

The Iranian Threat: The Bomb or the Euro?

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Iran does not pose a threat to the United State because of its nuclear projects, its WMD, or its support to “terrorists organizations” as the American administration is claiming, but in its attempt to re-shape the global economical system by converting it from a petrodollar to a petroeuro system. Such conversion is looked upon as a flagrant declaration of economical war against the US that would flatten the revenues of the American corporations and eventually might cause an economic collapse.

In June of 2004 Iran declared its intention of setting up an international oil exchange (a bourse) denominated in the Euro currency. Many oil-producing as well as oil-consuming countries had expressed their welcome to such petroeuro bourse. The Iranian reports had stated that this bourse may start its trade with the beginning of 2006. Naturally such an oil bourse would compete against London’s International Petroleum Exchange (IPE), as well as against the New York Mercantile Exchange (NYMEX), both owned by American corporations.

Oil consuming countries have no choice but use the American Dollar to purchase their oil, since the Dollar has been so far the global standard monetary fund for oil exchange. This necessitates these countries to keep the Dollar in their central banks as their reserve fund, thus strengthening the American economy. But if Iran — followed by the other oil-producing countries — offered to accept the Euro as another choice for oil exchange the American economy would suffer a real crisis. We could witness this crisis at the end of 2005 and beginning of 2006 when oil investors would have the choice to pay \$57 a barrel of oil at the American (NYMEX) and at London’s (IPE), or pay 37 Euros a barrel at the Iranian oil bourse. Such choice would reduce trade volumes at both the Dollar-dependent (NYMEX) and the (IPE).

Many countries had studied the conversion from the ever weakening petrodollar to the gradually strengthening petroeuro system. The de-valuation of the Dollar was caused by the American economy shying away from manufacturing local products — except those of the military -, by outsourcing the American jobs to the cheaper third world countries and depending only on the general service sector, and by the huge cost of two major wars that are still going on. Foreign investors started withdrawing their money from the shaky American market causing further devaluation of the Dollar.

The keen observer of the money market could have noticed that the devaluation of the American Dollar had started since November 2002, while the purchasing power of European Euro had crept upward to reach nowadays to \$1.34. Compared to the Japanese Yen the Dollar had dropped from 104.45 to 103.90 yen. The British pound climbed another notch

from \$1.9122 to \$1.9272.

Economic reports published at the beginning of this month (March) had pointed towards the deep dive of the American economy and to the quick rise of the deficit up to \$665.90 billion at the end of 2004. The worst is still to come. These numbers worried the international banks, who had sent some warnings to the Bush administration.

In its economical war Iran is treading the same path Saddam Hussein had started when he, in 2000, converted all his reserve from the Dollar to the Euro, and demanded payments in Euro for Iraqi oil. Many economists then mocked Saddam because he had lost a lot of money in this conversion. Yet they were very surprised when he recuperated his losses within less than a year period due to the valuation of the Euro. The American administration became aware of the threat when central banks of many countries started keeping Euros along side of Dollars as their monetary reserve and as an exchange fund for oil (Russian and Chinese central banks in 2003). To avoid economical collapse the Bush administration hastened to invade and to destroy Iraq under false excuses to make it an example to any country who may contemplate dropping the Dollar, and to manipulate OPEC's decisions by controlling the second largest oil resource. Iraqi oil sale was reverted back to the petrodollar standard.

There is only one technical obstacle concerning the use of a euro-based oil exchange system, which is the lack of a euro-denominated oil pricing standard, or oil 'marker' as it is referred to in the industry. The three current oil markers are U.S. dollar denominated, which include the West Texas Intermediate crude (WTI), Norway Brent crude, and the UAE Dubai crude. Yet this did not stop Iran from requiring payments in the euro currency for its European and Asian oil exports since spring 2003.

Iran's determination in using the petroeuro is inviting in other countries such as Russia and Latin American countries, and even some Saudi investors especially after the Saudi/American relations have weakened lately. This determination had also invited an aggressive American political campaign using the same excuses used against Iraq: WMD in the form of nuclear bomb, support to "terrorist" Lebanese Hezbollah organization, and threat to the peace process in the Middle East.

The question now is what would the American administration do? Would it invade Iran as it did Iraq? The American troops are knee-deep in the Iraqi swamp. The global community — except for Britain and Italy- is not offering any military relief to the US. Thus an American strike against Iran is very unlikely. Iran is not Iraq; it has a more robust military power. Iran has anti-ship missiles based in "Abu Mousa" island that controls the strait of Hermuz at the entrance of the Persian Gulf. Iran could easily close the strait thus blocking all naval traffic carrying gulf oil to the rest of the world causing a global oil crisis. The price of an oil barrel could reach up to \$100. The US could not topple the regime by spreading chaos the same way it did to Mussadaq's regime in 1953 since Iranians are aware of such a trick. Besides Iranians have a patriotic pride of what they call "their bomb".

America has resorted to instigate and encourage its military bastard, Israel, to strike Iranian nuclear reactors the way it did to Iraq. Leaked reports had revealed that Israeli forces are training for such an attack expected to take place next June. Israel is afraid of an Iranian bomb. Such an "Islamic" bomb would threaten Israel's military hegemony in the Middle East. The bomb would extract some Israeli concessions and would create an arm race that would gobble a lot of Israeli defense expenditure. Further more the bomb would force the US to enter into negotiations with nuclear Iran that may limit Israeli expanding ambitions.

Iran had invested a lot of money and effort to obtain nuclear technology and would never abandon it as evident in its political rhetoric. Unlike Iraq Iran would not keep quiet of Israel strikes its nuclear facilities. Iran would retaliate aggressively which may lead to the destabilization of the whole region including Israel, Gulf States, Iraq, and even Afghanistan.

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