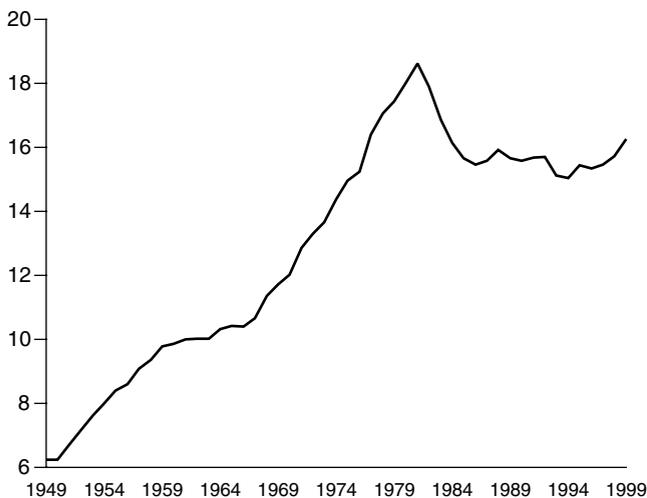


FIGURE 3  
**U.S. Crude Oil Refining Capacity**

(Millions of Barrels per Day)



Sources: U.S. Department of Energy, Energy Information Agency; International Energy Agency, Monthly Oil Report, July 2000; other oil industry sources.

TABLE 1  
**U.S. Imports: Crude Oil and Some Oil Products**

Year	Millions Barrels per Day
1971-72	4.33
1980	6.91
1990	8.02
2000	11.46
2001	11.87
2002	11.53
2003	12.25
1Q, 2004	12.38

Source: Energy Information Agency, U.S. Department of Energy; *EIR*.

pled. To see the evolution of U.S. oil import dependency: In 1971-72, oil imports accounted for 29% of U.S. oil consumption; today, oil imports account for 61% of consumption.

However, over the last five years, for geo-political rea-

price of \$42.33 on the NYMEX June 2, before the price fell back somewhat. By this process, the wealthy oligarchical families that own the oil cartel, and related banking houses, have tightened their grip on world energy supplies, and realized enormous profits, some of which loot has been deployed to prop up the bankrupt world financial system.

This process has intersected and led the global inflationary process triggered by insane money-printing policies of Alan Greenspan's Federal Reserve Board, in an attempt to hold up the \$400 trillion in bloated speculative financial aggregates with a "wall of money." This two processes feed a Weimar-style hyperinflationary shock wave that would rip apart the global economy.

### Spreading Chaos

It is precisely at this point that the onrushing global economic breakdown intertwines with the worsening strategic crisis. One threatened possibility is major oil supply disruptions due to terrorist attacks. Already Saudi Arabia, the world's largest oil producer at 8.5 mbd, has been the recipient of three terrorist attacks within the past six weeks, including a penetration of that country's security screen.

This directly threatens the world financial system. All major nations are vulnerable to an oil import cut-off. This is particularly true of the United States, as shown by examination of its physical import flows. **Table 1** shows that between 1971-72 and 2004, the level of U.S. oil imports—principally crude oil but also some other petroleum products—has tri-

## The Build-Up of Strategic Oil Reserves

The term "strategic oil reserves" does not refer to the vast reserves of known, but not-yet-extracted oil deposits, amounting to several decades' worth at the current level of world consumption. The term strategic oil reserves, rather, refers to those amounts of crude oil, or oil intermediaries, that have already been extracted, but are stored in depots, and are therefore available in the short run, in times of emergencies.

In the aftermath of Sept. 11, 2001, the Bush Administration decided to increase the U.S. Strategic Petroleum Reserve (SPR)—established in 1975—from 540 million barrels to 700 million barrels, the maximum capacity of its present depots (huge underground salt caverns along the coastline of the Gulf of Mexico). About 40 million barrels were added to the SPR in 2003, and another 20 million barrels so far this year. Currently, the SPR contains roughly 660 million barrels.

On top of this, there are the commercial oil inventories. In January 2004, commercial inventories had plunged to their lowest levels in 30 years, but since then they have been built up. According to the latest "Oil Market Report" by the International Energy Agency (IEA), total stocks on hand in the United States—that is, commercial plus

TABLE 2

**U.S. Oil Imports, Percent by Nation or Region**

Year	Saudi Arabia Percent	Iraq Percent	Total Persian Gulf* Percent	Canada, Venez., Mexico, & Nigeria Percent
1971-72	3.7%	0.2%	5.6%	50.1%
1980	18.3	0.4	22.0	33.7
1990	16.7	6.5	24.5	43.8
2000	13.7	5.4	21.7	49.1
2001	14.0	6.7	23.3	35.9
2002	13.5	4.0	19.7	48.0
2003	14.5	3.8	20.3	48.7
1Q, 2004	11.8	5.0	18.3	51.8

\* Saudi Arabia, Bahrain, Iran, Iraq, Kuwait, Qatar, the United Arab Emirates, as well as Algeria.

Source: Energy Information Agency, U.S. Department of Energy; *EIR*.

sons, U.S. oil imports have been shifted away from the Persian Gulf. The order of the nations from which the United States

imported oil during the first quarter of 2004 was: 1. Canada (2.12 mbd); 2. Mexico (1.60 mbd); 3. Venezuela (1.54 mbd); and 4. Saudi Arabia (1.46 mbd). The alleged stranglehold that the “Arabs” have over U.S. oil supplies, does not exist. Second, the United States has positioned itself so that, should the Synarchists behind Cheney blow up the Middle East, U.S. oil exposure is significant but much less than before. **Table 2** shows that today, America receives less than one-fifth of its imported oil from the Persian Gulf, while by contrast, it gets more than half of its imports from four countries: Canada, Venezuela, Mexico in the Western Hemisphere, and Nigeria.

LaRouche judges that a powerful faction of financiers, knowing that the financial system is doomed and postponement of its crash can’t continue, will take the initiative to trigger a crash now, unleashing a strategic chaos operation throughout Southwest Asia. Oil fields might be damaged or destroyed. LaRouche pointed to the build up of stored oil in the U.S. Strategic Petroleum Reserve (SPR), a series of Gulf Coast salt-dome caverns, which would be used to survive an oil cut-off (see page 6). This destabilization is showing its traces in Iraq, Saudi Arabia, Afghanistan, and Pakistan.

government-owned stocks—amounted to 1.57 billion barrels at the end of 2003. As the U.S. imports roughly 12 million barrels a day, oil stocks correspond to roughly 130 days of foreign supplies. In addition, there are significant domestic oil reserves of yet-unextracted oil, in the United States.

In recent weeks, several Democratic Senators have called on the Administration to stop buying oil for the SPR, or even, to use oil from the SPR, to dampen sky-rocketing gasoline and diesel prices. These calls have been flatly rejected by the Bush Administration. White House spokesman Scott McClellan said on May 19 that the strategic reserve was for use in “national emergencies, in the event we would be attacked, or there would be severe disruptions in the supply of oil.” President Bush on the same day noted: “That petroleum reserve is in place in case of major disruptions of energy supplies to the United States. . . . The idea of emptying the Strategic Petroleum Reserve would put America in a dangerous position in the war on terror. We’re at war. We face a tough and determined enemy on all fronts, and we must not put ourselves in a worse position in this war.”

Among the other so-called industrial countries, there exists a certain standard for strategic oil reserves, demanded by the International Energy Agency (IEA). The IEA had been set up by the Organization of Economic Cooperation and Development (OECD) following the 1973 oil crisis. Its members are the United States, Canada, the European Union, and other Western European countries, Japan,

South Korea, Australia, and New Zealand. The IEA demands that every member country builds up oil reserves covering 90 days of supplies. Members of the European Union are also bound by law to maintain oil reserves amounting to at least 90 days of consumption. The European Commission last year proposed that the oil reserve requirement should be upgraded to 120 days of consumption, but no decision has yet been made. The main problem in the European Union (EU) now, is the 10 new EU members, which at present do not have enough reserves.

Probably the most vulnerable countries presently, in respect to oil supply disruptions—at least in the physical sense—are China and India. Both countries are in cooperation with the IEA and have announced plans to build up strategic oil reserves. However, presently, these do not exist. The Chinese government, at the end of last year, said China will build four strategic oil reserves in the coastal regions. China imports about one-third of its oil consumption. The Indian Petroleum Ministry, in September 2003, announced plans to build strategic oil reserves covering 45 days of demand. India’s import dependency in respect to crude oil is 70%.

Obviously, it has to be noted that while strategic oil reserves could supply physical demand for transportation, heating, production, and military purposes for some time, the devastating effects of sky-rocketing oil prices would hit all the OECD economies nevertheless, and could easily sound the death knell for the global financial system.

—Lothar Komp