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How America's Petrodollar System Influenced the 2003 Iraq War

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14-18 minutes

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(This is part 3 of our article series about the Petrodollar System. To read part one, [click here](#). To read part two, [click here](#).)

As we have seen from the previous articles, the petrodollar system that was created in the 1970's has served America well. What began as a way to drive more demand for the U.S. Dollar, in the wake of a move away from the international gold standard in 1971, has provided benefits that few could ever imagine. This 'dollars for oil' system has greatly enriched our nation at the expense of other nations and their potential prosperity. It also helped solidify the U.S. dollar as the global currency of choice, following a temporary loss of credibility after President Nixon's decision to close the gold window.

One of the more sensitive, and therefore veiled, aspects of the petrodollar system is how it has impacted America's relations

with the Middle East. In life, everything boils down to incentives. The politicians will tell you otherwise. Your priest or pastor may even tell you that incentives are meaningless. But the truth is, incentives are what drive every decision on this planet. Our website is called Follow the Money Daily. Why? Because money has the unusual characteristic of providing the ultimate incentive. Money can buy power, freedom, and much more. Therefore, I tend to ignore the movement of a politician's lips and instead I pay closer attention to what he or she supports.

It should be stated that there is nothing wrong with being motivated by incentives. But if we are hoping to grasp how the world around us works, we must understand that behind every decision lies an incentive. Let's see what role the power of incentives plays in the petrodollar system.

The America - Mideast Connection

On September 11, 2001, America's relations with the Middle East would be altered forever. The tragic events of that day live on in the memory of every American. The dreadful carnage in New York City, Washington, and Pennsylvania was heart-rending to the billions who watched the terror unfold before their eyes on television sets around the world.

Six days after the attacks, President George W. Bush named Osama Bin Laden as the "prime suspect." Washington's response was swift. On October 7, 2001, Operation Enduring Freedom was launched. Thousands of U.S. troops were sent into **Afghanistan**. Washington's stated goal was clear: To capture Bin Laden, and to wipe out two groups connected to

Bin Laden; Al Qaeda and the Taliban.

Within a few short weeks of this initial invasion, Washington began building a case in the mainstream media for a full-scale invasion of **Iraq**. While Bin Laden appeared to have no legitimate connection to Iraq, U.S. officials claimed that Iraq presented an entirely separate set of national security threats.

These threats included Iraq's alleged development, and possession, of weapons of mass destruction. In addition, their intimate ties to international terrorist groups were also highlighted.

It did not take long for America to become sharply divided on Washington's hasty insistence on launching another war in the volatile region of the Middle East. And while a majority of the American public supported a full scale invasion of Iraq, others urged a more diplomatic approach. But in the wake of the devastation of 9/11, few were in the mood for diplomacy.

As the war drums over Iraq beat ever so loudly, legitimate questions concerning the merits of the war required Washington to provide specific answers to a confused and terror-weary public.

Such questions included:

Is there proof that Iraq actually has weapons of mass destruction?

And, is there evidence linking Iraqi president Saddam Hussein to the terror of 9/11?

Then there were others who questioned America's motives on the invasion of Iraq. In his book, *Petrodollar Warfare*, author

William R. Clark makes an audacious claim that the 2003 U.S.-led invasion of Iraq was not based upon “violence or terrorism, but something very different, yet not altogether surprising – declining economic power and depleting hydrocarbons.”

Clark ‘s work is heavily influenced by another author named F. William Engdahl and his book, *The Century of War: Anglo-American Oil Politics and the New World Order*.

According to Clark and Engdahl, the U.S.-led invasion of Iraq was not motivated by Iraq’s connection to terror. Nor was it out of sympathy for the Iraqi people’s lack of a democratic process. Instead, Clark and Engdahl both claimed that it was Iraq’s 2002 decision to refuse to sell its oil in dollars that led to the conflict. These efforts by Washington to “protect the dollar” began taking shape in the Fall of 2000.

According to page 28 of Clark’s book:

“On September 24, 2000, Saddam Hussein allegedly emerged from a meeting of his government and proclaimed that Iraq would soon transition its oil export transactions to the euro currency.”

As renegade and newsworthy as this action was, it was sparsely reported in the American media. On page 31, Clark adds:

“CNN ran a very short article on its website on October 30, 2000, but after this one-day news cycle, the issue of Iraq’s switch to a petroeuro essentially disappeared from all five of the corporate-owned media outlets.”

Not long after this meeting in 2000, Saddam began making the

switch from dollar-based transactions to requiring euros for all future oil sales. By 2002, Saddam began converting all of his excess petrodollars into petroeuros – in essence, dumping the dollar. A few months later, on March 19, 2003, a full scale U.S.-led invasion of Iraq had begun.

According to Clark and Engdahl, Saddam's bold threat to the petrodollar system had brought the full force and fury of the U.S. military onto his front lawn. Was the Iraq war really about weapons of mass destruction, al-Qaeda, and fighting terrorism? Or was America's goal to bring "democracy" to Iraq actually a guise for making an example of Iraq for threatening the petrodollar system? I don't claim to know. However, the more that you consider the data, the more compelling the argument becomes.

What's "Our" Oil Doing Under "Their" Sand?

Of course, Washington's stance was clear. This war was not, nor was it ever, about Iraqi's oil supplies.

Consider a small sampling of quotes from U.S. officials:

"The idea that the United States covets Iraqi oil fields is a wrong impression. I have a deep desire for peace. That's what I have a desire for. And freedom for the Iraqi people. See, I don't like a system where people are repressed through torture and murder in order to keep a dictator in place. It troubles me deeply. And so the Iraqi people must hear this loud and clear, that this country never has any intention to conquer anybody."

(U.S. President George W. Bush)

“This is not about oil; this is about a tyrant, a dictator, who is developing weapons of mass destruction to use against the Arab populations.” (U.S. Secretary of State Colin Powell)

“It’s not about oil and it’s not about religion.” (U.S. Secretary of Defense Donald Rumsfeld)

“I have heard that allegation (of oil motives) and I simply reject it.” (Coalition Provisional Authority Paul Bremer)

“It’s not about oil.” (General John Abizaid, Combatant Commander, Central Command)

“It was not about oil.” (Energy Secretary Spencer Abraham)

“It’s not about the oil,” (the Financial Times reported Richard Perle shouting at a parking attendant in frustration.)

“This is not about oil.” (Australian Treasurer Peter Costello)

“The only thing I can tell you is this war is not about oil.” (Former Secretary of State Lawrence Eagleburger)

“This is not about oil. This is about international peace and security.” (Jack Straw, British Foreign Secretary)

“This is not about oil. That was very clear. This is about America, and America’s position in the world, as the upholder of liberty for the oppressed.” (Utah Republican Senator Bob Bennett)

“There’s just nothing to it.” (White House spokesperson Ari Fleischer on the U.S. desire to access Iraqi oil fields.)

Condoleeza Rice, in response to the proposition, “if Saddam’s primary export or natural resource was olive oil rather than oil, we would not be going through this situation,” said:

“This cannot be further from the truth. He is a threat to his neighbors. He’s a threat to American security interest. That is what the president has in mind.” She continued: **“This is not about oil.”**

Clearly, the government line was loud and clear: The 2003 Iraq war was **not** about oil.

But despite this seemingly impenetrable defense of Washington’s intentions, it did not take long for the dissenters to emerge. And as the war with Iraq raged on, even those within Washington began to make revealing comments on the U.S.-Iraq-Oil connection.

Or... Is it About the Oil?

In January 2003, **British Foreign Secretary Jack Straw** admitted that oil was a key priority to the West’s involvement in Iraq.

In June 2003, **Deputy Defense Secretary Paul Wolfowitz** made the following comments after being asked why Iraq was being treated differently than North Korea on the question of a nuclear threat, while speaking to an Asian security summit in Singapore:

“Let’s look at it simply. The most important difference between North Korea and Iraq is that economically, we just had no choice in Iraq. The country swims on a sea of oil.”

In an August 2008 BusinessWeek interview, Republican Vice-Presidential candidate, **Sarah Palin**, stated:

“We are a nation at war and in many [ways] the reasons for war are fights over energy sources, which is nonsensical when you consider that domestically we have the supplies ready to go.”

During a 2008 Townhall campaign meeting, former Presidential candidate and Senator, **John McCain**, made the following statement:

“My friends, I will have an energy policy which will eliminate our dependence on oil from the Middle East that will then prevent us from having ever to send our young men and women into conflict again in the Middle East.”

Former Chairman of the Federal Reserve, **Alan Greenspan**, recently stated the following in his book, The Age of Turbulence:

“I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil.”

In a televised interview with the History channel regarding global energy policy, former Secretary of State **James A. Baker III** said:

“I have been a member of four (Presidential) administrations. And in every one of those administrations we had written as a national security policy that we would go to war to protect the national

energy reserves of the Persian Gulf, if necessary.”

General John Abizaid, who was formerly the Commander of the United States Central Command during the Iraq war, stated during an October 2007 round table discussion entitled: “Courting Disaster: The Fight for Oil, Water and a Healthy Planet” at Stanford University:

“Of course (the Iraq war) is about oil, we can’t deny that.”

While it is clear that Iraq’s oil supplies played some role in the 2003 U.S.-led invasion of that nation, there are even more questions regarding the change in the political logic used prior to the invasion. **Vice President Dick Cheney** was one of the architects behind the 2003 Iraq War. However, nine years prior to this war, in 1994, Cheney was interviewed about the 1991 Gulf War in a C-Span interview:

Q: Do you think the U.S., or U.N. forces, should have moved into Baghdad?

A: No.

Q: Why not?

A: Because if we’d gone to Baghdad we would have been all alone. There wouldn’t have been anybody else with us. There would have been a U.S. occupation of Iraq. None of the Arab forces that were willing to fight with us in Kuwait were willing to invade Iraq. Once you got to Iraq and took it over, took down Saddam Hussein’s government, then what are you going to put in its place? That’s a very volatile part of the world, and

if you take down the central government of Iraq, you could very easily end up seeing pieces of Iraq fly off: part of it, the Syrians would like to have to the west, part of it — eastern Iraq — the Iranians would like to claim, they fought over it for eight years. In the north you've got the Kurds, and if the Kurds spin loose and join with the Kurds in Turkey, then you threaten the territorial integrity of Turkey. It's a quagmire if you go that far and try to take over Iraq. The other thing was casualties. Everyone was impressed with the fact we were able to do our job with as few casualties as we had. But for the 146 Americans killed in action, and for their families — it wasn't a cheap war. And the question for the president, in terms of whether or not we went on to Baghdad, took additional casualties in an effort to get Saddam Hussein, was how many additional dead Americans is Saddam worth? Our judgment was, not very many, and I think we got it right."

Saddam's move to switch Iraq's oil sales from dollars to euros may have been enough to change Cheney's mind. Based upon the quotes above, it is obvious that oil had played some role in the U.S.-led Iraq invasion.

In tomorrow's piece, we will examine the aftermath of the U.S.-led invasion of Iraq to see if the words and the actions line up.

Tomorrow: More on the coming breakdown of the U.S. Dollar and why it matters...

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