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OPEC Lines Up Behind Oil Price Freeze, Dollar

In the days leading up to the semi-annual meeting of the Organization of Petroleum Exporting Countries (OPEC), a powerful group of moderate producers have stated their intention to freeze the price of oil through 1978. The president of OPEC, Sheikh Abdul Aziz al Thani, announced this week that his country, Qatar, would join Saudi Arabia, Iran and the United Arab Emirates (UAE) in forestalling a price rise. Al Thani emphasized that a freeze was urgent to support the floundering dollar, a sentiment less directly expressed last week when Saudi Oil Minister Sheikh Ahmed Zaki Yamani announced Riyadh's position for the Dec. 20 Caracas meeting.

These producers are aware of the strategic importance of such a freeze in blocking the international financial warfare which the City of London is launching against the U.S. economy and which is responsible for the present dollar crisis. Such a recognition was reflected by the Venezuelan daily *El Nacional* this week which quoted a noted Venezuelan professor as condemning U.S. Treasury Secretary Michael Blumenthal for carrying out a deliberate policy to allow the dollar's destruction. Both Blumenthal and U.S. Energy Secretary James Schlesinger are known to be the City of London's "inside men" in Washington who are pushing OPEC to raise the price of crude to offset losses on dollar-denominated oil receipts — a move calculated to finish off the dollar.

OPEC nations are showing signs of formulating policy beyond simple support for the dollar and are investigating what role they will play in the industrial recovery of the advanced nations. Venezuelan Minister of Mines Hernandez Acosta this week stressed that the issue of oil pricing was secondary to OPEC's ability to supply oil the world needs to develop alternative energy sources. A similar concern was put forth by Saudi economist M.A. Hassanain who recently told the Wall Street Journal that Saudi Arabia favors all the OPEC countries producing "to the maximum." Hassanain stressed that when worldwide demand increases then Saudi Arabia "can increase its production from its excess capability quickly."

During a visit to Riyadh two days ago, Secretary of State Cyrus Vance received assurances from Saudi King Khalid that under Saudi pressure OPEC would likely opt for a price freeze. With 65 percent of OPEC's total output controlled by the "price freeze front" such a probability is enhanced. According to the *Washington Post*, Iraq, the most hawkish of the cartel members calling for a 23 percent increase, will send a low-level delegation to Caracas in "protest" against a freeze. Such a development may indicate that Iraq could well aquiesce to the decision of the majority.

Rumormongering

With growing resistance in OPEC to the Blumenthal-City of London ploy, a barrage of reports that OPEC was considering postponing their scheduled meeting began to sweep international capitals. The *New York Times* cited the U.S. State and Energy Departments along with the Venezuelan Embassy in Washington — known for its close ties to Schlesinger — as the source of the rumors. At the same time, the two largest Venezuelan dailies, *El Nacional* and *El Universal*, ran front-page stories that Venezuelan president Carlos Andres Perez was urging a postponement.

Yesterday, Perez personally issued a denial of any intention to postpone the meeting through his information Minister Diego Aria: "It isn't true that the president made such a proposal. Everything is ready for the conference."

The motivation for such rumormongering—the conduits in many cases are traceable back to offices in London — serves two purposes: to stave off the OPEC meeting, and to sow seeds of confusion in international money markets on the prospects of a price rise or split. Such rumors primarily hasten the rush out of the dollar. The *Washington Post* is fully implicated in such an operation having reported the postponement as policy of Venezuela and, furthermore, having speculated in its pages that a delay will inevitably lead to another price rise. Such developments, note the *Post*, will destroy President Carter's diplomatic efforts, working through Iran and Saudi Arabia, to ensure a stable oil price and hence short-term stability of the dollar.

The singlemost important deterrent to a price freeze between now and Dec. 20 is the continued decline of the value of the dollar. If a group of producers such as Algeria, Libya, Kuwait and Venezuela opt for even a small increase of 5 to 8 percent on the basis of the dollar decline, OPEC could again see a replay of the December 1976 meeting where, for the first time, a price split occurred. Such a split would give the monetarists allied with London the political leverage they need to complete their "bust up OPEC" scenarios.

Venezuelan Vulnerability

Venezuela has traditionally played the key role of mediating between cartel members where differences on pricing materialize. But in recent days, the Perez government has come under pressure from domestic opposition to side with the "price hawks" and thus tie Venezuela's hands in preventing a price split. The so-called "father" of OPEC, Perez Alfonso, and the environmentalists are urging the Venezuelan president to "force" a "significant reduction" in world energy consumption by driving the price of oil through the roof.

Although Venezuela has said it favors a price increase, it emphasizes that any price rise must be "moderate," making it clear that Caracas will not support demands like those put forth by Iraq. But a destabilized Perez regime — hit this week by open talk of a possible military coup — would be paralyzed from its efforts to ensure "solidarity" in pricing within the cartel.

The Venezuelan military is taking extraordinary precautions. Both European and Venezuelan press sources have reported that European terrorists have been deployed to Venezuela—another potential modus operandi which London is known to utilize—as a means of disrupting the OPEC meeting if all else fails.

— Judy Wyer

Following are excerpts of a speech by Venezuelan economist Giuseppe Palladino delivered at a high-level managerial conference in Caracas, and published by Carlos Acedo Mendoza Economic Consultants, as reported in the daily El Universal *Dec. 10:*

(U.S. Treasury Secretary W. Michael) Blumenthal has tried to obtain on the exchange markets what he could not get at the last annual meeting of the International Monetary Fund: the revaluation of the German mark and the Japanese yen...

The leaked reports and punctual denials concerning an open disagreement between Chairman Burns of the U.S. Federal Reserve, and Treasury Secretary Blumenthal lead us to suspect that behind the exchange policy of the dollar, certain pressure groups are moving, interested for different reasons in the depreciation of the U.S. currency... The depreciation of the dollar is what is needed to force the OPEC countries to increase the price of oil...And this is precisely what the Americans expect the necessary premise, in order to reach full energy independence.

The following are excerpts from the statement by Qatar Oil and Finance Minister, Sheikh Abdul Aziz, to the Associated Press, *Dec. 10:*

I am an optimist, and we will adopt a policy capable of fighting inflation and strengthening the U.S. dollar. We are completely in favor of efforts being made for achieving prosperity for the world economy. And it will be through the combined action of OPEC in establishing economic solidarity between the oil producers and consumers, with the goal of fighting inflation. This will be Qatar's Christmas gift to the industrialized world...

Programmed oil production can guard against the collapse of consumption, reduce the need for storage, and stabilize prices. The hoarding of crude is a threat against the price policy of OPEC... We favor the application of simple and gradual tactics for production and pricing, so as to avoid any damage to the world economy...

The dollar continues to be the strongest currency, despite the difficulties affecting it. It would not be in our benefit to abandon the dollar, at least not during the present period. We do not allow ourselves to be led by the mistaken story that there are deliberate and malign intentions to weaken the dollar and thus erode the buying power of our earnings. We will remain firmly with the dollar.

Administration Environmentalists Out To Destroy Export-Import Bank

A major battle is shaping up within the Carter Administration on the future role of the federal Export-Import Bank in financing U.S. high-technology exports. The fight was initiated last January in a lawsuit, filed in U.S. District Court in Washington, D.C. asking that the court issue a declaratory judgment that the Exim Bank must comply with the National Environmental Policy Act. The suit, filed by the Natural Resources Defense Council, complained that the Exim Bank was financing a number of development projects in the underdeveloped nations which had an impact on the environment of those countries. The NRDC cited, as examples, a railroad in Gabon to be built through a game preserve, a high-voltage electric transmission line in Zaire, and the provision of dredging equipment to the Indonesian government. In each of these instances, the NRDC argued, the Exim Bank should do an Environmental Impact Statement (EIS) before approving the loan.

The Exim Bank has unequivocally stated that NEPA does not apply to its activities. In its own defense, the Export-Import Bank has claimed that the time limitations on its functioning (loans are given initial approval within two to four weeks of application) insure that no EIS could be done. The application of NEPA, they say, would prevent the United States from competing with German, Japanese and other export-import banks on development loans.

Twelve months have passed and Justice Department attorneys in the Land and Natural Resources Division representing the Exim Bank, have still not filed even an