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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

"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.

Although completely suppressed in the U.S. media, the answer to the Iraq enigma is simple yet shocking. The upcoming war in Iraq 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 80cents), 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 2ndlargest 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 neoconservative 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).

<<beginning of exert>> 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. <<end of exert>>

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)

<<beginning of exert>>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. <<end of exert>>

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)

<<beginning of exert>> More than half of the country's assets in the For ex 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. <<end of exert>>

Indeed, after toppling Saddam, this administration may decide that Iran istle 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).

<<beginnig of exert>> While still wrangling over how to overthrow Iraq's Saddam Hussein, the Bush administration is already looking for other targets. President Bush has called for the ouster of Palestinian leader Yasir Arafat. Now some in the administration "and allies at D.C. think tanks"are eyeing Iran and even Saudi Arabia. As one senior British official put it: "Everyone wants to go to Baghdad. Real men want to go to Tehran." <<end of exert>>

Aside from these political risks regarding Saudi Arabia and Iran, another risk factor is actually Japan. Perhaps the biggest gamble in a protracted Iraq war may be Japan's weak economy (6). If the war creates prolonged oil high prices (\$45 per barrel over several months), or a short but massive oil price spike (\$80 to \$100 per barrel), some analysts believe Japan's fragile economy would collapse. Japan is quite hypersensitive to oil prices, and if its banks default, the collapse of the second largest economy would set in motion a sequence of events that would prove devastating to the U.S.economy. Indeed, Japan's fall in an Iraq war could create the economic dislocations that begin in the Pacific Rim but quickly spread to Europe and Russia. The Russian government lacks the controls to thwart a disorderly run on the dollar, and such an event could ultimately force and OPEC switch to euros.

Additionally, other risks might arise if the Iraq war goes poorly or becomes prolonged, as it is possible that civil unrest may unfold in Kuwait or other OPEC members including Venezuela, as the latter may switch to euros just as Saddam did in November 2000. Thereby fostering the very situation this administration is trying to prevent, another OPEC member switching to euros as their oil transaction currency.

Incidentally, the final 'Axis of Evil' country, North Korea, recently decided to officially drop the dollar and begin using euros for trade,effective Dec. 7, 2002 (7). Unlike the OPEC-producers, their switch will have negligible economic impact, but it illustrates the geopolitical fallout of the President Bush's harsh rhetoric. Much more troubling is North Korea's recent action following the oil embargo of their country. They are in dire need of oil and food; and in an act of desperation they have re-activated their pre-1994 nuclear program. Processing uranium appears to be taking place at a rapid pace, and it appears their strategy is to prompt negotiations with the U.S. regarding food and oil. The CIA estimates that North Korea could produce 4-6 nuclear weapons by the second half of 2003.Ironically, this crisis over North Korea's nuclear program further confirms the fraudulent premise for which this war with Saddam was entirely contrived.

Unfortunately, neo conservatives such as George Bush, Dick Cheney, Donald Rumsfeld, Paul Wolfowitz and Richard Pearle fail to grasp that Newton's Law applies equally to both physics and the geo-political sphere as well:

'For every action there is an equal but opposite reaction.'

During the 1990s the world viewed the U.S. as a rather self-absorbed but essentially benevolent superpower. Military actions in Iraq (90-91 & 98), Serbia and Kosovo (99) were undertaken with both U.N. and NATO cooperation and thus afforded international legitimacy. President Clinton also worked to reduce tensions in Northern Ireland and attempted to negotiate a resolution to the Israeli-Palestinian conflict.

However, in both the pre and post 9/11 intervals, the 'America first' policies of the Bush administration, with its unwillingness to honor international Treaties, along with their aggressive militarisation of foreign policy, has significantly damaged our reputation abroad. Following 9/11, it appears that President Bush's 'warmongering rhetoric' has created global tensions as we are now viewed as a belligerent superpower willing to apply unilateral military force without U.N. approval. Lamentably, the tremendous amount of international sympathy that we witnessed in the immediate aftermath of the September 11th tragedy has been replaced with fear and anger at our government. This administration's bellicosity has changed the world view, and 'anti-Americanism' is proliferating even among our closest allies (8).

Even more alarming, and completely unreported in the U.S media, are some monetary shifts in the reserve funds of foreign governments away from the dollar with movements towards the euro (China, Venezuela, some OPEC producers and last week Russia flushed some of their dollars for euros) (9). It appears that the world community may lack faith in the Bush administration's economic policies, and along with OPEC, seems poised to respond with economic retribution if the U.S. government is regarded as an uncontrollable and dangerous superpower. The plausibility of abandoning the dollar standard for the euro is growing. An interesting U.K. article outlines the dynamics and the potential outcomes

(Beyond Bush's Unilateralism: Another Bi-Polar World or A New Era of Win-Win?)(10)

<<beginning of long exert>> The most likely end to US hegemony may come about through a combination of high oil prices (brought about by US foreign policies toward the Middle East) and deeper devaluation of the US dollar (expected by many economists). Some elements of this scenario:

1. US global over-reach in the 'war on terrorism' already leading to deficits as far as the eye can see -- combined with historically-high US trade deficits lead to a further run on the dollar. This and the stock market doldrums make the US less attractive to the world's capital.
2. More developing countries follow the lead of Venezuela and China in diversifying their currency reserves away from dollars and balanced with euros. Such a shift in dollar-euro holdings in Latin America and Asia could keep the dollar and euro close to parity.
3. OPEC could act on some of its internal discussions and decide (after concerted buying of euros in the open market) to announce at a future meeting in Vienna that OPEC's oil will be re-denominated in euros, or even anew oil-backed currency of their own. A US attack on Iraq sends oil to \$40 per barrel.
4. The Bush Administration's efforts to control the domestic political agenda backfires. Damage over the intelligence failures prior to 9/11 and warnings of imminent new terrorist attacks precipitate a further stock market slide.
5. All efforts by Democrats and the 57% of the US public to shift energy policy toward renewables, efficiency, standards, higher gas taxes, etc. are blocked by the Bush Administration and its fossil fuel industry supporters. Thus, the USA remains vulnerable to energy supply and price shocks.
6. The EU recognizes its own economic and political power as the euro rises further and becomes the world's other reserve currency. The G-8 pegs the euro and dollar into a trading band -- removing these two powerful currencies from speculators trading screens (a "win-win" for everyone!). Tony Blair persuades Brits of this larger reason for the UK to join the euro.
7. Developing countries lacking dollars or "hard" currencies follow Venezuela's lead and begin bartering their undervalued commodities directly with each other in computerized swaps and counter trade deals. President Chavez has inked 13 such country barter deals on its oil, e.g., with Cuba in exchange for Cuban health paramedics who are setting up clinics in rural Venezuelan villages.

"The result of this scenario? The USA could no longer run its huge current account trade deficits or continue to wage open-ended global war on terrorism or evil. The USA ceases pursuing unilateralist policies. A new US administration begins to return to its multilateralist tradition, ceases its obstruction and rejoins the UN and pursues more realistic international cooperation." <<end of exert>>

As for the events currently taking place in Venezuela, items #2 and #7 on the above list may allude to why the Bush administration quickly endorsed the failed military-led coup of Hugo Chavez in April 2002. Although

the coup collapsed after 2 days, various reports suggest the CIA and a rather embarrassed Bush administration approved and may have been actively involved with the civilian/military coup plotters. (11)

<<beginning of exert>> George W. Bush's administration was the failed coup's primary loser, underscoring its bankrupt hemispheric policy. Now it is slowly filtering out that in recent months White House officials met with key coup figures, including Carmona. Although the administration insists that it explicitly objected to any extra-constitutional action to remove Chavez, comments by senior U.S. officials did little to convey this.

The CIA's role in a 1971 Chilean strike could have served as the working model for generating economic and social instability in order to topple Chavez. In the truckers' strike of that year, the agency secretly orchestrated and financed the artificial prolongation of a contrived work stoppage in order to economically asphyxiate the leftist Salvador Allende government.

This scenario would have had CIA operatives acting in liaison with the Venezuelan military, as well as with opposition business and labor leaders, to convert a relatively minor afternoon-long work stoppage by senior management into a nearly successful coup de grace <<end of exert>>

Interestingly, according to an article by Michael Ruppert, Venezuelan's ambassador Francisco Mieres-Lopez apparently floated the idea of switching to the euro as their oil currency standard approximately one year before the failed coup attempt... Furthermore, there is evidence that the CIA is still active in its attempts to overthrow the democratically elected Chavez administration. In fact, this past December a Uruguayan government official recently exposed the ongoing covert CIA operations in Venezuela (12):

<<beginning>> Uruguayan EP-FA congressman Jose Bayardi says he has information that far-reaching plans have been put into place by the CIA and other North American intelligence agencies to overthrow Venezuelan President Hugo Chavez Frias.

Bayardi says he has received copies of top-secret communications between the Bush administration in Washington and the government of Uruguay requesting the latter's cooperation to support white collar executives and trade union activists to 'break down levels of intransigence within the Chavez Frias administration' <<end>>

Venezuela is the fourth largest producer of oil, and the corporate elites whose political power runs unfettered in the Bush/Cheney oligarchy appear interested in privatizing Venezuela's oil industry. Furthermore, the establishment might be concerned that Chavez's 'barter deals' with 12 Latin American countries and Cuba are effectively cutting the U.S. dollar out of the vital oil transaction currency cycle. Commodities are being traded among these countries in exchange for Venezuela's oil, thereby reducing reliance on fiat dollars. If these unique oil transactions proliferate, they could create more devaluation pressure on the dollar. Continuing attempts by the CIA to remove Hugo Chavez appear likely.

The U.S. economy has acquired several problems, including as our record-high trade account deficit (almost 5% of GDP), \$6.3 trillion dollar deficit (55% of GDP), and the recent return to annual budget deficits in the hundreds of billions. These are factors that would devalue the currency of any nation under the 'old rules'. Why is the dollar still strong despite these structural flaws? Well, the elites understand that the strength of the dollar does not merely rest on our economic output per se. The dollar possesses two unique advantages relative to all other hard currencies.

The reality is that the strength of the dollar since 1945 rests on being the international reserve currency and thus fiat currency for global oil transactions (ie. 'petro-dollar'). The U.S. prints hundreds of billions of these fiat petro-dollars, which are then used by nation states to purchase oil/energy from OPEC producers (except Iraq, to some degree Venezuela, and perhaps Iran in the near future). These petro-dollars are then re-cycled from OPEC back into the U.S. via Treasury Bills or other dollar-denominated assets such as U.S. stocks, real estate, etc.

The 'old rules' for valuation of our currency and economic power were based on our flexible market, free flow of trade goods, high per worker productivity, manufacturing output/trade surpluses, government oversight of accounting methodologies (ie. SEC), developed infrastructure, education system, and of course total cash flow and profitability. While many of these factors remain present, over the last two decades we have diluted some of these 'safe harbor' fundamentals. Despite imbalances and some structural problems that are escalating within the U.S. economy, the dollar as the fiat oil currency created 'new rules'. The following excerpts from an Asia Times article discusses the virtues of our fiat oil currency and dollar hegemony (or vices from the perspective of developing nations, whose debt is denominated in dollars). (13)

<<beginning>> "Ever since 1971, when US president Richard Nixon took the dollar off the gold standard (at \$35 per ounce) that had been agreed to at the Bretton Woods Conference at the end of World War II, the dollar has been a global monetary instrument that the United States, and only the United States, can produce by fiat. The dollar, now a fiat currency, is at a 16-year trade-weighted high despite record US current-account deficits and the status of the US as the leading debtor nation. The US national debt as of April 4 was \$6.021 trillion against a gross domestic product (GDP) of \$9trillion."

"World trade is now a game in which the US produces dollars and the rest of the world produces things that dollars can buy. The world's interlinked economies no longer trade to capture a comparative advantage; they compete in exports to capture needed dollars to service dollar-denominated foreign debts and to accumulate dollar reserves to sustain the exchange value of their domestic currencies. To prevent speculative and manipulative attacks on their currencies, the world's central banks must acquire and hold dollar reserves in corresponding amounts to their currencies in circulation. The higher the market pressure to devalue a particular currency, the more dollar reserves its central bank must hold. This creates a built-in support for a strong dollar that in turn forces the world's central banks to acquire and hold more dollar reserves, making it stronger.

This phenomenon is known as dollar hegemony, which is created by the geopolitically constructed peculiarity that critical commodities, most notably oil, are denominated in dollars. Everyone accepts dollars because dollars can buy oil. The recycling of petro-dollars is the price the US has extracted from oil-producing countries for US tolerance of the oil-exporting cartel since 1973."

"By definition, dollar reserves must be invested in US assets, creating a capital-accounts surplus for the US economy. Even after a year of sharp correction, US stock valuation is still at a 25-year high and trading at a 56 percent premium compared with emerging markets." "The US capital-account surplus in turn finances the US trade deficit. Moreover, any asset, regardless of location, that is denominated in dollars is a US asset in essence. When oil is denominated in dollars through US state action and the dollar is a fiat currency, the US essentially owns the world's oil for free. And the more the US prints greenbacks, the higher the price of US assets will rise. Thus a strong-dollar policy gives the US a double win." <<end>>

This unique geo-political agreement with Saudi Arabia has worked to our favor for the past 30 years, as this arrangement has raised the entire asset value of all dollar denominated assets/properties, and allowed the Federal Reserve to create a truly massive debt and credit expansion (or 'credit bubble' in the view of some economists). These current structural imbalances in the U.S. economy are sustainable as long as:

1. Nations continue to demand and purchase oil for their energy/survival needs
2. The fiat reserve currency for global oil transactions remain the U.S. dollar (and dollar only)

These underlying factors, along with the 'safe harbor' reputation of U.S. investments afforded by the dollar's reserve currency status propelled the U.S. to economic and military hegemony in the post-World War II period. However, the introduction of the euro is a significant new factor, and appears to be the primary threat to U.S. economic hegemony.

More over, in December 2002 ten additional countries were approved for full membership into the E.U. In 2004 this will result in an aggregate GDP of \$9.6 trillion and 450 million people, directly competing with the U.S. economy (\$10.5 trillion GDP, 280 million people).

Especially interesting is a speech given by Mr Javad Yarjani, the Head of OPEC's Petroleum Market Analysis Department, in a visit to Spain (April 2002). His speech dealt entirely on the subject of OPEC oil transaction currency standard with respect to both the dollar and the euro. The following excerpts from this OPEC executive provide insights into the conditions that would create momentum for an OPEC currency switch to the euro. Indeed, his candid analysis warrants careful consideration given that two of the requisite variables he outlines for the switch have taken place since this speech in early 2002. These vital stories are discussed in the European media, but have been censored by our own mass media (14)

<<Beginning of excerpts from OPEC's speech>> The question that comes to mind is whether the euro will establish itself in world financial markets, thus challenging the supremacy of the US dollar, and consequently trigger a change in the dollar's dominance in oil markets. As we all know, the mighty dollar has reigned supreme since 1945, and in the last few years has even gained more ground with the economic dominance of the United States, a situation that may not change in the near future. By the late 90s, more than four-fifths of all foreign exchange transactions, and half of all world exports, were denominated in dollars. In addition, the US currency accounts for about two thirds of all official exchange reserves. The world's dependency on US dollars to pay for trade has seen countries bound to dollar reserves, which are disproportionately higher than America's share in global output. The share of the dollar in the denomination

of world trade is also much higher than the share of the US in world trade. Having said that, it is worthwhile to note that in the long run the euro is not at such a disadvantage versus the dollar when one compares the relative sizes of the economies involved, especially given the EU enlargement plans. Moreover, the Euro-zone has a bigger share of global trade than the US and while the US has a huge current account deficit, the euro area has a more, or balanced, external accounts position. One of the more compelling arguments for keeping oil pricing and payments in dollars has been that the US remains a large importer of oil, despite being a substantial crude producer itself. However, looking at the statistics of crude oil exports, one notes that the Euro-zone is an even larger importer of oil and petroleum products than the US.

From the EU's point of view, it is clear that Europe would prefer to see payments for oil shift from the dollar to the euro, which effectively removed the currency risk. It would also increase demand for the euro and thus help raise its value. Moreover, since oil is such an important commodity in global trade, in terms of value, if pricing were to shift to the euro, it could provide a boost to the global acceptability of the single currency. There is also very strong trade links between OPEC Member Countries (MCs) and the Euro-zone, with more than 45 percent of total merchandise imports of OPEC MCs coming from the countries of the Euro-zone, while OPEC MCs are main suppliers of oil and crude oil products to Europe.

Of major importance to the ultimate success of the euro, in terms of the oil pricing, will be if Europe's two major oil producers, the United Kingdom and Norway join the single currency. Naturally, the future integration of these two countries into the Euro-zone and Europe will be important considering they are the region's two major oil producers in the North Sea, which is home to the international crude oil benchmark, Brent. This might create a momentum to shift the oil pricing system to euros.

In the short-term, OPEC MCs, with possibly a few exceptions, are expected to continue to accept payment in dollars. Nevertheless, I believe that OPEC will not discount entirely the possibility of adopting euro pricing and payments in the future. The Organization, like many other financial houses at present, is also assessing how the euro will settle into its life as a new currency. The critical question for market players is the overall value and stability of the euro, and whether other countries within the Union will adopt the single currency. Should the euro challenge the dollar in strength, which essentially could include it in the denomination of the oil bill, it could be that a system may emerge which benefits more countries in the long-term. Perhaps with increased European integration and a strong European economy, this may become a reality. Time may be on your side. I wish the euro every success. <<end of speech>>

Based on this important speech, momentum for OPEC to consider switching to the euro will grow once the E.U. expands in May 2004 to 450 million people with the inclusion of 10 additional member states. The aggregate GDP will increase from \$7 trillion to \$9.6 trillion. This enlarged E.U. will be an oil consuming purchasing population 33% larger than the U.S., and over half of OPEC crude oil will be sold to the EU as of mid-2004. This does not include other potential entrants such as the U.K., Norway, Denmark and Sweden. I should note that since this speech the euro has been trading at parity or above the dollar since late 2002, and analysts predict the dollar will continue its downward trending in 2003 relative to the euro.

Further, if or when the U.K. adopts the euro currency, that development could provide critical motivation for OPEC to make the transition to euros. It appears the final two pivotal items that would create the OPEC transition to euros will be based on if and when Norway's Brent crude is re-dominated in euros, and when the U.K. adopts the euro. Regarding the later, Tony Blair is lobbying heavily for the U.K. to adopt the euro, and their adoption would seem imminent within this decade. Again, I offer the following information from my astute acquaintance who analyzes these matters very carefully regarding the euro:

The pivotal vote will probably be Sweden, where approval this next autumn of adopting the euro also would give momentum to the Danish government's strong desire to follow suit. Polls in Denmark now indicate that the euro would pass with a comfortable margin and Norwegian polls show a growing majority in favor of EU membership. Indeed, with Norway having already integrated most EU economic directives through the EEA partnership and with their strongly appreciated currency, their accession to the euro would not only be effortless, but of great economic benefit.

As go the Swedes, so probably will go the Danes & Norwegians. It's the British who are the real obstacle to building momentum for the euro as international transaction & reserve currency. So long as the United Kingdom remains apart from the euro, reducing exchange rate costs between the euro and the British pound remains their obvious priority. British adoption (a near-given in the long run) would mount significant pressure toward repegging the Brent crude benchmark - which is traded on the International Petroleum Exchange in London - and the Norwegians would certainly have no objection whatsoever that I can think of, whether or not they join the European Union.

Finally, the maneuvers toward reducing the global dominance of the dollar are already well underway and have only reason to accelerate so far as I can see. An OPEC pricing shift would seem rather unlikely prior 2004 - barring political motivations (ie. motivations of OPEC members) or a disorderly collapse of the dollar (ie. prolonged high oil prices due to Iraq war causes Japanese bank collapse)- but appears quite viable to take place before the end of the decade.

In other words, around 2005, from an economic and monetary perspective, it will be logical for OPEC to switch to the euro for oil pricing. Of course that will devalue the dollar, and hurt the US economy unless it begins making some structural changes - or use its massive military power to force events upon the OPEC states...

Facing these potentialities, I hypothesize that President Bush intends to topple Saddam in 2003 in a pre-emptive attempt to initiate massive Iraqi oil production in far excess of OPEC quotas, to reduce global oil prices, and thereby dismantle OPEC's price controls. The end-goal of then neo-conservatives is incredibly bold yet simple in purpose, to use the 'war on terror' as the premise to finally dissolve OPEC's decision-making process, thus ultimately preventing the cartel's inevitable switch to pricing oil in euros.

How would the Bush administration break-up the OPEC cartel's price controls in a post-Saddam Iraq? First, the newly installed regime (apparently a U.S.General for the first several months) will convert Iraq back to the dollar standard. Next, with the U.S. military protecting the oil fields, the Bush junta will undertake the necessary steps to rapidly increase production of Iraq oil, quintupling Iraq's current output and well beyond OPEC's 2million barrel per day quota.

Dr. Nayer Ali offers a succinct analysis of how Iraq's underutilized oil reserves will not be a 'profit-maker' for the U.S. government, but it will serve as the crucial economic instrument used by the Bush junta to leverage and hopefully dissolve OPEC's price controls, thus causing the neoconservative's long sought goal of collapsing the OPEC cartel (15):

<<beginning go exerts>> Despite this vast pool of oil, Iraq has never produced at a level proportionate to the reserve base. Since the Gulf War, Iraq's production has been limited by sanctions and allowed sales under the oil for food program (by which Iraq has sold 60 billion dollars worth of oil over the last 5 years) and what else can be smuggled out. This amounts to less than 1 billion barrels per year. If Iraq were reintegrated into the world economy, it could allow massive investment in its oil sector and boost output to 2.5 billion barrels per year, or about 7 million barrels a day. Total world oil production is about 75 million barrels, and OPEC combined produces about 25 million barrels. What would be the consequences of this? There are two obvious things. First would be the collapse of OPEC, whose strategy of limiting production to maximize price will have finally reached its limit. An Iraq that can produce that much oil will want to do so, and will not allow OPEC to limit it to 2 million barrels per day. If Iraq busts its quota, then who in OPEC will give up 5 million barrels of production? No one could afford to, and OPEC would die. This would lead to the second major consequence, which is a collapse in the price of oil to the 10-dollar range per barrel. The world currently uses 25 billion barrels per year, so a 15-dollar drop will save oil-consuming nations 375 billion dollars in crude oil costs every year. The Iraq war is not a moneymaker. But it could be an OPEC breaker. That however is a long-term outcome that will require Iraq to be successfully reconstituted into a functioning state in which massive oil sector investment can take place. <<end of exerts>>

The American people are largely oblivious to the economic risks regarding President Bush's upcoming war. Not only is Japan's economy at grave risk from a spike in oil prices, but additional risks relate to Iran and Venezuela as well, either of whom could move to the euros, thus providing further momentum for OPEC to act on their 'internal discussions' and switch to the euro as the fiat currency for oil. The Bush administration believes that by toppling Saddam they will remove the juggernaut, thus allowing the US to control Iraq's huge oil reserves, and finally break-up and dissolve the 10 remaining countries in OPEC.

This last issue is undoubtedly a significant gamble even in the best-case scenario of a quick and relatively painless war that topples Saddam and leaves Iraq's oil fields intact. Undoubtedly, the OPEC cartel could feel threatened by the Bush junta's stated goal of breaking-up OPEC's price controls (\$22-\$28 per barrel). Perhaps the Bush administration's ambitious goal of flooding the oil market with Iraqi crude may work, but I have doubts. Will OPEC simply tolerate quota-busting Iraqi oil production, thus delivering to them a lesson in self-inflicted hara-kiri (suicide)?

Contrarily, OPEC could meet in Vienna and in an act of self-preservation re-denominate the oil currency to the euro. Such a decision by would mark the end of U.S. dollar hegemony, and thus the end of our precarious economic superpower status. Again, I offer the astute analysis of my expert friend regarding the colossal gamble this administration is about to undertake:

One of the dirty little secrets of today's international order is that the rest of the globe could topple the United States from its hegemonic status whenever they so choose with a concerted abandonment of the dollar standard. This is America's preeminent, inescapable Achilles Heel for now and the foreseeable future.

That such a course hasn't been pursued to date bears more relation to the fact that other Westernized, highly developed nations haven't any interest to undergo the great disruptions which would follow - but it could assuredly take place in the event that the consensus view coalesces of the United States as any sort of 'rogue' nation. In other words, if the dangers of American global hegemony are ever perceived as a greater liability than the dangers of toppling the international order (or, alternately, if an 'everyman for himself' crisis as discussed above spirals out of control and forces their hand). The Bush administration and the neo conservative movement has set out on a multiple-front course to ensure that this cannot take place, in brief by a graduated assertion of military hegemony atop the existent economic hegemony.

The paradox I've illustrated with this one narrow scenario is that the quixotic course itself may very well bring about the feared outcome that it means to preempt. We shall see!

Under this administration we have returned to massive deficit spending, and the lack of strong SEC enforcement has further eroded investor confidence. Regrettably, the flawed economic and tax policies and of the Bush administration may be exacerbating the weakness of the dollar, if not outright accelerating some countries to diversify their central bank reserve funds with euros as an alternative to the dollar. From a foreign policy perspective, the terminations of numerous international treaties and disdain for international cooperation via the UN and NATO have angered even our closest allies.

Lastly, and despite President Bush's attempt to use the threat of applying military force to OPEC producers who may wish to switch to the euro for their oil payments, it appears their belligerent neo conservative policies may paradoxically bring about the dire outcome they hope to prevent an OPEC currency switch to euros.

The American people are not aware of such information due to the U.S. mass media, which has been reduced to a handful of consumption/entertainment and profit-oriented conglomerates that filter the flow of information in the u.S. Indeed, the Internet provides the only source of unfiltered 'real news'.

Synopsis: It would appear that any attempt by OPEC member states in the Middle East or Latin America to transition to the euro as their oil transaction currency standard shall be met with either overt U.S. military actions or covert U.S. intelligence agency interventions. Under the guise of the perpetual 'war on terror' the Bush administration is manipulating the American people about the unspoken but very real macroeconomic reasons for this upcoming war with Iraq. This war in Iraq will have nothing to with any threat from Saddam's old WMD program. This war will be over the global currency of oil.

Sadly, the U.S. has become largely ignorant and complacent. Too many of us are willing to be ruled by fear and lies, rather than by persuasion and truth. Will we allow our government to initiate the dangerous 'pre-emptive doctrine' by waging an unpopular war in Iraq, while we refuse to acknowledge that Saddam does not pose an imminent threat to the United States? We seem unable to address the structural weakness of our economy due to massive debt manipulation, unaffordable 2001 tax cuts, massive current account deficits, trade deficits, corporate accounting abuses, unsustainable credit expansion, near zero personal savings, record personal indebtedness, and our dependence and over consumption of cheap Middle Eastern oil. How much longer can we reliably import our oil from middle eastern states that dislike or despise us because of our biased foreign policy towards Israel?

Lastly, we must bear in mind Jefferson's insistence that a free press is our best, and perhaps only mechanism to protect democracy, and part of today's dilemma lies within the U.S. media conglomerates that have failed to inform the People.

Regardless of whatever Dr. Blix finds or doesn't find in Iraq regarding WMD, it appears that President Bush is determined to pursue his 'pre-emptive 'imperialist war to secure a large portion of the earth's remaining hydrocarbons, and then use Iraq's underutilized oil to destroy the OPEC cartel. Will this gamble work? Undeniably our nation may suffer not only from economic retribution, but also from increased Al-Qaeda

sponsored terrorism as well. Will we stand idle and watch CNN, as our government becomes an international pariah by discarding International Law as it wages a unilateral war in Iraq?

Is it morally defensible to deploy our brave but naive young soldiers around the globe to enforce U.S. dollar hegemony for global oil transactions - via the barrel of their guns? Will we allow imperialist conquest in the Middle East to feed our excessive energy consumption, while ignoring the duplicitous overthrowing of a democratically elected government in Latin America? Shall we accept the grave price of an unjust war over the currency of oil? We must not stand silent and watch our country become a 'rogue' superpower, relying on brute force, thereby forcing the industrialized nations or OPEC to abandon the dollar standard - thus with the mere stroke of a pen - slay the U.S. Empire?

Informed citizens believe this administration is pushing us towards that dire outcome. Remaining silent is not only misguided, but false patriotism.

This need not be our fate. When will we demand that our government begin the long and difficult journey towards energy conservation, the development of renewable energy sources, and sustained balanced budgets to allow real deficit reduction? When will we repeal of the unaffordable 2001 tax cuts to create a balanced budget, enforce corporate accounting laws, and substantially reinvest in our manufacturing and export sectors to move our economy from a trade account deficit position back into a trade account surplus position? Undoubtedly, we must make these and many more painful structural changes to our economy if we are to restore our 'safe harbor' investment status.

Ultimately we will have to make sacrifices by reducing our excessive energy consumption that we have become accustomed to as a society. It is imperative that our government also begins economic and monetary reforms immediately. We must adopt our economy to accommodate the inevitable competition to the dollar from the euro as an alternative international reserve currency and oil transaction currency. The Bush administration's seemingly entrenched political ideology appears quite incompatible with these necessary economic reforms. Ultimately We the People must demand a new and more responsible administration. We need leaders who are willing to return balanced, conservative fiscal policies, and to our traditions of engaging in multilateral foreign policies while seeking broad international cooperation.

It has been said that all wars are fought over resources or ideology/religion. It appears that this administration may soon add 'Euro currency war' as a third paradigm. I fear that the world community will not tolerate a U.S. Empire that uses its military power to conquer sovereign nations who decide to sell their oil products in euro instead of dollars. Likewise, if President Bush pursues an essentially unilateral war against Iraq, I suspect the historians will not be kind to his administration. Their agenda is clear to the world community, but when will U.S. patriots become cognizant of their modus operandi?

"If you tell a lie big enough and keep repeating it, people will eventually come to believe it.

'The lie can be maintained only for such time as the State can shield the people from the political, economic and/or military consequences of the lie. It thus becomes vitally important for the State to use all of its powers to repress dissent, for the truth is the mortal enemy of the lie, and thus by extension, the truth is the greatest enemy of the State.' - Joseph Goebbels, German Minister of Propaganda, 1933-1945

Background Information on Hydrocarbons

To understand hydrocarbons and how we got to this desperate place in Iraq, I have listed four articles in the Reference Section from Michael Ruppert's controversial website: "From the Wilderness". Although some of Ruppert's articles are overwrought from time to time, their research detailing the issues of hydrocarbons, and the interplay between energy and the Bush junta's perpetual 'war on terror' is quite informative. Other than the core driver of the dollar versus euro currency threat, the other issue related to the upcoming war with Iraq appears related to the Caspian Sea region. Since the mid-late 1990s the Caspian Sea region of Central Asia was thought to hold approx. 200 billion barrels of untapped oil (the later would be comparable to Saudi Arabia's reserve base)(16). Based on an early feasibility study by Enron, the easiest and cheapest way to bring this oil to market would be a pipeline from Kazakhstan, through Afghanistan to the Pakistan border at Malta. In 1998 then CEO of Halliburton, Dick Cheney, expressed much interest in building that pipeline.

In fact, these oil reserves were a *central* component of Vice President Cheney's energy plan released in May 2001. According to his report, the U.S. will import 90% of its oil by 2020, and thus tapping into the reserves in the Caspian Sea region was viewed as a strategic goal that would help meet our growing energy demand, and also reduce our dependence on oil from the Middle East (17). According to the French book, The

Forbidden Truth (18), the Bush administration ignored the U.N. sanctions that had been imposed upon the Taliban and entered into negotiations with the supposedly 'rogue regime' from February 2, 2001 to August 6, 2001. According to this book, the Taliban were apparently not very cooperative based on the statements of Pakistan's former ambassador, Mr. Naik. He reports that the U.S. threatened a 'military option' in the summer of 2001 if the Taliban did not acquiesce to our demands. Fortuitous for the Bush administration and Cheney's energy plan, Bin Laden delivered to us 9/11. The pre-positioned U.S. military; along with the CIA providing cash to the Northern Alliance leaders, led the invasion of Afghanistan and the Taliban were routed. The pro-western Karzai government was ushered in. The pipeline project was now back on track in early 2002, well, sort of!

After three exploratory wells were built and analyzed, it was reported that the Caspian region holds only approximately 10 to 20 billion barrels of oil (although it does have a lot of natural gas) (16). The oil is also of poor quality, with high sulfur content. Subsequently, several major companies have now dropped their plans for the pipeline citing the massive project was no longer profitable. Unfortunately, this recent realization about the Caspian Sea region has serious implications for the U.S., India, China, Asia and Europe, as the amount of available hydrocarbons for industrialized and developing nations has been decreased downward by 20%. (Global estimates reduced from 1.2 trillion to approx. 1 trillion) (18, 19). The Bush administration quickly turned its attention to a known quantity, Iraq, with its proven reserves totaling 11% of the world's oil reserves. Our greatest nemesis, Bin Laden, was quickly replaced with our new public enemy #1, Saddam Hussein!

For those who would like to review the impact of depleting hydrocarbon reserves from the geo-political perspective, and the potential ramifications to how this may ultimately create an erosion of our civil liberties and democratic processes, retired U.S. Special Forces officer Stan Goff offers a sobering analysis in his essay: 'The Infinite War and Its Roots' (20). Likewise, for those who wish to review the unspeakable evidence surrounding the September 11th tragedy, the controversial essay 'The Enemy Within' by the famous American writer Gore Vidal offers a thorough introduction. Although published in Italy and a major UK newspaper, The Observer, you will not read Gore Vidal's controversial essay in the U.S. media. Note: Gore Vidal's latest book, 'Dreaming War' features this as the opening essay (21). Finally, 'The War on Freedom' by British political scientist Nafeez Ahmed asks disconcerting questions about the 9/11 tragedy (22).

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