

# DAILY SABAH

## If the demise of the US dollar is nearing...

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'Every con has a pro. Even if we cannot say that the demise of the U.S. dollar is nearing, we can see that a shift away from the U.S. dollar is occurring'

It was in the tumultuous year 1968 when I learned that the urban myth of countries keeping their gold and silver stocks in the United States and British bank vaults was actually true and that our own country used them to keep its own precious metals safe. Everyone in my class was happy to have another reason to be anti-American. "Of course," we said, "we need the revolution to send the Yankees home and bring our gold back!"

Well, that gold was nothing to write home about, but it was our gold at the same, and we, the generation growing up in 1968, could not see a single reason to keep it in the U.S. Federal Reserve (Fed) or Bank of England's safes. Yet, they continued to accumulate where they were until 2021. By then, Turkey owned 411.7 tons of the global gold accumulation, and it ranked 14th, according to the annual report of the World Gold Council, the leading organization in the gold industry. Anecdotal stories say that operatives of a government-owned bank slowly and discreetly transported our gold to our vaults.

The wisdom behind the uproar of my classmates in 1968 at the legendary School of Political Science of the Ankara University (SBF), and President Recep Tayyip Erdoğan's decision to transport Turkish precious metals to the country, could be seen on the RT.com site's Q&A with **Ronan Manly**, a precious metals analyst with Bullion Star. Manly's blogs often cover current themes, including what's going on in the London gold market and the gold activities of central banks.

In his conversation with the analyst, Erdoğan said: "Western sanctions, such as the freezing of the majority of Russia's foreign exchange reserves while trying to sanction Russian gold, have now made it obvious that property rights on foreign exchange reserves held abroad may not be respected, and likewise, that foreign central bank gold held in vault locations such as at the Bank of England and the New York Fed is not beyond confiscation."

**The doctrine we have**

The keyword here is “confiscation.” The mismanaged Ukraine conflict with Russia proved that the Western world of the 21st century and the Pacific pirates of the 17th century are no different; they invent the law and then they implement it. Thanks to late U.S. Secretary of State **Madeleine Albright**, we have a doctrine of it. Doug Bandow of the U.S.-based think tank Cato Institute calls it the **"Doctrine of Permanent Hubris and War."**

“In 1998 Secretary of State Albright claimed that ‘If we have to use force, it is because we are America: We are the indispensable nation. We stand tall, and we see further than other countries into the future, and we see the danger here to all of us.’”

Albright was the inventor of the idea that the U.S. should sanction other countries and individuals by confiscating their funds in the U.S. and allies’ territory, stopping their commerce and denying their transactions in the banking systems, before resorting to war. (When she was asked about sanctions against Iraq, which had killed a half million children, Albright’s response was: “I think this is a very hard choice, but the price – we think the price is worth it.”)

Now, Russian President Vladimir Putin is paying that price to what Albright had called “We”: They have confiscated all the Russian funds in the Western institutions; they have expelled Russia from the international SWIFT system, “The global provider of secure financial messaging services.” Well, it is “global,” but it is American, too. All the narrative of commercial independence, institutional autonomy, etc., ends with one decision at the White House. The mechanism that touts being “frictionless instant payments” tells you: “You are out.” In short, “You cannot not accept payments for your gas and oil in dollars.”

Then what’s the poor Vlad to do? He opts for what Erdoğan had asked of the nations while addressing a roundtable in Malaysia in the last days of 2019 on the priority of development and the challenges: “Trade in national currencies has gained urgency amid talks of trade wars. It makes our financial markets fragile against shocks and manipulations that we don’t have our own payment systems. We’re ready to work with you on the matter of trade with national currencies.”

Erdoğan named names in his call to develop alternative payment systems with Russia, China and Brazil.

As they say, “Better late than never!” Now Russia, implementing a revolution singlehandedly in the international system by linking the Russian ruble to gold, is paving the way to what Erdoğan asked for at the Kuala Lumpur roundtable: trading in national currencies. If you are buying Russian gas, you pay with Russian rubles; if you are importing Chinese-manufactured goods, you pay with Chinese yuan.

Not only that, the Bank of Russia is now buying gold at a fixed price: 5,000 rubles per gram. And this price is not going to change until June 30. Before this announcement, the ruble was trading at about 100 to the U.S. dollar but as soon as the fixed gold rate was implemented, the ruble’s value went up to 80.50 against the greenback.

Now, as the industry experts say, the ruble has the upper hand over the U.S. dollar in terms of gold.

According to Manly, if such Western gold markets as the London Bullion Market Association (LBMA) or the Commodity Exchange Inc.'s COMEX (the primary futures and options market for trading metals such as gold, silver, copper and aluminum) try to drive the U.S. dollar gold price lower, they will have to try to weaken the ruble as well or else their manipulations will be out in the open. Manly says that with the new gold-to-ruble linkage, if the ruble continues to strengthen (for example due to demand created by obligatory energy payments in rubles), this will also be reflected in a stronger gold price.

In layman's terms, Putin is bringing back the gold standard for national currencies that would make manipulations of national currencies in New York or London difficult, to say the least. It is a revolution, a paradigm shift that is still obscured because of the Russian-Ukraine conflict that necessitated it. If the war comes to a close (as Erdoğan has been calling for since its unfortunate start) and the cloud of the guns is cleared, the Western media will see the silver lining it had.

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