

The Real Reason Russia is Demonized and Sanctioned: the American Petrodollar

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What do Iraq, Libya, Syria, Iran and Russia have in common? They have all been a victim of American aggression in one form or another – either a military attack or economic sanctions. Washington uses ethical pretexts, such as “protecting civilians” or “promoting democracy”, to act belligerently towards these nations, but due to its hypocritical nature of supporting dictators throughout the world and its disregard for human rights, this excuse is a fabrication.

The real reason for singling out these countries is the petrodollar system, a scheme that enables America to stay afloat despite being more than \$17 trillion in debt. The existence of petrodollars is one of the pillars of America’s economic might, because it creates a significant external demand for the American currency, allowing the U.S. to accumulate enormous debts without defaulting.

The beginning of the petrodollar

What makes the dollar unique is the fact that since the early 1970s it has been, with a few notable exceptions, the only currency used to buy and sell oil on the global market. This began when in 1973 the Richard Nixon administration began negotiations with the government of Saudi Arabia to establish what came to be referred to as the petrodollar recycling system. Under the arrangement, the Saudis would only sell their oil in U.S. dollars, and would invest the majority of their excess oil profits into U.S. banks and Capital markets. The IMF would then use this money to facilitate loans to oil importers who were having difficulties covering the increase in oil prices. The payments and interest on these loans would of course be denominated in U.S. dollars.

This agreement was formalised in the “The U.S.-Saudi Arabian Joint Commission on Economic Cooperation” put together by Nixon’s Secretary of State Henry Kissinger in 1974. The system was expanded to include the rest of OPEC by 1975. This was a major economic success for the U.S. As long as the world needs oil, and as long as oil is only sold in U.S. dollars, there will be a demand for dollars, and that demand is what gives the dollar its value.

How victims of American invasion wanted to stop trading in dollars

This petrodollar system stood unchallenged until September of 2000 when former Iraqi Persistent Saddam Hussein announced his decision to switch Iraq’s oil sales off of the dollar to Euros. This was a direct attack on the dollar. To protect the supremacy of the dollar, the U.S. invaded Iraq in 2003. Once Iraqi oil fields were under U.S. control after the invasion, oil sales were immediately switched back to the dollar.

In February of 2009, former Libyan leader Muammar Gaddafi was named Chairman of the African Union. He immediately [proposed](#) the formation of a unified state with a single currency. It was the nature of that proposed currency that got him killed.

In March of 2009 the African Union released a [document](#) entitled "Towards a Single African Currency". Pages 106 and 107 of that document specifically discuss the benefits and technicalities of running the African Central bank under a gold standard. On page 94 it explicitly states that the key to the success of the African Monetary Union would be the "eventual linking of a single African currency to the most monetary of all commodities - gold." In 2011 the CIA moved into Libya and began backing militant groups in their campaign to topple Gaddafi and the U.S. and NATO pushed through and stretched a U.N. no-fly zone resolution to tip the balance with airstrikes. The presence of Al-Qaeda extremists among these rebel fighters was swept under the rug.

In February of 2014, Russia became the new target for the U.S. Russia is the world's second largest oil exporter, and not only have they been a thorn in Washington's side diplomatically, but they also opened an energy bourse in 2008, with sales denominated in Russian currency (roubles) and gold. This project had been in the works since 2006. They have also been working with China to pull off of the dollar in all of their bilateral trade. Russia has also been in the process of [organizing](#) a Eurasian Economic Union which includes plans to adopt common currency unit, and which is [scheduled](#) to have its own independent energy market.

Leading up to the crisis in Ukraine had been presented with a choice: either join the E.U. under an association agreement or join the Eurasian Union. The E.U. insisted that this was an either or proposition. Ukraine couldn't join both. Russia on the other hand, asserted that joining both posed no issue. President Yanukovich [decided](#) to go with Russia. In response the U.S. national security apparatus did what it does best: they toppled Yanukovich and installed a puppet government.

Having a puppet in place however hasn't turned out to be enough to give Washington the upper hand in this crisis. They therefore decided to [impose](#) sanctions and demonize Russia in hope that Moscow would lose its international friends. However Russia is not Iraq or Libya. It is a dominant power and going up against was unlikely to work out in America's favour. In fact it has [already backfired](#). The sanctions have merely pushed Russia and China into closer cooperation and [accelerated](#) Russia's de-dollarization agenda. And in spite of the rhetoric, this has not led to Russia being isolated.

End of petrodollar would bring an end to the U.S. hegemony

The petrodollar is the only life support machine left for the U.S. and this is precisely why Washington goes after any country that tries to destroy it. This is not deterring Russia and China from going ahead with their plans. Russian First Deputy Prime Minister Igor Shuvalov announced after talks in Beijing recently that Russia and China are currently [discussing](#) the creation of a system of inter-bank transactions, which would be an analogue to the international system of bank transfers - SWIFT. The Russian authorities intended to [reduce](#) the dependence of the financial market on SWIFT after the first wave of US sanctions, when international payment systems Visa and MasterCard refused to work with a number of Russian banks. According to Shuvalov, Russia also discussed the creation of an independent rating agency with China. Specific proposals are to be made by the end of

2014.

All this [indicates](#) that the Eurasian Economic Union will gradually abandon the dollar. As soon as Russia and China show that it is really possible to abandon the dollar, especially given the fact that the United States is pushing for this, other countries will follow their example. This could become the beginning of an end of the American global dominance.

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