

# The US Trade War with China. Trump wants to Block Countries from using the Yuan as a Reserve Currency

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By [Peter Koenig](#) and [Press TV](#)  
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Region: [Asia](#), [USA](#)  
Theme: [Global Economy](#)

## **Background**

*Far-reaching trade policies and sanctions against China are envisaged, According to Reuters:*

*The United States said on Tuesday that it will continue pursuing action on trade with China, days after Washington and Beijing announced a tentative solution to their dispute and suggested that tensions had cooled.*

By June 15, Washington will release a list of some \$50 billion worth of Chinese goods that will be subject to a 25 percent tariff, the White House said in a statement. The United States will also continue to pursue litigation against China at the World Trade Organization.

In addition, by the end of June, the United States will announce investment restrictions and “enhanced export controls” for Chinese individuals and entities “related to the acquisition of industrially significant technology,” it said.

In mid-May, China agreed to increase purchases of U.S. Commerce Department told lawmakers it had reached a deal to put Chinese telecommunications firm ZTE Corp back in business.

While the announcements eased worries about the possibility of a trade war between world’s two largest economies, U.S. President Donald Trump also said last week that any deal between Washington and Beijing would need “a different structure,” fueling uncertainty over the talks.

Trump has threatened to impose tariffs on up to \$150 billion of Chinese goods to combat what he has labeled unfair trade practices on the part of Beijing. Meanwhile, China has warned of equal retaliation, including duties on some of its most significant U.S. imports, like aircraft, soybeans and vehicles. (Reuters Report)

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**PressTV:** What do you make of this so-called Trade War between the US and China?

**Peter Koenig:** It’s like almost everything by Trump - “on again, off again...” - Will these

threats be materialized or just remain threats for propaganda, for public consumption?

The same with the long-sought head-to-head meeting between Trump and Kim Jong-Un on 12 June in Singapore – it was on, then off and now – maybe.

Iran – after 9 years of hard negotiations the 5+1 Nuclear Deal was signed in July 2015 – Trump comes in – of course highly influenced by Netanyahu – the deal is off. But he doesn't like that the other four will stick to it.

Same with China and the so-called Trade War. China certainly will not like tariff “punishment”. But, I'm sure if it happens, China has many avenues to circumvent dealing and trading with the US. But once that happens, China may be lost for good for the US market. And Trump knows it – hence, a little bit the on-and-off game. He wants to test the waters; see who reacts how.

**PressTV:** You say China has many avenues to circumvent the US sanctions or retaliate. What can China do?

**PK:** China can of course also levy import duties on US goods. China doesn't depend on US imports. China is self-sufficient and has, as it is, a huge trade surplus vis-à-vis the US.

China also controls the Asian market – having overtaken the US already a couple of years ago.

But what I really suspect is that Trump wants to discourage the world from using the Yuan as a reserve currency, since as such, it lowers not only the value of the US dollar, but it replaces the US dollar as the *de facto* reserve currency in the world.

Only 20 years ago, or so, the US dollar figured to 90% as reserve currency in treasuries around the globe. Today that percentage has shrunk to below 60%.

As you know, the Yuan has become an official IMF reserve currency about a year ago. That established worldwide trust in the Chinese currency, especially since the Yuan is backed by the Chinese economy plus by gold. Whereas the US dollar has no backing whatsoever; it's pure and simple FIAT money.

Plus, the US is broke. Everybody knows it. The US has a current debt of about 110% of her GDP, more than the Greek debt was in 2008.

And if counting what the US General Accounting Office calls, “unmet obligations” or “uncovered liabilities” – the US debt is about 7 ½ times the US GDP.

Of course, such figures do not go unnoticed by the treasurers of the world.

So, Trump's trade war with China – or the Propaganda for a Trade war, might as well be a Propaganda against the Yuan, diminishing its reputation – so as to deflect from every country's golden opportunity to use the Yuan to replace the dollar as reserve currency.

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