

Iran leads attack against U.S. dollar

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While the world press has focused on Iran's plans to move ahead with enriching uranium, Tehran continues to wage economic war against the U.S. dollar behind the scenes.

Tehran has reached a decision to end all oil sales in dollars, according to statements by Iran's central bank governor, Eshragh Sheibani, in Kuala Lumpur at the end of last month.

Zhuhai Zhenrong Trading, a Chinese state-run company that buys 240,000 barrels of oil per day from Iran, approximately 10 percent of Iran's 2.2 million barrels per day total output, has confirmed a shift to the euro for its Iranian oil purchases.

About 60 percent of Iran's oil income is currently in non-dollar currencies, according to Hojjatollah Ghanimifard, who is responsible for international affairs for National Iranian Oil.

Even Japanese refiners who buy some 550,000 barrels of oil a day from Iran have indicated their willingness to buy Iran's oil in yen.

China, which buys approximately 12 percent of its crude oil supply from Iran, signed last year a long-term \$100 billion deal with Iran to develop Iran's giant Yadvaran oil field. Estimates indicate China could draw 150,000 barrels of oil from the Yadvaran field for the next 25 years, assuring Iran's position as one of the major suppliers of oil to China for decades to come.

One possibility is that China may begin paying Iran for oil in yuans.

Meanwhile, China which now holds \$1 trillion in foreign reserve holdings, announced March 20 it will no longer accumulate foreign exchange reserves.

This is more bad news for the dollar, since approximately 70 percent of China's \$1 trillion in foreign reserve holdings are held in U.S. dollar assets.

About half of China's foreign exchange U.S. assets are invested in U.S. treasuries, which are vital to financing the continuing U.S. federal budget deficits.

The recent push by Iran to demand payment for Iranian oil in currencies other than the dollar marks a move away from a previous announcement that Tehran planned to open an Iranian oil bourse in March 2006, designed to quote oil prices in the euro.

Iran has yet to open an Iranian oil bourse, but demanding payment for Iranian oil in currencies other than the dollar is seen by many experts as a more direct attack on the dollar, especially if the Iranian decision backs a worldwide move away from using the dollar

as the underpinning of world foreign exchange reserves.

Iran's central bank governor Sheibany also confirmed Iran is cutting U.S. dollar reserves to less than 20 percent of its total foreign reserve currency holdings. Iran plans to manage its foreign reserve currencies from oil sales in a basket of 20 different currencies.

The move by both Iran and China to hold fewer dollars in their foreign exchange reserve reflects a desire to diversify foreign exchange reserve portfolios amid concerns the dollar will continue to lose value versus the euro.

The dollar has lost 9 percent of its value against the euro in the last year and is down 35 percent against the euro in the last five years.

WND previously reported the late Iraqi dictator Saddam Hussein virtually signed his death warrant when he obtained the United Nations' permission to hold his Oil for Food foreign exchange reserves in the euro.

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