

Frank Gaffney ([00:10](#)):

We're back. Bill Walton is in the house, I'm pleased to say, virtually. We're always delighted to catch up with him, but especially at a moment when there is still further evidence that the Chinese Communist Party and its friends are making headway in laying siege to the reserve status, reserve currency status that is of the US dollar.

([00:34](#)):

Bill, you were just about to explain, what are the two big things that are going to determine whether they're succeeding? So, hit it.

Bill Walton ([00:41](#)):

Well, when we talk about the dollar, it's something people should understand, there's both its role as reserve currency and then its role in global international trade.

([00:53](#)):

Its share of reserve currency has been falling from 70%, I think to 50% something, maybe 55%. Then just in the last year, because of the impact of the Ukraine sanctions and using dollar as a weapon, I think it's fallen all the way, inflation adjusted, to 45%, a precipitous decline.

([01:14](#)):

But the other role that dollar plays is in world trade. It's got an 85, 90% share of world trade because it is such a deep market, so liquid.

([01:24](#)):

If you're a practical business person, you're not only making your trades, but you're hedging it and you're hedging your trades in dollars.

([01:36](#)):

The thing that protects the dollar is that, to have it lose its status, is you need to have a viable alternative.

([01:45](#)):

The European nations with the Euro, I mean their inflation is higher than ours. Their debt as a percentage of GDP is higher than ours. They've just been a mess in terms of economic policy.

([01:58](#)):

Japan, of course, at one point, 20, 30 years ago, might've played that role. No longer. That brings us, of course to China.

([02:09](#)):

Of course, Chinese currency is controlled by the Chinese Communist Party. And on top of that, the Chinese economy is no longer that robust.

([02:17](#)):

They've had their own debt bubble. They've had a real estate bust. They've made themselves with Xi's lockdowns, the Covid lockdowns, they've made themselves almost uninvestible.

([02:29](#)):

So, in terms of attracting hard money global investors who want to protect their capital, that you do not go to China if you-

Frank Gaffney [\(02:42\)](#):

Yeah. Yet Bill, I just have to ask you, you've got Brazil now... We're going to come back to this point, about the inroads that the Chinese Communist Party's been making in the Global South as it's been called.

[\(02:55\)](#):

You have Saudi Arabia, you have the Russians all now allowing their purchases of energy to be denominated in the yuan. Is that not evidence of it becoming a viable alternative currency, notwithstanding the fact as you say, that it's subject to manipulation by the Chinese Communist Party?

Bill Walton [\(03:19\)](#):

Well, we shall see. I mean, China and Brazil and Saudi Arabia making common cause and having a common monetary policy, I think the odds of that happening are remote, but you can't say it wouldn't ever happen.

[\(03:38\)](#):

I mean, if we continue to mismanage the US economy the way we have and mismanage our relationships with countries around the world, it could happen. I mean, certainly if we go to war-

Frank Gaffney [\(03:47\)](#):

And not least undermine the value of the dollar by running the printing presses all the time.

Bill Walton [\(03:52\)](#):

Well, that's right. If we get a Biden or a Biden proxy second term, I think we're talking four or five years. If we get somebody who's a strong, and it will be a Republican, a strong Republican president who can right the ship if you will, although there's a lot to be fixed right now, that's going to stave off, I think the inevitable decline of the dollar.

Frank Gaffney [\(04:15\)](#):

Well, four or five years sounds awfully long to me, given the acceleration as you've seen it. But Bill let's-

Bill Walton [\(04:24\)](#):

In money though, a pretty short time.

Frank Gaffney [\(04:24\)](#):

Well, yeah, no, I get that. But let me just come back to this idea that it's unlikely that you'll see the Russians and the Saudis and I don't know, the Brazilians making common foreign policy.

[\(04:40\)](#):

That certainly seems to be the object of this so-called BRICS cluster. As I say, they're expanding its membership. It's still, I think early days, in terms of it actually cohering.

[\(04:57\)](#):

But Bill, talk a little bit about, for example, Lula da Silva, the Marxist who now is president once again of Brazil. The pilgrimage he made after coming to Washington, to be sure, and then just taking it to Joe Biden when he got home, on a couple of different fronts. Then heading off to China, kowtowing and

making very explicit his pursuit of the idea of displacing the dollar as the reserve currency and otherwise throwing in with the CCP. It's his country's most, by far, largest trading partner, speaking of trade.

[\(05:38\)](#):

How does that not only exemplify a phenomenon that the Chinese are anxious to foster, but also perhaps accelerate it as well?

Bill Walton [\(05:51\)](#):

Well, Frank, I've got to put on my hat as an investor and say, if I've got investment capital, where do I want to put it? Brazil under Lula is not a place where you want to put investment capital.

[\(06:05\)](#):

I mean, his policies during his last regime were catastrophic. He shows very little sign of reigning those impulses in.

[\(06:13\)](#):

So, you've got him out trying to play a role in the world stage. He's being very effective, I think near term, but he's got to manage or create conditions for the Brazilian economy to thrive.

[\(06:25\)](#):

I'd have to check my numbers, but I think it's about the 11th or 12th largest economy of the world, which makes it a player. But he's got to have a policy, economic policy that would be attractive to somebody like me, who'd be willing to take a chance on investing in Brazil. Right now, those conditions just aren't there.

Frank Gaffney [\(06:45\)](#):

Okay. But let's talk about this, because what it seems has been the case in that part of the Global South and elsewhere as well, is people saying, "Well, we'll take the Chinese money. If you're not going to invest, we'll have various kinds of lending as well as investments from China." Notably these, well, I call them payday loans from the Chinese for the Belt and Road Initiative.

Bill Walton [\(07:14\)](#):

Well, they are. Vito Corleone, though, one.

Frank Gaffney [\(07:15\)](#):

Yeah, exactly. I mean, just talk us through this, Bill. I mean, is that an alternative? I gather that we're seeing in a number of places those payday loans not working out, shall we say.

Bill Walton [\(07:27\)](#):

I think it's important for us to stop... for me anyway, to stop thinking myopically about the good old United States, that used to be the world hegemon. We would be the moral force in the world and the economic force to set arrangements.

[\(07:42\)](#):

That's no longer the case. I think we've lost our moral leadership, certainly under Biden. In fact, we had a lot more under Trump, much more, and so we've really-

Frank Gaffney [\(07:53\)](#):

Despite Biden's endless criticisms of how bad that was and how great it's going to be under him.

Bill Walton ([08:00](#)):

Look what he did in Afghanistan. He just cut and run. So if you've been in line with the US, you want to be very careful about that.

([08:10](#)):

We've always been unreliable, but much more unreliable under Biden. So, there's a good reason for these people who want to do business with each other.

([08:21](#)):

Lula has even started saying, "Well look, we don't need the United States to broker a deal in Ukraine. We can do that with..." What's his group of mediators? China, Brazil and hold onto your seat, Turkey.

([08:37](#)):

Those three countries can go in and start working Russia and Ukraine, to try to settle this up.

Frank Gaffney ([08:43](#)):

Another application of this whole BRICS idea.

Bill Walton ([08:45](#)):

It's not likely to happen, but that's the way they're thinking.

Frank Gaffney ([08:46](#)):

Yeah. But Bill, does China have the wherewithal to replace the US and the West more generally, in the Global South as an investor?

Bill Walton ([08:58](#)):

Well, they already have in terms of... In terms of international lending, Frank, if you look at the so-called development loans that are made around the world, the Chinese dominate that. The international institutions, the World Bank, the IMF are much, much less important. The direct loans that individual countries have made is much less important. China dominates it.

([09:20](#)):

But the thing that's fascinating is the Chinese are hard money lenders or payday loan people.

Frank Gaffney ([09:25](#)):

They are payday loan.

Bill Walton ([09:28](#)):

They put money in, they expect to get repaid or they expect some collateral. They expect a pound of flesh.

Frank Gaffney ([09:34](#)):

It's appropriation, all that infrastructure that they've built with those payday loans. Bill, we're out of time. I got to go. This is a subject to which we will return. Thank you, my friend. As always, great to talk with you. We'll be right back with more. Stay tuned. Securing America is straight ahead.

