

Oil and Islam. Will America Shift Away from Its Past Unilateralist Policies?

Obama's Cairo Speech

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In his remarkable speech at Cairo University on June 4, President Obama promised “a new beginning.” In the words of the Israeli commentator Uri Avnery, the speech offered “the map of a new world, a different world, whose values and laws he spelled out in simple and clear language — a mixture of idealism and practical politics, vision and pragmatism.”¹

Much of what Obama had to say was new, and warmed the hearts of observers like myself, who had become increasingly concerned about the new president’s fidelity to the financial and military policies of the previous Bush-Cheney administration. But while Obama broke new ground on Israel-Palestine issues, he glossed over troubling issues pertaining to the US presence in Iraq and Afghanistan. He also glossed over one of the fundamental issues alienating the Muslim world: America’s relentless efforts to preserve its threatened financial status by moves to dominate the region’s oil resources. Here his careful ambiguity was ominously reminiscent of the Bush era.

The speech reaffirmed a complete withdrawal of US forces from Iraq by 2012, as the U.S. committed itself to do in a signed agreement last December. In addition Obama asserted that “we donot want to keep our troops in Afghanistan... We would gladly bring every single one of our troops home if we could be confident that there were not violent extremists in Afghanistan and now Pakistan.”

But Obama’s remarks did not address the statement on May 26, 2009, by Gen. George Casey, Army chief of staff, that, despite the agreement with Iraq, the United States would continue to have fighting forces in Iraq and Afghanistan beyond 2012. The reality, Casey said, is that ““we’re going to have 10 Army and Marine units deployed for a decade in Iraq and Afghanistan.”²

Nor is it clear that Obama’s promise to withdraw “troops” from Iraq would also cover private military contractors (PMCs) . Jeremy Scahill, author of a book on the notorious firm Blackwater, said on the Bill Moyers show that what we’re seeing in the Cairo speech “is sort of old wine in a new bottle. Obama is sending one message to the world,” he told Moyers, “but the reality on the ground, particularly when it comes to private military contractors, is that the status quo remains from the Bush era.”³

Even more ominous is the president’s oblique reference to America’s controversial oil policies. It was significant that he apologized for the CIA’s ouster in 1953 of Iran’s democratically elected government – the first of America’s many operations against Islam on behalf of the oil companies. With respect to Iraq, he said he had made it clear to the Iraqi

people that America pursues “no claim on their territory or resources.” His solitary reference to America’s hated oil policies was oblique and evasive: “While America in the past has focused on oil and gas when it comes to this part of the world, we now seek a broader engagement.”

In stating that the American presence in Iraq has nothing to do with oil, Obama is following in the footsteps of the Republicans before him, such as Donald Rumsfeld, who on November 14, 2002 told CBS News that the U.S. plans for Iraq had “nothing to do with oil, literally nothing to do with oil.” As it became increasingly clear in 2003 that America would invade Iraq, neither Bush’s State of the Union Message nor Colin Powell’s address to the United Nations Security Council mentioned, even once, the word “oil.”

But we now know that in March 2001 Cheney’s Energy Task Force developed a map of Iraq’s oil fields, with the southwest divided into nine “Exploration Blocks.” One month earlier a Bush National Security Council document had noted that Cheney’s Task force would consider “actions regarding the capture of new and existing oil and gas fields.”⁴

What Obama means by “no claim” on Iraq’s resources is ambiguous. For eight years the Bush-Cheney administration, in a number of ways, pushed for the Iraq Ministry of Oil to eliminate state control of oil and negotiate contracts giving Chevron and other multinationals access to Iraqi oilfields.⁵ These negotiations have continued under Obama, and Bloomberg reported in April that the Iraqi government might give foreign companies 75 percent stakes in new oil developments.⁶ Observers are concerned that oil companies, when their contracts are secured, may continue to employ PMCs like Erinys, which has employed 14,000 guards in the Iraqi oil fields.⁷ Jeremy Scahill talked on Bill Moyers’ Journal of “a scenario where you have corporations with their own private armies....a devastating development.”⁸

“No claim on resources” is ambiguous in another respect. At no point has America been an important market for Iraqi oil. But since World War Two Washington has fought, in two cases literally, to main U.S control over the *disposition* of Middle Eastern oil. A little background is necessary to explain the importance of this distinction.

The Historical Importance to America of Dollar-Denominated Oil

For over three decades, as I have argued elsewhere, America has propped up the dollar by ensuring that all OPEC oil payments would be dollar-denominated, thus creating an artificial need for dollars in oil-deprived nations around the world.⁹ But this system may become less relevant, as more and more oil deals, such as China’s \$10 billion oil deal with Brazil, are made outside of the American and OPEC orbits.¹⁰

Iran has been selling its oil for euros for quite some time. A lot of its international deals are denominated in euros. As are Russia’s, China’s and Brazil’s. Adding Brazil to the mix strengthens the movement away from the dollar in our own hemisphere. Brazil has been moving in this direction since 2005, Venezuela has been pushing this since 2007.¹¹

Most Americans are unaware that in 2003 Saddam Hussein had begun to sell Iraqi oil for euros as well as dollars, and that Bush, two months after invading Iraq, enacted an emergency order which, with the misleading title of “Protecting the Development Fund for Iraq,” secretly ended Iraq’s euro sales of oil. The U.S. press, unlike the *Irish Times* and the UK *Financial Times*, took no notice of this.

As I wrote in *The Road to 9/11*,

The United States acted swiftly to ensure that oil would remain dominantly a dollar commodity, by an executive order empowering Iraqi oil sales to be returned from euros to dollars. Bush's order of May 22, 2003, declaring a "national emergency," did not directly mention the dollar as such; but it directed all oil earnings into a central fund, controlled by the United States, for reconstruction projects in Iraq.^[12] The *Financial Times*, on June 6, 2003, confirmed that Iraqi oil sales were now switched back from euros to dollars.¹³

Most Americans are also unaware that on May 20, 2009 Obama explicitly renewed, rather than canceled, Bush's emergency order 13303 for the use of the dollar in Iraq's oil dealings. Once again, the language of Obama's emergency order concealed its implications.¹⁴

Obama's reluctance to abandon America's traditional Middle Eastern oil policies has to be understood in the light of the dollar's increasing precariousness at this time. In recent weeks the U.S. Treasury has had to pay more to attract foreign purchasers of its securities. The basic US Treasury rate has risen to 5.29 percent, with indications that it will go higher.¹⁵ China, a major purchaser of U.S. Treasury instruments, has recently switched from long-term to short-dated U.S. Treasuries. Meanwhile it has become increasingly focused on currency swaps with its neighbors in Southeast Asia, a development only to be expected.¹⁶

An increase in interest rates will of course threaten the Obama program for relief to distressed homeowners, which, as he told Congress in his February speech, was a program to help Americans take advantage of the lower interest rates then prevailing. It will also threaten the timeline he projected for American economic recovery.

The Choice Between Unilateralism and Multilateralism in Central Asia

No doubt in Washington this weakness of the oil-dependent dollar is seen by hawks as reinforcing the case for persistence in both Iraq and in Afghanistan (where a decade ago the US firm Unocal hoped to build an oil pipeline from Turkmenistan to Pakistan).¹⁷ But increasingly multilateralists in Washington are arguing that America, instead of proceeding unilaterally to sustain Bush-era policies for dominating the oil of Central Asia, could do better by reaching out to cooperation with Russia and China.

The obvious venue for such a multilateral approach would be the Shanghai Cooperation Organization (SCO), which will meet in Yekaterinburg on June 15-16. As U.S. diplomat Lynn Roche has written,

The SCO grew out of the Shanghai Five founded in 1996 to coordinate border security between five nations of Central Asia – Russia, China, Kazakhstan, Kyrgyzstan and Tajikistan – and added Uzbekistan in 2001. It has usually been viewed as an attempt to counterbalance NATO and therefore, suspect. That outlook is short-sighted. Focusing on mutual security issues such as counter-terrorism and drug trafficking in this thorny part of the world, the SCO provides a valuable function that the West hasn't taken advantage of so far....It's the right time to enlist the SCO's input and assistance on Afghanistan. It's an opportunity to work with Russia and China in a multilateral forum, hopefully leaving some of our bilateral baggage at the door.¹⁸

SCO's initial opposition to NATO has shifted with the deteriorating situation in Afghanistan

and Pakistan. This led a SCO meeting in May 2009 to express the view that “the NATO coalition forces in Afghanistan must pay more attention to the problems of Pakistan.”¹⁹ And although SCO in 2005 opposed a U.S. military presence on the territory of its member states, Kyrgyzstan’s expulsion of the U.S. from its base at Bishkek, scheduled for August of this year, will be reconsidered by Kyrgyz President Bakiyev and Afghan President Karzai at the June SCO meeting. These developments are symptomatic of the interest the SCO countries share with America in reducing violence and narcotics in the region.

Even though the United States was denied SCO observer status in 2005, the United States was invited by SCO to participate in a Moscow meeting on Afghanistan on March 27 of this year. (It was on the sidelines of this meeting that Patrick Moon, U.S. envoy for South and Central Asia, held talks with Mehdi Akhundzadeh, Iran’s Deputy Foreign Minister.) Later on March 27, in Washington, Obama announced that his new Afghanistan policy “will include a new contact group for Afghanistan involving the United Nations, NATO allies and other partners from the Central Asian states, the Gulf nations, Iran, Russia, India and China.”²⁰

This outreach to SCO was more noticed abroad than in the U.S. press. But a Council on Foreign Relations podcast commented that SCO’s

first invitation to the United States to attend its March 27 meeting in Moscow has aroused interest about a potential partnership for stabilizing Afghanistan. President Barack Obama announced a shift in U.S. policy emphasis on the same day as the SCO summit, and greater consultation with Afghanistan’s neighbors is a part of the new template.²¹

The new template could possibly lead to multilateral consultations on oil as well. In 2007 SCO member states agreed to establish a “unified energy market” for oil and gas exports, while also promoting regional development through preferential energy agreements.²² With India, Iran, Mongolia and Pakistan attending SCO’s next meeting as observers, SCO attendees will represent more than half of the human race.

The so-called BRIC countries, Brazil, Russia, China, and India, will also meet separately in Yekaterinburg in June, and Brazil will attend the SCO meetings as well. A Goldman Sachs research paper has predicted that the four BRIC countries, by their synergy, may become among the four most dominant economies by the year 2050.²³ And as has been pointed out, BRIC also represents “the world’s fastest and most consistently growing economies with the largest foreign currency and gold reserves.”²⁴

Clearly SCO has emerged as a venue for the resolution of issues in Central Asia – including oil – with or without the United States. Thus one can expect continuing debate in Washington as to whether America’s interests in the region will be better served by unilateral or multilateral approaches.

In the waning days of the British 19th Century, two memorable, archetypical novels appeared whose mythic plots could be used to express the moral dichotomy of the British Empire. I am referring to Stevenson’s *Strange Case of Dr Jekyll and Mr Hyde* (1886) and Wilde’s *The Picture of Dorian Gray* (1900). A century later they express the moral dichotomy of America as well – evil and ugly as the wager of a preemptive war in Iraq, but still attractive and beneficent as one of the most successful multicultural civil societies in the world.

As Amy Chua has written in her book *Day of Empire*,

If America can rediscover the path that has been the secret to its

success since its founding and avoid the temptations of empirebuilding, it could remain the world's hyperpower in the decades to come – not a hyperpower of coercion and military force, but a hyperpower of opportunity, dynamism, and moral force.²⁵

America's real strength, and ultimately its best defense, is as a civil society to which other societies are drawn. One of the tragedies of the last decade has been the way the democratic core of that civil society has been grossly weakened. In the name of security, a noisome fog of secrecy has obscured the workings of government from public view, in a declared "state of emergency" which has been continuously renewed since 9/11 – and which Congress is required by law to review, yet refuses to.²⁶ Democratic institutions are like garden plants: to prosper they need sunlight.

America's moral dichotomy was summarized some years ago by Michael Klare as an ongoing struggle between its Prussians and its traders. That is too simple a dichotomy to epitomize America's choices in Central Asia: there the oil companies, nominally traders, have helped drive the urge for unilateral U.S. military dominance in remote countries like Georgia and Uzbekistan.

But it catches the choice America faces in Central Asia. Either America can struggle militarily for "full-spectrum dominance" of the region – an absurd but official Pentagon doctrine calling for the ability "to control any situation across the range of military operations."²⁷ Or it can cooperate with other major and local powers for multilateral negotiations of shared problems.

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NOTES

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12. Federal Register, Vol. 68, No. 102, May 28, 2003 , Presidential Documents, 31931, Order 13303 of May 22, 2003.

13. "Executive Order Protecting the Development Fund for Iraq and Certain Other Property in Which Iraq Has an Interest," Executive Order 13303 of May 22, 2003, Federal Register, 31931, <http://www.whitehouse.gov/news/releases/2003/05/20030522-15.html>. The order was issued ten days after Paul Bremer arrived in Iraq to head the Coalition Provisional Authority that would enforce it. The *Irish Times* had correctly predicted the outcome on April 17, noting Washington was making dollars the short-term currency within Iraq and putting the Iraqi oil industry under U.S. direction: "This makes it certain that the future sale of Iraqi oil will be in dollars, the international currency for oil transactions, once the UN lifts anti-Saddam sanctions that provide that only the UN can approve Iraqi oil sales" (Conor O'Clery, "Dollar to Replace Dinar, for Now," *Irish Times*, April 17, 2003).

14. White House, May 20, 2009, http://www.whitehouse.gov/the_press_office/Message-from-the-President-and-Notice-of-Continuation-regarding-Iraq/: "THE WHITE HOUSE, Office of the Press Secretary, For Immediate Release, May 20, 2009: TO THE CONGRESS OF THE UNITED STATES:

Section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)) provides for the automatic termination of a national emergency unless, prior to the anniversary date of its declaration, the President publishes in the Federal Register and transmits to the Congress a notice stating that the emergency is to continue in effect beyond the anniversary date. In accordance with this provision, I have sent the enclosed notice to the Federal Register for publication. This notice states that the national emergency with respect to the stabilization of Iraq declared in Executive Order 13303 of May 22, 2003, as modified in scope and relied upon for additional steps taken in Executive Order 13315 of August 28, 2003, Executive Order 13350 of July 29, 2004, Executive Order 13364 of November 29, 2004, and Executive Order 13438 of July 17, 2007, is to continue in effect beyond May 22, 2009." The VanderbiltOrbis website has called Order 13303 one of "Bush's nine worst executive orders:"

<http://media.www.vanderbiltorbis.com/media/storage/paper983/news/2009/01/21/Opinion/B>

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20. "Obama Announces New Strategy for Afghanistan, Pakistan," America.gov, March 27, 2009, <http://www.america.gov/st/peacesec-english/2009/March/20090327121642dmslahrellek0.5016443.html>.

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22. Andrew Scheineson, "The Shanghai Cooperation Organization ," Council on Foreign Relations, Backgrounder, March 24, 2009, http://www.cfr.org/publication/10883/shanghai_cooperation_organization.html?breadcrumb=%2Fregion%2F264%2Fcentral_asia.

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