

Will Oil End the American Century?

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Theme: [Global Economy](#)

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*The American Century, so triumphantly proclaimed in a 1941 Life magazine editorial by US establishment insider **Henry Luce**, was built on the control of oil and on an endless succession of wars for that control of global oil. Now, ironically, with the illegal and unilateral cancellation of the Iranian nuclear agreement by the US President, oil may be set to play a key, if unintended, role in the downfall of the global hegemony of that same American Century.*

Each element of various countries' recent and increasing steps to get away from dollar dependency, in and of itself is insufficient to end the domination of the US dollar through Washington's ability to force other countries to buy or sell their oil only in dollars. Yet each unilateral provocation and sanction action by Washington forces other countries to find solutions only four years ago not deemed possible or practical.

Since the 1973 oil price shock following the Yom Kippur War, Washington and Wall Street have moved to ensure that OPEC, led by Saudi Arabia, would sell its oil only in US dollars. That insured that demand for the US currency could be more or less independent of the internal state of the US economy or of the Government debt or deficits. That system, dubbed petrodollar recycling by Henry Kissinger and others at the time, was a vital underpinning of US global ability to project its power at the same time it allowed its major corporations to walk away from national domestic taxes and investment, in the process of out-sourcing to places like China or Mexico, Ireland or even Russia. Were a significant group of nations to abandon the dollar and turn to other currencies or even barter at this point, it could start a chain-reaction of events that would lead to sharp US interest rate increases and a new US financial crisis that would be far uglier than that a decade ago.

US Sanction Mania

Ever since September 11, 2001 the US Government has been engaged in a process of transforming its use of financial sanctions, supposedly against financing of terrorist groups like Al Qaeda, into a central weapon of warfare in defense of the American Century. The latest decision of the US Treasury to impose radical new forms of targeted sanctions on Russia, which not only ban American citizens from doing business with them, but also threatens sanctions on non-US citizens doing such business, is now being followed by re-imposition of draconian new US sanctions on Iran.

The Trump Administration, unilaterally withdrawing from the Joint Comprehensive Plan of Action (JCPOA), or the Iran nuclear deal, has announced that other countries trading Iran oil must wind down that trade by November or face sanctions themselves, so-called secondary sanctions. The US Treasury is also targeting vital international reinsurance companies or foreign banks that might be involved in Iran oil trade. The latest Iran sanctions use as justification the Section 1245 of the National Defense Authorization Act for Fiscal Year 2012.

What the unwarranted US move is doing is forcing key nations including China, Russia and Iran itself, along possibly with the EU, to distance themselves from the dollar as never to date.

Chinese Yuan Oil Trade

In March this year China launched a yuan-based contract for oil futures. Futures are a key component of today's global oil trading. It is the first oil futures contract not in US dollars. Until the new Iran US sanctions, Washington regarded it as little than a nuisance that would take years if ever to gain serious acceptance. Now the US effort to block Iran from dollar sales of its oil might give a huge boost to Shanghai's oil futures, and advance acceptance of what some call a petro-yuan.

China is by far Iran's largest customer for its oil, importing some 650,000 barrels daily of the recent total export by Iran around 2.5 million barrels a day. India is second largest with around 500,000 a day of import. South Korea is third with 313,000 bpd and Turkey fourth at 165,000, according to a recent report by Bloomberg. The likelihood that Iran, which has recently expressed desire to be independent of the dollar, would sell its oil to China in Chinese yuan, is extremely high. If China were to make yuan sales a precondition of continued buying of Iran oil, saving the cost of dollar exchange, it would also significantly increase use of the Chinese renminbi yuan in global trade at expense of the dollar.

Iran is also a key strategic partner in China's Belt Road Initiative, its multi-trillion dollar Eurasian infrastructure project. Following the latest US sanctions, on reports that France's Total oil major may be forced to sell its major share in Iran's huge South Pars natural gas field, a Chinese state energy industry source stated that China's giant CNPC oil group is prepared to take over the French share. Currently Total holds 50.1% and CNPC 30% with Iran's state oil company 19.9%. Trump's National Security Council head, John Bolton, a long-standing neoconservative warhawk who has earlier advocated going to war against Iran, has stated that EU firms would face US sanctions if they continued to work with the Iranian government.

Further indication of growing China-Iran economic ties, on May 10, China launched a direct overland rail service connecting its Inner Mongolia from Bayannur some 8,000 kilometers across Kazakhstan and Turkmenistan to Teheran. Freight travel time is estimated at 14 days, some 20 days less than ocean freight time.

Russia Moves

A second significant business partner for Iran, Russia, though plagued itself by US sanctions, has engaged in numerous business agreements in Iran following the 2014 Iran Nuclear Agreement and lifting of sanctions. Russia's Putin has explicitly declared Russia's desire to become independent of the US dollar for security reasons related to sanction vulnerability. In that regard, bilateral Russia-Iran trade has been on a barter non-dollar basis for many products since November 2017.

Further, Iran's **Foreign Minister Mohammad Javad Zarif** was in Moscow on May 14 to discuss with Russia's Lavrov the future of the Russian nuclear power project agreement and both sides pledged to continue economic cooperation. Several Russian oil companies are already engaged in Iran projects.

Trade between Russia and China is also moving out of the dollar, even prior to the latest foolish US rejection of the Iran agreement. Currently China is Russia's largest trade partner with 17% share, double that between Russia and Germany, number two. Further reduction in Dollar trade between the two is likely to increase. At the April 25 meeting in Shanghai of the Valdai Discussion Club, **Zhou Liqun**, chairman of the Union of Chinese Entrepreneurs in Russia declared that the two Eurasian countries should increasingly get away from the dollar in their bilateral trade. He stated,

“The leaders of the two countries should think over improving relations, especially in financial cooperation. Why make payments with foreign currency? Why dollar? Why euro? They can be made directly in the yuan and the ruble,” he told a Russian state TV.

Even before latest Russian and Iran sanctions from Washington Russia and China have been carefully moving out of the dollar in their bilateral trade. Russia in late 2016 established an oil futures contract traded on the St. Petersburg Exchange (SPBEX) using its ruble to price Russian Urals oil futures paralleling the Shanghai petro-yuan futures.

This year bilateral Sino-Russia trade is estimated to reach US \$100 billion, after increasing some 31% in 2017. The banks and companies of the two leading Eurasian countries are carefully laying the foundations to be independent of the dollar and, thereby, of vulnerability to dollar sanctions, the diabolical advantage of Washington having the world reserve currency.

In 2017 already nine percent of Russia goods to China were made in rubles; Russian companies paid 15 percent of Chinese imports in the renminbi. Those direct ruble and renminbi payments bypass risks of dollar or Euro currencies where NATO sanctions are increasingly a factor. Further insulating the two Eurasian countries from US financial warfare and sanctions, those payments can be made independent of the EU's SWIFT interbank payments system by using the established China International Payments System (CIPS). Already over 170 Russian banks and brokers across Russia are trading yuan at the Moscow Exchange where China's large state banks such as the Bank of China, ICBC, China Construction Bank and Agricultural Bank of China are represented. The ruble-yuan exchange rate is calculated without the participation of the US dollar.

Will EU Follow?

In recent days there has also been reports that the European Union is looking into possibilities of trading Iran oil in euros rather than the dollar as they have to date. They have condemned the Trump unilateral break with the Iran nuclear agreement and are looking for ways to preserve trade in Iranian oil as well as major aircraft and other technology contracts threatened by the US. EU foreign policy head, **Federica Mogherini**, told press that the foreign ministers of the UK, France, Germany, and Iran will work on practical solutions in response to Washington's move in the next few weeks. They reportedly plan to expand economic ties with Iran, including in the area of oil and gas supplies.

Were the EU to make such a move it would rock the foundations of the dollar system and with it, the US power projection. While it is unlikely at present, each move by Washington to damage EU economic interests as have manifestly taken place since 2014 in the Russian sanctions demanded by Washington, the prospects of a major tectonic shift in geopolitical

alliances away from the Atlantic become more thinkable.

The role of the US dollar as leading world reserve currency is the cornerstone of Washington power along with its military power. Were that to undergo major diminution, it would weaken the ability of the Pentagon to wage wars for continued superpower dominance using other nations' resources. The more the unbridled throwing out of US Treasury sanctions forces nations such as China, Iran Russia and potentially the EU to reduce dollar dependency the weaker the power of Washington to dominate other nations. At the heart of the process as for the past century is the fight for control of oil and the role of the dollar for that control.

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Seeds of Destruction: Hidden Agenda of Genetic Manipulation

Author Name: F. William Engdahl

ISBN Number: 978-0-937147-2-2

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Special Price: \$18.00

This skilfully researched book focuses on how a small socio-political American elite seeks to establish control over the very basis of human survival: the provision of our daily bread. "Control the food and you control the people."

This is no ordinary book about the perils of GMO. Engdahl takes the reader inside the corridors of power, into the backrooms of the science labs, behind closed doors in the corporate boardrooms.

The author cogently reveals a diabolical world of profit-driven political intrigue, government corruption and coercion, where genetic manipulation and the patenting of life forms are used to gain worldwide control over food production. If the book often reads as a crime story, that should come as no surprise. For that is what it is.

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