**IDP CONSULTING GROUP, LLC SPECIAL REPORT**
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# PETRODOLLAR WARFARE AND COLLAPSE OF U.S. DOLLAR IMPERIALISM IN THE 21ST CENTURY

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***"If a nation expects to be ignorant and free…it expects what never was and never will be"* – Thomas Jefferson**

The term "petrodollar" is a macroeconomic term that is little understood and even less discussed in the major news media today. Exactly how a petrodollar exchange system has helped maintain the US dollar as the world's reserve currency is a general theme in my book and will be the focus of this updated special report (2014). As William Clark suggests in his book *Petrodollar Warfare*, the ongoing "war on terror" has been exploited by the neocons in an effort to establish a US military presence in the Persian Gulf and also "dissuade" other nations from switching their crude oil contracts into an emerging euro currency. In what is now being called the first oil currency war of the 21st century, the Iraqi War in 2003 was more about protecting US dollar imperialism and preventing a "petroeuro exchange system" than the alleged threat of WMDs or terrorist links to Osama bin Laden and his al-Qaeda network. As William Clark is careful to point out, Saddam Hussein had begun to price Iraqi oil contracts in euros starting in November of 2000, and the US government was determined to put a stop to this crude/euro currency peg, which they successfully did back in the summer of 2003. As Clark mentions:

> Not surprisingly, the US corporate media has not run a single news story on the reconversion of Iraq's oil exports from petroeuros to petrodollars….*This hidden fact [has] helped illuminate one of the crucial, yet over-looked macroeconomic rationales for the 2003 Iraqi War*. Another goal of the neoconservatives was to use the "war on terror" as the publicly expressed premise in an attempt to dissolve OPEC's decision-making process, *thus ultimately frustrating the cartel's inevitable switch to pricing oil in euros* (emphasis added).[1]

As indicated here, the threat of a "petroeuro" pricing structure among OPEC members is noteworthy and will be addressed in a later section. The fact that only the foreign press carried this "reconversion" from petroeuros to petrodollars is both revealing and disconcerting. Since 1980 the US media industry has been deregulated and now consists of five corporate conglomerates which control about 90% of the information flow in America. There is NBC (General Electric), ABC (Disney Co.), CBS (Viacom), FOX (News Corp.), and CNN (AOL Time Warner). Is it possible that all five major networks could have missed the geostrategic importance of invoicing Iraq's vast oil reserves *back* into US dollars in 2003? Or was former CIA Director William Colby right when he commented that "the CIA owns everyone of any significance in the major media?"

In this special intelligence report we will examine the hidden forces and facts behind the conflict in Iraq and how the politics of oil is impacting the future of our nation. As Daniel Yergin notes in his monumental 900-page book *The Prize*, the history and quest for oil "concerns itself with the powerful, impersonal forces of economics and technology and with the strategies and cunning of businessmen and politicians."[2] Concerning the latter, there can be little doubt that America's corporate-military-industrial-petroleum executives and their political operatives have benefited greatly from the lucrative petrodollar exchange system that has influenced our

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[1]William R. Clark, *Petrodollar Warfare: Oil, Iraq and the Future of the Dollar* (Canada: New Society Pub., 2005) p. 122.
[2] Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power* (New York, NY: The Free Press, 1991, 1992), p. 15.

fiscal and foreign policy since 1974. What is currently at stake is the literal survival of US dollar hegemony in world markets and the majority of Americans still have no idea that an epic currency war is currently being waged around the world. As Thomas Jefferson once warned we cannot expect to remain ignorant about macroeconomic and geopolitical trends of this magnitude and expect to preserve our basic liberties and way of life. “While the economic advantages accruing to American elites from US dollar hegemony have been mostly hidden from view,” remarks Richard Heinberg, author of *The Party's Over: Oil, War and the Fate of Industrial Societies*, “the impending end of dollar supremacy will affect everyone in obvious, painful ways.”[3]

I want to stress that what you are about to read is true and *very serious*. We now know that our political leaders and the corporate media have lied and obfuscated about the real reasons for our involvement in the Middle East since the Bush years of 2000-2008. They have appealed to our sense of patriotism and the need to protect our “freedoms” and “national security,” but this has proven to be a deceptive cover. The real threat to our national security is the stability of our monetary system. Our ideological enemies know that we are *vulnerable* on this point and they intend to do us financial harm. This is the truth that you need to know and how it will affect you and your loved ones. As George Orwell once said, “In an age of universal deceit, telling the truth is a revolutionary act.” I urge you to familiarize yourself with this important topic and share this with others. You are free to copy and distribute this special report or you can contact me for additional copies at www.idpconsultinggroup.com. I also encourage you to consider some contingency planning which I have included at the end of this report.

## Defining the Petrodollar Exchange System

So what is the petrodollar exchange system? This is basically a complicated monetary arrangement that was developed in the early 1970s to effectively recycle our trade deficits back into US capital markets and major banks. For reasons that I will discuss in the next section, the US dollar was established as the world's reserve currency following WWII with a nominal guarantee that foreigners could exchange these dollars for gold specie. By 1970 the US had reached bell-shaped peak oil production and began importing oil from OPEC.[4] In addition to exporting dollars for oil we also had mounting trade deficits due to the Vietnam War and an expansionist Welfare State that was contributing to our escalating national debt being monetized by the Federal Reserve. By 1971 foreigners began to bring pressure upon the US to exchange their huge US currency reserves for gold at the Federal Reserve Bank of New York (our *defacto* central bank). In August of that same year President Nixon suspended gold payment on these foreign accounts and created a truly fiat currency on global markets. This had the net effect of contributing to a steady loose fiscal policy in the US, and every financial chart that documents our nation's annual budget and trade account deficits can be traced back to this general period.

Although the US has managed to maintain the US dollar as the unofficial reserve currency for world trade our US dollar imperialism has created an excessive amount of US currency held in offshore banks. These large exchange reserves are formally known as “eurodollars” and represent US dollars that are held in foreign banks, or foreign branches of US banks. This term is not to be confused with the EU “euro currency unit” now being used within the EU and the Eurozone. This term first originated in the London financial district in the postwar period to represent US dollar deposits not converted to local currency units throughout Europe which were being used to purchase oil in the US and repay US loans, thus avoiding a double currency conversion and not pushing up their local currencies. Today, eurodollars refer to *all* US dollar deposits held by foreign banks or central banks in order to service dollar-denominated debt to US banks, help sustain the exchange value of their own currencies and purchase commodities on world markets – particularly crude oil in the Middle East.

By 1973 the CIA and US monetary authorities were getting concerned about the “one-way flow” of eurodollars being held by offshore banks to purchase crude oil from the OPEC cartel. Since the US dollar was used as a worldwide currency OPEC members preferred to invoice their crude oil contracts in dollars as a practical exigency. This economic distortion, however, was causing enormous exchange currency reserves to accumulate in member bank accounts. These currency reserves came to be known as “petrodollars,” a term that was coined by economics professor Ibrahim Oweiss at Georgetown University. In October of 1973 the world experienced its

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[3]Richard Heinberg, *The Party's Over*, from online press release commentary contained on www.petrodollarwarfare.com
[4]In 1956 Shell oil geophysicist Marion K. Hubbert predicted our peak by 1970, now known as the Hubbert Peak Theory.

first "oil price shock" when war broke out between Israel and Arab states. The Yom Kippur War lasted 20 days and resulted in a 70% increase in the price of crude oil from $2.90 to $5.12 a barrel. Because of US support for Israel OPEC members imposed an oil embargo upon the US and further raised crude oil to $11.65 a barrel by December 1973, *a full 400% increase!* According to analysts this period netted the single largest profit margin for oil refineries in US history and there is considerable evidence to suggest that this conflict and outcome was not only *anticipated* but actually planned. We now know that the annual Bilderberg meeting held from May 11-13, 1973 in Saltsjobaden, Switzerland was hosted by Henry Kissinger and attended by select politicians, oil executives and bankers from the US and London financial districts. According to official documents obtained, "the balance of payments of [oil] consuming countries" was a major concern because "the financial resources of the oil producing countries could completely disorganize and undermine the world monetary system."[5] It was proposed at this clandestine meeting that a way should be devised to "recycle" petrodollars back into capital and financial markets in the US to help support the US dollar.

Following the OPEC oil embargo in March 1974, US Treasury Secretary William E. Simon, along with Assistant Secretary Jack F. Bennett, signed a secret accord in Riyadh with the royal Saudi Arabian Monetary Authority (SAMA) to lay the framework for a new petrodollar exchange system. Bennett had been partly responsible for Nixon's earlier decision to "close the gold window" and would later become a director of Exxon. On June 8, 1974 the US-Saudi Arabian Joint Commission on Economic Cooperation was established by US Secretary of State Henry Kissinger in cooperation with the US Treasury and the New York Fed (Congress was never informed about this). The creation of this commission was to promote "industrialization" in the Saudi kingdom, but "the real reason for its creation was to cement long-term ties between the two countries and to ensure that Saudi Arabia would spend its newfound wealth in the United States," notes Steven Emerson in his book *The American House of Saud: The Secret Petrodollar Connection*.[6] The official mandate from this commission cited the need for "cooperation in the field of finance" and the further need "to establish a new relationship through the Federal Reserve Bank of New York." In summary, Saudi Arabia agreed to accept *only* US dollars for crude oil on commodity exchanges and then use a portion of these petrodollars to purchase US Treasury securities through the NY Fed. In exchange for this cooperation the US agreed to provide military protection and secret arms sales along with *massive* economic development in the kingdom.

An interesting provision of this agreement was the fact that the Saudi government insisted that the US suppress any disclosure of their investments in America. To accommodate the royal family, US Treasury Secretary Simon created the Office of Saudi Arabian Affairs within the Treasury Department – the only such office ever created for any foreign country. By February 1975 the entire exchange system was agreed upon by both parties and the Saudi king had even convinced all member states of OPEC to invoice all of their crude oil contracts in a strict dollar peg instead of higher yielding currencies like the German mark and Japanese yen. To assure that things worked smoothly a young Wall Street investment banker from the London-based Eurobond firm of White, Weld & Co. had been chosen to oversee this profitable recycling enterprise. David Mulford "was sent to Saudi Arabia to become the principal 'investment advisor' to SAMA," writes energy consultant Bill Engdahl, "he was to guide the Saudi petrodollar investments to the correct banks, naturally in London and New York. The Bilderberg scheme was operating just as planned."[7] (Mulford held this post until 1983).

So how profitable was this recycling enterprise you ask? Beginning in 1974 the Saudis sank billions into the US bond market and fully 70% of all OPEC revenues were invested abroad in stocks, bonds, real estate and other capital markets. Approximately $35 billion was deposited in prime New York and London banks with ties to the Arabian American Oil Company (Aramco) which was then fully owned and operated by Exxon, Mobile, Chevron and Texaco. These banks included David Rockefeller's Chase Manhattan, Morgan Stanley, Citibank, Bank of America, Manufacturers Hanover and Lloyds of London, Barclays and Midland Bank (now a wholly owned subsidiary of HSBC Holdings). It is generally understood that the Group of Six (G-6) nations were formed in 1975 to help support this new petrodollar exchange system. These six nations included the US, Britain, Japan,

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[5] William Engdahl, *A Century of War: Anglo-American Oil Politics and the New World Order* (London: The Pluto Press, 1992, 2004), p. 132. For a full disclosure of the 'Bilderbergers' consult *America's Financial Reckoning Day*, pp. 132-139.
[6] Steven Emerson, *The American House of Saud: The Secret Petrodollar Connection* (NY: Franklin Watts, 1985), p. 46.
[7] Engdahl, *A Century of War,* p. 137. Mulford is now US Ambassador to India to help direct cash to the "correct" banks.

Germany, France and Italy (this was later enlarged to the G-7 to include Canada in 1976 and now the G-8 in 1998 to include Russia). Within months these huge oil profits to multinational banks had become so obvious that Congress formed the Senate Subcommittee on Multinational Corporations chaired by Senator Frank Church (D-ID). On April 17, 1975 this subcommittee sent a detailed questionnaire to more than thirty banks in the US to determine if their concentration of petrodollar revenues was putting "undue pressure" on American foreign policy. As Steven Emerson reports "…the banks for proprietary reasons and because they were fearful of antagonizing their Arab customers, refused to comply." I think it is safe to say that the participants in this secret petrodollar connection wished to keep their relationships private and this kind of subterfuge is what they call "realpolitik" in the political sciences (or good old-fashioned greed).

Some have also referred to this US-Saudi connection as a kind of syndicate or protection/extortion racket. In other words, there is a *contract* between the US and Saudi Arabia in which the royal family (and other royals within OPEC) subsidize the US dollar and prop up the New York-London banking nexus which enables the Arabian sheiks and emirs to exploit their national treasuries in exchange for military protection, arms sales, economic development and untold luxuries for their personal pleasure (the largest yacht in the world, the al-Salamah, is owned by the royal family and has eight decks and 82 rooms). As statistical analyst and economist Jim Willey states, "The US government runs the largest protection and extortion racket in modern history, perhaps ever." In addition to the US pledge to patrol the Persian Gulf and protect the Saudi royal family the US defense industry has also enjoyed considerable profits. "With the money it earns from oil sales," recounts ex-CIA officer Bob Baer in his book *Sleeping With the Devil*, "the Saudi royal family purchases arms from us to protect itself from within and without, but mostly from within [a veiled reference to the Muslim Brotherhood]."[8] From 1973 to 1978 the Saudi defense budget grew from $2.8 billion to $10.3 billion and today this figure is close to $60 billion (7th largest in the world). Saudi billions serve as a conduit for US defense contractors which rank in this order: Lockheed-Martin, Boeing, Northrup-Grumman, Raytheon, General Dynamics, L-3 Communications and Halliburton. These corporate contracts (along with all trade in the kingdom) are underwritten by the Export-Import Bank to protect against default, but this is hardly a problem since the petrodollar exchange system is constantly recycling oil-backed petrodollars. William Clark explains how this works:

> For the past 30 years the US Federal Reserve has printed hundreds of billions of oil-backed petrodollars, which US consumers provide to other nations by purchasing imported goods. Then those nations use these dollars to purchase oil/energy from OPEC producers. These billions of surplus petrodollars are recycled from OPEC and invested back into the US via Treasury bills or other dollar-denominated assets, such as US stocks, bonds, and real estate.[9]

It is very important to note that our US trade deficit (sending dollars offshore) is sustaining this system. In his book *Super Imperialism* Michael Hudson marvels at the "perverse genius" of this Bilderberg scheme to recycle US paper debt and concludes that our perpetual account deficit is actually not a problem but a "solution" to the creation of dollar debt since 1971. But can this be sustained? Most certainly not. Our trading partners are holding and recycling our dollars out of fear – fear that a dollar collapse will affect their own export markets. This is also why foreign direct investment (FDI) in America is in the *trillions*. Additionally, our capital markets are also inflated through petrodollar recycling and this can be demonstrated with the DJIA Stock Index. In 1971 the Dow was at 1,003.16 and the most recent record high was on December 30, 2013 at 16,504. Monetary inflation by the Fed through successive QE operations has obviously contributed to this figure since 2009, but so has debt recycling. In fact, as fuel prices go up at the pump we might also expect to see the stock market achieve new "record" highs. In recent years the Chinese have also been recycling US trade deficits and this kind of dollar repatriation has caused economic distortions, asset bubbles and malinvestment in the US economy.

The largest corporate beneficiary of the petrodollar exchange system has been the multinational banking industry in New York and London, and this was by design. I have already mentioned the large sums that Saudi Arabia and OPEC members have deposited in the US and UK banks. This figure is now in the *trillions* with the Saudi royal family accounting for more than a trillion in US banks alone. Following the first oil price shock of the early 1970s, and the permanent increase in crude oil prices, Third World nations were struggling to meet their

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[8] Bob Baer, *Sleeping With the Devil: How Washington Sold Our Soul for Saudi Crude* (NY: Crown Pub., 2003), p. 151.
[9] William R. Clark, *Petrodollar Warfare*, p. 120. I develop this recycling theme in more detail in chapter four of my book.

domestic energy needs. Sensing an opportunity, multinational banks, with large petrodollar deposits, were structuring loans to desperate nations that needed eurodollars (unconverted US dollars) to purchase crude oil contracts on the New York Mercantile Exchange (NYMEX) and the Intercontinental Exchange Group (ICE). Manufacturers Hanover Trust was the first New York bank to pioneer these eurodollar loans using the London Inter-Bank Offered Rate (LIBOR), which is a floating interest rate that can rise and fall. These rates, with a small premium added, were more attractive to developing nations than the conditions required by the International Monetary Fund (IMF). Throughout the 1970s these rates remained constant but the decision by the Fed to raise interest rates in late 1979 caused the London eurobond/dollar market to rise from 7% to 20%. These usurious interest rates led to the Third World debt crisis in the 1980s with Mexico, Argentina and Brazil hardest hit. According to the World Bank between 1980 and 1986 a total of 109 debtor nations owed the New York and London banks the staggering sum of $882 billion dollars! Prime lenders like Hanover, Citicorp, Chase, Morgan, Lloyds and others were all paying huge dividends to stockholders. As Bill Engdahl observed, "They had the full weight of the US government and the IMF to police their debt collection. What could be more secure?"[10] This is very similar to how the Export-Import bank works with loans secured by taxpayers (www.exim.gov).

Needless to say, Fortune 500 companies have also benefited by US dollar imperialism in the postwar period and the need to recycle petrodollars. Not only must nations acquire vast eurodollar reserves through trade or borrowing, the IMF *only* accepts US dollars for debt repayment. Obviously, US firms have a favored position in foreign contract awards and some have accused the IMF and World Bank for serving as "fronts' for securing these contracts – particularly in oil exporting countries. In his book *The Secret History of the American Empire* John Perkins documents how US multinationals capitalize on this special status. Emerson refers to the "petro-class corporations" with their interlocking board directorates within the corporate-military-industrial-petroleum complex. These are firms like GE, Bechtel, Hughes, Dresser, Halliburton, KBR, Dow, DuPont, Bendix, Ingersoll-Rand, GM, Westinghouse, Caterpillar, Cummins and John Deere. Bechtel Group is the 9th largest corporation in the US with 40,000 employees working on engineering projects in 50 countries. Bechtel's first contract in Saudi Arabia was building the 1,000-mile Trans Arabian Pipeline in 1947. Bechtel Group has had enduring connections within the Saudi kingdom and the US government. "In the opinion of some long time observers," writes Emerson, "close links between the CIA, State Department, and Bechtel officers in the 1950s and 1960s made the company a *de facto* arm of the American government in the Middle East."[11] In 1974 Bechtel landed the $3.4 billion project to build the King Khalid International Airport in Riyadh and also the $40 billion Jabail refinery compound in 1975. It was during this period that George P. Shultz served US Secretary of the Treasury and then later became the president of Bechtel Group from 1974 to 1982.

Of course the Big Oil companies have all profited handsomely along side their sultans, kings and princes in the Middle East. This relationship has not always been *amicable* and a brief review of this history is worth our consideration. Following WWI, Anglo-American oil companies drew up territories in the Middle East and effectively created an oil-pricing cartel between 1927 and 1932. In 1908, the Anglo-Persian/Iranian Oil Co. struck oil in Iran (now BP). In 1927, oil was discovered by Royal Dutch Shell in Iraq and Gulf Oil struck oil in Bahrain in 1932. In 1936, exploration by US firms began in Saudi Arabia and oil crews hit their first gusher in 1938, which proved to be *150 times* more productive than US wells! Within the next several years almost 1,000 wells would be drilled in Saudi Arabia's 14 oil fields. By 1943 the US partnership with the Saudi kingdom had become so strategic during WWII that President Franklin D. Roosevelt affirmed, "the defense of Saudi Arabia is vital to the defense of the United States." Needless to say, this strategic "partnership" has deepen ever since and the Saudi royal family (numbering almost 30,000) is not particularly loved by their Muslims brothers.

As noted earlier the principal US oil companies involved with the Arabian American Oil Company were Exxon, Mobile, Chevron and Texaco. By 1950 these four oil companies, joined by Gulf Oil, represented "Big Oil"

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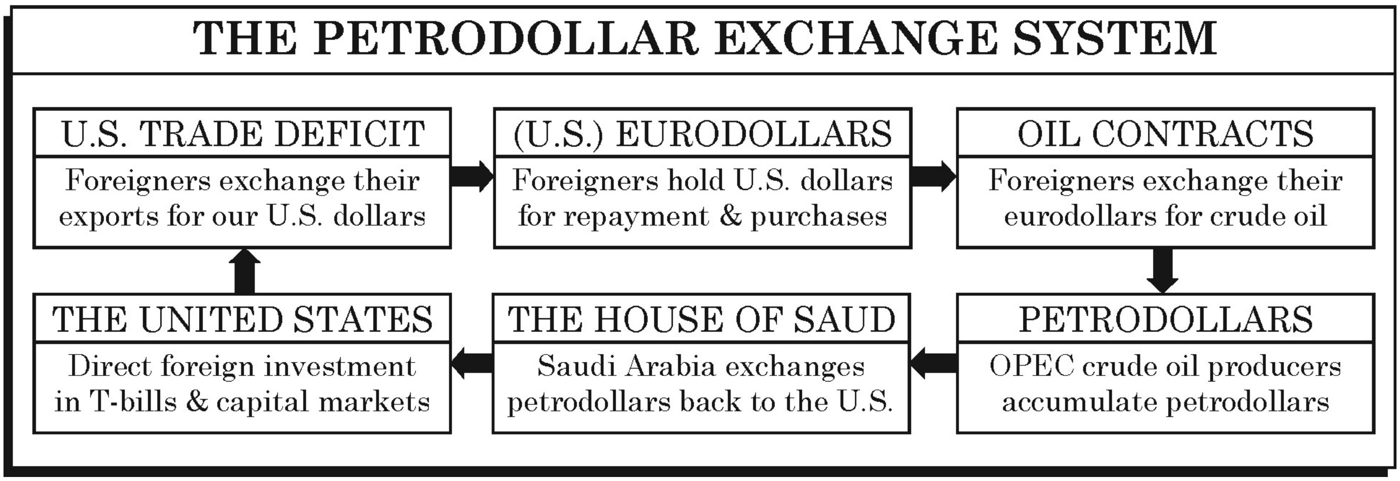
[10] Engdahl, *A Century of War,* p. 195. The Washington Consensus adopted in 1989 has institutionalized this exploitation.

[11] Emerson, *The American House of Saud,* p. 49. George P. Schultz was US Treasury Secretary from 1972-1974 and it is noteworthy that prior to this he was director of the OMB and instrumental in Nixon's decision to undo the Bretton Woods agreement and float the US dollar in 1971. He also attended the Bilderberg meeting in May 1973, which led to the secret accord in Riyadh with SAMA to create the petrodollar exchange system. He was US Secretary of State from 1982-1989 and has served as senior neocon advisor to Bush and chairs the Int. Advisory Council at JP Morgan Chase in New York.

in the US. Along with Royal Dutch Shell and British Petroleum (BP changed its name from Anglo-Iranian Oil Company in 1954) this petroleum conglomerate came to be known as the “Seven Oil Sisters.” As Bill Engdahl relates, “By the 1950s, the position of the Anglo-American oil companies appeared unassailable. They controlled incredibly cheap Middle Eastern supplies and captive markets in Europe, Asia, Latin America and North America.”[12] Today this Anglo-American conglomerate has been merged into five major oil companies and they are ranked in this order according to www.platts.com: Royal Dutch Shell, BP Amoco-Arco (1998, 2000), ExxonMobile (1999), ConocoPhillips (1997), and Chevron Corp. (Gulf, 1984; Texaco, 2001; Unocal, 2005). Together, these oil sisters have caused a considerable amount of tension in the Middle East that I will share in the next section. ExxonMobile is the third largest privately held company in the world (behind BP and Wal-Mart). In 2013 they had revenues of $472 billion (or $85,000 *per minute*). Saudi Aramco is the largest state-owned company in the world and they account for the majority of OPEC’s annual revenues. How all of these crude oil revenues are recycled on world markets can best be illustrated in the following chart:




The US trade deficit in 2013 was $470 billion. Over one third of this amount, or $188 billion, was for crude oil. The US imports 40% of its oil needs from Canada, Mexico and OPEC nations, or nearly 6.5 million barrels per day. This amount is equivalent to 250 million gallons of gasoline (or lined up in one-gallon cans they would circle the equator *2 times*, or 49,000 miles). The balance of our trade deficit is mainly with China, Japan and Germany and other G-7 nations. Because the dollar serves as the exchange reserve currency for global trade, approximately 70% of our broad money supply (M3) is held offshore. As indicated earlier, these eurodollars represent all US dollar deposits in foreign banks and central banks for debt repayment and trade settlement. Because crude oil is traded mostly in US dollars foreign nations are literally *forced* to pursue aggressive trade with the US in order to maintain large dollar reserves. In this way the US has the unique privilege of merely printing money for goods and services and can even subsidize its own energy needs. Economists refer to this as a form of “*seigniorage*”[13] and the entire global trade dynamic is built around this pecuniary model. For this reason many have observed that our number one US export product is *the US dollar itself!* Foreign nations are also obligated to support the US bond market in order to maintain liquid dollar-denominated assets. In more recent days this is becoming quite strained as the US is forced to purchase our own bonds through the QE program.

In order to purchase crude oil contracts with oil exporting countries, all of the nations of the world must currently go through the US-based NYMEX and the Atlanta-based ICE (since 2008). And it should come as no surprise that these American exchanges require a strict dollar peg. Perhaps more revealing is the fact that both of these exchanges are owned by Goldman Sachs (the primary bond dealer in the US Treasury securities market), Morgan Stanley, and BP Amoco-Arco, and both exchanges are operated by the Atlanta-based Intercontinental Exchange, Inc. (an electronic 24/7 trading platform for futures and OTC energy contracts – NYSE:ICE). It is here

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[12] Engdahl, *A Century of War*, p. 89. DuPont sold Conoco in 1997 and merged with Phillips 66, named after US Route 66.

[13] Seigniorage is a medieval term that refers to the privilege of feudal lords to mint new coinage in their realm and declare it as money. In this “inflationary” scheme the sovereigns could purchase new goods but all existing coinage was devalued.

that buyers (oil importers) and sellers (oil exporters) enter into multi-million dollar deals. A standard over-the-counter (OTC) contract consists of 1,000 barrels of crude, which equals 42,000 US gallons or 19,000 gallons of refined gasoline (the US has 150 of the world's 700 oil refineries). On these commodity exchanges buyers and sellers negotiate term, spot market, forward, futures and swap agreements based on prevailing crude oil prices determined by the world's three major oil markers, or oil bourses (French term for purse). There is the West Texas Intermediate Crude (US sector), North Sea Brent Crude (EU sector), and the UAE Dubai Crude (Asian sector). In late 2007, the Dubai Mercantile Exchange (DME) was officially launched as a trading platform. DME clearing members include Goldman Sachs, Morgan Stanley, CitiGroup, JP Morgan, UBS, Barclays, HSBC and others (www.dubaimerc.com). This represents the first commodity exchange located in the Middle East. In addition, the Shangai Futures Exchange (www.shfe.com.cn) was launched in 2010 for broad commodity transactions and its members are all located in China. In late 2013 the SHFE added a new category to include trade with other countries in their official currency of the yuan for crude oil contracts. This is *a huge development* since China surpassed the US as the largest importer of crude oil in late 2013 with 6.6 million bpd.

As we can see in this flow chart on the left crude oil profits are accumulated by OPEC states which include Algeria, Angola, Equador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. OPEC accounts for 40% of the world's oil production and 88% of oil reserves and their petrodollars are recycled on world markets with a significant amount also being channeled into Islamic front organizations like the Union of Good and the International Islamic Relief Organization (which has links to al-Qaeda). According to ex-CIA agent Bob Baer, Saudi Arabia has been a strong contributor but a majority of their petrodollar fortune has been used to help benefit the US according to our agreement with SAMA, the Saudi central bank formed in 1952. In addition to underwriting US Treasury securities, GSEs, and capital markets the petrodollar connection has also influenced our body politic. "There's hardly a living former assistant secretary of state for the Near East; CIA director; White House staffer; or member of Congress who hasn't ended up on the Saudi payroll in one way or another, or so it seems," writes Baer.[14] In his documentary book Steven Emerson concluded with his own observation, "The Saudis have discovered that one quintessential American weakness, *the love of money*, and the petrodollar connection has become diffused throughout the United States."[15]

The petrodollar exchange monopoly is causing a structural imbalance for the US economy and world financial system. This macroeconomic model can only be sustained if the dollar remains as the world's premier currency, and international crude oil markers remain denominated in dollars. There is considerable evidence mounting, however, that a petroeuro exchange system is not only emerging but even desirable as the Eurozone commands a larger role in world trade. William Clark has repeatedly warned that this is America's "Achilles' Heel" and it could have broadside geopolitical implications in the near future.

## Postwar Dollar Imperialism and Middle-Near East Foreign Policy

US dollar imperialism has its historical roots in the post-World War II era. In July of 1944 a group of Establishment insiders, politicians and financiers attended a global conference held at the Mt. Washington Hotel in Bretton Woods, New Hampshire. Officially known as the UN Monetary and Financial Conference, this gathering was hosted by John Maynard Keynes who argued that major currencies be pegged to the US dollar and the IMF be established to maintain fixed exchange rates. In this scheme the US dollar effectively replaced the British pound sterling as the world's premier currency. As economist Murray Rothbard remarks:

> Just as the United States was to use World War II to replace British imperialism with its own far-flung empire, so in the monetary sphere, the United States was now to move in and take over, with the pound no less subordinate than all the other major currencies. It was truly a triumphant "dollar imperialism" to parallel the imperial American thrust in the political sphere.[16]

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[14] Baer, *Sleeping With the Devil*, p. 167. With so much Saudi money, Baer refers to SAMA as our "lender of last resort".
[15] Emerson, *The American House of Saud*, p. 413. "For the love of money is a root of all sorts of evil…" (1 Tim. 6:10).
[16] Murray Rothbard, *A History of Money and Banking in the U.S.* (Auburn, AL: Ludwig von Mises Inst., 2002), p. 476.

The US was triumphant in the monetary sphere because the New York Fed had accumulated tons of gold from foreigners as payment for war debts and the US had the strongest economy. For this reason the Bretton Woods agreement established the US dollar standard with the guarantee that foreigners could redeem dollars at the official rate of $35 per ounce. At this conference the International Bank for Reconstruction and Development (World Bank) was also created and worked with the European Recovery Program (ERP), better known as the Marshall Plan. During this recovery period US banks invested heavily in Europe and eurodollars began to accrue (as I mentioned earlier). In the 1960s, LBJ's warfare/welfare policies contributed to this large pool of eurodollars abroad, and by 1970 it was estimated that our trade liabilities totaled $36 billion against $18 billion in gold reserves. It is precisely at this time that foreigners started liquidating dollars for gold payment and by August 15, 1971 President Nixon took the advice of his key advisors and *decoupled* the dollar from the IMF gold exchange standard and created a floating exchange rate for currencies. By December a meeting was held at the Smithsonian Institute in Washington, DC and the industrial nations agreed to exchange their currencies within a narrow band, but the Smithsonian agreement was met with overall disappointment.

Historians have noted that the "fatal flaw" of the Bretton Woods agreement was the fact that currencies were fixed to the dollar, which was supposed to serve as a gold standard, and not to gold itself. Instead of nations being able to calibrate their long-term economic affairs by a secure standard the world's financial system was sent adrift, and few people realize the significance of this historical period. But Dr. Krassimir Petrov, Professor of Macroeconomics, International Finance, and Econometrics at the American University in Bulgaria was correct when he stated that the US has been technically bankrupt since 1971, *and we have been on borrowed time ever since*. As the late Milton Friedman liked to put it – all fiat currencies must eventually fail. The Smithsonian agreement merely bought some time. "The August 1971 demonetization of the dollar was used by the London-New York financial establishment to buy precious time," says Bill Engdahl, "while policy insiders prepared a bold new monetarist design, a 'paradigm shift' as some preferred to term it."[17] And what was this bold new monetarist design? As we have just reviewed, it was the petrodollar exchange system established 30 years after the 1944 Bretton Woods meeting. And it is this "paradigm shift" that is currently propping up the US dollar, banking system and Fed operations today – and very few understand its implications says Jim Willie:

> The petrodollar basis for banking is not well understood nor publicized. That is because its vulnerability is so huge, and US institutions take it for granted. Foreign nations discuss the concept, while US circles do not. If the petrodollar prop were to be removed, entire national banking systems like the Japanese or Chinese or German would shift [out of US assets], which would come as a delivered shock wave to the US Treasury bond complex.[18]

The "fatal flaw" in the petrodollar exchange system is the fact that our US monetary system depends on foreign nations accepting dollars to exchange with cooperative OPEC nations who in turn support the US economy. In 1974 the gold exchange standard for the dollar was replaced with the petrodollar standard. Or as some have said the dollar is no longer backed by gold, instead it is backed with *black gold* – crude oil. An essential component of the Bilderberg scheme was to assure that crude oil contracts must always be invoiced in US dollars within the OPEC pricing structure. Over the years, the US Treasury, State Department and CIA have closely monitored this compliance. In 1978, Kuwait had to be pressured to drop its currency basket with the mark and yen. In 1979, the Fed raised interest rates to strengthen the dollar as a gesture towards OPEC. Since 2003, the US has employed "shock and awe" in parts of the Middle and Near East to maintain this petrodollar standard and minimize any "shock waves" to the US Treasury bond complex. Libya was a victim in 2011. This kind of foreign policy has become increasingly more tense and belligerent in this part of the world and it reflects an imperialist strategy being implemented by unelected neoconservatives in our nation's capitol. Exactly who these people are and how they are controlling our foreign policy agenda needs to be clearly understood by all Americans.

It is basically understood that the term "neoconservative" is a reference to political moderates/liberals who merely appear as conservatives to the electorate. As Pat Buchanan remarked in his book *Where the Right went Wrong: How Neoconservatives Subverted the Reagan Revolution and Hijacked the Bush Presidency*, neocons are "liberals in sheep's clothing." Neocons can trace their intellectual roots back to journalist/activists Irving Kristol

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[17] Engdahl, *A Century of War*, p. 130. Engdahl notes how London referred to their new eurodollars as "petrocurrency."

[18] Jim Willy, "PetroDollar & Iran & Iraq," http://news.goldseek.com/GoldenJackass/1176997781.php, April 19, 2007.

and Norman Podhoretz in the early 1950s. As fellow Socialists and Trotskyists, they both rejected the hard Left and articulated a more "centrist" position. Irving Kristol is still a senior fellow at the American Enterprise Institute, which dates back to 1943 with generous funding from the Rockefeller Brothers Fund and ExxonMobile (www.aei.org). After serving as chief of staff for William Bennett and Vice President Dan Quayle in the 1980s, William T. Kristol (son of Irving) founded *The Weekly Standard* when his fellow Bilderberg Group member Newt Gingrich won the GOP victory in 1994. *The Weekly Standard* is owned by News Corp. (FOX) with Bill Kristol as editor and Fred W. Barnes as executive editor along with Brit Hume and John Podhoretz (son of Norman) as contributors and others. In 1997, Rupert Murdoch helped Kristol launch the Project for a New American Century (PNAC) with a $10 million dollar grant. Kristol serves as chairman along with co-founder Robert Kagan who is a member of the Council on Foreign Relations (CFR),[19] and former speechwriter for George P. Schultz. Kristol is a regular guest on the Fox News Channel, which was bankrolled by Rupert Murdoch in 1996 after he hired Roger Ailes as his new CEO. Roger Ailes was the former producer of Rush Limbaugh's TV program in 1991, president of CNBC in 1992, and America's Talking program at MSNBC in 1994 (now known as Hardball with Chris Matthews – a former aid to Tip O'Neill). FOX News Channel is a conduit for neocons today.

The Project for a New American Century is the premier think tank for neoconservative thought and foreign policy studies (www.newamericancentury.org). Practically all of its membership and supporters are also members of the CFR (like Irving Kristol and Norman Podohertz) and include Dick and Lynn Cheney, Donald Rumsfeld, Donald Kagan (Robert Kagan's father), Norman Podohertz and his wife Midge Decter and their son-in-law Elliot Abrams, Bill Bennett, Dan Quayle, Steve Forbes, Jeb Bush, Paula Dobriansky, Fred Ikle, Gary J. Schmitt, I. Lewis "Scooter" Libby and Paul D.Wolfowitz. Scooter Libby sat under Professor Wolfowitz at Yale in 1970 and later followed Wolfowitz when he served as Director of Policy Planning at the State Dept.; as under Secretary of State with George Schultz; and as under Secretary of Defense with Defense Secretary Dick Cheney (1989-1993). Paul Wolfowitz is considered to be the architect of the Iraq War in 2003 and earned his PhD at the University of Chicago under political science professor Leo Strauss. Strauss taught that religion was "a pious fraud" and that only the "wise elite" were capable of governing. "There is only one natural right," said Strauss, "the right of the superior to rule over the inferior….The people are told what they need to know and no more." Today, this Straussian philosophy is all-pervasive among the neocon class. Notable supporters of this PNAC doctrine include Colin Powell, James A. Baker III, George Schultz, Henry Kissinger, Paul Bremer, Condoleezza Rice, Zbigniew Brzezinski, Richard Perle, Newt Gingrich, John Bolton, Robert Zoellick, James Woolsey (ex-CIA), Jeane Kirkpatrick, Richard Armitage, Zalmay Khalilzad, Karl Rove, Vin Weber, Frank Gaffney, Michael Novak, Charles Krauthammer, Mort Kondracke, Brent Scowcroft, Lawrence Eagleburger, John McCain and others.

The stated goals of the PNAC is to assert "American global leadership" and promote "a strategic vision of America's role in the world." American leaders "need to accept responsibility for America's unique role in preserving and extending an international order friendly to our security, our prosperity, and our principles" and "challenge regimes hostile to our interests and values." In order to maintain this international order "we need to increase defense spending significantly…and modernize our armed forces for the future."[20] We might want to ask whose *principles, interests and values* we are talking about here?? Certainly not the principles of a "limited government" and a "humble" foreign policy. This idea of unilaterally challenging regimes in a preemptive manner and policing the world with our military to establish a new international order sounds more like the old Roman Empire than a Constitutional Republic. In the 1990s this interventionist foreign policy was carried out in the Gulf War and the Balkans, and mostly in the interest of oil. British and US oil companies were both expressing interest in vast oil reserves believed to lie under the Caspian Sea off Baku near Kazakhstan in central Asia. In his book *The Grand Chessboard*, Zbig Brzezinski noted the geostrategic importance of this region and was joined by Halliburton CEO Dick Cheney who said, "I cannot think of a time when we had a region emerge as suddenly to become as strategically significant as the Caspian." At issue was the Albanian-Macedonian-Bulgarian Oil Pipeline (AMBO) which had financing from the US and BP and needed further development. At this time Serbian (Yugoslav) president Slobodan Milosevic (a former banker) had become an "obstacle" to this progress. Through the influence of Zbig Brzezinski (a paid lobbyist by BP and director of the CFR) and James Baker (former

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[19] *The Shadows of Power: The Council on Foreign Relations and the American Decline* by James Perloff is recommended.
[20] PNAC Statement of Principles signed on June 3, 1997. Http://www.newamericancentury.org/statementofprinciples.htm.

Secretary of State and legal counsel for the Baku interests of BP Amoco-Arco) the US exploited the ethnic strife in the Balkans and started bombing Serbian "civilian" targets in 1999 which led to 200,000 casualties and the removal of Milosevic. In June 1999, the US government funded a feasibility study that was then handled by Dick Cheney's firm. By 2001, the Pentagon finished construction of Camp Bond Steel in Kosovo (one of our largest military bases), and the US had complete control of the Balkans. The oil riches of the Caspian area was the primary reason for the US involvement in the Kosovo War. US Deputy Secretary of State Richard Armitage would later comment that the "bombing dividend" was well worth it.

This kind of hawkish foreign policy is a good example of how the neocons employ military assets to serve "the principles, interests and values" of the corporate-military-industrial-petroleum lobby in order to secure a new international order friendly to the goals of US hegemony. In late 2000, the PNAC issued a major policy study entitled "Rebuilding America's Defense" that recognized that the US is the only superpower in the world and that "America's grand strategy should aim to preserve and extend this advantageous position as far into the future as possible." This 90-page manifesto went on to suggest that America's idealistic youth must be able "to fight and decisively win multiple, simultaneous major-theatre wars" in order to preserve the "American peace."[21] Of course, to accomplish this "military imperialism" the US must increase military spending "significantly" and modernize our armed forces. But how much is enough? In my own research I was literally stunned when I learned that the US has not only *monopolized* 70% of the world's defense industry, we annually spend more on military defense (i.e., offense) than the next 42 nations *combined* (including China, Russia, Japan and the EU). How much is this you ask? The FY2014 Pentagon budget comes in at $830 billion with a projected annual budget deficit of another $744 billion not to mention other contingencies! My friends, this is *way beyond* the legitimate needs for a normal defense budget. The US currently has 800 military bases in 65 countries and it is clear from this 2000 PNAC report that neocon strategists have been plotting for some time on a way to establish the ultimate military force presence in the Persian Gulf. The report states:

> The United States has for decades sought to play a more permanent role in Gulf regional security. While the unresolved conflict with Iraq provides the immediate justification, *the need for a substantial American force presence in the Gulf* transcends the issue of the regime of Saddam Hussein (emphasis added).[22]

Iraq has been a target for occupation ever since the Gulf War in 1991, and this foreign policy agenda became a top priority in the new George Bush, Jr. administration. This report goes on to identify Iraq, Iran and North Korea as special problem areas in the New American Century – long before President Bush singled them out as the "Axis of Evil" in his State of the Union address January 29, 2002. Iraq takes on significance because of its strategic location in the Gulf and, of course, its vast oil reserves. As Paul Wolfowitz would later tell the foreign press in 2003, "The most important difference between North Korea and Iraq is that economically, we just had no choice in Iraq. The country swims on a sea of oil." The unresolved conflict with Iraq was never the issue of harboring WMD or terrorists, but how to conquer the 12th member of OPEC.

In the summer of 1998, George Bush, Sr. started putting together a foreign policy team to help advise his son as he was being groomed for the presidency. Bush, Sr. was introduced to Condoleezza Rice by Brent Scowcroft and was so impressed he made her a principal member of what came to be known as "The Vulcans" (named after a huge Vulcan statue in her hometown of Birmingham). According to James Mann in his book *Rise of the Vulcans: The History of Bush's War Cabinet* key members included Condi Rice, Dick Cheney, Colin Powell, George Schultz, Paul Wolfowitz, Robert Zoellick, Richard Perle and Richard Armitage. This group held its first meeting in 1999 in Texas and continued to instruct Bush, Jr. (who was admittedly weak on the neo-con grand strategy for the 21st century) until the Bush-Cheney ticket won the presidency. Once in the oval office Dick Cheney and James Baker handed out top cabinet positions to Rumsfeld, Powell, Rice and the rest of the Vulcans. The Bush presidency was never "hijacked" by the neocons; it was methodically engineered from the very beginning and carefully packaged as the conservative choice for naïve voters back in 2000.

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[21] Clark, *Petrodollar Warfare*, p. 41. Shocked at this manifesto, Tam Dalvell, a British Labour MP stated the obvious, "This is a blueprint for US world domination – a new world order of their making….[they] want to control the world."

[22] Quoted by Engdahl, *A Century of War*, p. 252. This report was released about the time Iraq started invoicing in the euro.

James Baker's role here is highly significant. In 1993 he founded the Baker Institute on the campus of Rice University (www.bakerinstitute.org). Key advisors include Colin Powell, Madeleine Albright and others from J.P. Morgan and Goldman Sachs. In the late 1990s this think tank formed an energy group to study the future for oil production and included top executives from BP, Shell, Chevron, and even a Kuwaiti oil minister. This energy study became the basis for Cheney's *National Energy Policy* at the newly created National Energy Policy Development Group which he formed in early 2001. This Baker Institute report made some very serious observations that are currently guiding our US foreign policy. Matthew Simmons, a Texas energy specialist who had spent 20 years examining Middle East oil fields, concluded that the world is facing "an immense and potentially catastrophic oil shortage." Known as the "peak oil" phenomenon Simmons informed the Baker think tank that major oil fields throughout the world are all reaching the apex of cheap, affordable oil production – a bell shaped curve that is expected to occur between 2015-2020.[23] Space does not permit to address criticism of the peak oil crisis, and this theorem is not suggesting that we are running out of crude oil. Rather, the focus is on *increasingly expensive oil* and the impact this will have on the global economy. Unlike a traditional financial metric of Return on Investment (ROI) geophysicists refer to Energy Return on Energy Invested (or EROEI). In other words, instead of light sweet crude oil (which is easy to refine) geologists must spend more energy to extract a barrel of oil than the energy provided by the barrel (like tar sands, oil shale, and sour crude). Amazingly, this geopolitical/macroeconomic issue is developing with virtually no public awareness.

In 2001, the London-based Oil Depletion Analysis Centre (ODAC) sent a report to PM Tony Blair who fully grasped the urgency of this coming oil shock. The chief scientist at the ODAC is Colin J. Campbell who has worked with BP, Royal Dutch Shell, ExxonMobil and ChevronTexaco (www.odac-info.org). This report informed PM Blair that the "global oil supply is currently at political risk" in the Middle East, but "the main exception" was Iraq. Needless to say, this study along with the Baker Institute study, which also identified Iraq as an oil target, helps explain "the drive to unilateral military action in Iraq by the Bush administration, despite the enormous risks," says Engdahl. "It could also explain much more about U.S. domestic and foreign policy motives under Bush."[24] Indeed it does. In fact, the elite Baker study noted that 60% of the world's proven oil reserves are in the Middle East and that "Iraq remains a destabilizing influence to…the flow of oil to international markets." The issue of expensive peak oil, and its profound geostrategic importance to the average consumer, never came up in the 2000 election season (as it does not today). But this is why 30,000 American troops have been maimed or killed in Iraq since 2003. In his book *The Price of Loyalty*, US Treasury Secretary Paul O'Neill recounts his first National Security Council meeting with the new Bush administration on January 30, 2001 and writes, "From the start we were building the case against Hussein and looking at how we could take him out and change Iraq into a new country….It was all about finding *a way to do it*. That was the tone of it."[25] As a complete "outsider" Secretary O'Neill was not familiar how 'realpolitik' works in the Washington beltway. In November 2002 O'Neill was fired and later told CBS 60 Minutes (1/11/04) that Dick Cheney was "not an honest broker" and that he led "a praetorian guard" around the White House and blocked any "contrary views." Richard Clarke would later confirm O'Neill's findings in his own book *Against All Enemies.*

So what are we to conclude from this kind of testimony? Fully eight months before the events on 9/11/01 the Bush war cabinet was drawing up plans for a more permanent role in the Gulf and the Anglo-American oil companies were focusing on Iraq's sea of oil. The tragic terrorist attack on lower Manhattan was immediately exploited by the neocons and their think tank theorists to officially launch the "war on terror" and move military troops on the grand geopolitical chessboard. Although there is considerable speculation that 9/11 was an inside job I reserve my opinon. I think the Bush war cabinet simply *allowed* an attack to occur (in much the same way that FDR's war cabinet broke the Japanese cryptographic "purple code" prior to Pearl Harbor). In his tell-all book *At the Center of the Storm* ex-CIA chief George Tenet reveals that his staff received intelligence on July 10, 2001 that al-Qaeda was planning a "spectacular" attack within a matter of "weeks." Tenet says he met with Condi Rice

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[23] Matthew R. Simmons, *Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy* (NY: Wiley, 2005). For more information on this important topic consult the Association for the Study of Peak Oil & Gas at www.peakoil.net

[24] Engdahl, *A Century of War*, p. 248. You are encouraged to also consider the documentary at www.oilcrashmovie.com.

[25] David Suskind, *The Price of Loyalty* (NY: Simon & Schuster, 2004), p. 86. Defense Secretary Rumsfeld warned O'Neill not to write his book and he would later be threatened with prosecution for his comments on www.middleeast.org in 2004.

and she appeared indifferent to the threat. In his further attempts to work with the White House Tenet says he was "hampered" by Cheney's praetorian guard. Evidence would suggest that key insiders knew something was coming. For example, just days prior to 9/11 United and American airline stock was shorted with thousands of put options on the Chicago Board Options Exchange. This was *100 times* the normal volume and netted $22 million in profits. There is additional evidence, but the neocons quickly directed the media's attention to Iraq and Afghanistan as regimes sympathetic to al-Qaeda. The intelligence community was noticeably puzzled since Saudi Arabia and Pakistan had stronger links to Osama bin Laden's terrorist network. But Cheney and his oil partners had other business to attend to. Just one month after 9/11 the US sent troops to Afghanistan to drive out the Taliban clerics. Although hunting for terrorists was the alleged goal we now have learned that the Taliban regime was blocking the construction of the Central Asia Gas pipeline (CentGas) from Turkmenistad (east of the Caspian Sea) through western Afghanistan. Unocal (now part of Chevron) started this project in 1998 and by early 2001 the Taliban refused to be a business partner. After three months of "shock and awe" the neocons installed a new government more friendly to the Bush administration's GOP (Grand Oil Party). Bush's national security advisor for Afghanistan was PNAC member Zalmay Khalilzad who was also a paid consultant for Unocal. Khalilzad recommended fellow Unocal consultant Hamid Karzai to be the new Afhgan president, and as luck would have it, Dick Cheney's old firm Halliburton secured the $2 billion dollar deal to finish the CentGas project. Shades of the Balkan/Caspian strategy just two years earlier.

The "war on terror" is a useful abstraction for the neocons. It means that US military imperialism can be projected anywhere in the world to advance the *Pax Americana* and the financial interests of Big Oil. Soon after Operation Enduring Freedom in Kabul the Vulcans started beating the war drums against Saddam Hussein. In early 2002, Rumsfeld and Deputy Secretary of Defense Paul Wolfowitz created the Orwellian-sounding Office of Special Plans (OSP) located on the 3rd floor of the Pentagon. The OSP was charged with creating a link between Iraq, al-Qaeda and weapons of mass destruction (WMD) and providing this fraudulent intelligence data to the subservient media. William Luti, a deputy for Near East policy, and Abram N. Shulsky, an intelligence expert and Leo Strauss scholar, were chosen to head up this top secret office. Luti had received his PhD under Leo Strauss who deftly argued that "deception and manipulation is the normal process in politics" in order to govern the "vulgar masses."[26] Someone once said that truth is the first casualty in war. Agent Shulsky would agree with this axiom since he stated that "truth is not the goal of intelligence operations, but victory" in his book *Silent Warfare* written with PNAC contributor Gary J. Schmitt. Straussian ideology also stressed that fear and hatred is a powerful uniting principle to lead and control the vulgar masses. The OSP effectively bypassed the CIA and served as a "vertical intelligence conduit" (called stovepiping) to officials in the Bush administration to help direct this kind of fear and hatred toward Iraq and bin Laden. Newly appointed US Ambassador to the UN John R. Bolton and Permanent US-UN Rep. John Negropante faithfully communicated this incendiary message to the world body. And by late 2002, President Bush insisted, "Facing clear evidence of peril, we cannot wait for the final proof…the smoking gun…that could come in the form of a mushroom cloud."

With the stage set, the neocons were ready to close in on the regime of Saddam Hussein with a clear sense of urgency. In a cynical manner, most people know that the War in Iraq had *something* to do with oil despite the obfuscation and official reasons given by the Bush administration back in 2003. But very few people understand terms like eurodollars, petrodollars, petroeuros not to mention the geophysics of "peak oil" or maintaining the dollar as the world's reserve currency. As I mentioned at the beginning of this report, the neocons have exploited this general ignorance (after all, we are just the vulgar masses), but the real *casus belli* for positioning US troops in Iraq was to secure "a substantial American force presence in the Gulf" to assure the flow of oil to international markets – and even *more importantly* it was to stop Saddam Hussein from invoicing his oil contracts in the new euro currency. Is this an overstatement? I scarcely think so, and all we have to do is examine the facts. Following the Gulf War in 1991 economic sanctions had been placed on Iraq and by 1996 the UN allowed Iraq to sell crude oil for food. In early 1999 the EU officially launched the euro as a transactional currency. Anxious to avoid the US "enemy currency" Saddam obtained UN permission to start selling oil for euros and converting $10 billion in the UN Oil for Food program currency reserves into euros, which posed a direct threat to the petrodollar exchange system and US prosperity. As Richard Benson reports:

[26] *The Political Ideas of Leo Strauss* and *Leo Strauss and the Political Right* by Shadia Drury provides insightful analysis.

> In the real world…the one factor underpinning American prosperity is keeping the dollar the world reserve currency. This can only be done if the oil producing states keep oil priced in dollars, and all their currency reserves in dollar assets. If anything put the nail in Saddam Hussein's coffin, it was his move to start selling oil for euros.[27]

On November 6, 2000 the Iraqi government started invoicing all of their oil contracts in euros. It is unclear if EU officials had initially approached Saddam, but arrangements were made that all "petroeuro proceeds" went from a UN account into the French bank BNP Paribas in Paris, the largest bank in the Eurozone. It is a fact that almost 70% of Iraq's oil exports were sold to US oil conglomerates from 2001 to early 2003, or 2.5 billion barrels, and these transactions were paid in euros *not US dollars*. Iraq was the first member of OPEC to ever challenge US dollar imperialism and the Bush war cabinet was left with little choice but to go to war. If left unchecked a petroeuro exchange system could very well lead to the collapse of the dollar. As William Clark points out, "The dollar-euro threat is powerful enough that the US risked domestic and international economic backlash in the short-term to stave off the long-term dollar crash that would result from a collective OPEC switch from dollars to euros."[28] Clark adds that this was the "unspoken component" in neocon strategy to invade Iraq. In early 2000, Iran was also expressing interest in switching to euros but backed off. The Center for Global Energy Studies has noted that "the euro [is] the missing link between the axis of evil." For Saddam, a secular dictator who had no connection to terrorism and loathed religious zealots like Osama bin Laden, the wheels of fate were slowing turning against him. His final "nail" (or rope) would come on December 30, 2006.

On February 5, 2003 the UN body heard Secretary of State Colin Powell deliver his now famous speech that Saddam did in fact have WMD and the US must act *immediately*. In keeping with the PNAC doctrine of creating an international order friendly to US security and prosperity (i.e., the petrodollar exchange system and flow of oil), the US launched Operation Iraqi Freedom on March 20, 2003 without a UN mandate and only a weak "authorization" from Congress instead of a formal declaration on war. Presiding over this massive display of "shock and awe" was VP Dick Cheney who served as Secretary of Defense during the invasion of Panama in 1989 and the first Gulf War in 1991 (along side James Baker as Secretary of State). By April 15, 2003 Anglo-American forces had conquered Baghdad and according to *Jane's Defence Weekly* troop commanders primarily secured the Iraqi Oil Ministry building and pipeline infrastructure while looters sacked the capital city (this was also caught on video). On May 1, 2003 the president landed on the *USS Abraham Lincoln* in a Lockheed S-3 Viking jet and declared "mission accomplished" with a huge banner overhead. The true meaning of this banner was lost on the American people, but on May 22nd the UN lifted sanctions and passed Res. 1483 granting the US/UK Coalition Provisional Authority (CPA) complete control of Iraq's oil revenues – which were promptly switched from euros *back* to dollars. Ah yes, truth is not the goal, but victory. Even though petroeuros had appreciated *almost 30%* against the dollar this action was taken and meekly reported in the London *Financial Times* on June 5, 2003. As noted earlier, the US corporate media never reported on this reconversion.

In May the US appointed Paul Bremer, former managing director for Kissinger & Associates, as head of the Iraqi CPA. Bremer was installed to oversee "America's grand strategy" for the region and coordinate US corporate-military-industrial-petroleum interests. While doing business in Iraq has always been difficult, a 1997 document reveals that "Foreign Suitors for Iraqi Oil Field Contracts" included 30 nations, but conspicuously not a single US or UK oil company was listed. Russia had a 23-year contract to develop the West Qurna oil field, China, Japan, Canada, Germany, Italy and France all had lease agreements with Iraq. The fact that the "Seven Oil Sisters" (technically five) were shut out was part of Saddam's geostrategy and contempt for the New York-London corporate/banking nexus. With the arrival of Kissinger's protégé all of this was about to change. All concessions and lease agreements were torn up and granted to BP, Shell and Chevron (where Condi Rice was a former director). J. P. Morgan Chase took over the Iraqi central bank and the Bank of Baghdad and started issuing loans against Iraqi oil assets. All construction contracts (through the World Bank) were handed to only US and UK firms. Bechtel received a $680 million dollar contract through the US Agency for International Development, a funding agency under the direction of the Secretary of State and the CIA (www.usaid.gov), to rebuild roads, bridges, buildings, ports, and utilities damaged in the occupation. Additional contracts went to Vinnell, Armor Holdings,

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[27] Richard Benson, "Oil, the Dollar, and United States Prosperity', http://www.prudentbear.com, dated August 11, 2003.

[28] Clark, *Petrodollar Warfare*, p. 116. Saddam actually turned $10 billion into a €26 billion profit by switching in 2000!

Cubic, TRW, DynCorp, DFI, Inc. and International Charter. Halliburton and KBR were called upon to help in the reconstruction and given $4.5 billion to rapidly build 14 military bases in Iraq. As we now know, these were extensive bases for the US military, and the Pentagon quickly completed one of the largest US embassy compounds in the world. This $592 million dollar contract was awarded to First Kuwaiti General Trading & Contracting and covered 104 acres with 21 buildings and enough desk space for 1,000 bureaucrats. Reporting at the time John F. McManus informed that the US wanted a long term presence in the region:

> Despite the continual claims that the troops will be withdrawn as soon as their mission has been completed, a gargantuan embassy complex the United States is now building in Baghdad makes it painfully obvious that our government intends to keep an American presence deeply mired in Iraq for a long time, *and that there must be more to our intervention in Iraq than our government has shared with the American people* (emphasis added).[29]

The US government is effectively being run by the neocons and elitist policy makers. Under an agreement in 2008 the US compound known as Camp Victory was eventually handed over to the Iraqis. Your tax dollars at work. Previously, in July 2003, neocon proconsul Bremer declared, "We dominate the scene and we will continue to impose our will on this country." In that same month he fired all 400,000 members of the Iraqi army and the Pentagon quietly shut down our remaining bases in Saudi Arabia and moved personnel to our new military command in Baghdad. Saudi Arabia had reluctantly allowed US bases since Desert Storm in 1991 (with pressure from Kissinger) and this relationship has since deteriorated. In fact, in 2004 the Saudi royal family canceled all US contracts for their gas fields and awarded these to Russia, China, Italy and Spain. We will take a closer look at this shaky relationship in a moment. By late 2003 the Pentagon's OSP was shut down but the "war on terror" continues as the US and Department of Homeland Security find new enemies to destroy.

According to international polls much of the world community perceives that the US government's war on terror is a cynical strategy to expand our military imperialism and dominate oil fields and pipelines. Some even point out the fact that al-Qaeda was never a global menace that supposedly operated in 65 countries. The FBI estimates that only about 200 hard-core al-Qaeda members were that critical and Michael Chossudovsky's book *America's War on Terrorism* documents the actual facts (www.globalresearch.ca). Soon after troops secured Baghdad in 2003, Michael Meacher, a UK cabinet member, told the London *Guardian*, "It seems that the war on terror is being used largely as a bogus cover for achieving wider U.S. strategic geopolitical objectives." So far we have examined some of these objectives which involves the quest for oil, but the larger issue still remains to protect the US dollar as the world's reserve currency *at all costs!* This single fact is consistently being lost on the American people, the US corporate media, and most of the world's press. Put simply, the neocon's new world order rests on the twin pillars of US military imperialism and US dollar imperialism. The *military pillar* is being used to support the *dollar pillar*, and this is inexorably linked to the petrodollar exchange system. This is why Bush's war cabinet had to "find a way to do it" in Iraq. To clarify, Bill Engdahl puts it this way:

> The status of the dollar as reserve currency depends on the status of the US as the world's unchallenged military superpower. In a sense, since August 1971 the dollar is no longer backed by gold. Instead, it is backed by F-16s and Abrams battle tanks, operating in some [800] US bases around the world, defending liberty and the dollar.[30]

This is a *shocking* realization and it exposes the Federal Reserve System as a dying financial system that is vulnerable to economic warfare and implosion. As I have noted in my book, "It is exceedingly painful to acknowledge the fact that America's young military men have been sent to the Middle East *primarily* to protect U.S. central bank operations and recycling petrodollars on world markets."[31] As I earlier demonstrated in my flow chart (page 6), this petrodollar pillar can only be supported if the Fed remains the world's leading central bank and keeps issuing our devalued currency that is absorbed through account deficits in global trade and repatriated back into our capital markets via the strict dollar peg within the NY-London-OPEC monopoly system. I submit that this macroeconomic model cannot be perpetuated for very much longer. And you will not find the origin or

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[29] John F. McManus, "The Continuing Iraq War," *The New American*, p. 44, July 9, 2007 (www.thenewamerican.com).
[30] William Engdahl, *Asia Times Online*, http://www.atimes.com/atimes/Middle_East/HC10Ak01.html, March 10, 2006.
[31] Charles H. Coppes, *America's Financial Reckoning Day* (Published by IDP, Create Space/Amazon, 2012), p. 183.

history of this model being taught in university textbooks. The collapse of this Bilderberg scheme will literally be the nail in our own coffin – our financial reckoning day if you will – and our neocon Establishment in the US knows exactly what the global stakes are! And I hope you are also beginning to appreciate the desperation and seriousness of this monetary situation. It is now estimated that nearly 30% of central bank reserves have moved into the euro and this trajectory is going to force a "new monetarist design" in the 21st century, and especially as the G-20 and IMF are proposing the SDR as a new settlement currency. Unable to exercise diplomatic pressure upon the OPEC cartel (to honor the dollar peg), the US has resorted to brute military force in the Gulf. Iraq has been dominated and Iran is the neocon's next strategic target. As the 2000 PNAC defense report predicted, "Over the long term, Iran may prove as large a threat to US interests in the Gulf as Iraq has."[32] And what are those interests? The need to prevent any petroeuro accounts from developing in the region – the missing link hidden from the global media. This interventionist foreign policy would astonish President John Quincy Adams who affirmed, "America does not go abroad in search of monsters to destroy. She is the well-wisher to the freedom and independence of all." Unfortunately, this sage wisdom does not hold sway in Washington and America's "monsters" are gaining enough leverage to do considerable harm to the US.

## The Petroeuro Challenge and Collapse of U.S. Dollar Imperialism

As I covered in the beginning of our last section, Professor Murray Rothbard highlighted the postwar fact that the US was triumphant in the military, political, and economic sphere and that this imperial influence continued to grow. In 1961, in his memorable Farewell Address, President Dwight D. Eisenhower issued his warning to the American people about an emerging "military-industrial complex" that could eventually seize an "unwarranted influence" upon our political process and structure of society:

> This conjunction of an immense military establishment and a large arms industry is new in the American experience….We recognize the imperative need for this development. Yet we must not fail to comprehend its grave implications. Our toil, resources and livelihood are all involved; so is the very structure of our society. In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist [and] we must never let the weight of this combination endanger our liberties or democratic processes.[33]

General Ike concluded, "Only an alert and knowledgeable citizenry" can assure that our "security and liberty" prosper together. Despite this prescient forewarning, the coalescing of banking-corporate-military-industrial-petroleum interests has purposely been integrated into the highest levels of our government. This kind of misplaced power has created a sort of "corporate fascism" that has been institutionalized by the neocon's praetorian guard. These forces have now united to protect the twin pillars of US hegemony, and the world community is becoming increasingly enraged at this nascent PNAC doctrine to rule the world. Unable to directly challenge America's *military pillar* they are determined to strike at a weak *dollar pillar*. The CIA refers to this principle as attacking your foe's "center of gravity" in order to destroy your enemy's strength. The US center of gravity is currently balancing on depreciating dollars and the petrodollar recycling syndicate.

In January 2002, the new euro currency was officially launched throughout the EU and it has steadily increased in trade and acceptance despite fiscal problems in the Eurozone that will eventually be resolved with a fiscal union. In late 2002, North Korea (the 'evil axis' member) converted *all* of its dollar reserves into the euro. In 2003, OPEC members Libya, Nigeria, Indonesia, Venezuela, Iran, and the UAE all expressed their desire to convert their trade to the euro and were joined by Bahrain, Malaysia and others. The State Department refers to this scenario as the "rogue state hypothesis" and there is growing concern. Recently, our old ally Saudi Arabia indicated for the first time that they are seeking a broader pricing band. Hamad Saud al Sayyari, head of SAMA, said that his government wants "price stability" in their crude oil contracts. The major concern is that Saudi Arabia will defect from the petrodollar exchange system if there is all-out war in the Middle East against Israel. This view was also expressed during the Senate hearings in 1975 (page 4), "In the event of another major outbreak of

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[32] The full report is available at http://www.newamericancentury.org/RebuildingAmericasDefenses.pdf, September 2000.
[33] Http://en.wikipedia.org/wiki/Military-industrial_complex. *Presidential Papers of the Presidents*, 1960, pp. 1035-1040.

hostilities in the Middle East…there is no guarantee that the next time they won't wield the money weapon."[34] This threat still exists and is outlined in David E. Spiro's landmark book *The Hidden Hand of American Hegemony: Petrodollar Recycling and International Markets*. The additional threat is that Sunni/Wahhabi extremists will force a regime change in Saudi Arabia and they will divest all US assets and create a favored monopoly petroeuro system. Either way, the situation in the kingdom does not look good.

In 2002, the National Iranian Oil Co. and the Central Bank of Iran took formal steps to convert their US assets into the euro. In 2003, Iran started accepting only euro for oil payments from its EU and Asian trading partners. Based in Tehran since 1974, the Asian Clearing Union includes India and six other Asian central banks (www.asianclearingunion.org). In 2004, the Iranian government announced plans to open a new crude oil marker on the resort island of Kish in the Persian Gulf. In a bold stroke to avoid the US "enemy currency" the Iranian Oil Bourse (IOB) was opened in February 2008 as the first trading platform to price a barrel of oil in euros. Most OPEC members are linked to the Brent Crude oil marker, and together with the new Dubai Mercantile Exchange the IOB now offers an alternative market for international buyers. It has been suggested that non-OPEC members in the Caspian region can also participate in this network. In 2004, China signed a $100 billion dollar oil and gas deal with Iran and currently imports 13% of their oil from Iran. China and Venezuela both support a petroeuro price structure and Iran is building momentum to confront the Anglo-American exchange system. According to *The International Herald Tribune* notes, "more than 50% of Iran's oil income is paid in other currencies." With direction from the old Bush neocons, the Pentagon has been "war gaming" against Iran ever since 2004 and is determined to build their case against Tehran. The Iranian leaders hate the US/UK coalition because their oil conglomerates and intelligence agencies literally conspired to topple Premier Mohammed Mossadegh in 1953 by labeling him a Communist (see 'terrorist' today) and replaced him with their puppet leader Reza Shah Pahlevi. Known as Operation Ajax the goal was to prevent Dr. Mossadegh from nationalizing their oil industry and boosting their oil profits from 8% to the standard 50% split with BP. US/UK interests later came against the Shah in 1978 for much the same reasons and the resulting "blow-back" was the installation of the radical Shiite cleric Ayatollah Khomeini (Mahmoud Ahmadinejad's mentor) and the second oil price shock in 1979.

The US and Iran have not had diplomatic relations since 1980 and the latest attempt to meddle in Iran's internal affairs is principally aimed at Iran's rogue effort to strike at the US petrodollar pillar. The "war against nukes" is another useful abstraction for the neocons to impose the PNAC doctrine of challenging regimes that are hostile to US interests. On February 4, 2007 the International Atomic Energy Agency (IAEA) passed a US-led resolution for Iran to stop enrichment at its Natanz nuclear site. Venezuela, Cuba and Syria voted against the resolution. Ready to engage in multiple-theatre wars the US maintains naval warships and other ships in the Persian Gulf region. According to intelligence analyst Phillip Giraldi, in his 2005 article appearing in *The American Conservative*, the US is prepared to attack Iran in a preemptive manner if there is a major terrorist attack upon American soil. Giraldi reports the following:

> The Pentagon, acting under instructions from [then] Vice President Dick Cheney's office, has tasked the US Strategic Command (STRATCOM) with drawing up a contingency plan to be employed in response to another 9/11-type terrorist attack on the United States. The plan includes a large-scale air assault on Iran employing both conventional and tactical nuclear weapons….*As in the case of Iraq, the response is not conditional on Iran actually being involved in the act of terrorism directed against the United States* (emphasis added).[35]

In a nearly identical strategy carried out against Saddam Hussein in 2003, the neocon ideologues have been preparing to launch the second oil currency war of the 21st century against Iran for plotting economic warfare against the US. This kind of US imperialism is what Pentagon officials have newly identified as "full- spectrum dominance" – the US goal of controlling military, economic and political developments everywhere in the entire world. This reckless foreign policy is certain to have horrific consequences in the future.

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[34] Emerson, *The House of Saud*, p. 321. Wm.Clark says that the Saudis are holding "the sword of Damocles" over the US.

[35] William Clark, "Petrodollar Warfare: Dollars, Euros and the Upcoming Iranian Oil Bourse," http://energybulletin.net/7707.html, August 8, 2005. The pressure is still on Iran as Mr. Obama and Secretary of State John Kerry confront Iran.

One of the more predictable outcomes of an attack upon the Iranian infrastructure is that global tensions are going to rise between Washington and Beijing along with Moscow. The US intelligence community is concerned about a new alliance that has been forged between China and Russia. Formed in 2001, the Shanghai Cooperation Organization (SCO) is an outgrowth of the "Shanghai Five" created in 1996 and includes China, Russia, and the former Soviet republics of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. The SCO is a Chinese initiative to confront the OPEC/petrodollar hegemony and secure their vast energy needs (particularly with Russia). As Jim Willie remarks, the SCO "is a direct answer to the corrupted OPEC cartel, which seems overly influenced by U.S. leaders." (www.sectsco.org). Observers to this new Sino-Russian pact include India, Pakistan, Brazil, and renegade OPEC members Iran and Venezuela. Representing *one half* of the world's population the SCO is seen by Western analysts as a new Warsaw Pact or geopolitical "counterweight" to US imperialism. The US has been denied observer status to annual SCO meetings and China Cable TV refers to the SCO as the new NATO of the Far East. It is clear that China and Russia have struck a cooperative deal to check US military presence in Central Asia or the Pacific region. In 2005, the SCO held a summit meeting in Moscow attended by former Prime Minister Hu Jintao and Vladimir Putin. Both leaders issued a bilateral statement entitled "World Order in the 21st Century" that warned against attempts by "outside forces" to dominate global affairs and "impose models of social and political development from outside." Taking direct aim at US military/political imperialism this statement stressed the need for a "multipolar" world and for the US to get out of Central Asia and the Caspian region. This same sentiment is shared by China and Russia as it concerns US involvement in Syria and Ukraine where the stakes are high for Russian-Iranian pipelines that today supply the EU.

This geopolitical paradigm is occurring when the US dollar pillar is at its weakest point in history and is rarely being reported outside intelligence circles. America's ideological enemies have moved into a position to inflict a devastating blow at the US economic center of gravity. Increasingly China and Russia have entered into trade agreements and currency swaps for energy and the US is watching this closely. At a recent Economic Forum in Davos, Switzerland the Chinese indicated they are seeking a "more manageable reference" for their enormous currency reserves. Russia currently exports 81% of its oil to the EU and 65% of its trade is in the Eurozone. In 2003, Putin told the German press that he would "not rule out" invoicing crude oil in the euro. "That would be interesting for our European partners," Putin slyly added. *Interesting?* Try apocalyptic or a broadside attack against the US dollar! The largest currency exchange reserves in the world are now held by China ($3.7 trillion), Japan ($1.2 trillion), the EU ($747 billion), Saudi Arabia ($727 billion) and Russia ($511 billion). At least 70% of these reserves are in the US dollar. Add to this fact the largest oil companies in the world are now lining up against the US. According to the *Financial Times* (3/1//07) the new "Seven Oil Sisters" are Aramco (Saudi Arabia), Gazprom (Russia), CNPC (China), NIOC (Iran), PDVSA (Venezuela), Petrobras (Brazil), and Petronas (Malaysia). As you can see, this new political-economic-petroleum axis has enough leverage and motivation to challenge the US dollar and propose a petroeuro exchange system. As Bill Engdahl sees it, "A full challenge to the domination of the US dollar as the world central-bank reserve currency entails a *de facto* declaration of war on the 'full-spectrum dominance' of the United States today."[36] To be more precise this kind of challenge would be a form of petrodollar warfare since US dollar imperialism is the key to America's military/political strength. This is the fatal flaw of the petrodollar exchange system and it can deal a fatal blow to America.

Can this scenario really unfold in the near future? It is being analyzed, debated, and probably even anticipated at the highest levels of government. A collective move into the euro as part of a new currency regime would deliver a tremendous shock wave to the US. The fact that China-Russia-Iran have formed a hostile troika to US interests in the world is reason enough for serious pause. Some have suggested that a preemptive strike against Iran could galvanize the Islamic world and also draw Iran's trading partner China into the fray, which might be the tipping point for China to start converting their reserves. "The moment China starts selling dollars the rest of the world will crash down the doors of the bank to get rid of theirs as quickly as possible," says Michael Ruppert. "[And] the run on the dollar will be short, bloody, and catastrophic."[37] This contagion can spread into the US Treasury bond complex as nations liquidate government assets and OPEC will obligingly adopt a new petroeuro standard for crude oil contracts. A former government analyst describes this nightmare as follows:

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[36] William Engdahl, *Asia Times Online*, http://www.atimes.com/atimes/Middle_East/HC10Ak01.html, March 10, 2006.
[37] Michael C. Ruppert, "As the World Burns," http://www.fromthewilderness.com/free/ww3/120104_world_burns.shtml.

> 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 US 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. This could result in your basic Third World economic crisis.[38]

This kind of Third World crisis is drawing near to America's doorstep and it is very real. What is being described here is a hyperinflationary depression and when you add massive bond liquidations the dollar will suffer a complete collapse. I develop this theme more fully in my book. For the unsuspecting American people they will have *absolutely no idea* why all of this happening, and the government will have no way to stop this macroeconomic meltdown. Because of America's "imperial overstretch," a term used my military strategists, we are vulnerable to this kind of economic warfare – and our ideological enemies know this. The neocons are miscalculating our interventionist policies on the geopolitical chessboard and its resulting blow-back.

Many are hopeful that there can be an orderly transition to a multi-currency standard that favors the euro like the Special Drawing Rights (SDR) introduced by the IMF in 1969 and now under discussion at the G-20. But due to mounting hostility toward the US it is likely to be abrupt. The intention will be to destabalize our monetary system, check US military power, and create a multipolar world between China, Russia, and the EU. The euro is growing in capital markets and the euro accounts for almost 50% of all currency transactions on the FOREX exchange. As T. R. Reid predicted in his book *The United States of Europe*, "the success of Europe's common currency could bring America's financial house of cards tumbling down."[39] Just as the Fed replaced the Bank of England in 1945 the European Central Bank (ECB) is poised to rise in prominence today.

From an international perspective the EU economy is much more fiscally balanced than the US. The EU does more trade with OPEC than the US and would certainly welcome a monopoly petroeuro exchange system. This would have the same effect as subsidizing the EU economy and the ECB is already creating monetary debt instruments (Euro bonds) to absorb the coming influx of petroeuros. The EU is now the largest economy in the world (not the US) and China's largest trading partner is the EU (not the US). When America's financial house of cards collapse the UK may have little choice but to finally join the Eurozone for survival. European economist Dr. Krassimir Petrov keenly observed that "the British most likely did not adopt the euro [in1999] namely because the Americans must have pressured them not to otherwise the London IPE would have had to switch to euros, thus mortally wounding the dollar and their strategic partner."[40] The petroeuro challenge will ultimately break the New York-London financial nexus and their strategic partnership to support the US dollar. When the UK joins the Eurozone the Brent Crude oil bourse in Oslo will also be converted to euros. In late 2006, Norway argued that their oil marker should be in the euro anyway, not the NYMEX/ICE dollar peg, since most of their oil contracts are in Europe. As Loyola de Palacio, the former EU Energy Commissioner and a former official of PNB Paribas Bank, once stated, "The role of the euro is going to be increased step by step."

## Concluding Thoughts and Contingency Planning

In his important book *Petrodollar Warfare* the author concludes that the success of the euro would likely result in "the US and the EU switching roles in the global economy." I totally agree with this assessment. The nascent currency war between the euro and the dollar is occurring with almost no public debate or awareness in the media. It is the "unspoken component" driving US foreign policy. Since 1977, the EU Commission has sent an observer to the annual G-7 meetings. In the near future the EU will completely dominate these economic summits as a new superpower. In Part III of my book I refer to this political paradigm as a global realignment of world power and present a prophetic scenario for the 21st century based on predictive Scripture. The geopolitics of oil

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[38] Clark, Petrodollar Warfare, p. 118. From Clark's personal correspondence with confidential source in Washington, DC.
[39] T. R. Reid, *The United States of Europe: The New Superpower and the End of American Supremacy* (NY: 2004), p. 243.
[40] Krassimir Petrov, PhD, "The Proposed Iranian Oil Bourse," Http://www.energybulletin.net, posted January 18, 2006.

and the petrodollar/petroeuro dynamic is now moving Washington and Beijing into a confrontation in the Middle East. As mentioned earlier, the Chinese have quietly become the largest importer of crude oil in the world for the first time in history. As noted by the Institute for the Analysis of Global Security, "If each barrel the US needs is also sought after by China, a superpower conflict in the world's most unstable region can once again become an omnipresent danger."[41] Add to this US foreign policy to defend Taiwan and it is easy to see how Red China could use *economic* and even *military warfare* to take America down. This is the topic of a book written by two Chinese PLA colonels entitled *Unrestricted Warfare: China's Master Plan to Destroy America* that was published back in 2002. The loss of American leadership in the world is a sobering prospect. In a recent comment, Richard Haass, president of the CFR in New York, stated that "no country or group of countries has the capacity to replace the United States." He adds, "The alternative to a US-led global order is disorder." This is neocon and Establishment bravado. The EU has the second largest combined army after China (2.2 million) and is prepared to lead a new global order resting on the strength of their economy and a powerful central bank. America's "Achilles' Heel" has always been its dying dollar imperialism and the loss of our "dual pillars" will render us a Third World trading bloc trying to compete with the EU. Impossible you say? General Eisenhower clearly warned us about "the disastrous rise of misplaced power" within "the councils of government" and it would appear that Establishment insiders have been drawing up contingency plans to force the US into tri-national trading bloc with Mexico and Canada known as the North American Union and the adoption of a new basket currency called the "amero." The late Dr. Robert A. Pastor was the intellectual force and main architect for this scheme. In a paper written in 2005, Dr. Pastor tipped his hand when he indicated that a major crisis like another 9/11 would be sufficient enough to force democratic governments to adopt this political merger:

> What I am saying is that a crisis is an event which can force democratic governments to make difficult decisions *like those that will be required to create a North American Community*. It's not that I want another 9/11, but having a crisis would force decisions that otherwise might not get made. When there's a crisis, people accept proposals they wouldn't have otherwise accepted (emphasis added).[42]

It would be hard to find a more authoritative quote than what has been said here. With all the shrewdness and cunning of Professor Strauss himself, the global elitists are preparing to exploit a crisis to advance their hidden agenda to control the ignorant masses. A currency crisis – like one described in this report – would certainly fit into Kissinger and Brzezinski's ideas on "progressive regionalization" and the need for "integration" within the Western Hemisphere. This is a classic example of the Hegelian dialectic of *thesis*, *antithesis*, and *synthesis* in which a problem is allowed to develop, resulting in a panicked response, and then providing a predetermined solution for the US. For more on this general topic I urge you to read my book and also educate yourself at www.augustforecast.com edited Patrick M. Wood who is an authority on this globalist agenda.

Not mentioned by Dr. Pastor and his regional commissars is the fact that a geopolitical crisis can also lead to a more oppressive government and degradation of civil liberties. As Dr. Ron Paul has been warning people for years, "During a crisis, the rights of individuals…are more easily trampled, which is more likely to condition a nation to become a police state than a military coup."[43] A police state in America? No wonder the Establishment media has always regarded Dr. Paul and his followers as part of the lunatic fringe! Yet more and more people are waking up to this imminent danger. Soon after the attacks of 9/11 the Congress rushed to pass the USA Patriot Act that has enabled a modern surveillance state through the NSA and various agencies. Whistleblowers like Edward Snowden have also tried to warn us, yet the abuse continues. In 2002, the Department of Homeland Security (DHS) was created to combat the "war on terror" and it has now evolved into an American Gestapo with an annual budget that continues to grow as local law enforcement is being militarized. As noted earlier, the "war on terror" is an abstraction and the term keeps getting broader to include more and more Americans – Americans who are war-weary and who question an emerging police state. Neocons like to denounce those who are peacemakers and have a libertarian philosophy but this has happened before in history. Nazi military leader Hermann Goring helped create the German Gestapo in 1933 and he stated that "it is always a simple matter to drag the

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[41] The IAGS is located at http://www.iags.org. For a geopolitical twist on why the US is taken down see Ch. 6 in my book.
[42] Jerome D. Corsi, *The Late Great USA: The Coming Merger with Mexico and Canada* (CA: WND Books, 2007), p. 32.
[43] *The Congressional Record*, June 27, 2002. For numerous videos and more information go to http://www.dailypaul.com.

people along to do the bidding of the leaders….All you have to do is tell them they are being attacked, and denounce the peacemakers for lack of patriotism and exposing the country to danger," said Goring. "It works the same way in any country" (Nuremberg Trials, 1945). We are repeatedly told and convinced that we need the DHS, TSA, etc., but William Pitt warned, "Necessity is the argument of tyrants, and the creed of slaves." Samuel Johnson also chided that "patriotism is the refuge of a scoundrel."

In conclusion, it is imperative to understand the petrodollar exchange system and the macroeconomic implications that I have outlined in this report. The collapse of this monetarist model will affect us all and is affording an opportunity for government insiders to restructure our beloved country. Both Presidents Bush and Obama have expanded the growth of government and issued hundreds of executive orders that violate the US Constitution and they would like to deflect any criticism. But Teddy Roosevelt reminds, "To announce that there must be no criticism of the president, or that we are to stand by the president, right or wrong, is not only unpatriotic and servile, but it is morally treasonable to the American public." Thomas Paine said, "It is the duty of the patriot to protect his country *from* the government." Thomas Jefferson further stated, "All tyranny needs to gain a foothold is for people of good conscience to remain *silent*." It is time for good people to wake up and realize the internal and external threats that we are all facing as a nation. It is also time to consider some serious contingency planning for the difficult times that lie ahead. As Patrick Henry said back in 1776, "We are apt to close our eyes against a painful truth." But we must all take personal responsibility for being prepared.

US dollar imperialism has caused tremendous economic distortions in the US and abroad and it is going to end badly. One of the best ways to protect your dollar-denominated assets from America's financial reckoning day is to have some sensible diversification and hedge strategies. "Divide your portion to seven, even eight," wrote King Solomon, "for you do not know what misfortune may occur on the earth" (Eccl. 11:2). In chapter eight of my book I have illustrated an "investment triangle" that features precious metals & tangible assets as a core investment along with cash and growth considerations. The precious metals complex represents a necessary component for privacy and asset protection and serves as an excellent hedge against monetary (hyper) inflation. It has been estimated that all the gold ever mined would fit into *a 65 foot square cube!* China has been acquiring massive amounts of gold from the West to both hedge their eventual US Treasury losses and to potentially support a gold-backed yuan. While gold is a sentimental favorite, silver is more affordable and arguably has more upside potential as heavy demand continues despite attempts to suppress these metals.

Most people do not realize that silver is actually more scarce than gold since approximately 90% of all silver mined in history has been used up by industrial demand in the last century. I personally recommend more silver in a precious metals portfolio and our firm can assist investors with physical delivery of pure gold and silver bullion at competitive prices. We can also assist clients with commercial depository storage accounts that are fully bonded and insured by Lloyd's of London with state-of-the-art vaults and facilities for safekeeping. In addition, we can help convert your existing IRA account or qualified plan into a Precious Metals IRA account for potentially significant tax-deferred capital gains with low fees and no tax penalties. For more information you can contact our office for a no-obligation consultation at www.idpconsultinggroup.com and I also encourage you to submit your name and email for timely updates and reports like this one sent to my mailing list.

My final recommendation is that my clients have some quality food storage for their families and I have several recommendations in my book and website. You can order a copy of my book at www.amazon.com, or you can purchase a personally-autographed book at www.chuckcoppes.com, and also receive some free materials. It has always been my goal to challenge people's thinking and move them to make personal and financial decisions. But our most important decision is to trust in the Lord. The Bible says that "God is our refuge and strength, a very present help in trouble; therefore we will not fear" (Ps. 46:1-2). "The Lord is near to all who call upon Him, to all *who call upon Him in truth*. He will fulfill the desire of those who fear Him, He will also hear their cry and *save them*. The Lord keeps *all who love Him*" (Ps. 145:18-20). This is my prayer for you my friend, and this is also why I wrote my book that contains a message of hope in these very uncertain times. If your event or church group would like me to be a featured speaker on these topics please let me know by contacting me below.

Charles H. (Chuck) Coppes has been a licensed securities broker and is the founder and president of IDP Consulting Group, which is an independent precious metals and consulting firm. A *summa cum laude* graduate with a degree in Christian Apologetics he has been a featured guest on national radio programs. For media contact or his press kit call 1-928-358-5483, or email at CHC@ChuckCoppes.com.