"We are in the Midst of an Epochal Tectonic Shift"

Given the fact, that the oil price attracts strong attention these days, it is more than just fitting to have a detailed conversation with one of the most prominent observers of the "black gold" business: F. William Engdahl. In the following exclusive interview, he discussed his views on the current oil price, the history of the oil interests in the 20th Century, the true aims of the "War on Terror," and last but not least Peak Oil.

By Lars Schall

Mr. Engdahl, is the oil price by and large driven by massive speculation? Mike Norman, the Chief Economist at the Wall Street firm John Thomas Financial (http://www.johnthomasbd.com), wrote to me in October of last year for example:

"Total NYMEX open interest in crude is 1.4 m contracts or about 1.4 billion barrels of crude. Daily volume of crude traded on NYMEX is over 1 billion barrels per day. Total daily global demand is only 83 million barrels per day. The amount traded on one single exchange is more than 10 times total daily consumption. It's a giant casino with prices being driven up by speculators and consumers having to pay more and more."i

What's your opinion on that?

FWE: I wrote back in the 2008 period, when oil briefly spiked-up to $ 147 per barrel and Goldman Sachs was issuing client-adviseuries that it was going quickly to $ 200, and when JP Morgan was advising the Chinese government that China 'buy all the physical crude you can get your hands on because it is going to $ 200,' at that point I wrote that roughly 60-70% of the price of oil then was pure speculation, manipulated by the GSCI, the Goldman Sachs Commodity Index. It's a perfect scenario that they have created on Wall Street to control the oil price irrespective of supply and demand.ii I would just add that the crucial ingredient these days is not the NYMEX for the global oil price benchmark, but the ICE Futures in London.

Why do I say that? Because the ICE Futures is a daughter company of the International Commodity Exchange of Atlanta in Georgia, owned by Goldman Sachs, Morgan Stanley, JP Morgan Chase etc. - the big oil banks that benefit enormously from the inside. There is absolutely no serious regulation of the ICE Futures. The British keep their hands off it, and the U.S. Commodity Futures Trading Commission, the CFTC, since 2006 under the "Commodity Modernization Act of 2000" allows ICE Futures to trade energy futures without disclosure to CFTC in the U.S. Market through London. So, in fact, it has deregulated and taken away from any government supervisory role the entire trade in energy futures, especially oil.

This is a rigged game. All you need now is a plausible event like this madman Gaddafi going berserk, or even a CNN perception of such, to then kick-off a snowball effect in the futures markets. These games are not sustainable over a ten year time, of course. Eventually it has to come back to supply and demand on some level, but the reality is that this is pure price and perception manipulation right now.

How much is the current upward movement of the oil price connected to the turmoil in the Middle East?

FWE: Well, the upward movement in the oil price began well before Christmas.

The hedge funds and banks, who control and own the NYMEX, the ICE Futures and the Dubai Exchange, are using the Middle East events. I think they want to try to use that to push the price up to maybe $ 150 to 200 per barrel over the next months. And why? In order to put massive political pressure on Germany and the European Union. Why they want to do that is of course a different question. But ultimately pressure on the emerging giant, China which is beginning to act more independent than some in Washington would wish.

In case more events in the Middle East disrupt supply in a serious manner: does the world possess right now enough oil in inventory or spare capacity to cover that decline and prevent a price spike? Gregor Macdonald wrote for example in an article with the headline "Spare Capacity Theory"iii:
"In truth, the spare capacity that the world cares about—that the oil futures market cares about—is not the inventory level. But rather, actual production capacity that can be brought on immediately." iv

What's your take on this?

FWE: The problem is there is no independent, non-partisan authority on the planet that knows what the totality of really usable in oil spare capacity is. The Saudis keep it a state secret and most other Arab OPEC countries keep it a state secret as well. Presumably the NSA and various intelligence agencies have access to certain sensitive data in these countries, but we don't. Moreover, there are reports that OPEC has been cheating for a long time on quotas and already pumping at capacity. The Saudis have said that they have a capacity to absorb Libya's oil shortfall. I think if we see one more country, whether it's Oman, Bahrain or Algeria, go into a serious crisis, then we are in a new domain of danger short-term. The question is then how long will it last.

Do you trust Saudi Arabia's ability to increase its oil production or will they face significant difficulties to do so?v

FWE: I think the question is how much infrastructure in Saudi is online and how quick could that be brought into the market. That Saudi Arabia has more than some ample oil reserves in the ground is no question in my mind. I was informed 15 years ago in Washington DC by an insider that the US satellite and other intelligence had confirmed the presence of enough oil just alone in the disputed territory between Saudi Arabia and Yemen to feed the entire world appetite for crude oil over the next 50 years – and that is only that piece of the desert. So that the oil is under the ground in that part of the world is no question to me. Iraq as well. In Iran you have the sanctions, which conveniently keep a lot of Iranian oil from the market at this point.

I think this is all part of a very complex and long-time planned replay of the U.S. Oil shocks of the 1970's, with the goal in mind of maintaining not just U.S. Control over the oil markets, but over the global economies' development. Too many countries since September 2001 begin to explore finding solutions outside dependency on Washington. I know from direct discussions with leading people throughout the traditionally "pro-American" Arab OPEC countries, that they are fed up to here with Washington and its heavy handed demands on them, with their military bases, with their attempts to bring war against Iran and cause constant turmoil. They are looking to Europe, they are looking to Russia, they are looking to China, there is all kinds of cross flux and activity going on in these countries. I think that is the reason why the whole chessboard in the Middle East is being thrown up in the air by Washington right now. Whether that means that Saudi Arabia has the oil or not, there is no reliable source of information that says yes or no that I know of, certainly not that Swiss report the oil traders always cite.

The oil price is now well over $100 per barrel. That might be good for oil exporting countries, because they suffered under the devaluation of the US dollar; but isn't it poison for the economic growth patterns of the industrial societies and in particular for China?

FWE: It is certainly not good for China. I think we are in a band between $ 80 to 110, where it's not a growth killer for China and the global economy, but it's like a tax, a 20 % tax on energy use in China and the rest of the world in dollar terms. I think this is something that the Chinese can manage as long as it remains short-term and around this level. Were the price to double to around $ 200 per barrel and stay there, that would represent serious problems for China in transition. But that depends on whether the Chinese would be able to make bilateral producer-consumer long-term supply-contracts with oil producing countries that isolate them from that dollar price effect.

Mr. Engdahl, before we talk further on oil, I would like to take a look with you at the place you were born, the United States of America. Without any doubt the U.S. Has some profound financial and economic problems. But isn't maybe the American elite the biggest problem of them all, since it seems that those people who belong to it have not the best interests of the American public at heart?

FWE: Well, if you look at the American history over the last century and even more, going back to the Civil War, with the rise of the House of J.P.

Morgan based on defrauding the government for the sale of rifles during that war, when Morgan emerged as the Titan and No. 1 among the Wall Street "Gods of Money", as I've called them in my book, it
becomes clear. The American elite in that sense—the people with real power like the Rockefellers, who succeeded the House of Morgan after 1931—they never have had the interests of the American public at heart and they never will. They simply regard themselves as perhaps some of the Russian oligarchs regard themselves towards the Russian people, but even more so, they think they are literally the gods of the world. People are simply for them so many objects to be dealt with as they see fit like so many drones in an insect colony.

When you're dealing with the United States you always have to differentiate between some 300 million normal people like you and I, who are trying to get on with their lives and trying to provide for their families and work a decent job and live a decent life, and maybe a handful of a few dozens of ultra-powerful people like David Rockefeller or in an earlier generation the House of Morgan. They literally see themselves as a race separate. That is one of the reasons why they have been fanatic backers of eugenics over the decades. Well before the Third Reich, they financed what later became Hitler-Nazi eugenics in Germany – the Rockefeller Foundation I am talking about. This is the kind of mentality of these elites.

So you think that this elite in America does not have an interest to stop the next Great Depression?

FWE: Well, let me give you an example: In May of 2009 at the home of the president of the Rockefeller University, a very, very elite assemblage of billionaires only – not millionaires but billionaires only – were invited at the behest of David Rockefeller and Bill Gates, they signed the letter invitation. They called themselves "the Good Club." These are some of the wealthiest people in the world – David Rockefeller, of course, and Bill Gates with the Microsoft fortunes, Warren Buffet was there and Ted Turner of CNN fame. The subject of discussion, according to reports that leaked out, was not: 'How do we deal with this world financial crisis and this great depression?' Their absorbing passion in this meeting that they had in New York at the Rockefeller University was: How do we stop global population growth over the next several decades?vi So that will give you an idea.

It is my estimation at this point that they are trying to use the great depression that their financial shenanigans have caused. They deliberately created this securitization fraud, this Ponzi scheme after 1999, when Tim Geithner and Larry Summers were both in the Treasury department of the Clinton administration and they drafted the legislation for deregulating the banking system, allowing financial derivatives to be traded without any supervision by the Commodity Futures Trading Corporation, the U.S. Government derivatives supervisory agency – and they knew what they were doing. As Paul Volcker said in an interesting interview – I am certainly not a fan of Volcker from his past, but in this case I agree with him. Paul Volcker said about a year ago when he was asked what he would point to as the most positive contribution of banking innovation in the last twenty years: Well, if I think about it, there is one positive contribution – the invention of the automatic teller machine.vii Other than that, derivatives and all this financial innovation, has done nothing but harm. That's a paraphrase, but I think in this case Volcker is right on his estimation.

One major problem of our time might be that the central bank of the U.S., the Federal Reserve System, is privately owned.

FWE: Yes.

First of all: is this normal that a central bank is owned by a private banking cartel that can in this case run the monetary policy of the U.S.?

FWE: Let's leave out the "normal" right now, that's the direction that these money interests are trying to drive the entire world to get the world banking system decoupled from any kind of participatory pressure from the electorate. The Federal Reserve was created, as you know, in 1913. It was passed by an almost empty session of Congress two days before Christmas Eve in 1913 and signed within hours by President Woodrow Wilson, who some people say was put in as President – he was Princeton University's president before that and then Governor of New Jersey – but he was put in as President on the money of J.P. Morgan, Rockefeller and so forth, with the sole purpose as a Democrat of giving left cover if you will to the creation of the Federal Reserve. It was a very controversial proposal that has been battered around since well before the financial crisis of 1907.

The fact is, and few Americans are even aware of this – they think that the President proposes a
Chairman of the Federal Reserve and therefore the Federal Reserve is a government agency. It is not at all. The various district banks of the Federal Reserve – the Dallas Fed, the San Francisco Fed, the St. Louis Fed, and above all the primus interparthis the New York Fed – are stock companies, who's stock holders include companies such as A.I.G., JPMorgan Chase and so forth. So these are privately owned entities that make up the Federal Reserve System. And that is the core of the problem.

The Chairman of the Federal Reserve has one essential mandate: to preserve the power of the big banks – as one Congressional hearing in the 1920's called it the "Money Trust" banks. And that's really only about eight or at most nine institutions, I would estimate, that are really totally dominating the multi-trillions of derivatives worldwide, that are totally dominating the securatization scams and that are totally dominating Washington policy of the U.S. Treasury. So the privately owned Federal Reserve, I think, one of the major problems of the ruin of the American industrial and social economy let's say since the decoupling from gold in August 1971 certainly, and even before then.

As a historian, would it be an exaggerated statement to say that the entire history of the United States of America up to the year 1913 is the story of a Republic's struggle against a central bank highly concentrated in the hands of a few men?

FWE: I think that's a very interesting way to look at that history. You had the creation of the First Bank of the United States under Alexander Hamilton, the first Treasury Secretary. Many, even American historians, are under the impression that was a national bank owned by the U.S. Government.

In no way was this bank majority owned by the U.S. Government. There was a minor stock share held by the U.S. Government, but the main shareholders were private banking interests. Interestingly enough, one of the largest block of shares in the Bank of the United States was held by the House of Rothschild in London. So what the British lost during the Revolutionary War after 1776, they tried to get back through the back door by owning the bank that handles the U.S. Public debt. The charter of that bank was not renewed, there were bitter fights in the history of that. There was a Second Bank of the United States created some years later and Andrew Jackson as President was a bitter enemy of the idea that the debt of the United States would be handled by a private entity.

And then during the Civil War Lincoln issued Greenbacks. That was a form of fiat money in an emergency situation, but what it did, partially at least, was to take the control of the U.S. Debt temporarily out of the hands of London and New York banks. That displeased London to an extraordinary extent. Interestingly enough, the evidence that has been emerged about the assassination of Lincoln at the end of the Civil War, all points to the hand of the House of Rothschild and London City bankers, financing through Judah Benjamin, who was a leading Confederate official, the whole John Wilkes Booth assassination of Lincoln. Judah Benjamin disappeared from the United States after the assassination and spent the rest of his years in England.

So one can draw conclusions as to who had an interest in eliminating Lincoln, though of course we may never know conclusively.

The other thing was the war of 1812. A very bizarre war when you look at American history. The British started it with their ships off the coast of Washington and New Orleans. They started bombardng Washington and declared war, and they tried to move down from Canada. And that was apparently a revenge by the London banks for the fact that the U.S. President had allowed the charter of the First Bank of the United States to expire and not to be renewed. So very much of the history of the United States up to 1913 is about this struggle.

Also the whole question of silver versus gold. Gold was something in the interests of the House of Morgan in New York and certainly of the London banks, because they were the heart of the gold standard of that time. So if the United States would go on to a silver standard or even a bi-metallic standard, that would vastly diminish the power of J.P. Morgan, Rothschild and friends in London, Barrings and others. They bitterly fought William Jennings Bryant, a man famous for the speech "You shall not crucify mankind upon a cross of gold."viii

Yes.

FWE: But they essentially defeated the silver faction through all sorts of Congressional corruption and manipulation and so forth. So very much of the American history is about these struggles, yes.
If all of this is true, then it is the more important to understand a) how the Federal Reserve Act was put in place, and b) how the Federal Reserve System actually functions. I think related to a) maybe you could talk a bit about the bank panic of 1907.

FWE: Yes.

Who was behind this?

FWE: Well, surprise, surprise: it was the House of Morgan and their friends.

They created a run on a large independent bank in New York City and triggered what became the panic of 1907. It was turned into an industrial, economic depression across America with huge unemployment. Through that panic and their lobbying efforts they get the Congress to vote for setting up a national monetary commission to examine how to prevent future panics.

Well, it was a panic engineered by the House of Morgan and friends, and the way to prevent future panics would be to give them the control of the nation's money – take it it away from the Congress, where it is mandated Article 1, Section 8 of the Constitution, and give it to the cartel of private banks that make up the New York Federal Reserve Bank, which was deliberately designed to be the most powerful of all the banks in the Federal Reserve System.

And then the Federal Reserve Act was passed. How does the Federal Reserve System function?

FWE: Today you mean?

Yes.

FWE: Basically, it has unlimited power to print money to put it in the popular jargon. This is what we see Ben Bernanke doing since 2008, these are trillions of dollars, but of course Bernanke refuses to divulge any great details about what they are actually doing with the banks and which banks are benefitting from this Federal Reserve largesse. They're buying up all the toxic waste, putting it down on the Federal Reserves balance sheet and giving the banks then triple A rated U.S. Treasury notes in return.

The Federal Reserve has an Open Market Committee, the FOMC. They meet every six weeks to determine interest rate policy, essentially until today.

Several members of the Federal Reserve Board in Washington, always the Chairman of the Fed, in this case Bernanke or before him Greenspan, would be on the FOMC, the other ten or eleven reserve banks around the country would have rotating seats on the FOMC. So not all eleven banks are represented at all times.

The thing is skillfully designed to give the majority power to the New York Fed. The New York Fed is always on the FOMC, because of the international role of the New York Fed – and the fact is that the Federal Reserve Act was drafted by Morgan & Company, Rockefeller, to give the power to the New York money center banks. So they are always on the FOMC. And of course the Chairman has enormous power over the decisions of the FOMC.

Officially, one of the mandates of the Fed is to maintain the stability and value of the U.S. Dollar.

(Mr. Engdahl laughs.)

But one of the real results of the Fed seems to be the continued devaluation of the U.S. Dollar in a quite remarkable fashion – which accelerated since the 1970s. Why so?

FWE: Simply because that was to the benefit of Wall Street. After the break of the link with gold in 1971, which I've mentioned earlier, the group around David Rockefeller, then at Chase Manhattan Bank, the family bank, realized that they had an incredible capability in their hands with a floating currency and the fact that the U.S. Was the sole military superpower outside the Soviet Union. The fiat dollars that were being printed by the U.S. Ultimately drove this devaluation worldwide over this period – I think there's been a 2900 per cent inflation—that is, a two thousand nine hundred percent increase of the quantity of
dollars circulating in the world economy since August 1971, according to the last data that I have seen, and in the twenty years before that it was something like 56 per cent increase of dollar reserves worldwide, so naturally that was a period of relative stable inflation or non-inflation really, and then after the break you had this highly inflationary period.

Well, what certain people around Paul Volcker and others figured out is that the debt was their best asset — best that was for the banks, for the private banks, not for the nation, but for the private banks. So as long as U.S. Debt is rated triple A, and, absolutely essential: so long as the US dollar remains the reserve currency of trade and in central bank reserves worldwide, then the United States essentially can export its inflation as it did to Japan in the 80’s, now today to China, to the European Union and to the rest of the world. In effect, the dollar surplus lands have no choice with their surplus dollars, but to buy U.S. Treasury debt — to finance America's wars around the world, whether it's in Iraq directed against China's ultimate interests or Russia's ultimate interests, or any of the U.S. Wars. Those are in a sense being financed by the dollar accumulations in the central banks of Asia and elsewhere around the world. So it's a diabolical and quite clever scheme that they have realized: They could do that after the decoupling of the dollar from gold in 1971.

Ever since the early 1970s the dollar is essentially backed by oil.

FWE: Well, that's what I've called it. In my book "Century of War" I talk about the Petrodollar. This is something that is been misunderstood by some writers of late; they think that the dollar is still today a Petrodollar.

Oil is the largest dollar traded commodity in the world economy bar none, that's very clear. But today the dollar, I would say, is a currency that is backed not so much by petroleum prices priced in dollars, but more by F-16 fighter jets and Abrams tanks, in other words by raw US and NATO military might. It's getting down to the basic essentials of power here since the beginning of the Bush administration. Bush and Cheney were brought in by the elites in order to take off the velvet glove and show the iron fist to the world, because more and more things were getting out of control of an American hegemony or American sole superpower situation with the emergence of China, Russia and different things going on in the European Union.

Let's say then the dollar was backed essentially by oil.

FEW: Yes, going back to the period after 1973.

I would like to talk with you about an important event in that respect. This was the oil shock of 1973/74.

FWE: Correct.

You figured out in your book "Century of War" that this event was politically intended by a club that met on a Swedish island in 1973. Can you share some light with us on this topic, please?

FEW: Sure, most happily. I had the fascinating pleasure of being invited personally by Sheikh Zaki Yamani in September 2000 to his annual retreat outside London. He has an energy center in London that he founded after Washington got him dismissed as the Saudi energy minister during the reverse oil shocks of 1986, where Yamani was quite opposed to U.S. State Department pressure on Saudi's monarchy. Yamani invited me because he had read the "Century of War" book — an Iraqi friend had given it to him. He called on me to give a presentation to this grouping of energy bankers from the City of London and oil men about what really happened in 1973. He introduced it by saying: "This is the only account that exists of what really happened in 73 when I was head of OPEC and Saudi energy minister. I lived through this and Mr. Engdahl has described it accurately."

What happened is the following: There was a meeting — and some people might get scared off and say this is conspiracy theory, but I am in possession of the actual confidential documents that quite legally came into my possession by chance in Paris years ago: the protocol from the May 1973 meeting of the Bilderberg Group in Saltsjobaden, Sweden. I have the attendees list from the Hoover Institute of War and Peace in California, I have the facsimile of the American secretary to the Bilderberg about which guests
would be invited including Henry Kissinger from the American side to this May meeting. And in there, if you make the calculation, they listen to a presentation and debate, and these are some of the most powerful people in Europe and the United States – hand-picked by David Rockefeller by the way. The heads of all the major oil companies, the Seven Sisters, were also in attendance.

They talk about what amounts to a 400 per cent increase in the price of OPEC oil in the very near future. Of course, they do not give specifics, but they talk in the abstract.

The entire discussion was not how do we as some of the most powerful representatives of the world’s industrial nations convince the Arab OPEC countries not to increase oil prices so dramatically. Instead they talked about what do we do with all the petrodollars that will come inevitably to London and New York banks from the Arab OPEC oil revenues. Henry Kissinger, who coined the term after he oil shock in 1973/74, talked about “recycling petrodollars.” And in fact what happened was – and this came directly from Sheik Yamani privately in a discussion with me at his home in 2000, he said: "I was sent by my King, the Saudi King, as a trusted emissary to talk with the Shah of Iran and ask the Shah why at the September 1973 OPEC meeting after the Yom Kippur war he was adamant about such a huge OPEC price increase as a permanent price.” And he said: “Tell His Excellency, the King of Saudi Arabia, if he wants to have an answer to that question, he must go to Washington and ask Henry Kissinger.”ix In other words, this was dictated to the Shah.

FWE: So this oil shock came two years after the free floating of the dollar, when the dollar was essentially falling like a stone, because the U.S.

Economy was starting to show major ruptures from the Post-World War 2 period when the U.S. Industry was world class leading industry and the gold reserves and everything else was in an ideal correlation to one another, the U.S. Economy was coming into very, very severe structural problems in the early 1970’s. So the dollar was failing and the French and the German economies were really beginning to boom as was the Japanese economy, and certain elites connected with the money center banks in New York, I think, decided that it was time for a major shock to reverse the direction of the global economy, even at the cost of a recession in the American economy – that didn’t concerned them so much as long as they were in control of the money flows.

Back in 1975, Washington sent a very senior Treasury official to Riyadh, and essentially told Riyadh that OPEC was not to sell a single barrel of oil unless it is priced in dollars, because at that time the German government, the French government and the Japanese government were all knocking on the door of OPEC, promising their quality machine-tools, the excellent high-quality German machine tools, French or Japanese trade that the Middle East countries so dearly wanted to build up their economies. But they asked it be sold against oil prices in their own currencies so they would be less dependent on the dollar. At that point, Washington intervened and said: "That's a no-no. Oil must never be sold except in dollars."x

Why was this of essential importance to the U.S.?

FWE: Because since 1945, U.S. Power projection in the world has rested on two pillars. One pillar is that the U.S. Has the overwhelming military might on this planet. Today it spends more on military equipment, personal and power projection than the next 42 countries in the world including Russia, China and all of Europe combined! The second pillar of U.S. Power is the role of the dollar as the world reserve currency. Both two have a combined synergy. If anyone wants to understand the power of “the American Century,” as Henry Luce, the owner of Time magazine, called it in 1941, then they have to look at these twin-pillars and how they both interact.

The oil price jumping by 400 per cent in 1973/74 saved the dollar. The dollar had floated up on a sea of oil. Again, we have to remember that Nixon broke the link of the dollar with gold unilaterally in August of 1971, and after that time it plunged by some 40 per cent against major trading currencies like the Deutsche Mark and the Japanese Yen. What saved the dollar, what saved Wall Street and the power of the dollar as a financial thing, but not the U.S. Economy by any means, was the 400 per cent OPEC price shock. That halted growth in Europe, it smashed the developing countries, which were enjoying a rapid growth dynamic by the early 1970’s, and it retitled the power balance back into the direction of Wall Street and the dollar system.

So if you look at the whole ensuing history of the 1970s into the 1980s Latin American debt crisis or
Third World debt crisis, which also destroyed Yugoslavia, Poland and some other East block countries as well, that was all about recycling petrodollars through the euro-dollar banks, U.S. Banks in London, British banks. This was the heart of the so-called eurodollar market then, the City of London. – as well select banks like Deutsche Bank, UBS and a couple of Japanese banks were junior partners in this.

But the main thing was: the Anglo-American banking elite recycled the surplus dollars that Saudi Arabia, Kuwait, the Emirates and all the other OPEC countries including Iran until the fall of the Shah circulated. By the way, the Shah himself ran all of the oil profits of the Iranian oil company through one single bank, and that was Chase Manhattan Bank of David Rockefeller – interesting fact of history. So through the recycling of Petrodollars, the dollar was tied to the price of oil and the oil majors, the Seven Sisters, the U.S. And British oil majors, really controlled the price of oil. They blamed it on the Arab sheikhs, but the control lay in New York and London.

Today, I think the U.S. Is going to do everything in its power to keep oil priced in dollars, but the role of the oil price in dollars is not as strong as it was in the mid 1970's, because of the emergence of these futures markets controlled by banks such as Goldman Sachs—the advent of so-called „paper oil“. With that control of futures like ICE Futures in London they can ramp up the price of oil, as they did in 2008 with a price of $ 147 and then crash it down to the high 30's. For what reason? They knocked the wind out of Russia's sails at the time when Putin and Medvedev were using oil and gas export to create a major counter-pole to U.S. Power in the world.

A high oil price is good for Russia and bad for China, is this the equation?

FWE: In general, yes. The problem for Russia is that it doesn't control the market.

That was also a highly important, but seldom acknowledged reason for one real major event of the 20th Century: the collapse of the Soviet Union. That collapse had to do with this control of the oil price, too, correct?xi

FWE: There were several things. The Neo-Conservatives in the United States came first to political prominence when they bolted from the Democratic Party-- I am talking about Irving Kristol, Richard Perle and others. They went into the Republican Party during the Reagan era. They played on Reagan's simplistic view of the world – he was a B-grade Hollywood actor and very useful for saying soothing words to the American public, but behind the scenes the Reagan policy was managed by George Bush father, the intelligence community, the State Department and a handful of these Neo-Conservatives, and they were hawks towards the Soviet Union. They wanted to break the Soviet Union into a hundred of pieces, which is what ultimately happened in 1989.

Much of the strategy of the Reagan-Bush policy – because it was Bush, who was running much of the Reagan presidency as his Vice-President - both in Afghanistan against the Russian proxy government there in Kabul,(interestingly enough a policy which was actually initiated by Zbigniew Brzezinski already when he was Carters National Security headxii), and the Contras operation against the dually elected government in Nicaragua, which was too left leaning for Washington's pleasure and supported indirectly by the Soviet Union and Cuba – all of these hotspots were activated simultaneously, as well as the missile defense “Star Wars” programme that Reagan announced in 1983, the so called Strategic Defense Initiative – or the missile shield, that has been recently been revived by the Bush-Cheney administration toward Russia with the missile bases and radar defenses in Poland and the Tschech Republic.

Leaving that aside, the key point in my estimation that – to put it in jargon – broke the camel's back in terms of the Soviet Union, was the conscious decision of George Bush and George Schultz, the man from the Bechtel Corporation, one of the largest military contractors of the world, who was back then the Secretary of State – they consciously initiated, with pressure on the kingdom of Saudi Arabia, that the Saudis would turn on the oil spigot in early 1986 and flood the world with cheap oil. Well, that succeeded brilliantly from the standpoint of this U.S. Strategy. It bankrupted thousands of small independent oil companies across the United States, but for Rockefeller, Standard Oil, BP, Shell and so forth that simply rid them of small competition and allowed them to buy up their oil assets on the cheap.

But the real point of it was: at that point, the Soviet military economy was dependent on hard currency dollars. And the only way they had to earn those hard currency dollars or the major way for some 70 per cent of their hard currency earnings back then, was through export in the Western markets of oil and to a lesser extent of natural gas. So by collapsing oil prices from the low 30s – it was 32 or 33, I believe, at
the start of this – down to 9 dollars at the depth of the operation in mid-1986, the Russian economy suddenly was stretched to the breaking point. Gorbachev at that point was forced to simply suck the last drops of blood out of the satellite economies of Eastern Germany, Poland, Czeckoslovakia and so forth, desperately trying to keep up with the arms race on the "Star Wars" with Washington, because if Washington would have won that arms race, even halfway, and Russia was behind, they simply would have to fall to their knees and surrender. So that, according to Russian economists whom I talked with after the collapse in 1994 in Moscow, that was what really broke the Soviet Union by 1988-1989.

Would you say that the entire 20th Century, including its two World Wars, cannot be properly understood without the oil interests behind the scenes?

FWE: Certainly a strong argument can be made. It wasn't the only interest, but as Henry Kissinger reportedly said in the middle of the 1970's, when he was without doubt the most powerful man in Washington: "If you control the oil, you control entire nations." Even going back to the First World War, you can make a case that the control of oil by essentially the Anglo-Americans, the British and American oil companies, played a decisive role. As I detail in my new book I am finishing, „Oil: The Secret War”, during the last days of the First World War, a massive German western offensive of March 1918, Ludendorff’s Operation Michael, designed to split British and French forces and secure a victory before the arrival of American forces in Europe, looked very threatening. The collapse of the Kerensky government in Russia and the Bolsheviks’ signing of the Treaty of Brest-Litovsk on March 3, 1918 took Russia out of the war, and allowed Germany to redeploy large numbers of troops for the final campaign in the West.

American troops had not yet landed in France and German chances of a military breakthrough were significant.

In December 1916 the German army had taken Romania after that country joined forces with England against Germany. In November of 1916, days before the German assault, British military commandoes, led by British sabotage expert, Colonel John Norton-Griffiths, along with Romanian volunteers were sent on a secret mission to destroy oil stocks and sabotage oil wells in Ploesti. The sabotage was successful, dealing a devastating blow to the Germans who had made control of Romanian oil a strategic focus of their invasion. Romania was then Europe's leading producer of oil.

Despite intensive work, the German army was not able to bring Romanian oil production to a level needed to sustain the 1918 Spring Offensive in the Western Front. That Romanian oil was essential to the German motorized offensive along the Somme on the Western Front.

Ludendorff's massive offensive in the west against France and the Allied Powers, after stunning advances, stalled at the Somme. German trucks carrying reinforcements to advance the battle were unable to move for lack of fuel. It was the first major battle in which motorized artillery and tanks had been used on a major scale. The German final offensive stalled largely for lack of essential fuel for its tanks and vehicles. It was a new mode of warfare and petroleum played a vital new role.

For their side, French and British forces were fully supplied with American oil from Rockefeller's Standard Oil tankers.

A similar thing happened in the Second World War. Leaving aside all the aspects of ideology and the atrocious policies of the Third Reich, but seen strictly from a military standpoint, from military force, Germany never had a chance militarily to win the Second World War because the German General Staff astonishingly ignored the lessons of the First World War. It didn't take care to militarily secure their strategic oil supplies for the war at a time when air power, tank power and naval power were all driven by petroleum. Only very late in the game, when Hitler had ordered Operation Barbarossa to begin in early 1941, did the General Staff began to get halfway serious in trying to support Rommel in North Africa. The idea was to capture the Suez Canal and cut off the British supply lines of the British Navy from the Persian Gulf that came through the Suez Canal, and thereby eliminate the threat of the British Navy. But most of the oil, I think almost half of the oil that the German Wehrmacht relied on during the war, aside from the synthetic oil that was produced domestically, came from Rumania. And the companies who owned that Rumanian oil were companies with names such as Standard Oil of New Jersey, Royal Dutch Shell and so forth.

I mean, if you're talking just pure military strategy, you don't fight a war when your firepower is dependent on fuel that is controlled by your enemy. I don't think they deliberately sabotaged their chances. I think it was simply sheer ignorance of the significance of petroleum security in modern
warfare.

They hadn’t really studied that dimension of military power. They were one war behind, and they lost the Second World War because they failed to appreciate the way the British and French fought the First World War. As Clemenceau said after World War One: “The allies floated to victory on a sea of oil.” And this certainly was literally true.

How is the “War On Terror” at the beginning of the 21st Century related to oil?

FWE: The “War on Terror” was declared by the Bush administration after certain dramatic events in New York City and the Pentagon in September of 2001. What most Americans don't bother to connect the dots and ask: “Well, if it is like the government says this-- nasty character that was trained by the CIA for the war in Afghanistan against the Soviet Union, Osama bin Laden-- if he is the evil knievel behind this death and destruction on American soil and he is hiding out in the caves of Tora Bora in Afghanistan, how is it that suddenly we forget about Osama bin Laden, leave him in the caves there, and turn our fire power to Saddam Hussein's Iraq?”

Well, already in 1998, Dick Cheney, Donald Rumsfeld, Paul Wolfowitz and several other prominent Neo-Conservatives signed an open letter to President Clinton, demanding regime change by any means in Iraq. Saddam Hussein had to go.xiii What was the situation in Iraq? The pressure of the sanctions, that were by and large bilateral sanctions imposed by the United States and Great Britain on Iraq down through the entire 1990's, was beginning to break down within the UN security council. Iraq had through the “Oil for Food” program of the UN essentially financed the French government's re-election under Jacques Chirac, according to informations that later leaked out. Therefore, the French bank BNP Paribas was the bank that all the sales of Iraqi oil for food in the UN program carried out, and that was done in Euros, to benefit the French among other things.

The declaration of the “War on Terror” was really Samuel Huntington’s “Clash of Civilizations,” the concept of the so called Christianity against Islam.

Bush even used the term briefly: “This is a holy crusade,” and then he was reminded that the earlier crusades in the 11th and 12th Century were not exactly a high-point in Christian culture, these were savage looting expeditions into the Middle East. The War on Terror was seen by some in Washington as the answer to the loss of „Godless Soviet Communism“ as a new „enemy image“ to mobilize Americans. It's essentially a war who's goal and enemy is undefined. Terrorism is something that is ideal to create a new enemy image.

The problem that the Pentagon had after the collapse of the Soviet Union was that it had no enemy left. The Soviets were exhausted from the Cold War and literally sent up a white flag of surrender. They said: “Okay, you have the superior economic system it appears; we're not able to keep up with you. We want to develop our economy; let's stop this military confrontation.” So Russia dismantled the Warsaw Pact and started downsizing it's military, except for the nuclear (which is perhaps the only thing keeping the world from a global Pentagon military rule today). But be it as it may be: the “War on Terror” had nothing to do with Osama bin Laden; he was merely an useful excuse. It has to do with creating a new enemy image after the collapse of Soviet communism for the American gullible population and for the world. Although outside the United States, I can say, that very few people are convinced of the U.S. Argument for the “War on Terror.” They regard this as an excuse for military adventures anywhere Washington decides.

So why did Iraq become the target?

FWE: Because Saddam Hussein had made contracts to develop Iraq's huge oil reserves. Iraq, as you know, is acknowledged as the second largest source of untapped oil in the world behind Saudi Arabia, at least by the U.S. Government. Whether that is true or not, it has certainly huge reserves of untapped oil, but Saddam Hussein had not the resources with the economic embargo of the UN and the U.S. „no fly“ zone to develop that oil for the economy. So he had made agreements with the Chinese state oil company, the Russian oil company and the French oil company, primarily to give them rights to develop oil from some of the most promising unexplored fields in Iraq.

In a real sense the “War on Terror” is directed against China, Russia and the potential, as Brzezinski stated it in his 1997 book “The Grand Chessboard,” of Eurasia as a landmass in terms of geopolitics. That
goes back to Sir Halford Mackinder, the British geographer, and his famous essay in 1904, „The Geographical Pivot of History“, where he talks about Russia and its landmass as “the Heartland” of the world. Brzezinski and Kissinger both are students of Mackinder. They do not talk about it often, but it’s clear that they were schooled in the British geopolitics strategy. And the idea is: you have to prevent at all costs a cohesion in the great powers of Eurasia.

Then in 2001 interestingly enough, the great powers of Eurasia: Russia, China and the various former Soviet countries in between, Uzbekistan, Kazakhstan, Kyrgyzstan, Turkmensitan created the so called Shanghai Cooperation Organization, initially as a dialogue forum for potential cooperation. It was initially not as the European Union, but at least as a beginning of some kind of a cohesion. And that presented the ultimate Halford Mackinder nightmare for American geopolitics, because as Brzezinski wrote quite openly: The only place on this globe that has the human resources, the scientific base, the industrial base, the energy raw materials base to present a challenge to American global power is Eurasia. That is literally what that “War on Terror” is about.

Why did Obama scale-up the war in Afghanistan? He didn't scale-down the war in Iraq by the way, he only made certain deals and some cosmetic changes there. But he scaled-up the war in Afghanistan precisely directed against China.

The military bases that the U.S. Has quietly constructed across Afghanistan, well over a dozen, are predominantly air bases, as is the Manas air base in Kyrgyzstan. And those air bases are there for one purpose: not to bring in supplies to rebuild the Afghan economy, the Pentagon doesn't give a hoot-n-holler about that – it’s there to present a potential strike force against China in the future. As is also the U.S. Military strategic cooperation agreement with the government of India to have a strike force from India into Pakistan, Afghanistan and the perimeter of China.

The real point is to control all strategic choke point corridors for the flow of oil from the Persian Gulf and from Africa into Eurasia, especially into China, to control the Strait of Malacca, which is the narrow passage near Singapore, and also to create unrest in Myanmar because the Chinese are building a huge pipeline going through Myanmar, so that they can bring oil from the Persian Gulf into China avoiding the precarious Strait of Malacca.

You also have to consider that the Orange Revolution in Ukraine was financed by the U.S. State Department. The National Endowment for Democracy, NED, which organized the Ukraine and Georgia color revolutions is a U.S.

Government financed entity. That was designed to bring a man into power, Yushchenko, who was personally pledged in back-channel negotiations to bring Ukraine into NATO. The same thing in Georgia with the US-orchestrated Rose Revolution under Saakashvili, who's a thug, but he is Washington's thug.

They said: "We'll back you to the hilt, if you do what we want in terms of bringing Georgia into NATO.” That was important, because the pipeline from the Caspian Sea oil reserves, that BP and several American oil companies were building, had to go for geographical reasons through Tbilisi, the capital of Georgia, into Turkey and ultimately into the Mediterranean port of Ceyhan. So the Baku–Tbilisi–Ceyhan pipeline depended on a pro-NATO presidency in Georgia.

Mr. Engdahl, one critical topic of our time is the subject of Peak Oil. You are saying that Peak Oil is a myth. How did you come to that conclusion?

FWE: I went through an evolution in my thinking. During the Iraq War in 2003, I simply couldn't comprehend why a U.S. Administration would risk relations with its closest European allies or allies all around the world, violating all pretexts of international law and UN rules and procedures to unilaterally declare war on Iraq (well, there was Tony Blair, but I think he was there because BP told him they had to have a chunk of the Iraqi oil after the invasion). And at that time I came across various arguments about the peaking of oil. I’ve said: “Aha, if this is the case, then that might be the answer, that the U.S. Wants to make sure that they pre-emptively control that oil for the future.”

The more I then looked into it, the more disturbed I got with the explanations and the justification of this Peak Oil argument. I even went to an international conference of the Association for the Study of Peak Oil and Gas, ASPO, in Berlin and met most of the prominent names of the so called "Peak Oil movement." In retrospect, it's in certain ways more like a religion than a movement with a patron Pope named M. King Hubbert. But in any case, I began to ask certain scientific questions, because I wanted a more scientific
reality, and I even went up to Sweden and interviewed the president of ASPO, who gave me a detailed slideshow presentation. He said that basically we knew that oil is a "fossil fuel" and therefore its quantity is finite in relation to what happened 500 million years ago with dinosaur detritus and algae and other plant life, that got somehow pushed under through volcanic eruptions or soil erosions or earth quakes and then somehow was compressed and converted into what we call petroleum today, or into gas or even into coal.

And then several friends drew my attention to work that had been done in Russia during the Cold War on the so called deep origins abiotic theory of hydrocarbon creation. I met some of the Russians who worked with this over decades and I read their scientific papers. These were difficult papers, but they were intelligible. More and more I became convinced that the whole Peak Oil business was a myth. In my new book, that I have just finished, provisionally titled "Oil: The Secret War," I discuss how the British and later the American oil majors around the Rockefeller group since the dawn of the conversion of the economy from coal to petroleum have cultivated a myth of oil scarcity.

Simple question: which interests are served by that?

FWE: The interests of the oil majors, of their bankers and of the UK and US power circles because it is to their advantage that nobody else gets independent control of energy. Why? Because energy is the governor through which they essentially control the world economy. In preparation for this book and in the course of my research, I went back to the original guru of the Peak Oil movement, M. King Hubbard.

Yes.

FWE: And he was quite an interesting kook, literally, even a leading member of a US futurist technocratic society which at the time was accused of imitating Mussolini's Black Shirts. King was a geologist for Shell oil company, and when he prepared his now famous paper in 1956, that he was to deliver at the annual meeting of the American Petroleum Society, he gave it first to his boss at Shell. And his boss told him: "I don't care what you say to the geologists in your speech, King, as long as you don't talk this nonsense that oil reserves are increasing." Of course, he didn't talk the nonsense. But if you read his original paper of 1956, there is no scientific argumentation, it's simply assertion. And the assertion is all based on the idea that oil is a fossil fuel and is limited. No where is that proven.

Well, the Russians under the mandate of Stalin in the early 1950's got the best geophysical, physical and chemical academics in Russia and Ukraine in a top secret project together, that was classified highly secret because it was so strategic, and they looked at the scientific basis to explain what the origins of oil were. They looked at the theory of fossil origins, and after they dug deeply into the literature, they said that this is absolutely absurd, there is no scientific proof of this, there is no causality that's been demonstrated, it's just asserted in American geology textbooks in the University, and because it is repeated so many times nobody even bothers to question if oil is a fossil fuel or coal is a fossil fuel, which M. King Hubbard also pointed out in his paper. Because to be consistent, they have to say that oil, gas and coal are all fossil fuels.

Then someone made me the argument: if you were to take the single largest oil field of the world, Ghawar in Saudi Arabia, which was discovered in 1948 and calculate the barrels of oil that Ghawar has produced up to the present, and then you hypothetically imagine that you could convert, let's say, a dead dinosaur, that you could take the biomass of that dinosaur, bones included, 100 per cent, one to one to petroleum, which of course no one would argue is possible, but just to hypothesize, that you would require a cube of compressed dinosaur detritus or remains that is 19 miles wide, 19 miles high and 19 miles deep—only to account for that one huge oil field in Saudi Arabia. And that is to say nothing of the Permian Basin oil reservoir in Texas or the East Texas oil fields, which are vast oil fields. So then I began to really question this Hubbert peak oil hypothesis very seriously.

The Russians, with whom I later was in touch, said: "We think there is a different origin, and if you look at volcanoes, you come closer to the truth." Their hypothesis at that point — now it's been amply proven, even by the Carnegie Institution in Washington in independent experiments where they brought in some of the Russian scientists to consult with them — is that oil is created under the pressure and the temperature existing in the earth mantle.

Imagine that the core of the earth is a giant, gigantic nuclear reactor or if you look at a cut-away of a volcano in a geology museum you can get a good conceptual image for this, and this giant oven deep in
the Earth mantle is spewing out matter at enormous temperatures and pressures constantly, and a volcano erupts because somehow the earth, which is constantly in motion, it's constantly expanding minimally over time, creates cracks and fissures.

We saw that with tragic consequences in the early part of 2010 in Haiti, where three major tectonic plates collide and diverge over the Port-au-Prince area. And also near Cuba – and that allows these volcanic eruptions to press up towards the surface and create mountains or volcanoes in certain cases. And if you trace the volcanic ring of fire in the Pacific and look at a map of the tectonic plates, you will find a fascinating correlation there.

So the Russians said: "This must have something to do with the origins of petroleum." It comes deep from within the bowels of the earth and through these geophysical ruptures, cracks or faults or whatever you want to call them – the Russians call it migration channels—like you have in the Gulf of Mexico. There BP evidently hit a huge migration channel that went very, very deep and they were not expecting that, so the whole thing went completely out of control – the oil is being constantly generated, and what you have to do is look for where it comes closest to the surface.

Now, that is not an easy thing, but it is certainly a scientifically based thing, and as I said: several very rigorous peer-reviewed international scientific experiments have been conducted that demonstrate the creation of hydrocarbons in laboratory conditions under the temperature and pressure conditions that you have in the earth mantle. This is granite rock that we are talking about, so it's not the so called sedimentary rock near the surface, where the dinosaur remains are said to be buried, no, it's far, far deeper.

Of course, I can understand what you have just said, but would you agree with me on this: it isn't really important whether Peak Oil is real or not, because if Peak Oil was real, then the supply will decrease. If it wasn't real but will be pushed through with political intention, then the supply will decrease, too.

FWE: No, I think that is a misleading formulation of the question, because you're assuming that: "will be pushed through" means the entire world.

That's one of the reasons, as I have pointed out in my new book, that the same elites, that Steven Rockefeller drafted the "Earth Charter" along with Maurice Strong, who is a Rockefeller protégé, one of the reasons that the Rockefeller faction in the Anglo-American world increasingly began to prepare the Global Warming fraud as a fall-back option, a „Plan B“ in case the Peak Oil myth was no longer credible, simply to have wars on every part of the earth in order to expand Pentagon control—Full Spectrum Dominance as they term it.

Take for example Darfur in Sudan, where the Chinese have tapped into what looks to be a giant oil reservoir that goes from Southern Sudan into Chad and Cameroon, it's a huge reservoir and some people think it potentially could be a new Saudi Arabia. I can't say that for sure, but I have seen maps and it's apparently enormous. And that's clearly the reason why suddenly Colin Powell declared that the Sudan government was guilty of genocide in Darfur. At the same time the CIA and arms merchants of death were funneling arms to the government of Chad for their mercenaries to go over the border into Darfur and start shooting up innocent civilians in order to give credibility to the genocide charges.

The global warming, I think, is the fall-back option, if you can't convince the world of scarcity though Peak Oil, because suddenly oil giant fields are being discovered left and right. For example, in Cuba offshore, the Russians are helping the Cubans to develop a major field there. It looks like the Caribbean Basin, which was the site of a meteorite collision hundreds of millions of years ago likely, that that's one of the largest potential oil areas on the planet – and that's one of the reasons why this oil spill in the Gulf of Mexico went completely out of control, that wasn't a normal oil strike. But the U.S. Is determined to militarise and control the Caribbean Basin.

Another example is the offshore Brazil, gigantic oil discoveries there. So there are too many of these things popping up to keep the world convinced that Peak Oil is real and that we have to pay $ 300 per barrel of oil and start turning the lights out and burning candles.

Like many of the Peak Oil advocates say. They say: “Cuba is the model, because they don't have automobiles, they have to rely on a non-petroleum economy because of the embargo, so we have to go to this kind of economy in the United States and Western Europe to compensate for the running out of oil.” Well, if you think about it, global warming accomplishes the same goal for these elites. If the world swallows the fairy tale that oil from transportation vehicles or from coal fired plants emissions of CO2 are
the cause of something called the greenhouse effect, the so-called greenhouse gases, and that that is gradually warming the earth towards what Al Gore calls the “tipping point,” and once we hit the tipping point then this will be the end of the road for the world.

Well, no climate model takes into account the one major influence on world climate: solar flares and solar activity, our Sun, as has been pointed out by the few courageous independent scientists whose careers haven't been bought and paid for by BP or Wall Street banks. Wall Street controls the newly-founded carbon trading exchanges in Chicago and London—the Chicago Climate Exchange and the London European Climate Exchange. They control them via the ICE, InterContinentalExchange in Atlanta Georgia which was created by Wall Street to control derivatives trade in things like oil.

So the Peak Oil myth just isn't working, and that's why we see this renewed massive propaganda attention from the elite media on global warming as “the greatest threat to mankind.” That threat looks a little bit dubious right now after we have experienced the worst winter in a hundred years sweeping across Europe and North America.

So the idea that the Pentagon can control all oil everywhere has reached its peak, if you want to call it that. They simply can't control it. There is too much oil out there, there are too many accidental discoveries, and they are overstretched. It's the “Imperial Overstretch,” as Paul Kennedy called it years ago.xiv

So at least the American Empire – or the American Century – has reached its peak?

FWE: That's one way to put it. The project that created the American hegemony after World War 2 was financed, lo and behold, by the Rockefellers, the Rockefeller Foundation, and carried out by the New York Council on Foreign Relation, which by that time was totally dominated by the Rockefellers...

You're talking about the "War and Peace Studies"?

FWE: Yes, and in the "War and Peace Studies," Isaah Bowman, who was one of the leaders of that project, an American geographer, and the other participants concluded – and that was in 1939, the project began even before Hitler's panzers rolled into Poland – there's coming a second world war, it will be a world war, not a European war. And America will emerge from that war as the world's leading power.

But, they said, we will not make the mistake as the British and the French did: we will not call it an empire. American people don't like to think of themselves as imperialists like the British. We'll call it the extension of democracy and democratic freedoms. We'll call it the spread of the free-enterprise system to other parts of the world, and under that cloak we will build our power as the unchallenged supremo on the planet. And that, I have to say, was one of the most brilliant public relations propaganda ploys in modern history to not call it an empire.

But it is de facto in every sense of the term, the domination of the Pentagon and the control is every bit as real as the British Empire, even more so.

Can you tell us at the end what you see unfolding in the next years? Will for example the petrodollar system completely end? And what do you think will happen at the precious metal markets?

FWE: What I see unfolding in the next years is this: We are – and have been since, I would say, approximately the early 1970's – in the midst of an epochal tectonic shift in global political power, of the global power balance. The future – for the European Union countries as well for much of the world – lies in the future of nations or countries of Eurasia. Right now the European elites are clinically schizophrenic: half of their allegiance is still to cling on desperately to the Atlantic-Alliance with the United States, the other half of their reason knows rationally that the future lies in the East – whether it's Russia, whether China, whether it's the numerous countries in between in Central Asia, in the Middle East and as well as parts of Africa.

Europe has every potentiality, every possibility and every resource to create an economic Renaissance like the world has never seen. If the Europeans continue to hitch their wagon to the NATO-American star, then the prospects for Europe are grim indeed.
What we've seen with the currency war since the end of 2009, the dollar against the euro, that was initiated just at the point the Chinese government was talking about shifting major reserve assets out of the dollar into other currencies – which means the euro – and just at that point where the scale of the federal deficits and federal debt dimension as far as the eye can see going forward was just astronomical under both the Obama and Bush administrations and beyond, just at that point where the dollar experienced a systemic crisis, low and behold Greece explodes under the radar screens of the world hedgefunds and currency traders, and that emi diately focussed on the euro-question, and then it turns out that the advisor to the conservative Greek government in the 2002 period, when they managed to fraudulently come into the euro-zone – something that never should have been allowed, but it was – has been Goldman Sachs. Goldman Sachs advised them on sophisticated derivative swaps that allowed them to hide their public debt and qualify under the Maastricht Criteria. Goldman Sachs today remains – during the entire Greek crisis that erupted in late 2009 - to my information, still the advisor to the so called social-democratic Papandreou government. So they have access to the most sensitive fiscal data and other data of the Greek government.

They play a Trojan Horse role here?

FWE: It would seem so that they play clearly a Trojan Horse role as does JPMorgan Chase and other Wall Street “Gods of Money” banks. The euro right now is in a fundamental crisis, this isn't going away. The plan is to escalate this – the Soros Fund Management Group and several of the largest hedgefunds actually had a meeting in New York to discuss this according to what was leaked to the press in early 2010.xv You can bet that they were discussing a concerted attack on euro-zone vulnerabilities – where is the next Achilles Heel? Well, Ireland! Who is the advisor to the Irish government, since they foolishly gave that blanket guarantee to the bankrupt Irish banks, who have gone into the Wall Street casino full scale, AIB and so forth? Well, it turns out that N.M Rothschilds of London is the advisor on the 77 billion euros of debt that the Irish government suddenly acquired by taking over those fraudulent banks in Ireland.

The Irish government, ironically on the advice of Merrill Lynch which itself went under and had to be bought out, have turned the banking crisis into a sovereign debt crisis. Very, very sophisticated, clever move there.

The former Irish government was incredibly compliant to the wishes of the international banking community. George Soros even wrote in December 2010 an op-ed in The Financial Times, where he said: "It is more important to save the banks than to save sovereign debt."xvi That gives you an idea where Soros is. He is also an advocate of this European wide and not country specific euro-bond emission, which one should resist tooth and nail.

But be that as it may: the future of the euro-zone and the European Union, to my mind, is at a crossroads over the next ten, twenty years, and that depends on what they decide via-à-vis the future of their relationship towards Eurasia and their relationship towards NATO and the United States.

The U.S. Elites that control NATO aren't going to give up, that's obvious, without a huge fight. But that's the fight on the agenda if we want to have a world worth living in in the next decades.

Now, with regard on the petrodollar system: I think that can be broken today quite simply by bilateral de facto barter deals between China and Saudi Arabia or other oil countries like Iran, consumers and producers, without the intermediary of the London International Commodity Exchange, the ICE Futures, or the NYMEX in New York, or the Dubai Exchange, which is controlled by NYMEX – which in turn is controlled by Morgan Stanley, Goldman Sachs and the big money center banks in New York and London. If that control can be broken – and it is a very elaborate system that the Anglo-American Establishment has built up since World War 2 to control the price of oil – it certainly is possible to break that. It's a political decision. At that point oil will cease being a weapon of geopolitical financial warfare and will become a normal commodity whose price is based on supply and demand, which it isn't now.

The precious metal markets: We are in my mind very close to a breakout in the price of both in gold and silver. It hasn't happened yet, but it will.

They will substantially climb. The problem with precious metals is that the two major contenders against dollar hegemony, as you know yourself, China and Russia, have pathetically low reserves of gold in their central banks.
If they were to go to a bi-metal system, gold and silver, that could function.

The Chinese, I believe, and perhaps also the Russians, could have substantial reserves of silver. China's currency used to be based on the silver reserve system, as in many countries of the world, before the Opium Wars – and the Opium Wars were designed by the British back in the 1840's literally to loot the silver treasury of the Chinese Empire, bankrupt the state and force them into trade dependence on the British.

Okay, one last question related to silver. What are your thoughts on JPM's role in the silver market?

FWE: Well, if you go back to the stock market crash of October 1987, this is amply documented and I know it from friends who were there on the exchange trading floor during the 23 per cent one day drop in the Dow: at that point Greenspan as Chairman of the Fed sat down with JP Morgan and used JP Morgan as a conduit for an open checkbook of money from the Fed to go into the stock futures market through Chicago. And on the next open day of trading, to buy like there was no tomorrow on the futures for minimal amounts of money compared to the cost to buy actual stocks. And through the futures being driven up, that started to drive up the underlying stock prices on the New York Stock Exchange, and then of course the rumour mills started: JP Morgan is buying, the Big Boys are buying, the worst is over, this is an overreaction, bla-bla-bla-bla-bla.

Well, it seems fairly clear that JP Morgan Chase is playing a similar role today in the silver market, perhaps some other banks in gold. But if gold and silver really start to breakout, then it's a new ballgame vis-à-vis the dollar, and they know that.

The power of the United States as the world's sole superpower rests on two pillars – keep this in mind, Lars. This isn't generally discussed, but it is essential to understand how the American Establishment functions since World War 2. The two pillars are: America as the sole unchallengable military hegemon, and the second is the U.S. Dollar as the world reserve currency. If that's gone, the United States you can kiss goodbye as a functioning world power. The Wall Street money center banks know this, as well as the City of London and others.

The Germans to my mind are still a little bit naïve on how the power of money works since the Second World War. Germany used to have some very sophisticated economists going back to Friedrich List in the 1820's and in that period. But since the end of First World War, I would say, that the quality of the strategic economic thinking in Germany has become significantly reduced, especially after 1945 and the US-guided German „re-education“ efforts.

How well the Berlin government understands that this is a currency war against the euro, because the euro is the only currency on the block today worldwide, certainly not the Chinese Yuan or the Japanese Yen, which could challenge the hegemony as a reserve currency of the dollar, I can only speculate. That euro challenge has to be eliminated from the game. The next target will Spain. If they can crack Spain, then they will move on to Italy

• and then it will really escalate into a colossal mess for the euro as an alternative to the dollar.

Thank you very much for taking your time, Mr. Engdahl!

Sources:


Macdonald defined the "Spare Capacity Theory" as such: "the assumption among western bankers, policy makers, economists, and stock markets that OPEC producers can lift oil production at will, and, export all of that spare production to world consumers."

iv Ibid.


viii Some historians consider Bryant's "Cross of Gold" speech as one of the most important or at least most famous speeches in American political history. It was delivered on July 9, 1896 at the Democratic National Convention in Chicago. The issue was whether to endorse the free coinage of silver at a ratio of silver to gold of 16 to 1. The speech is reprinted in "The Annals of America, Vol. 12, 1895–1904: Populism, Imperialism, and Reform", Encyclopedia Britannica, Inc., Chicago, 1968, pp. 100–105.

ix Compare also for this narration of things Oliver Morgan / Faisal Islam: "Saudi dove in the oil slick", published at The Guardian on January 14, 2001 under:

http://www.guardian.co.uk/business/2001/jan/14/globalrecession.oilandpetrol, and

"Opec will play a different role in the future, says Sheikh Yamani", published at Business Intelligence Middle East on October 17, 2010 under:


Q: When the Soviets justified their intervention by asserting that they intended to fight against a secret
involvement of the United States in Afghanistan, people didn’t believe them. However, there was a basis of truth. You don’t regret anything today?

Brzezinski: Regret what? That secret operation was an excellent idea. It had the effect of drawing the Russians into the Afghan trap and you want me to regret it? The day that the Soviets officially crossed the border, I wrote to President Carter: We now have the opportunity of giving to the USSR its Vietnam war. Indeed, for almost 10 years, Moscow had to carry on a war unsupportable by the government, a conflict that brought about the demoralization and finally the breakup of the Soviet empire.

Xiii On January 26, 1998, the Project for a New American Century, PNAC, posted the open letter to President Clinton, in which PNAC called for a regime change in Iraq using U.S. Diplomatic, political, and military power, on its website under this link:
http://www.newamericancentury.org/iraqclintonletter.htm


xv Compare Sean O’Grady: “Fear and loathing as the hedge funds take on the euro. Gigantic bets against the euro have fuelled rumours of a hedge fund plot to cash in on the Greek crisis”, published at The Independent on March 4, 2010 under:

xvi See George Soros: “Europe should rescue banks before states”, published at The Financial Times on December 14, 2010 under: http://www.ft.com/cms/s/0/76f69cd8-077a-11e0-8d80-00144feabdc0.html#axzz1GPh_Goi7c