

US Treasury Secretary Acknowledges Sanctions on Russia Contributes to De-dollarisation

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US Treasury Secretary Janet Yellen acknowledged that economic sanctions against countries like Russia could undermine the dollar's hegemony in the global economy. She admitted that sanctions do "create a desire on the part of China, of Russia, of Iran to find an alternative [in the exchange market]."

"There is a risk when we use financial sanctions that are linked to the role of the dollar that over time it could undermine the hegemony of the dollar," Yellen said in an interview with CNN. She claimed that the US only uses the dollar as a tool "judiciously," a blatant lie as Washington uses sanctions as a tool of pressure instead.

Despite this, the US Secretary of the Treasury claimed that economic sanctions are "a very effective tool" since it is difficult, in her view, to generate payment alternatives.

By the end of 2022, Russia became the country most sanctioned by the US and the European Union, with more than 13,072 sanctions, far surpassing countries like Iran (with 4,069) and Syria (with 2,644).

Moscow reported that its GDP fell between 3% and 3.5% at the end of 2022, an obvious far cry from the initial predictions of the Central Bank of Russia that estimated a reduction of 8% to 10%. The prediction by the central bank is even further removed from the "Doomsday" predictions made by many Western analysts. Instead, it was the US which narrowly avoided recession in 2022, while the UK and Germany recorded lower growth than Russia, thus highlighting the failure of the sanctions package.

None-the-less, these sanctions, which would crush most countries, have not deterred Russia one iota from its military operation against Ukraine.

In fact, it appears that the US is now beginning to feel the effects of its reckless backing of Ukraine, with Under Secretary of Defense Colin Kahl announcing that US resources for the Ukrainian military are significant but not limitless. He explained in an online address organised by Foreign Policy that the reluctance of the US to provide F-16 planes to Ukraine was due to logistical problems. He also indicated that Washington does not believe that Moscow will use nuclear weapons because the existence of the Russian Federation is not under threat.

This suggests that although sanctions have evidently failed, de-dollarisation is accelerating, and hints that US resources are not infinite, Washington is seemingly not yet ready to throw in the towel, so to speak, and will continue draining American taxpayers' money in the hopeless effort of bleeding Russia.

As Patricia Adams and Lawrence Solomon wrote in an article for 'American Thinker', the sanctions are "shaping up to be the West's most monumental miscalculation in modern history."

"The sanctions have not brought the Russian economy to its knees, as was widely predicted. Instead, it's the Western economies that are reeling, their economic growth all but stopped. Many of them are simultaneously suffering from both high inflation and energy shortages. Russia, meanwhile, is not only surviving but thriving, acquiring more potency and prestige throughout Asia, Africa, and South America than at any time since the collapse of the Soviet Union," they wrote.

Countries like China, India and Brazil have recently advocated for de-dollarising the world economy and support the increase of using local currencies in trade. The US foolishly believed that the ferocity of the sanctions and Russia's exclusion from Western financial institutions would make the country submit to its demands. Instead, it served as a demonstration to other non-Western emerging powers that they too can very swiftly be targeted and that they need to collaborate to overcome such issues.

The Chinese yuan overtook the US dollar in February for the very first time as the most traded currency in Russia. The yuan was used by an even wider margin in March and this trend is expected to continue. It is recalled that Russian President Vladimir Putin told his Chinese counterpart Xi Jinping in March that Moscow was ready to switch to the yuan for foreign trade settlements.

In a similar light, the AFP reported on April 14 that Brazilian President Luiz Inacio Lula da Silva lashed out at the dominance of the US dollar and called on emerging nations to come up with an alternative currency for trade.

According to a February report from global payments system Swift, the US dollar dominated global trade in January and accounted for about 85% of global trade finance, whilst the yuan accounted for only 4.6% of trade finance in the same period. However, Swift found that the yuan has more than doubled from 1.8% in February 2022.

It is difficult to know whether Washington anticipated Russia's success in convincing non-aligned countries to agree to payments in local currencies, but there were certainly many warnings by independent analysts that this would be the situation. Now that it has transpired, the US has no choice but to acknowledge that it contributed to the de-dollarisation of the world economy, to its own detriment, by sanctioning Russia.

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