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Defending Dollar Imperialism

Ukraine War Driven by Gas-Dollar Link

by MIKE WHITNEY

12/1/2014

“The Fed’s ‘need’ to take on an even more active role as foreigners further slow the purchases of our paper is to put the pedal to the metal on the currency debasement race now being run in the developed world — a race which is speeding us all toward the end of the present currency regime.”

— *Stephanie Pomboy, MacroMavens*

“No matter what our Western counterparts tell us, we can see what’s going on. NATO is blatantly building up its forces in Eastern Europe, including the Black Sea and the Baltic Sea areas. Its operational and combat training activities are gaining in scale.”

— *Russian President Vladimir Putin*

If there was a way the United States could achieve its long-term strategic objectives and, at the same time, avoid a war with Russia, it would do so. Unfortunately, that is not an option, which is why there’s going to be a clash between the two nuclear-armed adversaries sometime in the near future.

Let me explain: The Obama administration is trying to rebalance US policy in a way that shifts the focus of attention from the Middle East to Asia, which is expected to be the fastest growing region in the coming century. This policy-change is called the “pivot” to Asia. In order to benefit from Asia’s surge of growth, the US plans to beef up its presence on the continent, expand its military bases, strengthen bilateral alliances and trade agreements, and assume the role of regional security kingpin. The not-so-secret purpose of the policy is China “containment”, that is, Washington wants to preserve its position as the world’s only superpower by controlling China’s explosive growth. (The US wants a weak, divided China that will do what it’s told.)

In order to achieve its goals in Asia, the US needs to push NATO further eastward, tighten its encirclement of Russia, and control the flow of oil and gas from east to west. These are the necessary preconditions for establishing US hegemonic rule over the continent. And this is why the Obama administration is so invested in Kiev’s blundering junta-government; it’s because Washington needs Poroshenko’s neo Nazi shock troops to draw Russia into a conflagration in Ukraine that will drain its resources, discredit Putin in the eyes of his EU trading partners, and create the pretext for deploying NATO to Russia’s western border.

The idea that Obama’s proxy army in Ukraine is defending the country’s sovereignty is pure bunkum. What’s going on below the surface is the US is trying to stave off irreversible economic decline and an ever-shrinking share of global GDP through military force. What we’re seeing in Ukraine today, is a 21st century version of the Great Game implemented by political fantasists and Koolaid drinkers who think they can turn the clock back to the post WW2 heyday of the US Empire when the world was America’s oyster. Thankfully, that period is over.

Keep in mind, the glorious US military has spent the last 13 years fighting sheep herders in flip-flops in Afghanistan in a conflict that, at best, could be characterized as a stalemate. And now the White House wants to take on Russia?

Can you appreciate the insanity of the policy?

This is why Secretary of Defense Chuck Hagel was sacked last week, because he wasn’t sufficiently eager to pursue this madcap policy of escalating the wars in Afghanistan, Iraq, Syria and Ukraine. Everyone knows it’s true, the administration hasn’t even tried to deny it. They’d rather stick with foam-at-the-mouth buffoons, like Susan Rice and Samantha Powers, then a decorated veteran who has more credibility and intelligence in his little finger than Obama’s whole National Security team put together.

So now Obama is completely surrounded by rabid warmongering imbeciles, all of whom ascribe to the same fairytale that the US is going to dust-off Russia, remove Assad, redraw the map of the Middle East, control the flow of gas and oil from the ME to markets in the EU, and establish myriad beachheads across Asia where they can keep a tight grip on China’s growth.

Tell me, dear reader, doesn’t that strike you as a bit improbable?

But, of course, the Obama claque think it’s all within their grasp, because, well, because that’s what they’ve been told to think, and because that’s what the US has to do if it wants to maintain

its exalted position as the world's lone superpower when its economic significance in the world is steadily declining. You see, here's the thing: The exceptional nation is becoming more unexceptional all the time, and that's what has the political class worried, because they see the handwriting on the wall, and the writing says, "Enjoy it while it lasts, buddy, cuz you ain't gonna be numero uno much longer."

And the US has allies in this wacky crusade too, notably Israel and Saudi Arabia. The Saudis have been particularly helpful lately by flooding the market with oil to push down prices and crush the Russian economy. (On Friday, Benchmark crude oil prices plummeted to a four-year low, with Brent crude sinking to \$69.11 a barrel.) The Obama administration is using the classic one-two punch of economic sanctions and plunging oil revenues to bully Moscow into withdrawing from Crimea so Washington can move its nuclear arsenal to within spitting distance of Moscow. Here's a bit of background from the Guardian:

"Think about how the Obama administration sees the state of the world. It wants Tehran to come to heel over its nuclear programme. It wants Vladimir Putin to back off in eastern Ukraine. But after recent experiences in Iraq and Afghanistan, the White House has no desire to put American boots on the ground. Instead, with the help of its Saudi ally, Washington is trying to drive down the oil price by flooding an already weak market with crude. As the Russians and the Iranians are heavily dependent on oil exports, the assumption is that they will become easier to deal with.

John Kerry, the US secretary of state, allegedly struck a deal with King Abdullah in September under which the Saudis would sell crude at below the prevailing market price. That would help explain why the price has been falling at a time when, given the turmoil in Iraq and Syria caused by Islamic State, it would normally have been rising." (Stakes are high as US plays the oil card against Iran and Russia, Larry Elliott, Guardian)

And here's more from Salon's Patrick L. Smith at Salon:

"Less than a week after the Minsk Protocol was signed, Kerry made a little-noted trip to Jeddah to see King Abdullah at his summer residence. When it was reported at all, this was put across as part of Kerry's campaign to secure Arab support in the fight against the Islamic State.

Stop right there. That is not all there was to the visit, my trustworthy sources tell me. The other half of the visit had to do with Washington's unabated desire to ruin the Russian economy. To do this, Kerry told the Saudis 1) to raise production and 2) to cut its crude price. Keep in mind these pertinent numbers: The Saudis produce a barrel of oil for less than \$30 as break-even in the national budget; the Russians need \$105.

Shortly after Kerry's visit, the Saudis began increasing production, sure enough — by more than 100,000 barrels daily during the rest of September, more apparently to come...

Think about this. Winter is coming, there are serious production outages now in Iraq, Nigeria, Venezuela and Libya, other OPEC members are screaming for relief, and the Saudis make back-to-back moves certain to push falling prices still lower? You do the math, with Kerry's unreported itinerary in mind, and to help you along I offer this from an extremely well-

positioned source in the commodities markets: “There are very big hands pushing oil into global supply now,” this source wrote in an e-mail note the other day.” (What Really Happened in Beijing: Putin, Obama, Xi And The Back Story The Media Won’t Tell You, Patrick L. Smith, Salon)

The Obama team managed to persuade our good buddies the Saudis to flood the market with oil, drive down prices, and put the Russian economy into a nosedive. At the same time, the US has intensified its economic sanctions, done everything in its power to sabotage Gazprom’s South Stream pipeline (that would bypass Ukraine and deliver natural gas to Europe via a southern route), and cajole the Ukrainian parliament into auctioning off 49 percent of the leasing rights and underground storage facilities to privately-owned foreign corporations.

How do you like that? So the US has launched a full-blown economic war against Russia that’s been completely omitted in the western media. Are you surprised?

Washington is determined to block further Russo-EU economic integration in order to collapse the Russian economy and put foreign capital in control of regional energy distribution. It’s all about the pivot. The big money guys figure the US has to pivot to Asia to be a player in the next century. All of these unprovoked attacks on Moscow are based on that one lunatic strategy.

But aren’t people in the EU going to be angry when they can’t get the energy they need (at the prices they want) to run their businesses and heat their homes?

Washington doesn’t think so. Washington thinks its allies in the Middle East can meet the EU’s energy needs without any difficulty. Check out this clip from an article by analyst F. William Engdahl:

“...details are emerging of a new secret and quite stupid Saudi-US deal on Syria and the so-called IS. It involves oil and gas control of the entire region and the weakening of Russia and Iran by Saudi Arabian flooding the world market with cheap oil.

On September 11, US Secretary of State Kerry met Saudi King Abdullah at his palace on the Red Sea. The King invited former head of Saudi intelligence, Prince Bandar to attend. There a deal was hammered out which saw Saudi support for the Syrian airstrikes against ISIS on condition Washington backed the Saudis in toppling Assad, a firm ally of Russia and de facto of Iran and an obstacle to Saudi and UAE plans to control the emerging EU natural gas market and destroy Russia’s lucrative EU trade. A report in the Wall Street Journal noted there had been “months of behind-the-scenes work by the US and Arab leaders, who agreed on the need to cooperate against Islamic State, but not how or when.

The process gave the Saudis leverage to extract a fresh US commitment to beef up training for rebels fighting Mr. Assad, whose demise the Saudis still see as a top priority.” (The Secret Stupid Saudi-US Deal on Syria, F. William Engdahl, BFP)

So the wars in Ukraine and Syria are not really separate conflicts at all. They’re both part of the same global resource war the US has been prosecuting for the last decade and a half. The US

plans to cut off the flow of Russian gas and replace it with gas from Qatar which will flow through Syria and onto the EU market after Assad is toppled.

Here's what's going on: Syria's troubles began shortly after it announced that it was going to be part of an "Islamic pipeline" that would transfer natural gas from the South Pars gas field off the coast of Iran across Iraq and Syria, eventually connecting to Greece and the lucrative EU market. According to author Dmitri Minin:

"A gas pipeline from Iran would be highly profitable for Syria. Europe would gain from it as well, but clearly someone in the West didn't like it. The West's gas-supplying allies in the Persian Gulf weren't happy with it either, nor was would-be no. 1 gas transporter Turkey, as it would then be out of the game." (The Geopolitics of Gas and the Syrian Crisis: Syrian "Opposition" Armed to Thwart Construction of Iran-Iraq-Syria Gas Pipeline, Dmitri Minin, Global Research)

Two months after Assad signed the deal with Iraq and Iran, the rebellion broke out in Syria. That's quite a coincidence, don't you think? Funny how frequently those kinds of things happen when foreign leaders don't march to Washington's tune.

Here's more from Minin:

"Qatar is doing all it can to thwart the construction of the pipeline, including arming the opposition fighters in Syria, many of whom come from Saudi Arabia, Pakistan and Libya..."

The Arabic newspaper Al-Akhbar cites information according to which there is a plan approved by the U.S. government to create a new pipeline for transporting gas from Qatar to Europe involving Turkey and Israel...

This new pipeline is to begin in Qatar, cross Saudi territory and then the territory of Jordan, thus bypassing Shiite Iraq, and reach Syria. Near Homs the pipeline is to branch in three directions: to Latakia, Tripoli in northern Lebanon, and Turkey. Homs, where there are also hydrocarbon reserves, is the project's main crossroads, and it is not surprising... that the fiercest fighting is taking place. Here the fate of Syria is being decided. The parts of Syrian territory where detachments of rebels are operating with the support of the U.S., Qatar and Turkey, that is, the north, Homs and the environs of Damascus, coincide with the route that the pipeline is to follow to Turkey and Tripoli, Lebanon. A comparison of a map of armed hostilities and a map of the Qatar pipeline route indicates a link between armed activities and the desire to control these Syrian territories. Qatar's allies are trying to accomplish three goals: to break Russia's gas monopoly in Europe; to free Turkey from its dependence on Iranian gas; and to give Israel the chance to export its gas to Europe by land at less cost."

How do you like that; another coincidence: "The fiercest fighting (in Syria) is taking place" where there's massive "hydrocarbon reserves" and along the planned pipeline route.

So the conflict in Syria isn't really about terrorism at all. It's about natural gas, competing pipelines and access to markets in the EU. It's about money and power. The whole ISIS-thing is

a big hoax to conceal what's really going on, which is a global war for resources, more blood for oil.

But how does the US benefit from all of this, after all, won't the gas revenues go to Qatar and the transit countries rather than the US?

Yep, they sure will. But the gas will also be denominated in dollars which will shore up demand for USDs thus perpetuating the petrodollar recycling system which creates a vast market for US debt and which helps to keep US stocks and bonds in the nosebleed section. And that's what this is all about, preserving dollar supremacy by forcing nations to hold excessive amounts of USDs to use in their energy transactions and to service their dollar-denominated debts.

As long as Washington can control the world's energy supplies and force the world to trade in dollars, it can spend well in excess of what it produces and not be held to account. It's like having a credit card you never have to pay off.

That's a racket Uncle Sam is prepared to defend with everything he's got, even nukes.