OPEC Moderates Force Price Freeze In Support Of Dollar

The 13 members of the oil producers cartel, OPEC, this week agreed to postpone a decision on a new price for crude oil until its next meeting six months from now. The decision arose as a result of a stalemate between the moderate producers — Saudi Arabia, Iran, the United Arab Emirates (UAE) and Qatar — who favor a price freeze through 1978, and other producers, notably Libya, Iraq, and Algeria, who have demanded price hikes of up to 23 percent. The waiving of the decision means a de facto freeze through the first months of 1978. In addition, OPEC agreed not to adopt a British-backed plan to use the International Monetary Fund's Special Drawing Rights in lieu of the dollar as a means of transacting oil sales.

The outcome of the Caracas meeting reflects the strong influence of the OPEC moderates, who account for over 65 percent of OPEC's total output. Underlying the decision was a strong concern among the moderates over the current crisis of the U.S. dollar and the worsening state of the world economy. The six-month freeze represents a time limit during which those political and industrial forces who want a global economic recovery based on growth must put together the necessary agreements leading to a new monetary system, for which the bourgeoning Luxembourg financial center could be the nucleus. If such measures — plus correlative steps to defend the U.S. dollar — are not quickly enacted, it is highly unlikely that the Saudi Arabians and their OPEC allies can hold the line against price hike.

There are a number of indications, however, that the moderate wing of OPEC foresees the realization of such developments. Prior to yesterday's meeting, the president of OPEC, Sheikh Abdul Aziz al Thani, told a European press source that he saw the dollar rebounding in January 1978. Moreover, the Italian Communist Party daily *Unita* reported that the Saudis were justifying a freeze on an anticipated dollar recovery in the first quarter of next year.

A decisive part of OPEC's policy toward economic recovery is alleviating the burden of debt from the Third World. This was directly reflected by a press statement by the UAE oil minister Mana Saeed al Oteiba during the first day of the conference. Oteiba noted that in return for the "sacrifice" which the OPEC countries were making by freezing prices, the industrialized nations, especially the U.S., should stabilize their currencies. In this connection, Oteiba called on the advanced countries to "cancel the debt" of the Third World along the lines of a government-to-government Third World moratorium recently granted by Sweden.

The communiqué issued at the conclusion of the two-day meeting demonstrated that Otieba's intelligent attitude on world economic recovery was not completely shared by the othre member-nations. While the communiqué expressed concern for the falling dollar, and the debt burdened Third World, it also endorsed the Kissinger-architected raw materials fund, a plan endorsed by the militant producers which would drive up the price of raw materials and push the world economy over the brink while doing nothing for the Third World nations themselves. This is at variance with last week's statement by Saudi Oil Minister Sheikh Ahmed Zaki Yamani. Yamani in an interview with the *London Times*, condemned the cartelization of raw materials, an important aspect of the fund hoax, as not in the interest of economic health. The "price-rise" faction of OPEC, who are not motivated by the concern for the dollar, have credulously promoted such British-concocted raw materials schemes under the rubric of "make the imperialist West pay."

OPEC's Vulnerability

Following the conclusion of the meeting, Yamani expressed confidence that Saudi Arabia and its moderate allies would be able to enforce a price freeze for all of 1978 — a statement that may reflect his privileged knowledge of discrete negotiations to institute a new, gold-backed monetary system and hence an economic turnaround. Without such an initiative, OPEC will become increasingly vulnerable to the City of London — the major anti-dollar conspirator — and the latter's efforts to bust the cartel and grab OPEC's immense wealth.

Already, rumors are circulating throughout Europe that two hardline producers, Algeria and Iraq, may secede from OPEC as a result of the freeze which, it is claimed, was dictated "by monarchies (Saudi Arabia and Iran — ed.) subserviant to the West." British Fabian-linked networks in Venezuela have begun to term the moderates "feudalists" in a "conspiracy with the U.S. and other western imperialists." Through November and December, Venezuela was the center of a rumor campaign which claimed that the cartel would postpone its December meeting — a campaign reflecting both U.S. energy chief James Schlesinger and London's efforts to forestall the freeze.

Yamani announced on Dec. 21 that Saudi Arabia would again implement the 8.5 million barrel a day (mbd) production ceiling as a means of reducing total OPEC output and hence putting an end to the massive oversupply of oil on the international markets, estimated to be in the neighborhood of 200 million barrels. Such a glut has been the result of massive stockpiling of crude by both governments and oil companies, partially as a result of the threat of renewed warfare in the Middle East and partially, in the case of the oil companies, a speculative hedge on continued oil price rises.

The glut has caused a number of OPEC countries to reduce the price of their crude in order to keep up sales, and has often forced competitive underpricing between the various cartel members beyond the normal range of competition. It has in particular hit the marginal economies of Algeria, Nigeria, Venezuela, and Indonesia, forcing these governments into calling for higher prices.

Since the middle of 1977, Saudi Arabia's output has dropped from the record production of just over 10 mbd to under 8 mbd, which accounts for most of the net decline in total OPEC production from 33 to 30 mbd Similarly, the UAE has announced that it will cut back about 500,000 barrels a day. In the case of all the moderates, with the exception of Iran, their economies do not necessitate the scope of their respective petroleum incomes, hence they can afford to take the cuts.

Yamani spoke quite clearly of the importance of resolving the glut this week in Caracas by stating that "the current oil surplus affects the existence of OPEC ... when the market is glutted, Saudi Arabia is obliged to preserve the unity of OPEC and to reduce oil production."

The Time Element

A just-released report from the office of Senator Henry Jackson (D-Wash) on the prospects of a major confrontation erupting between Saudi Arabia and Iran illustrates the pressure the City of London team are prepared to bring to bear to break up OPEC. What Jackson advocates is the old Kissingerian plan of promoting a military axis between Iran and Israel to control the Mideast. According to an advisor to the U.S. Defense Department, Jackson's conclusions were "stupid, incompetent and horribly oversimplistic." The same source indicated his concern that such a report would have been issued just at the time OPEC solidarity is coming into question over the pricing issue.

Numerous other experts on the Mideast noted the striking similarity between the Jackson report and the recently published bestseller, *The Crash of '79*, which describes a world monetary collapse that triggers the revenue-hungry Iranians into an invasion of the Persian Gulf oilfields. Along these same lines, Jackson's cohort, Senator Daniel Moynihan (D-NY), was even more blunt last week in a television interview when he urged that the U.S. "break up OPEC."

— *Judy Wyer*

Perez At OPEC:

Debt Moratorium Is 'Smart Business'

While it is true that Venezuelan President Carlos Andres Perez did call for OPEC to pay off a portion of the Third World's debt, during his speech before the cartel's meeting in Venezuela on Dec. 20, the monetarist-controlled press networks totally ommitted CAP's reference to the idea of a global debt moratorium based on the precedent of the debt cancellation granted by Sweden to certain

The relevant passages, censored by such reporters as Juan de Onis of the New York Times, *are printed below.*

The fact that CAP, after discarding the issue of debt moratoria as unlikely, settled for a scheme that would have the opposite effect on the world economy — a scheme long sought after by New York and London bankers — is a reflection of the intense pressure his government has been under. A series of operations externally, coupled with disinformation deliberately fed to CAP from agents within his own government, have left the Venezuelan chief of state boxed in geopolitically, and vulnerable to offers for a "deal" from circles connected to the Carter Administration. Rumors of a possible coup in neighboring Colombia pose a particularly significant threat.

...The growth of (Third World) debt is dramatically alarming. With every day, the non-oil producing developing countries face diminishing possibilities for meeting the service on this debt; at the same time their purchasing power decreases. A vicious circle with no solution is leading the world to catastrophe. The collapse of the economies of the developing countries makes possibilities for recovery more precarious for the industrialized economies....

The government of Sweden, which is a conservative government, was being honest when it said there was no hope for the Third World to solve the debt problem, and that therefore the industrialized nations should face the problem by canceling that debt, thus opening new opportunities for overcoming the crisis affecting the industrialized nations. It is not, therefore, a question of an act of mercy or a handout, but an act of smart business through which new possibilities will be opened for international trade, and rescuing the world economy from its weakness.

However, this is not understood by the insensitive minds of the large nations. The debt is sacred, they proclaim.

...If the large nations do not want to acknowledge what Sweden has acknowledged, why doesn't OPEC, in its 15th meeting, agree for the benefit of humanity, to increase the price of oil by 5 to 8 percent, and dedicate (the increased revenue) fully, for one year, as a contribution to paying the debt of the non-oil producing developing countries, to be implemented by a mechanism involving OPEC, the Group of 77 and the International Monetary Fund?