Iran's Oil Bourse a Casus Belli?

by William Engdahl

There has been considerable discussion especially in internet reports of late that the soon-to-open Teheran Oil Trading Bourse, due to open sometime this March, is perhaps the real reason Washington is preparing to launch military action against Iran. The argument is that by offering oil buyers a chance to trade oil in currencies other than dollars, the US dollar, the financial pillar of the American empire, would crumble and, with it, American global hegemony. This argument, as compelling as it might seem, is fundamentally flawed. The only currency potentially able to challenge the dollar as the preferred currency of world trade in oil is of course the Euro.

Assuming, for sake of argument, that suddenly, China, Japan, India, East Asia and the countries of the EU were to trade oil for euros, just as Saddam Hussein did after November 2000 with Iraqi oil-for-food, the trade would quickly hit a wall in the form of a limited supply of Euros on international currency markets. The limit here is the European Central Bank and its Maastricht Treaty. Under Maastricht, the ECB is mandated to keep a strict monetary limit on euros in circulation and to help enforce national debt discipline to limit government debt. So long as this state of affairs remains within the ECB, one very friendly to banks holding euro-denominated debt securities, there will be no successful challenge to the role of the dollar. But it is even more complex. The role of the dollar as reserve currency for world trade and central banks is fundamentally a political one. It is a political decision by the Japanese to support the US dollar partly in return for the US nuclear umbrella defense. The same for Saudi Arabia. The governments and business leaders of the European Union are so intimately tied into a network of dependency on the dollar world that there is cold fear to do anything to offend Washington or the dollar.

The man who served as private consultant to Teheran in setting up the Teheran Oil Bourse is Chris Cook, former director of the London International Petroleum Exchange. In a recent Asia Times column, Cook described his role since 2001 in trying to convince officials in Teheran that a local oil bourse trading a local grade of Persian Gulf crude instead of North Sea or Texas oil could free Iran and other OPEC states from the manipulation of oil prices by large New York and European investment banks who use financial derivatives and other tools to make huge profit on paper. As Cook pointed out, 'the denomination of oil sales is merely a transactional issue: what matters is in what assets (or, in the case of the United States, liabilities) these proceeds are then invested.' The background causes that Washington may or may not launch an attack on Iran, as noted in my article, are far more fundamental. The oil bourse is at this point a symbolic statement of Iran's desire to be less dependent on a US-dominated dollar world, but not more.