

Israel Is Mistaken About China



News Analysis

[Israel](#) is America's longtime friend and ally. We have been through a lot together. And Israel is a rare democracy in the Middle East. So when Israel's central bank recently made plans to [downgrade](#) the U.S. dollar in its reserves and introduce [China's yuan](#), it really hurt.

Friends should not do this to each other. Countries that believe in protecting democracy should not undermine the international monetary foundation of liberty.

Israel is by no means alone among America's friends to start turning their backs on the dollar and toward the yuan, also known as the renminbi. In addition to the usual suspects, Britain, Australia, Japan,

Germany, Canada, South Korea, Taiwan, and Switzerland have all collaborated with China's regime in its attempts to internationalize the yuan. The United States is also responsible, not least for failing to make a bigger stink about the yuan's increased utilization globally.

Other hard currencies—the euro, Japan's yen, and the British pound—do not pose a threat. These are all from democracies.

But the regime in Beijing is the greatest threat to democracy and peace globally. Just look at the Chinese Communist Party's (CCP) support for Russian President Vladimir Putin and his bloody wars. None of us should want that future.

Enabling the CCP by introducing its currency into Israel's reserves, or any country's reserves, furthers its goal of displacing all other currencies globally. Beijing seeks global hegemony, and the yuan serves as its vehicle, one country at a time.



Chinese Premier Li Keqiang (4nd-L) meets with Israel Prime Minister Benjamin Netanyahu (3nd-R) at the Great Hall of the People in Beijing, China, on March 20, 2017. (Lintao Zhang/Pool/Getty Images)

Russia and China, for example, have attempted to preempt sanctions against their future transgressions by denominating their trade in their own currencies, side-stepping the dollar and euro entirely. In March, China's trade with Russia [increased](#) 12.8 percent to \$11.7 billion from a year earlier.

Without the global dominance of democratic currencies, Beijing, Moscow, Pyongyang, and Tehran need not concern themselves about the threat of economic sanctions for their terrorism, human rights abuse, and territorial expansion.

Even the Saudis, also longtime allies of the United States, are now cozying up to Beijing. The Middle East is less safe today because of

Beijing and its support for Iran, yet Israel now supports this terroristic regime mediately through its monetary policy.

When Israel decided this year to decrease the U.S. dollar and euro in its \$206 billion worth of reserves, it did so due to a change in its “whole investment guidelines and philosophy,” according to a recent Bloomberg interview with a deputy governor of its central bank.

“We look at the need to earn a return on the reserves that will cover the costs of liability,” he said.

Apparently, Israel’s top bankers are not costing in the political risk of enabling the regime in Beijing, nor the negative externalities to other countries worldwide that value their sovereignty and freedoms.

In 2021, Israel’s reserves consisted mostly of dollars, with 30 percent in euros and over 2 percent in pounds.

In 2022, “following discussions held by the monetary committee last year,” according to Bloomberg, Israel’s reserves will include the yen and pound at 5 percent each, Australian and Canadian dollars at 3.5 percent each, and China’s yuan at 2 percent.

To Israel’s credit, it increased the British pound, Japanese yen, and Canadian dollar in its basket. These are all democracies and so should be supported. Diversifying currency reserves is a good idea. The only mistake is its planned allocation of reserves to the yuan.

Washington and Brussels should already have delivered formal objections to Israel’s central bank, foreign minister, defense minister, and prime minister. Enabling the CCP threatens all of their portfolios. They should make these objections public to educate the world,

including American citizens, and pressure countries like Israel and themselves at risk of straying too close to China's monetary orbit.

The consequences to the international system of unmitigated expansion of CCP monetary power are unfathomable to most people. It could decrease the effect of sanctions and, thus, lead to an increase in war, terrorism, and genocide globally.

If committed democratic allies cannot convince themselves and their closest friends to close ranks against the CCP in their own defense, then America, Europe, Israel, and democracy generally will fail.



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