tion level through the Baghdad OPEC heads of state summit in November, where the final decision will be made on the long-term strategy plan, they could force down the world oil price even further. Many of the OPEC countries cannot afford to cut their production any further for domestic economic reasons, and would be forced to shave their prices.

According to French sources, this OPEC meeting intensified Saudi Arabia's commitment to reassert their dominance over OPEC by use of their immense producion capacity. He predicts that as a result prices will for the time being continue to ease downwards, which will put the greatest pressure on Iran and its allies.

As for the long-range strategy report, a source from the West German economics ministry commented that it appears to have died. According to European reports, the only initiative which was passed by the 13 members was a call for relaunching the dialogue between the developing countries and the industrial countries to work out a plan for transfer of technology to the so-called Third World. Baghdad and Riyadh know that the only framework in which such a dialogue can occur is the European Monetary System and its sister organization, the European Monetary Fund, scheduled to be inaugurated next year.

The British factor inside OPEC

by Judith Wyer

The Organization of Petroleum Exporting Countries (OPEC) convened an unusual tripartite ministerial meeting this week to negotiate a long range oil pricing and production plan presented by OPEC's three year old Long Range Planning Committee. The central feature of the Long Range Plan is the indexation of OPEC oil prices to the rate of inflation in the industrial nations and the fluctuating value of a basket of currencies. While the Long Range Planning Committee head, Saudi Arabian Oil Minister Ahmed Zaki Yamani, is reportedly the architect of the plan, as financial and oil industry insiders know all too well, the real brains behind the scheme is the City of London.

Since 1971, the London financial oligarchy through its agents of influence inside and outside the cartel have methodically organized OPEC to adopt the indexation plan. According to Melvin Conant, a well known Washington-based oil consultant, London moved aggressively to get OPEC to adopt the plan immediately following U.S. Treasury Secretary John Connally's removal of the dollar from the gold standard—a move directed by the Bank of England.

London calculated that an OPEC move to price oil according to the average value of a basket of currencies would bolster its drive to undermine the dollar as the international reserve currency, and in so doing clear the way for making the IMF funny-money called "Special Drawing Rights" or SDRs, the international reserve. Such a development from the standpoint of London and its financial allies in Washington and lower Manhattan is viewed as a major precondition for subjecting the world economy to the zero-growth dictatorship of the International Monetary Fund and the World Bank.

Manipulating OPEC

In 1975, OPEC's first triministerial meeting of Oil, Finance, and Foreign Ministers briefly enacted the policy of pricing oil in a basket of currencies. The *Financial Times* of London noted this week that the precedent for the current triministerial meeting is to be found in the 1975 parley. OPEC's adoption of a basket of currencies mechanism followed a severe decline in the value of the dollar in the wake of the 1974 fourfold increase in the price of oil by the cartel. It was the decline in the dollar's value and the concomittant rate of world inflation—both of which had devalued OPEC imports from the advanced countries—which prompted the adoption of the basket-of-currencies approach. Shortly after the OPEC move, the dollar rallied on international currency markets and the basket of currencies policy was dropped.

Since then, at every OPEC semi-annual price setting meeting, rumors have abounded in international financial circles of an imminent break with the dollar as the mechanism for pricing OPEC crude. Each time, the Saudis, who hold tens of billions of reserves in dollars, have resisted the pressure to adopt the basket-of-currencies as a pricing mechanism from the so-called radical OPEC producers, notably Libya, Algeria and Iran, who complain of losing money by selling oil based on the sagging value of the dollar.

The combined pressure of OPEC hardliners, which include both anti-Western ideologues such as Libya and Iran, and others such as Algeria with large domestic economic demands which supercede their oil income, and City of London agents-of-influence, have swung the Saudis into accepting the indexing scheme.

In 1978 British Energy Secretary Anthony Wedgewood Benn began a series of meetings with Yamani aimed at working out the technicalities of the indexing scheme. Benn, a leading member of Britain's Labour Party, is a fellow traveller of the Bertrand Russell Peace

Foundation, which played an inside role in installing Iran's Ayatollah Khomeini and advises both Libya and Algeria. Since Saudi Arabia was not amenable to the policy of a basket of currencies, Benn devised a more elaborate plan for additional indexes to determine the price of oil through the rate of inflation in the West and the cost of imported Western goods.

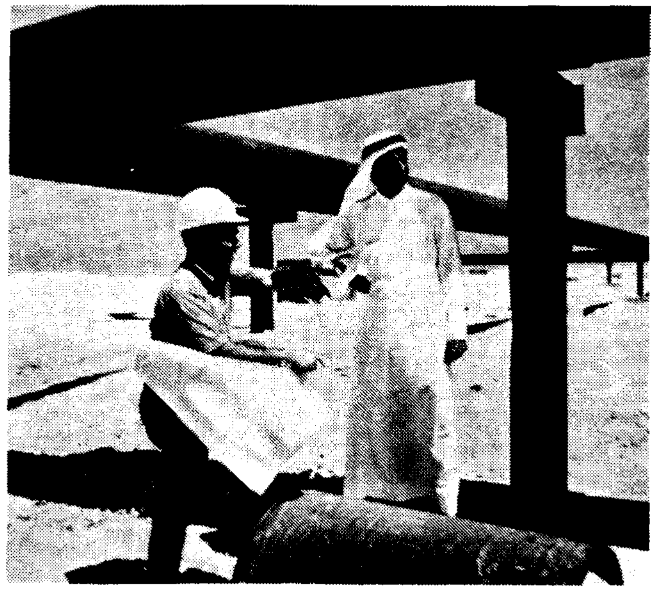
Benn's "advice" to Yamani was augmented by a number of anglophile advisers within the OPEC secretariat in Vienna, the most important of which is the Deputy Secretary General of the cartel, Fadhil Al-Chalabi. Al-Chalabi, an Iraqi who once headed the Organization of Arab Petroleum Exporting Countries (OAPEC), works closely with a prestigious grouping in England called the Oxford Energy Policy Club. Oxford University has been the center for formulating the OPEC policy of London financial interests.

Just before this week's OPEC parley, Chalabi told the press that the indexing plan would take the price of OPEC oil to upwards of $60 a barrel by 1985, and would make exotic alternative energy sources such as synthetic fuels "economical." According to a New York source, pegging oil prices to the rate of inflation could itself spark a hyperinflationary spiral which would in turn trigger a higher rate of oil price increases. Moreover, given the rate of international inflation, the costs of synthetic fuels has risen dramatically. In 1975 the estimated cost was below $25 a barrel. The source observed that the effort to raise OPEC oil prices to meet the costs of synfuels "could be like Zeno's paradox," with rising inflation and oil prices increasing the cost of synthetic fuels.

Al-Chalabi, who just completed a book published by Oxford University entitled, "OPEC and The International Oil Industry," refers to the price of oil as "rent" in keeping with the British monetarist doctrine that the world economy is based on "ground rent" from raw materials and commodities in a free market. Al-Chalabi has worked closely with Adnan Al Janabi, the head of OPEC's Economics and Finance Department, and a graduate of the University of London.

From the outside of the cartel, perhaps the most influential force on policy is Robert Mabro, the Anglo-Arab economist who presently works out of St. Antony's College at Oxford University.

A founding member and Honorary Secretary of the Oxford Energy Policy Club, Mabro has been one of the chief organizers of Oxford's annual energy policy meetings, which bring together members of the oil industry, government officials from around the world and OPEC members to discuss such topical issues as synthetic fuels, oil production cuts and, of course, higher crude prices. The Oxford seminars have served as one of London's major vehicles for disseminating policy on energy.



The world impact of the petrodollars

by Renee Sigerson

During 1980, oil-producing countries in OPEC will have accumulated $120 billion in surplus oil revenues, the largest OPEC surplus since 1974. Every day, these funds are deployed back into world capital markets as standing investments. By year-end, OPEC's total world investments since 1974 will have reached at least $360 billion.

Seventy percent of OPEC funds dispersed worldwide are lodged with Western banks as interest-earning deposits. Periodically, Western financial journals and spokesmen generate panic at the prospect that OPEC could use these deposits, as well as holdings in Western government securities, to politically blackmail Western governments. For example, on Aug. 27, Germany's prestigious *Frankfurter Allgemeine Zeitung* ran an editorial along these lines, which asked, "But what happens if individual banks are put on an Arab 'black list' and deposits are suddenly withdrawn?"

In truth, as detailed reports from sources ranging from the Bank of England to New York gold trading houses demonstrate, since 1974, oil-producing countries, and the key Persian Gulf countries of Saudi Arabia, Iraq, Kuwait and the United Arab Emirates, in particular, have pursued stringently "conservative" policies in investing their funds: "conservative" both from the strictly