

## **Part I of a Special Two-Part FTW Series**

### The Real Stakes Behind the War

- With the UN Neutralized There Are No More Rules
- The U.S. Economy on the Brink
- Global Oil Shortages and Massive Price Hikes Imminent
- Paralysis Looming in U.S. Government
- The WTO and Rockefellers Turning on Bush
- A World War that Will Pit the U.S. Against Europe and Russia in a Struggle for Survival with the Winners Facing China

# THE PERFECT STORM - Part I

by Michael C. Ruppert

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*- And most of the American people, with their bankrupt and corrupt economy, will welcome cheap oil, while it lasts, and they will engage in a multitude of psychological and sickening rationales that will, in the end, amount to nothing more than saying, "I don't care how many women and children you kill. Just let me keep my standard of living." --*  
From The Wilderness, August 27, 2002.

*- What does big oil want in Iraq? To regain influence over the great Middle East oilfields... and the race seems likely to be won by American and British firms: ExxonMobil, ChevronTexaco, Shell and BP –*  
Newsweek, March 24, 2003 issue

*- The most common cause of recessions, a surge in oil prices, is again afflicting the global economy –* The New York Times, March 2, 2003

*- French and Russian oil and gas contracts signed with the Saddam Hussein regime in Iraq "will not be honored," Kurdish Prime Minister*

*Barhim Salih said in Washington Friday.* – Newsmax Wires March 14, 2003

March 19, 2003 1700 PST, (FTW) – Diplomacy ended on Monday and the reality and risks of a global war are now placed in the immediate and unavoidable focus of a world which has for the most part chosen not to understand what is at stake. This war will not be fought solely with bullets and bombs. The chain of events which is about to be set in motion dictates that the United States, assuming its Iraqi conquest is successful, continue upon a series of global military occupations to control the last remaining significant oil reserves on the planet. With the shedding of the first blood, the dropping of the first bomb, the killing of the first Iraqi child, and the death of the first American serviceman, a one-way border will have been crossed. And with that crossing economic and political forces that might combine to form the Perfect Storm aimed at America have made themselves visible.

George W. Bush's United States will punish its recent adversaries at the UN. They will be cut out of the Iraqi spoils. But Germany, France, Russia and China have a much more realistic view of Iraqi oil than the U.S. does. Bush and his corporate allies have marketed to the markets that sometime in the next month or two we're going to see a real bonanza as oil prices fall back to \$15-20 dollar per barrel and stay there. It is not going to happen.

On March 7, **FTW** Contributing Editor for Energy, Dale Allen Pfeiffer broke down the reality of Iraqi oil. It's not what's in the ground that counts now, it's what can be gotten to market. The Bush gamble is a big long shot and getting longer by the minute. Iraqi oil infrastructure is crumbling after twelve years of sanctions and there won't be any increase in Iraqi production without major investment and rebuilding. That takes time. *The Guardian* disclosed on January 26 that the U.S. is currently buying more than a million barrels per day (Mbpd) from Iraq out of the ten million that it imports from around the world. What might happen if just that million barrels went away?

For a detailed look at the current state of Iraq's oil industry please visit:

[http://www.fromthewilderness.com/free/ww3/030703\\_us\\_intentions.html](http://www.fromthewilderness.com/free/ww3/030703_us_intentions.html)

What we know from previous stories in **FTW** is that the world has no spare production capacity to make up for any significant loss of supply

in Iraq. Sure OPEC has stated that they will increase production by three to five Mbpd. Venezuela has staged a remarkable recovery after the recently failed "strike" to reach 3 Mbpd of its pre-strike level of 4 Mbpd. But Venezuelan fields are old, tired, depleting fast and the oil is heavy and expensive to refine. Venezuela offers no cushion. The promises of Saudi Arabia and the other mid east OPEC nations, on their face, sound comforting but they mean nothing because the planet is consuming a billion barrels (Gb) of oil every 12 days and that rate of consumption is increasing. Recent stories by the Agence France Presse (March 12) and the BBC (March 10) tell us that auto sales jumped 48% last year in Thailand and 50% in China respectively. This is the double edged sword behind Peak Oil. Without increased sales of consumer goods and autos, the Western economies collapse anyway and the emerging economies of the Far East are steadily increasing both consumption and demand.

So if Iraqi production drops as a result of war, where will the U.S. make up the difference and how much will it cost? Bush has indirectly threatened to punish France, Germany and Russia by locking them out of the promised booty. All of them, especially France and Russia have major investments there. But those countries still have something the U.S. does not, access to a ready supply of oil in the short term from Russia which no doubt has guaranteed its allies supply to make up for any losses from Iraq. If he really wanted to play hardball Russian President Vladimir Putin could bifurcate his pricing structure to favor the Moscow-Berlin-Paris alliance. He would find ready sympathy from Russian oil companies now eliminated from collecting on approximately \$40 billion worth of new oil construction contracts and an \$8 billion Iraqi debt. Russia has not forgotten how it was shamelessly looted out of an estimated \$500 billion by Goldman Sachs, The Harvard Endowment and the U.S. Treasury during the 1990s. That shameless episode, which rendered Russia incapable of resisting U.S. military moves post-9/11, resulted in what a committee chaired by Congressman Christopher Cox, R-CA described as three times worse than the Great Depression.

The whole issue of Peak Oil has been moved ahead of schedule by Europe. Within a few short years the entire planet will begin to suffer societal collapse as a result of diminishing non-renewable resources. Russia has long passed its production peak and cannot continue pumping at wildly expanded rates for very long. It might take two to five years before production costs for the dregs inevitably shrink exports. But Moscow, Paris and Berlin don't need three years. The

complete devastation of the U.S. economy might be a sure thing in three to six months. That's how fragile it is.

And what has Putin got to lose? He knows that the American agenda is to secure those reserves that have not yet peaked (i.e. The Persian Gulf sans Iran), drive the price of oil down to \$13-20 per barrel, break OPEC's back and simultaneously destroy the economic recovery that \$40 oil is bringing to Russia which spends much more to produce its oil than OPEC does.

France, Germany and Russia have not opposed the American Empire lightly, nor will their resistance end now. In fact, it must intensify. The fact that these nations have not introduced a Security Council resolution condemning the invasion might signal that they are hedging their bets and it might also signal that they are just awaiting the first U.S. misstep which is sure to come. But a clue is that, of the three, Russia has bluntly labeled the U.S. invasion illegal. These countries know that the Bush administration has placed the United States in a violent, all-or-nothing position and that it has less than a 50-50 chance of winning.

While the blood is being shed the real battle will be economic and political; the dollar vs. the Euro, images of bombs and tanks vs. images of reason, caution and diplomacy. In the meantime the U.S. economy has placed all its hopes and stability on a bonanza of cheap oil which careful analysis shows is more fantasy than probable outcome. Even the Council on Foreign Relations agrees on this point.

In a brilliant Feb. 11<sup>th</sup> analysis of the current oil situation, Marshall Auerback, writing for *The Prudent Bear* web site quoted from a recent CFR report co-sponsored by Bush crony, oil man and former Secretary of State James Baker:

*"Notwithstanding the value of Iraq's vast oil reserves, there are severe limits on them both as a source of funding for post-conflict reconstruction efforts and as the key driver of future economic development. Put simply, we do not expect a bonanza."*

Worse, according to a March 17 story in the *Miami Herald* revenues from Iraqi oil would not cover the costs of rebuilding the bridges, dams, power generating stations and roads that are sure to be destroyed in the coming weeks. The U.S., of necessity, will turn all cash flow toward rebuilding the oil fields while it must leave the devastated Iraqi

populace to live in pestilence among the rubble. In light of America's unilateral bullishness the EU announced last week that there might be limits to how much assistance it could render to the Iraqi people, especially if their countries were prevented from performing on their legal contracts.

Multiple recent reports from the oil industry state clearly that recent price hikes are the result of over-stretched production capacity and historically low reserve levels. Currently U.S. oil reserves are at a 28-year low and the White House has acknowledged plans to tap the 700 million barrel Strategic Petroleum Reserve at the start of the conflict. That's enough to protect the U.S. economy from further price shocks for about 70 days. Then what? Under the best of circumstances it takes mid-east oil about six weeks to get from the oil fields into your gas tank.

Further confirmation of Peak Oil's arrival is found in recent stories from AP and *The Guardian* stating that Norway, once a major exporter, is expecting a decline in production and drilling due to dwindling reserves and that Shell has just eliminated one fifth of its North Sea jobs. And on March 18 Hong Kong announced that it will allow eight airlines to levy an emergency fuel surcharge of between \$8.50 and \$13 per passenger.

At home soaring gasoline prices are just the ticket the Bush administration wants to curb demand and exploit a subliminal unspoken deal with consumers that will sanction the slaughter and keep the poll numbers manageable for a while. But economic demons are bashing down the door. Americans vote with their wallets says the cliché. On March 16, angry black residents staged a protest in Los Angeles claiming that they could not afford to drive to work while paying two dollars a gallon. On the one hand they don't have a clue about what the global oil reality is and on the other they will achieve nothing by demanding lowered prices and more supply without realizing that there is no more cheap oil to supply them – or anybody else for that matter. At least there is certainly not enough to make a difference for more than a few months or a year. But with less discretionary income to absorb the price shocks, the inner city poor are the prototypes for what the rest of us will be doing soon enough.

The poor always die first. And this is just one of the many signs that the Empire is starting to crumble from within.

## Consider:

- The Bush Administration refuses to put a price tag on the war as budget deficits approach all-time record levels and the tax base is shrinking. Both the U.S. government and its people are awash in debt. Unemployment is skyrocketing as consumer confidence crashes. State and local governments are screaming for money and facing their worst budget shortfalls in sixty years.

- Writing at *The Ether Zone*, <http://www.etherzone.com/>, Ed Henry notes that with the national debt at over \$6 trillion the U.S. government is bouncing along the debt ceiling which means that it legally cannot borrow any more money. Its options are to sell more bonds (not likely with an anemic dollar, bad management, and an expanding trade deficit) or liquidate assets. One of the few assets available to Treasury Secretary John Snow is the stock portfolio of the Federal Employees Thrift Savings Plan which has about \$44 billion in stock investments. What do you think would happen on Wall Street if Uncle Sam dumped \$40 billion in stock?

- Backbones of the housing mortgage market Fannie Mae and Freddie Mac which, according to the *New York Posts'* brilliant reporter John Crudele, own or guarantee \$3.1 trillion or 45 per cent of outstanding residential debt, are in serious trouble. They don't have enough cash to handle what might be a serious economic shock as the housing bubble collapses. Their collapse could imperil the entire economy and Crudele observed that the Federal Reserve was taking serious note of the way these "mortgage cowboys" had managed their business in inflating share prices which are now in steep decline.

- Market Oracles Warren Buffet and George Soros are issuing dire predictions about the U.S. and world economies. Soros is blasting at George W. Bush's management style and Buffet is warning of derivatives time-bombs in what Britain's Telegraph calls an "apocalyptic warning."

There are serious signs of a major political revolt brewing in the United States – one that could end the Bush Presidency – George W. Bush still has his finger on the trigger and he knows that his only hope for survival is to pull it. U.S. and British intelligence agencies are leaking documents left and right disputing White House "evidence" against Iraq that has repeatedly been shown to be falsified, plagiarized and forged.

Quiet meetings are being held in Washington between members of Congress and attorneys like Ramsey Clark discussing Bush's impeachment. Leaders of the World Trade Organization (WTO), as reported in a March 15 story in the *International Herald Tribune* have said, "All international institutions would suffer a loss of credibility if the one superpower appeared to be choosing which rules to obey and which to ignore." And a Rockefeller has called for an investigation of a Bush. On March 14 *The Associated Press* reported that W. Va. Senator Jay Rockefeller has asked the FBI to investigate forged documents which were presented first by Britain and then the United States showing that Iraq had been trying to purchase uranium from the African country of Niger for its weapons program. Of all the glaring falsehoods told by the administration the fact that these forgeries were noted by a Rockefeller may make them the second-rate Watergate burglary of the 21<sup>st</sup> century. (See Part II)

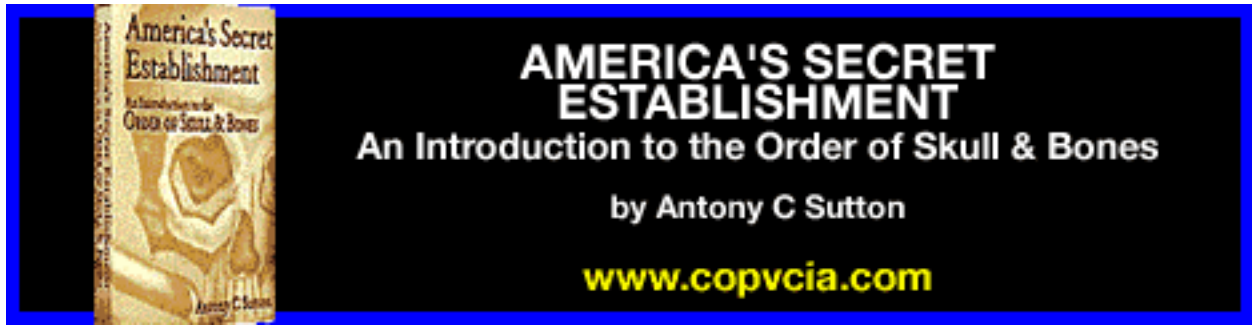
There are few things more closely connected to or identified with Bush family power than globalization and the Rockefellers. He has most likely failed both of them and both have the power to remove him.

Too much, too little, too late; at least as far as preventing a war and massive carnage is concerned. But these developments suggest that the real powers that be might be getting ready to have Bush impeached just as soon as he has humiliated the United States, started a World War leading to the deaths of perhaps millions of people, destroyed the efficacy of the United Nations and secured the Iraqi oil fields. This is a playing field which the biggest money might desire and for which it might be willing to offer a sacrifice if it becomes necessary. If the war turns out to be a dismal failure then the scapegoat has volunteered for his own hanging and there are signs that it is being prepared.

One thing is certain. If George W. Bush is removed from within, it will signal nothing other than a new "kinder, gentler" set of managers pursuing the exact same agenda as before. The dirtiest work will have been done.

**COMING IN PART II – The signs of a pending coup as Bush, Cheney, Powell and Rumsfeld are betrayed by a litany of former allies.**

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Why is President Bush, "Poppy" Bush (and Prescott Bush) part of this Secret Society? Is this driving U.S. Policy?

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