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The Real But Unspoken Reasons For The Iraq War

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Summary

Although completely suppressed in the U.S. media, the answer to the Iraq enigma is simple yet shocking - it is an oil CURRENCY war. The Real Reason for this upcoming war is this administration's goal of preventing further OPEC momentum towards the euro as an oil transaction currency standard. However, in order to pre-empt OPEC, they need to gain geo-strategic control of Iraq along with its 2nd largest proven oil reserves. This lengthy essay will discuss the macroeconomics of the "petro-dollar" and the unpublicized but real threat to U.S. economic hegemony from the euro as an alternative oil transaction currency.

THE REAL REASONS FOR THE UPCOMING WAR IN IRAQ

A Macroeconomic and Geostrategic Analysis of the Unspoken Truth

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"If a nation expects to be ignorant and free, it expects what never was and never will be ... The People cannot be safe without information. When the press is free, and every man is able to read, all is safe."

Those words by Thomas Jefferson embody the unfortunate state of affairs that have

beset our nation. As our government prepares to go to war with Iraq, our country seems unable to answer even the most basic questions about this war. First, why is there virtually no international support to topple Saddam? If Iraq's WMD program truly possessed the threat level that President Bush has repeatedly purported, why is there no international coalition to militarily disarm Saddam? Secondly, despite over 300 unfettered U.N inspections to date, there has been no evidence reported of a reconstituted Iraqi WMD program. Third, and despite Bush's rhetoric, the CIA has not found any links between Saddam Hussein and Al Qaeda. To the contrary, some analysts believe it is far more likely Al Qaeda might acquire an unsecured former Soviet Union Weapon(s) of Mass Destruction, or potentially from sympathizers within a destabilized Pakistan.

Moreover, immediately following Congress's vote on the Iraq Resolution, we suddenly became aware of North Korea's nuclear program violations. Kim Jong Il is processing uranium in order to produce nuclear weapons this year. President Bush has not provided a rationale answer as to why Saddam's seemingly dormant WMD program possesses a more imminent threat than North Korea's active program? Strangely, Donald Rumsfeld suggested that if Saddam were "exiled" we could avoid an Iraq war? Confused yet? Well, I'm going to give their game away - the core driver for toppling Saddam is actually the euro currency, the â€.

Although completely suppressed in the U.S. media, the answer to the Iraq enigma is simple yet shocking. The upcoming war in Iraq war is mostly about how the ruling class at Langley and the Bush oligarchy view hydrocarbons at the geo-strategic level, and the overarching macroeconomic threats to the U.S. dollar from the euro. The Real Reason for this upcoming war is this administration's goal of preventing further OPEC momentum towards the euro as an oil transaction currency standard. However, in order to pre-empt OPEC, they need to gain geo-strategic control of Iraq along with its 2nd largest proven oil reserves.

This lengthy essay will discuss the macroeconomics of the "petro-dollar" and the unpublicized but real threat to U.S. economic hegemony from the euro as an alternative oil transaction currency. The following is how an astute and anonymous friend alluded to the unspoken truth about this upcoming war with Iraq...

"The Federal Reserve's greatest nightmare is that OPEC will switch its international transactions from a dollar standard to a euro standard. Iraq actually made this switch in Nov. 2000 (when the euro was worth around 80 cents), and has actually made off like a

bandit considering the dollar's steady depreciation against the euro." (Note: the dollar declined 15% against the euro in 2002.)

"The real reason the Bush administration wants a puppet government in Iraq - or more importantly, the reason why the corporate-military-industrial network conglomerate wants a puppet government in Iraq - is so that it will revert back to a dollar standard and stay that way." (While also hoping to veto any wider OPEC momentum towards the euro, especially from Iran - the 2nd largest OPEC producer who is actively discussing a switch to euros for its oil exports).

Furthermore, despite Saudi Arabia being our 'client state,' the Saudi regime appears increasingly weak/ threatened from massive civil unrest. Some analysts believe a "Saudi Revolution" might be plausible in the aftermath of an unpopular U.S. invasion of Iraq (ie. Iran circa 1979) (1). Undoubtedly, the Bush administration is acutely aware of these risks. Hence, the neo conservative framework entails a large and permanent military presence in the Persian Gulf region in a post Saddam era, just in case we need to surround and grab Saudi's oil fields in the event of a coup by an anti-western group. But first back to Iraq.

"Saddam sealed his fate when he decided to switch to the euro in late 2000 (and later converted his \$10 billion reserve fund at the U.N. to euros) - at that point, another manufactured Gulf War become inevitable under Bush II. Only the most extreme circumstances could possibly stop that now and I strongly doubt anything can - short of Saddam getting replaced with a pliant regime."

Big Picture Perspective: Everything else aside from the reserve currency and the Saudi/ Iran oil issues (i.e. domestic political issues and international criticism) is peripheral and of marginal consequence to this administration. Further, the dollar-euro threat is powerful enough that they'll rather risk much of the economic backlash in the short-term to stave off the long-term dollar crash of an OPEC transaction standard change from dollars to euros. All of this fits into the broader Great Game that encompasses Russia, India, China."

This information about Iraq's oil currency is censored by the U.S. media as well as the Bush administration & Federal Reserve as the truth could potentially curtail both investor and consumer confidence, reduce consumer borrowing/ spending, create political pressure to form a new energy policy that slowly weans us off middle-eastern oil, and of course stop our march towards war in Iraq. This quasi "state secret" can be

found on a Radio Free Europe article discussing Saddam's switch for his oil sales from dollars to the euros on Nov. 6, 2000 (2).

"Baghdad's switch from the dollar to the euro for oil trading is intended to rebuke Washington's hard-line on sanctions and encourage Europeans to challenge it. But the political message will cost Iraq millions in lost revenue. RFE/RL correspondent Charles Recknagel looks at what Baghdad will gain and lose, and the impact of the decision to go with the European currency."

At the time of the switch many analysts were surprised that Saddam was willing to give up millions in oil revenue for what appeared to be a political statement. However, contrary to one of the main points of this November 2000 article, the steady depreciation of the dollar versus the euro since late 2001 means that Iraq has profited handsomely from the switch in their reserve and transaction currencies. The euro has gained roughly 17% against the dollar in that time, which also applies to the \$10 billion in Iraq's U.N. "oil for food" reserve fund that was previously held in dollars has also gained that same percent value since the switch. What would happen if OPEC made a sudden switch to euros, as opposed to a gradual transition?

"Otherwise, the effect of an OPEC switch to the euro would be that oil-consuming nations would have to flush dollars out of their (central bank) reserve funds and replace these with euros. The dollar would crash anywhere from 20-40% in value and the consequences would be those one could expect from any currency collapse and massive inflation (think Argentina currency crisis, for example). You'd have foreign funds stream out of the U.S. stock markets and dollar denominated assets, there'd surely be a run on the banks much like the 1930s, the current account deficit would become unserviceable, the budget deficit would go into default, and so on. Your basic 3rd world economic crisis scenario.

The United States economy is intimately tied to the dollar's role as reserve currency. This doesn't mean that the U.S. couldn't function otherwise, but that the transition would have to be gradual to avoid such dislocations (and the ultimate result of this would probably be the U.S. and the E.U. switching roles in the global economy)."

In the aftermath of toppling Saddam it is clear the U.S. will keep a large and permanent military force in the Persian Gulf. Indeed, there is no "exit strategy" in Iraq, as the military will be needed to protect the newly installed Iraqi regime, and perhaps send a

message to other OPEC producers that they might receive "regime change" if they too move to euros for their oil exports.

Another underreported story from this summer regarding the other OPEC 'Axis of Evil' country and their interest in the selling oil in euros, Iran. (3)

"Iran's proposal to receive payments for crude oil sales to Europe in euros instead of U. S. dollars is based primarily on economics, Iranian and industry sources said. But politics are still likely to be a factor in any decision, they said, as Iran uses the opportunity to hit back at the U.S. government, which recently labeled it part of an "axis of evil."

The proposal, which is now being reviewed by the Central Bank of Iran, is likely to be approved if presented to the country's parliament, a parliamentary representative said. "There is a very good chance MPs will agree to this idea ...now that the euro is stronger, it is more logical," the parliamentary representative said."

More over, and perhaps most telling, during 2002 the majority of reserve funds in Iran's central bank have been shifted to euros. It appears imminent that Iran intends to switch to euros for their oil currency (4)

"More than half of the country's assets in the Forex Reserve Fund have been converted to euro, a member of the Parliament Development Commission, Mohammad Abasspour announced. He noted that higher parity rate of euro against the US dollar will give the Asian countries, particularly oil exporters, a chance to usher in a new chapter in ties with European Union's member countries.

He said that the United States dominates other countries through its currency, noting that given the superiority of the dollar against other hard currencies, the US monopolizes global trade. The lawmaker expressed hope that the competition between euro and dollar would eliminate the monopoly in global trade."

Indeed, after toppling Saddam, this administration may decide that Iran is the next target in the "war on terror." Iran's interest in switching to the euro as their standard transaction currency for oil exports is well documented. Perhaps this recent MSNBC article illustrates the objectives of the neo conservatives (5).