are engaged in an operation to prompt Muammar Qaddafi to impose an oil embargo on the United States, no later than the first week of November, and, in so doing, to trigger a panic on the international oil spot markets, thereby reversing the downward trend in oil prices.

Haig secretly coordinated Nixon's tour of the Arab world, a tour that began after Nixon's attendance at Sadat's funeral. Upon completion of the trip, Nixon made a widely publicized call for an embargo of all trade with Libya. The next day, President Reagan personally distanced himself from the call by stating that he would only advocate such an embargo if U.S. allies, who are far more dependent on Libyan oil than the United States, went along with the scheme—a remote possibility. That same day Washington sources leaked to the *Washington Post* that no one in the White House was aware in advance of Nixon's tour of the Arab world except Haig, and that there was considerable displeasure over the fact that before Nixon left Washington, he had not discussed the trip with any White House official.

While talk persists behind closed doors about an embargo against Libya, Nixon's call could serve to provoke the mercurial Qaddafi into preempting such a move by imposing his own embargo. This could be sufficient to induce chaos on the spot markets and a new climb in oil prices.

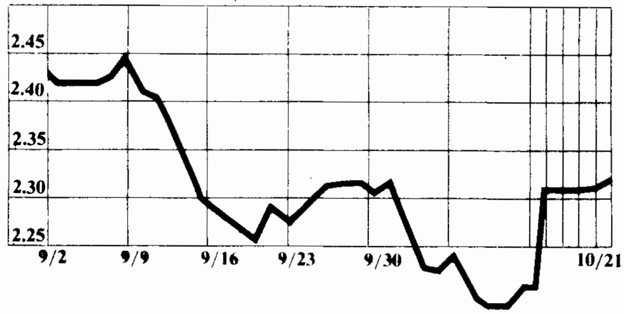
Some Washington sources are predicting that Qaddafi will impose an embargo sometime during the course of the Bright Star military exercises in the Middle East by the U.S. Rapid Deployment Force. These exercises will approximately coincide with the next OPEC meeting, at which Saudi Arabia is expected to agree to lower its oil production by as much as 1 million bpd, another factor that could eliminate the "glut" of oil that has acted to depress prices. Moreover, it is reported that world oil stocks have begun to fall, going into the autumn and winter months of peak oil demand. All the pieces are in place for another crisis.

A European diplomat who bemoaned the 20 percent decline in Germany's oil consumption over the last 12 months and the current slump of West Germany's economy into "negative growth," noted that even a small oil increase would hurt as much as if not more than the 1978 price hike of 150 percent.

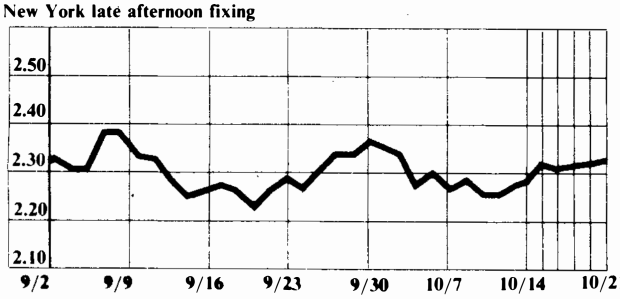
Another source with the Washington-based Heritage Foundation observed that another crisis will "simply be greeted by the United States as an excuse to cut even further its dependency on OPEC and move toward Western Hemispheric energy independence." As for Europe and Japan, he noted that "they will feel the pinch and will simply have to make very painful cuts in their economies, since they don't have the oil that the United States or Britain has."

# Currency Rates

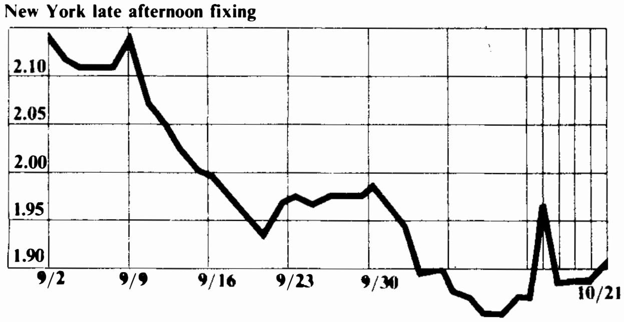
## The dollar in deutschemarks
New York late afternoon fixing




## The dollar in yen
New York late afternoon fixing




## The dollar in Swiss francs
New York late afternoon fixing




## The British pound in dollars
New York late afternoon fixing