INTERNATIONAL

Europe attacks the oil

Tells Carter: the choice is

Either the Western industrialized nations collaborate with the oil producers to organize a global energy development and consumption plan, or else energy war will sweep the world into economic recession and political confrontations. These are "the only two possible scenarios," said French Industry Minister Andre Giraud at a press conference in Washington, D.C. June 5. "The trouble is that we are presently living scenario number two and we must switch to number one."

Giraud was in Washington along with French Foreign Affairs Minister Jean Françcois-Poncet, for talks with President Carter and Energy Secretary James Schlesinger, where the two officials delivered Europe's angry response to the revelation that the United States, after coercing Europe into adopting a formula for international oil consumption cutbacks, had launched a "secret" subsidy of the Rotterdam spot market swindle by handing U.S. oil companies a $5 per barrel "entitlement" subsidies to compete with energy-short Europe for Rotterdam purchases. As the Rothschild daily *Le Matin* put it, this is a measure to "dry up Europe."

Ths Schlesingerian swindle may also become the proverbial straw that finally prompts Europe to break forcefully with the Anglo-American austerity recipes to which they have pandered in varying degrees since the 1979 oil hoax was launched at the beginning of this year. When EC Commissioner Guido Brunner revealed the existence of this secret subsidy May 31, the Europeans were absolutely shocked, and Schlesinger's reputation in European circles as a "reputable," reasonable man proposing energy savings in the interest of the West went through the floor. Importantly, the affair has destroyed some of the Europeans' illusions in regard to the necessity of energy savings in general, and it certainly propelled the best European thinkers and leaders into moving aggressively for the kind of energy development—particularly nuclear energy development—which they know to be necessary.

The European move also comes against a backdrop of manic Anglo-American moves toward direct seizure of the Arab oil fields which could produce an energy—and political—crisis dwarfing that of 1973-74.

Signs of a turnaround in Germany

Take the case of West Germany: a week prior to the outbreak of the scandal, West German Economics Minister Graf von Lambsdorff had defied the best interests of his country (which imports 30 percent of its oil from the inflated Rotterdam market—France is not dependent on it directly) by blocking with London and the U.S. against an Italian-backed French proposal to shut down Rotterdam as a speculative pit which had unilaterally imposed an energy tax on the world which had unilaterally imposed an energy tax on the world which was taxing the world for the sole benefit of the "Seven Sisters" oil cartel.

But after the shock of Schlesinger's $5-per-barrel entitlements, the BRD's Foreign Minister Hans Genscher delivered an official protest to the U.S. ambassador, placing his country in the French camp. Chancellor Schmidt declared that the U.S. move was "traitorous to the Western alliance."

speculators

energy development or war

West German Chancellor Helmut Schmidt arrived in Washington in the footsteps of François-Poncet and Giraud, reportedly with an attache case full of documents to present the European position on energy to President Carter. Carter refused the Chancellor time to present his case, and, according to the French daily *France-Soir* today, "he got an even sharper rebuff from Carter than François-Poncet. The radio reports that Schmidt is displeased at the way the "second industrial power in the West" is being treated in Washington.

The Chancellor had prepared for his visit by granting an interview in *Time* magazine in which he warned that the energy crisis would aggravate the danger of war.

European countermeasures

French radio is reporting that French President Giscard d'Estaing will present a "detailed and tough" plan to end the speculation by major oil companies to the June 21 Strassbourg summit. The plan essentially comes down to the following three points:

- Shut down the Rotterdam spot market, forcing oil cargos to carry published purchase prices, and, of course, immediately terminate the $5 U.S. entitlement subsidy that only increases world inflation;
- Secure a world pricing agreement that will stabilize the flow of oil, prevent an oil hoax, and establish a reasonable consumer agreement with OPEC;
- Determine a world energy platform to be taken up at the Tokyo economic meeting the following week—the platform to address in particular the problems faced by the developing sector in the face of

Kennedy, Schlesinger push speculative subsidies

According to highly placed Washington, D.C. sources, the U.S. entitlement subsidies which have infuriated Europe were worked out in closed door meetings on May 25 between Senators Ted Kennedy (D-Mass) and Claiborne Pell (D-RI), and John O'Leary, the number two man in the Department of Energy. According to information confirmed by Kennedy's office, it was at these meetings that Kennedy and the DOE prepared a plan to grant the $5 per barrel government subsidy to oil companies to purchase oil on the London-controlled spot market. Under the "entitlement" program, the government subsidizes purchase of foreign oil from a fund paid for by refiners who use lower priced domestic oil.

The move, a complete repudiation of the solemn assurances given by Schlesinger to the Europeans only days before at the Paris meeting of the International Energy Agency, drove the prices of oil on the Rotterdam market up by more than $6 per barrel in one day as Europeans scrambled to get oil at any price before U.S. majors grabbed it.

Particularly galling to the Europeans was the fact that the move was clearly designed to disrupt the world oil markets on the eve of the Tokyo economic summit and the Vienna meeting of OPEC June 26.

According to the sources, the politically suicidal policy was imposed on President Carter under the threat that Kennedy would make a campaign issue of Carter's inability to ensure heating oil supplies in New England next winter—on the eve of the New Hampshire presidential primary.

A Kennedy ally, Rep. Richard Ottinger, underscored the real policy of the populist-posturing Kennedy when he told the press last week, "I want to see more crises. We need continual crises to maintain popular awareness of the energy shortage ..." Ottinger then repeated Kennedy's call for a "national oil purchasing agency" which would completely sever U.S. relations with the OPEC oil producing nations.

the oil tax on their economies. The French and West Germans favor nuclear energy in the developing as well as the advanced sector, and Schlesinger has already been put on notice that the U.S. sabotage of the fast breeder and recycling technologies "is organizing tomorrow's shortages" in the words of *Le Figaro* energy editor Christian Guery.

Breaking the power of the Seven Sisters

The French have let it be known—through the pen of *Les Echos* energy specialist Ralph Back on June 5—that if the U.S. refuses to agree at least to points two and three of the proposal, they are ready to set up a "European consortium dealing directly with the oil producers in state to state fashion"—a warning that the Europeans will move to break the Seven Sisters' control of world oil distribution if the U.S. does not assume the "proper leadership of the West," as Schmidt put it.

At present, the U.S. administration is reacting by upping the ante in provocations. Carter is answering the European demands on energy by demanding that the French, et al. endorse Carter's "Camp David" Middle East strategy—the oil field occupation scenario. But François-Poncet was very clear in Washington that the French will continue organizing for a general settlement to the Middle East crisis, since "a separate agreement brings divisions to the Arab world. You cannot claim," he stated, "you don't have a separate treaty when there is no solution to the West Bank and Palestinian problem that is accepted by the Arab world. ... It is not useful to isolate the Arab world ... to have them facing a Western world... and there will not be a lasting peace unless the Soviet Union is brought into the picture."

By insisting that endorsement of the Camp David pact is a sine qua non for ending the energy blackmail of the world, the Carter Administration is further angering the Europeans—and jeopardizing world peace. Indeed, the Anglo-American nexus is viewed with disgust not only by Europe but by the Middle East and the developing sector as well. The Saudi royal family, which experienced an attempted coup d'etat at the hands of British-linked Khomeini backers last month, is in complete agreement with the French government on the need for a comprehensive Middle East settlement, as well as a global energy plan, and Saudi oil minister Sheik Zaki Yamani will meet, as he has frequently in recent weeks, with France's Giraud at the end of the week. And Mexico, a leading force for producer-consumer cooperation on oil, warned through Industry Minister Oteyza that Mexico will break its contracts with oil companies which use Mexican crude to speculate on the prices of oil as has occurred in Rotterdam.

—*Garance Phau*

What the Europeans

Giraud: two different scenarios

French Minister of Industry Andre Giraud assessed his meetings with Energy Secretary Schlesinger at a press conference June 5.

"The essential purpose of our visit was to exchange views on energy. I can summarize the problem. We think there are two different possible scenarios. One,consumer and producer countries cooperate in a coherent frame. In that scenario there is enough energy so that the world goes on with development ... Two, producing and consuming countries do not act in a coherent complementary way. In that case we face a tremendous world economic crisis, possible recession, shortages of energy and maybe deeper political affairs. The trouble is we are currently living in scenario number two and must switch to number one. The most immediate need is to fight against any speculation, which does not benefit either producer or consumer countries.

Q: *Was there anything in your talks that would lead you to believe that Schlesinger will announce a change in the entitlements policy?*

A: I don't think so. We feel this measure was unilateral, inefficient, counterproductive. Mr. Schlesinger expressed regrets that it was taken unilaterally. It was inefficient because it did not increase the available petroleum products. Mr. Schlesinger said there was no intention to divert petroleum products. Mr. Schlesinger said there was no intention to divert supply of oil from Europe to the U.S., and that it was an old mechanism that was used. Mr. Schlesinger said that other available supplies are not going to the U.S. ... We did not find Mr. Schlesinger's arguments and figures convincing and asked him to explain this decision to the European Community....

NSIPS: *In a somewhat low-key fashion, you have just dropped a bombshell insofar as what you have outlined as scenario one undermines the entire basis of the Carter administration's foreign policy.*

A: I have no opinion on the internal policy of the U.S.