

The Global Financial Tsunami End Game: The Petro-Dollar Regime is Finished?

Once trade in oil is no longer denominated in the US Dollar, the bells will toll for the demise of the US Dollar and the global fiat money system.

By [Matthias Chang](#)

Global Research, April 06, 2014

[Future Fast Forward](#)

Region: [USA](#)

Theme: [Global Economy](#)

Prominent Malaysian lawyer and author Matthias Chang

A few weeks ago, I had a private high-level discussion with some experts in geopolitics, economics and global finance and I had only one objective for participating in the discussion – to find out what was not said and or avoided in the discussion by the participants.

I learned early in my political career as a student anti-war activist that more can be learned from anyone and in any situation by what has not been said and avoided than from all the hours of lengthy dialogue. In most cases, I already knew the positions of the participants on the subject matter of the discussion from their writings, interviews, press statements, their educational backgrounds and their careers. Usually anything that is being said in a discussion reflects the latest position on the participant's previously declared stance on the subject matter.

And quite often, what has been revealed through discussions may not necessarily reflect the entirety of the participant's stance. The difficulty is to be conscious of what the participant has not said and detect what are his reservations and why the reluctance to disclose his thoughts on the matter. In the day-long discussions, I had only intervened twice and I took no more than ten minutes at the most to elicit the reaction that I had anticipated.

The first intervention was in relation to the inevitable implementation of the “Bail-In” (the confiscation of depositors’ monies in financial institutions to pay the bondholders / other creditors) to rescue the Too Big To Fail Banks (TBTF), the template being taken from the Cyprus experience for which all the relevant global central banks and institutions such as BIS, IMF, the World Bank have prepared the groundwork.

No response whatsoever. It was a minefield no one wanted to venture near! The second intervention goes to the very core of the present financial system which is anchored on the “Petro-Dollar”. Again, no response save a cursory deflection, “I don’t know about the petro-dollar”, and the discussion veered off to an irrelevant and an unrelated matter.

I have always known that it is most difficult to tell the truth to “Power” and the vested interests. Once a message is released, it takes on a life of its own and it is not easy to suppress the message in the present inter-connected globalised world. That being the case, it is better to shoot the messenger. I am not saying here that I have been shot. It will take more than a bullet to get rid of me. But, you do get my point.

I do apologise for this rather long preface to the meat of this article. What I am trying to tell you is that truth will always emerge in unexpected circumstances. And as many philosophers have said, "God works in mysterious ways".

I have written many articles on the Petro-Dollar being the lynch-pin of the US Dollar fiat money system and that once trade in oil is no longer denominated in the US Dollar, the bells will toll for the demise of the US Dollar and the global fiat money system. The renowned financial analyst and author, James Rickards has written two best sellers, "The Currency Wars" and now his latest, "The Death of Money". And in his recent interview by Max Keiser, he explained that during the Cold War, the "M.A.D. Doctrine" (Mutually Assured Destruction) prevented a nuclear war between the two superpowers, the Soviet Union and the US, as if one superpower were to launch a pre-emptive first strike, there would be enough nuclear missiles remaining in the targeted superpower to retaliate with an equally devastating Second Strike.

In the last few months, we have witnessed a variation of the nuclear M.A.D. Doctrine and for which I have been warning for as long as I can remember but my ringing of the alarm bells have fell on deaf ears.

The "Financial Nuclear Weapon" (the sale of oil in a currency other than the US dollar) which was previously deployed by Saddam Hussein resulted in the total destruction of Iraq, but it failed to deter other countries pissed off with the highhandedness of the Global Policeman.

Libya made another attempt and it resulted in the destruction of the country and the brutal murder of its leader Muammar Gaddafi. Next was Iran. The US and the global financial war party found it much more difficult to isolate and annihilate Iran, even when she was threatened with outright nuclear attack by US and the rabid Israel. And in spite of unprecedented sanctions against Iran (which constitute economic warfare and are war crimes in itself), Iran stood defiant.

The leading members of BRICS (Brazil, Russia, India, China and South Africa) Russia and China restrained themselves so as to preserve global stability. However, the war party faction of the Obama regime (the leftovers of the Bush regime) took such restraint as weakness and went on a spree of regime change throughout the world to undermine the growing strength of BRICS.

The straw that broke the camels' back was the unbridled and reckless coup against the elected President of Ukraine by US and NATO and orchestrated by the US State Department and led by the war-monger Victoria Nuland. She openly admitted on CNN that the US had disbursed through such organisations as the National Endowment for Democracy (NED) over US\$ 5 Billion to facilitate the coup with the support of the oil giant Chevron.

This was an unprecedented treachery as a few weeks before the bloody coup, the relevant stakeholders entered an agreement to preserve the sovereignty and territorial integrity of Ukraine brokered by Russia and endorsed by the EU. Victoria Nuland could not and would not accept the check-mate and so she launched the bloody coup giving no choice to Russia to support the self-determination of Crimea where the majority of the citizens were Russians and where Russia's Black Sea fleet was located.

The US blatantly threatened Russia in her own backyard. The rest as they say is history.

The infantile and moribund Obama regime, followed sheepishly by member countries of the EU, with Britain playing the “bellboy” declared that sanctions would be imposed on Russia, an act of extreme provocation. This unnecessary provocation was made in spite of the fact that the most brutal sanctions could not break the tenacity of the Iranians. As expected, Russia took no notice of the provocations by the US. Peeved that the bully theatrics had no effect, JP Morgan as the financial proxy stopped a money transfer from the Russian Embassy in Kazakhstan to insurance agency Sogaz. The simple message to Russia was - “Kow-Tow to the US War Party or face financial and economic ruin”. If this is a pre-emptive financial nuclear strike by the US, it is a badly calculated move. Someone in the State Department as well as CFR etc. have neglected to tell Obama (and I am being generous here as I am refraining from calling it a most stupid gambit ever) that in a poker game when the opposite side is holding all the Aces, one do not make any calls when one is holding a weak hand! The fun has now started and the world will soon see the bankruptcy of the US financial empire grounded on the Petro-Dollar.

Russia has launched a devastating counter-strike. But, the silly Obama announced that he will impose a new phase of sanctions against Russia! I will leave it to you to draw the relevant conclusions when you have finished reading the below brilliant analysis by Tyler Durden of Zero Hedge of the just declared financial nuclear war.

I quote: US Threatens Russia Over Petrodollar-Busting Deal

On the heels of Russia’s potential “holy grail” gas deal with China, the news of a Russia-Iran oil “barter” deal, it appears the US is starting to get very concerned about its almighty Petrodollar

*U.S. HAS WARNED RUSSIA, IRAN AGAINST POSSIBLE OIL BARTER DEAL

*U.S. SAYS ANY SUCH DEAL WOULD TRIGGER SANCTIONS

*U.S. HAS CONVEYED CONCERNS TO IRANIAN GOVT THROUGH ALL CHANNELS

We suspect these sanctions would have more teeth than some travel bans, but, as we noted previously, it is just as likely to be another epic geopolitical debacle resulting from what was originally intended to be a demonstration of strength and instead is rapidly turning out into a terminal confirmation of weakness. As we explained earlier in the week, Russia seems perfectly happy to telegraph that it is just as willing to use barter (and “heaven forbid” gold) and shortly other “regional” currencies, as it is to use the US Dollar, hardly the intended outcome of the western blocakde, which appears to have just backfired and further impacted the untouchable status of the Petrodollar.

“If Washington can’t stop this deal, it could serve as a signal to other countries that the United States won’t risk major diplomatic disputes at the expense of the sanctions regime,”

And here is Voice of Russia, “Russia prepares to attack the Petrodollar”: The US dollar’s position as the base currency for global energy trading gives the US a number of unfair advantages. It seems that Moscow is ready to take those advantages away.

The existence of “petrodollars” is one of the pillars of America’s economic might because it

creates a significant external demand for American currency, allowing the US to accumulate enormous debts without defaulting. If a Japanese buyer want to buy a barrel of Saudi oil, he has to pay in dollars even if no American oil company ever touches the said barrel. Dollar has held a dominant position in global trading for such a long time that even Gazprom's natural gas contracts for Europe are priced and paid for in US dollars. Until recently, a significant part of EU-China trade had been priced in dollars.

Lately, China has led the BRICS efforts to dislodge the dollar from its position as the main global currency, but the "sanctions war" between Washington and Moscow gave an impetus to the long-awaited scheme to launch the petroruble and switch all Russian energy exports away from the US currency.

The main supporters of this plan are Sergey Glaziev, the economic aide of the Russian President and Igor Sechin, the CEO of Rosneft, the biggest Russian oil company and a close ally of Vladimir Putin. Both have been very vocal in their quest to replace the dollar with the Russian ruble. Now, several top Russian officials are pushing the plan forward.

First, it was the Minister of Economy, Alexei Ulyukaev who told Russia 24 news channel that the Russian energy companies must ditch the dollar. "They must be braver in signing contracts in rubles and the currencies of partnercountries," he said.

Then, on March 2, Andrei Kostin, the CEO of state-owned VTB bank, told the press that Gazprom, Rosneft and Rosoboronexport, state company specialized in weapon exports, can start trading in rubles. "I've spoken to Gazprom, to Rosneft and Rosoboronexport management and they don't mind switching their exports to rubles. They only need a mechanism to do that", Kostin told the attendees of the annual Russian Bank Association meeting.

Judging by the statement made at the same meeting by Valentina Matviyenko, the speaker of Russia's upper house of parliament, it is safe to assume that no resources will be spared to create such a mechanism. " Some 'hot headed' decision-makers have already forgotten that the global economic crisis of 2008 - which is still taking its toll on the world - started with a collapse of certain credit institutions in the US, Great Britain and other countries. This is why we believe that any hostile financial actions are a double-edged sword and even the slightest error will send the boomerang back to the aborigines," she said. It seems that Moscow has decided who will be in charge of the "boomerang". Igor Sechin, the CEO of Rosneft, has been nominated to chair the board of directors of Saint-Petersburg Commodity Exchange, a specialized commodity exchange.

In October 2013, speaking at the World Energy Congress in Korea, Sechin called for a "global mechanism to trade natural gas" and went on suggesting that " it was advisable to create an international exchange for the participating countries, where transactions could be registered with the use of regional currencies ". Now, one of the most influential leaders of the global energy trading community has the perfect instrument to make this plan a reality. A Russian commodity exchange where reference prices for Russian oil and natural gas will be set in rubles instead of dollars will be a strong blow to the petrodollar.

Rosneft has recently signed a series of big contracts for oil exports to China and is close to signing a "jumbo deal" with Indian companies. In both deals, there are no US dollars involved. Reuters reports, that Russia is close to entering a goods-for-oil swap transaction with Iran that will give Rosneft around 500,000 barrels of Iranian oil per day to sell in the

global market. The White House and the russophobes in the Senate are livid and are trying to block the transaction because it opens up some very serious and nasty scenarios for the petrodollar. If Sechin decides to sell this Iranian oil for rubles, through a Russian exchange, such move will boost the chances of the “petroruble” and will hurt the petrodollar.

It can be said that the US sanctions have opened a Pandora’s box of troubles for the American currency. The Russian retaliation will surely be unpleasant for Washington, but what happens if other oil producers and consumers decide to follow the example set by Russia? During the last month, China opened two centers to process yuan-denominated trade flows, one in London and one in Frankfurt. Are the Chinese preparing a similar move against the greenback? We’ll soon find out.

Recap of My Preface

Could the above analysis by Tyler Durden be the reason for the total silence at the High-Level discussion in which I participated recently?

God indeed works in mysterious ways. The Petro-Dollar Global Fiat Money System is teetering at the precipice!

I hate to say it, but I told you so!

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