

EU to Buy Iranian Oil in Euros? Weakening Dollar Dominance?

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China is the world's largest oil importing/consuming nation. Trading on the Shanghai International Energy Exchange since March, its petro-yuan poses the first ever challenge to petro-dollar dominance.

Will an EU petro-euro be a petro-dollar challenge too great to overcome? Will US sanctioned nations and their trading partners weaken dollar dominance by bypassing it in trade entirely?

China is shaking up the oil futures market at the expense of the dollar. Will the EU go the same way, freeing itself from observing US sanctions at the expense of its own interests?

Will the petro-yuan and a petro-euro, if introduced, prove game-changing longer-term?

The dollar as the world's reserve currency remains dominant. Are its dominant days numbered?

Will Trump's JCPOA withdrawal weaken dollar dominance? Iran's trading partners have 90 days to decide whether to observe or bypass US sanctions in trade with the Islamic Republic - 180 days for Iranian oil.

Heavy US pressure is being exerted to go along with US sanctions, especially on EU nations, significant buyers of Iranian oil and other products.

Since Trump's announced JCPOA pullout, Shanghai crude oil futures have been steadily rising. China effectively circumvents US sanctions by petro-yuan trading, along with creating companies operating in Iran and cooperating solely with the country.

Following Trump's JCPOA pullout, China's Foreign Ministry spokesman Geng Shuang said his government remains committed to the international agreement, stressing:

Beijing "will continue with normal and transparent practical cooperation with Iran on the basis of not violating our international obligations."

His government “oppose(s) the imposition of unilateral sanctions and the so-called long-arm jurisdiction by any country in accordance with its domestic laws.”

Will Brussels go the same way by switching from dollar trade to euros in dealings with Iran through the European Investment Bank (bypassing US ones), perhaps going the same way in trading with other countries?

At stake is 20 billion euros in annual EU/Iran trade. Increasing bilateral and multilateral trade in yuan, euros, and other currencies would greatly diminish dollar dominance, perhaps end it entirely – a significant blow to US hegemony if things develop this way.

In April, Iran switched from dollars to euros in international trade. According to EU foreign policy head Federica Mogherini:

Brussels and Tehran are discussing ways of “maintaining and deepening economic relations with Iran; the continued sale of Iran’s oil and gas condensate petroleum products and petrochemicals and related transfers; effective banking transactions with Iran; continued sea, land, air and rail transportation relations with Iran; the further provision of export credit and development of special purpose vehicles in financial banking, insurance and trade areas, with the aim of facilitating economic and financial cooperation, including by offering practical support for trade and investment.”

According to [Oilprice.com](https://www.oilprice.com), some refiners and traders are concerned about financing issues if buying Iranian oil continues despite US sanctions, adding:

Insuring tankers is another major issue, “some shipping companies...already refusing to commit tankers to new Iranian cargoes, for fear of complications in the cargo and insurance related payments.”

The EU and Washington are the world’s largest political, economic and military partners. Most EU nations are US-dominated NATO members.

While Brussels at times disagrees with US policies, most often the EU goes along – notably by imposing sanctions on Russia along with Washington, despite harming its own self-interest.

The EU and America represent around 60% of global GDP, about a third of world trade in goods, over 40% in services – Europe and the US highly dependent on access to each other’s market.

Will Brussels risk harming political and economic relations with Washington by going its own way in dealings with Iran?

RT cited an unnamed source, saying the EU intends circumventing US sanctions on Iranian oil by using euros to keep buying it – perhaps continuing overall trade with Iran the same way.

Federica Mogherini was quoted, saying

“(w)e’re not naive and know it will be difficult for all sides.”

In relations with Washington, the EU most often is subservient to its interests. Will this time be different?

Will EU countries risk losing free access to the US market and possible sanctions if it continues normal economic and political relations with Iran – defying Washington?

Based on past history, the odds are long. Yet the jury is very much out. If this time is different, it’ll represent a major change in EU/US relations – perhaps the same way ahead on Russia.

It’s too soon to know, but it begs the question. Will Trump’s JCPOA pullout prove hugely counterproductive for Washington?

Will it be a long-remembered major mistake? Will it trigger belligerent US actions on Iran for failing to achieve its economic aims if things turn out this way?

Lots of questions remain unanswered – the fullness of time alone to explain how things will unfold ahead.

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My newest book as editor and contributor is titled “Flashpoint in Ukraine: How the US Drive for Hegemony Risks WW III.”

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