carpets. As we further noted, there has been a notable decoupling from Brent and WTI futures, suggesting a sudden burst of contract-specific buying demand in the 'petroyuan'

What may explain the sudden surge? simple: China can effectively bypass Iran sanctions by pricing Iran oil in China's own currency, a move underscored by yesterday's news that **China has replaced French energy giant Total with an 80.1% stake in the phase 11 of the South Pars (gas field),** which has the world's biggest natural gas reserves ever found in one place.

With Russia hinting that it is close to giving up on the dollar entirely in oil trade and shifting to a petroyuan-based regime, how long before other nations follow suit, especially with the US increasingly energy self-sufficient?

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