Under such circumstances, all the non-Rockefeller banks have no other choice than to engage themselves even more deeply into Third World financing, which amounts to a bailout of the New York banks! Part of their motivation is the drastic fall in the profitability of domestic lending and the general reduction of bank spreads by half from the fourth quarter of 1976 to the first quarter of 1977, an evolution that the banks try to counter by making it up in volume. This speeds up the inflationary snowball at an ever-accelerating pace.

Thus the organizers of the Tokyo meeting — U.S. regional banks, West European and Japanese banks — are now throwing themselves into what they had tried to avoid up to now, "overexposure." Even such a cautious institution as Pittsburgh National, which a year ago would not have gone nto LDC paper, now finds itself syndicating a $150 million loan for Mexico in company with Chase Manhattan. This happens at a point where Mexico would require at least $4 billion to pay its debt service this year, according to Chase Manhattan. Bankers Trust comments that the country can raise $1.4 billion at best.

Turkey Wild Card

In the middle of such a suicidal loan rush, news about Turkey's de facto debt moratorium sounds like a fire alarm. Turkish Central Bank officials tried to deny a general payments moratorium, but had to admit that "some payments have been delayed because of the country's foreign exchange problems." In fact, all import payments are being screened, and payments priorities are going to be decided daily up to the June 5 elections. Japanese sources indicate that this country's exporters are not being paid, while a *Reuters* dispatch has announced that the Ankara government has stopped all payments except for oil and arms.

Europeans Take Aim At Rocky's Oil Multis

SPECIAL REPORT

The EEC Energy Commission, prompted by the European state oil companies, met May 16 and implemented "full speed ahead" a study for government control of European oil markets which if successful "could be the end of Exxon, Mobil, and the other U.S. oil companies' European operations," a Wall Street oil analyst admitted last week. Similar moves are underway in Europe's chemicals industry, where Vice President Grandi of Italy's state-control Montedison chemical giant called yesterday for an EEC-controlled market for oil feedstocks used for petrochemicals.

For the first time,the British government and Britain's leading companies, British Petroleum, Royal Dutch-Shell, and Imperial Chemicals, are moving in full political support of the EEC studies, breaking openly with Exxon, Mobil, Texaco, and Socal, the Rockefeller-controlled oil multinationals.

The Exxon four meanwhile announced additional cuts of 20 percent in their June deliveries of Saudi Arabian oil yesterday, on top of 20 percent cuts in May shipments already announced. Exxon et al. hope to drum up an oil-embargo level shortage by claiming the fire at Saudi Arabia's Abqaiq oil field has forced 20 percent production cuts for the indefinite future.

But their efforts to touch off panic buying and soaring prices have flopped oil industry sources said, because the world's oil consumers know — despite Rocky — the Saudi government intends to have production back to normal by the end of May.

Prompted by five European state-owned oil companies, the EEC Energy Commission's ad hoc committee on marketing presented its study on chaotic European oil prices to the Energy Commission May 16. The committee, dubbed Euromart, ruled the current pricing system unacceptable. This move threatens the Exxon group's ability to dominate the market when and where they please at their prices. With European oil prices top secret (as they are internationally), speculation is rampant, making planning impossible.

The EEC Commission has decided "to go full speed ahead" on the initiative of Italy's ENI, West Germany's VEBA, France's ELF and CFP and Belgium's Petrogina, for price transparency of the refined oil products market according to reports published May 23 in an oil journal. This means open publishing of prices.

Significantly, the two-Rothschild-controlled "Seven Sister" multis, British Petroleum and Royal Dutch-Shell — which sat on the sidelines over the past several months as Europe's state oil companies maneuvered against Rockefeller — have now gone in support of the state oil companies position. "This means," complained one U.S. based analyst, that they are making a "long-term political agreement to stabilize European markets which would cream free markets — and the U.S. multis." In addition Shell proposed an extensive method to sample price quotations of oil companies which the EEC accepted.

More significantly, BP made a major proposal that the EEC governments create a market for long-term stable sales of refined oil products and according to some sources, crude oil as well. The vast bulk of oil and oil products is sold presently either "spot," meaning "grab it now while you can," at whatever price the buyer can be taken for, or under top-secret longer-term contracts between individual companies on widely differing terms.

The "price transparency" and BP long-term market proposals taken together would have to be favored and run by EEC governments, and would shift the price and profit terms of the entire European oil market to the advantage of the European companies, Wall Street analysts say. ENI's long-term oil-for-machinery deals with,

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say, Iraq would become more profitable than ENI's current spot purchases from Exxon, for example.

Exxon is already squealing. Esso Italiana, its Italian subsidiary, denounced such long-term direct negotiations with producing countries as "risky if they were to become substitutes for the (current) pluralistic system" in a major report released in Rome May 23, "Italian Energy to 1990." Exxon and the U.S majors "are worried," the *Journal of Commerce* commented the same day, "that Italian government efforts aimed at direct purchase...could bypass them and make their presence on the Italian market unprofitable."

Meanwhile British Energy Minister Anthony Benn "led the revolt" of European oil interests forcing the EEC to cancel its plans to shut down up to 25 percent of its oil refineries May 20, the *Journal of Commerce* reported. (The shutdown had been introduced by Trilateral Commissioner Roy Jenkins to "solve" the problem of Europe's depressed refineries running at 50-60 percent of capacity.) The North Sea is booming and Britain and other European oil companies not only need the spare capacity, but intend to build more, Benn said.

Benn's success comes as a slap in the face to the Exxon-Esso study on Italian energy, whose central proposal is that Italy "cut off the sick branches" of its refining industry by shutting down at least 10 percent, if not 20 percent of Italian refineries. Esso Italiana may be the only oil company in Italy forced to follow that advice.

European-wide Chemical Cooperation

Led by the Italian government, the European chemical industry is making parallel moves for EEC-wide cooperation and integration into the emerging EEC government oil market. Italian Prime Minister Giulio Andreotti's top economic advisor Cappugi issued a plan recently for the three Italian chemical giants, Montedison, SIR, and ENI's subsidiary ANIC, to "harmonize" their production, prices, and marketing strategies. Cappugi's plan was coordinated with other EEC governments for an all-European chemical market, Italian political sources said. Montedison and SIR subsequently issued a joint communiqué agreeing to stop their internecine competitive warfare "as part of a national program for chemicals." Cappugi publicly stressed over the weekend this was a government strategy for the entire Italian industry.

Montedison Vice President Grandi, an Andreotti intimate, meanwhile made clear the Cappugi plan's links to the EEC Euromart oil strategy yesterday, by calling for a "European-wide selling price for oil feedstocks for the European chemical industry" in the Italian press. Resemblance to the BP call for long-term contracts for refined oil products is not accidental.

Britain's Imperial Chemicals Industries (ICI), Europe's largest chemical corporation with close business ties to Montedison and SIR, announced major petrochemical investment expansions worth over £700 million ($1.2 billion) in Germany, Britain, Holland, and France — defying the worst depression Europe's chemical industry has ever seen. A new chemical complex will be built in Wilhemshaven, northern Germany, another at Wilton, England, and projects in Rozenberg, Holland, and in France will be expanded, all to take advantages of North Sea oil coming on stream in 1977-78.

Oil Embargo Flops

Back in the Persian Gulf, efforts by Exxon, and the other Rockefeller partners with the Saudi government in ARAMCO to speculate up oil prices causing embargo-level scarcities have been a resounding flop so far. Oil prices did not respond even when Exxon, Mobil, Texaco, and Socal announced a 20 percent cut in their June deliveries of light crude yesterday, following a 20 percent cut in deliveries for May announced last week.

The fact is, European and Japanese oil consuming companies know that the Saudi government believes Saudi production can be back to its pre-explosion levels of 10 million barrels a day by May 31 — and that the U.S. position in Saudi Arabia may be deteriorating as the Saudis countermand the Rockefeller group's production cuts. "Saudi Arabia is exerting considerable pressure on ARAMCO to get oil output up," a key oil industry journal said yesterday. "Everyone knows, as even (ARAMCO Vice President) George Larsen said last week, that production will be back to normal by the end of May if the Saudi government has anything to say," a State Department source added.

The same source characterized reports in the London International Currency Review that the Saudis have made a deal to place long-term deposits in U.S. banks to prop up the dollar in exchange for political guarantees from Carter "are a pile of rubbish." In fact, U.S.-Saudi negotiations on preserving Saudi purchasing power from dollar inflation at the Paris North-South talks fell apart last week, with the Saudis remarking it may be better to leave their oil in the ground than accept dollars for it.