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European Oil Cartel Ready to Take Over From U.S. Multinationals

Dec. 4 (NSIPS) — The French government's Elf-Acquitaine oil company and the Belgian government oil company Petrofina announced Nov. 5 concrete plans to pool their facilities, plans which have the potential to shift the entire map of European — and world — petroleum out of 45-years of control of the Rockefeller family's multinationals.

Elf and Petrofina will combine their entire operations, from exploration through production and transport of crude oil and down the line to refinery capacity and petrochemical production. As a first step, Elf will refine oil for Petrofina's needs in its French operations, while Petrofina's refineries in Britain will provide Elf-UK with some of its needs.

Elf and Petrofina acted as members of the new European oil cartel which the governments of Western Europe have set up to take over the continent's energy policy. By combining their current operations the members of this "Euro-cartel" dwarf the combined European operations of Exxon and the rest of the U.S. multinationals. The Euro-cartel is ready to take over the entire range of oil purchasing, importing, refining, and distribution of oil and gas products on the continent.

The Euro-cartel members, who announced their cooperation agreement in July, are majority-owned by their national governments: Compagnie Française des Pétroles (CFP) and Elf-Acquitaine of France, Ente Nacionale Idrocarbino (ENI) of Italy, Veba-Gelsenberg of West Germany, and Petrofina of Belgium. Together with their associated compatriot companies, they now control 40 per cent of the crude oil imports and 50 per cent of the oil refinery capacity of those four countries. The Euro group has invited the British government-controlled British Petroleum to join, and London petroleum industry sources report that BP is favorably reviewing the possiblity. If, as expected, BP joins the Euro group, the resultant five-nation cartel will then have full control over 75 per cent of their own oil needs.

But its current operations, imposing as they may be, are nothing compared with the Euro-cartel's potential, and this in turn is entirely a function of the cartel members' political guts. Even without BP, the state oil companies of the cartel's current membership could supply their own countries **and** the rest of continental Europe — with the political deals now available from their Arab allies. The Algerian, Iraqi, Libyan, Kuwaiti, and Iranian national oil companies have already offered the Europeans complete access to twice or three times their current oil supplies in return for long-term oil-for-development government agreements which would bypass the U.S. multinationals.

With BP, one of the world's top seven oil companies, the picture broadens to include large parts of the Third World, which Europe would then be able to supply.

The question posed is one of political will. For although the OPEC nations have been in fact pressing Europe to break the multis' stranglehold over their oil and economies since at least last Spring, it is Europe itself which has held back from freedom. While oil production in Algeria, Iraq, Kuwait, Iran, and soon, Saudi Arabia, is nationalized, exports and distribution abroad are still controlled to an overwhelming extent by the Rockefeller multinationals, leaving the expenses of development to the OPEC countries while creaming off the profits.

Europe must be willing to face the threats of boycotts and worse which it has undoubtedly received in the event the Euro-cartel is fully activated and major government-to-government deals are entered into with the oil-producing countries above the U.S. multinationals' heads. For example in West Germany, this will mean having the courage to simply out-and-out nationalize the substantial multinational refinery and distribution networks in that country if any retaliation or oil supply cutback is attempted by the majors.

Gaullist Third World Policy

The idea of a Gaullist political policy for the Third World is the key to the Euro-cartel's strength. France is now in the strongest independent oil position in continental Europe precisely because of the tenaciously political view of oil taken even today by the Gaullists. It is the top layers of the Gaullist party's strategic thinkers who today run CFP and Elf-Acquitaine, and they are fully committed to maintaining France as the leader of the non-aligned camp and a force for industrial progress within the Third World. Thus when Iraq nationalized its oil industry in 1972, it made a particular and widely-publicized point of setting up a "special" relationship with the French oil companies, while kicking Exxon and the U.S. companies out altogether.

Similarly, in the midst of the 1973 oil embargo Gaullist French Foreign Minister Michel Jobert not only kept France out of Henry Kissinger's International Energy Association, which aimed at U.S. multinational control of Western oil supplies, but promptly negotiated several government-to-government deals with Iraq and Saudi Arabia — deals which have recently been reactivated.

This legacy means business today. In 1975, the French national oil companies produced enough oil themselves to satisfy 90 per cent of all crude imports into France, or 97 million tons out of 106 million consumed. They could have easily produced much more had not demand collapsed due to the 30 per cent cutback in credits to industrial production by the Eurodollar market banks in 1975. Total crude production by CFP and the ELF group in 1973was close to 120 million tons (while France imported close to 140 million tons of crude), and extensive plans

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for expansion were underway at that time.

Currently, of course, some of this production must supply the French companies' world-wide transport, refining, and sales network, which could immediately be used to tie the Euro-cartel into large parts of the Third World. Last year they sold 16 per cent of their production to the Third World, and their refinery capacity outside of France is almost as large as that inside (60 mt-yr. to 89 mt-yr.). Their extra-French refining and petroleum product sales are concentrated in West Africa, the Middle East, and in every major country of Western Europe.

A Cartel Is Born

The Euro-cartel came directly out of the wave of debt moratorium fever last spring ticked off by the International Caucus of Labor Committees' call for France and the Arabs to support an Italian moratorium. In Italy, now bankrupt and threatened directly by NATO with an oil embargo if the $40 billion debt is not paid, Eugenio Cefis, chairman of the government-controlled Montedison Co. and ghost chairman of the National Hydrocarbons Agency ENI, activated a duel strategy to prepare for energy independence and thus debt moratorium. Cefis began negotiations with the Soviet Union, Iraq, Libya, Algeria, and Iran, for the total supply of Italy's $8 billion annual oil needs directly, government-to-government. He also stepped up the financial squeeze on Exxon, Mobil, and the other U.S. multis' operations within Italy and Libya, pressure designed to drive them out.

In France, as the Gaullist press blasted the Eurodollar market and called for an Italian debt moratorium, the national oil companies renewed their old tactics from which Cefis had learned so much. Since World War II the Gaullists had forced a law onto the government's books that the French national companies must control at least 51 per cent of the domestic petroleum market. Now CFP, the Elf group, and the other French companies prepared to kick Exxon et al. out together. They demanded the government legislate them 55 to 60 per cent of the market, and when the Rockefeller multis protested and made cutback threats, the Gaullists promptly and triumphantly had a special State Prosecutor, Etienne Cecaldi, indict no fewer than 43 international oil executives in May for dishonest business practices. Although the situation was generally kept quiet for fear it would spread, one nameless Exxon official was quoted in the Economist as warning that "the very existence of private enterprise in France is threatened."

At the same time, Iranian Prime Minister Hoveyda came to Paris, and set before the Giscard government a reportedly huge contract for a direct oil-for-technology deal with the National Iranian Oil Company. NIOC was explicitly working with France to free itself from the multinationals of the Iran Oil Participants consortium. During NIOC's pro-forma nationalization of Iranian oil **production**, Exxon et al. had arranged for themselves **marketing** control of fully 88 per cent of Iranian oil production once it was also out of the ground, cutting British Petroleum — which had formerly had 45 per cent of Iranian production — out of marketing altogether.

During the spring the consortium was simply refusing to market over 15 per cent of the Iranian crude to which it had contracted, plunging Iran into an acute debt crisis. NIOC in retaliation had doubled its own direct sales from 1975 levels to 39 million tons and planned more.

French President Giscard, Wall Street's staunchest ally in Europe, was told explicitly by the U.S. oil companies to put a stop to all this. Giscard — the man who today is attempting to wreck the declaration of debt moratorium at the North-South talks, in June took State Prosecutor Etienne Cecaldi off the case against the U.S. multis, sent him off to Provence, and hushed up the indictments. He similarly squashed the Iranian NIOC offer. Giscard had seen to it by political decree that French trade with Algeria dropped by half in 1975, when he practically cut in half France's oil imports from Algeria after the New York banks decreed a credit cutoff against that country for its leadership in the Third World debt moratorium drive. For this, French industry lost over $5 billion in development project orders to the U.S. and Japan.

The Gaullists, with the Italians pushing them hard, did not take this lying down. In July, the formation of the European oil group was announced in Brussels at a meeting called by Cefis' ENI. CFP, Elf, Veba, ENI, and Petrofina would seek full cooperation in all phases of their oil and petroleum products operations, the group disclosed.

The agreement reached Nov. 5 between Elf and Petrofina to concretize this relationship and actually organize exploration and all downstream operations is the model for the rest of the Euro-cartel. The actual de facto merger of the entire muscle of these five companies, likely with the participation of BP, is no more than weeks away.

Outcartel the Cartel

The Europeans have, so far, beaten the Rockefeller family at their own game. They have put together an oil giant which, in Europe, brooks no competition.

Even excluding Britain and thus BP, the current Euro-cartel members have current production within France, Italy, Germany, and Belgium equal to 42 per cent of the four countries' total import needs, or 135 mt-yr. out of 322 mt-yr. total imports. They are practically self-sufficient in transport of oil, having transported 143 mt last year, and have numerous tankers actually laid up losing money because of the drastic cut in demand for oil. While a significant part of the 135 mt-yr. production now goes to the Third World, if greater demand existed even current production could be stepped up to cover that **and** domestic needs easily.

Including British Petroleum, the world's seventh largest oil company, and thus Britain in the picture, the six European companies would have fully 75 per cent of their own production, or 307 mt-yr. out of 413 mt-yr. imports. Again, BP's production has declined over 30 per cent during the last two years due to collapse in **demand** alone.

In terms of refinery capacity, the five Euro-cartel companies in 1975 treated 157 mt out of the 315 mt of oil refined in France, Italy, Germany, and Belgium, or 50 per cent. They also have 43 per cent of the market of total petroleum product sales in those four countries, selling 121 mt last year out of a total of 297 mt sold.

In fact, the Euro-cartel five company members, even without British Petroleum, completely dwarf not only Exxon's European operation, but those of the five U.S members of the Seven Sisters combined, Exxon, Mobil, Socal, Texaco, and Gulf. (The other two sisters are BP and Royal Dutch-Shell, a Dutch company.) They bring almost four times as much oil into their four countries as Exxon does, and 50 per cent more than the total U.S. multinationals combined. Their refinery throughput last year was 60 per cent above that of the U.S. multis' in France, Italy, Germany, and Belgium, and they were tied with the Big Five for petroleum product sales (gasoline, heating oil, etc.)

Thinking Big

The question posed to the Euro-cartel members, however, is not really how big they are, but how big they can become. With the oil production being offered them on a direct government-to-government basis by the Arab nations in return for agreement on the new world economic order and debt moratorium, Europe could supply not only itself but the entire Third World.

Even if the OPEC countries were simply to step up production

to their full capacity, as compared with today's depression lows, and merely send Europe the difference without removing any oil now currently marketed to the U.S. majors, European oil companies would receive an extra 500 million tons a year. (In 1975, France, Britain, Germany, Italy, and Belgium together consumed 413 mt of crude oil imports.) If Iraq, Libya, Algeria, Nigeria, Kuwait, Saudi Arabia, and Iran were to step up their current production from 1,050 mt-year to its immediate potential, they could produce 1,550, according to the 1975 edition of the International Petroleum Encyclopedia.

U.S. Trade Deficit Rises; World Trade Falls Another Notch

Dec. 4 (NSIPS) — Newly available world trade calculations for October show that the August-September downturn has produced a significant drop in both the imports and exports of the three strongest advanced market economies — the U.S., West Germany, and Japan — with acute ramifications for the Third World. Exports in each case dropped significantly from the 1976 peaks, peaks which themselves chiefly represented printing-press financing of price-cut orders, rather than an expansion of any country's actual industrial profit. On the import side, exceptional oil stockpiling did not prevent the U.S. and Japan from an overall decline in purchases. This temporary prop, on the one hand, and the abrupt fall in West German export orders on the other, suggest that the current picture is indeed worse than these statistics show.

U.S. trade displayed its ninth deficit in ten months in October, $696 million in the red; after a record $11 billion surplus last year, the 1976 deficit is projected by bankers at a record shortfall of $8-9 billion. Calculated on the "merchandise trade balance" basis used by most other nations, the U.S. deficit for January through October already exceeds $11 bn. Unlike the high trade gap of 1972, which reflected booming import demand by an economy revved up faster than the rest of the world's, the current balance expresses a drop in both exports (-1.5 per cent from September to October) and imports (-2.1 per cent). October exports fell 5 per cent below their 1976 peak of July, in real terms; imports dropped slightly less from their July peak as oil imports continued to climb. The auto sector exemplifies the general trend — imports from Canada in particular and foreign countries at large dropped, and so did exports of American-made cars.

In West Germany, at least half of whose economy depends on exports, foreign orders plummeted 35 per cent between July-August and September-October. October deliveries already showed a three per cent decrease from their September high, in itself scarcely a sufficient indicator to puncture remaining illusions about West Germany's solidity. However, the order picture, combined with the conjuncture surrounding it, is decisive.

The October figures for Japan delineate an equally dramatic turning point. Exports fell 4.5 per cent in one month on a seasonally adjusted customs clearance basis; the import dropoff was 8 per cent. Like West Germany, Japan still has a trade surplus, but the mechanisms that have sustained its trade have been destroyed. In the first nine months of 1976, Japan ran a giant trade surplus with the U.S. and Europe, fueled by inflationary financing of a 50 per cent jump in Japanese exports (often "dumped" exports) to the U.S. and the Common Market, with comparatively level imports from those regions. This Japanese surplus was used to stockpile imports from Southeast Asian countries (who otherwise would have been driven to default on their debts or freeze them). The first three quarters of 1976 saw a 50 per cent increase in this category of Japanese imports from the same period of 1975, and the imports represented one quarter of total Southeast Asian sales. The October decrease in Japanese imports, sharper than 8 per cent once oil purchases are deducted, indicates that deliveries from Southeast Asia may have already begun to decline. The collapse of Australian iron ore and other commodity exports to Japan was a major factor forcing the Australian dollar devaluation. And, given the U.S. and Western European situation, the export side of Japan's own future balance sheet, barring world economic restructuring, is plain.

Third World Ramifications

The last time a drop of this magnitude occurred in advanced sector trade was during late 1974 and early 1975, when the petrodollar push generated by the oil price hoax expired. The result was a constant-dollar drop in non-socialist developed nations' total exports of a full 20 per cent from the first quarter of 1974 to the first quarter of 1975. During the same period, the imports of non-OPEC Third World nations fell from $37 billion to $33 billion, or, in real terms, 20 per cent.

At this point, however, Third World imports are already back down to their late-1973 level; after declining gradually from their autumn 1974 peak, they will now take a murderous plunge. Though overall Third World trade statistics for the third quarter of 1976 are not yet available, the agricultural imports contraction can be supplemented by a number of indicative developments. Copper producers, for example, face a standstill with world prices too low to permit production except by slave labor, and record stockpiles rusting for over year as industrial usage slumps. Ferro-manganese, produced by Brazil, Canada, Rhodesia and South Africa, has become useless with the collapse of steel production; the glut is so acute that ports are clogged with shipments of the alloy and no warehouses can be found for further stockpiling. Trade in other commodities like aluminium will last only as long as the spurious auto pileup.

The poorest Third World countries, exemplified by sub-Saharan Africa, can scarcely reduce their imports further. The locus of collapse will be those sectors which have thus far preserved a semblance of economic activity, notably Latin America. While Venezuela's oil revenues have financed increasing industrial imports, and Colombia's speculative coffee sales make it a special case, Brazil is continuing a political fight over whether capital goods for industry and agriculture will continue to be bought. Argentina, unable to sell or store most of its bumper wheat crop, has undergone 30-40 per cent import cuts since this spring. Peru is cutting two-thirds of its planned food imports in the second half of this year, with another one-third