

Two sides at the Tokyo summit

The most crucial series of economic talks since 1946

The fifth economic summit conference of Western leaders, which opens in Tokyo June 26, the simultaneous meeting of OPEC and a Seven Sisters multinational strategy session, define a crucial conjuncture for the future of world economic policy.

Backed by British-controlled Muslim Brotherhood pressure on the OPEC "price hawks," and an escalation of the speculative squeeze on oil supplies expected out of the Seven Sisters cartel session, the United States is heading for Tokyo with a British-International Monetary Fund drafted agenda for making energy austerity and "postindustrial" policymaking official policy for the advanced sector.

Although there are strong signs that OPEC, under pressure from Britain, the oil multitis, and British intelligence networks in the OPEC nations, will raise official benchmark crude oil prices to \$20 a barrel, Saudi Arabia is expected to argue for the approach represented by French and Mexican-backed proposals for a producer-consumer conference to work out direct oil supply deals—bypassing the Seven Sisters—at a stable price. This would bolster European Monetary System efforts toward industrializing the Third World to maintain growth in the advanced sector economies.

The Tokyo summit of western leaders will be a cardinal indication of how far, under French leadership, opponents of IMF zero-growth are willing to go.

As reported to *Executive Intelligence Review*, the U.S. negotiating position in Tokyo promises to remain pegged to British "controlled disintegration" demands along the following points:

Energy

- a "consumer boycott" stance toward OPEC initiated by forming oil purchasers into a bloc, along the lines of Henry Kissinger's efforts during the 1973 oil hoax;

- opposition to nuclear energy, especially U.S. and Third World expansion;

- international funding of large-scale coal gasification projects in the U.S., along with other high-cost inefficient "energy alternatives" such as tar sands, oil shale and solar power. (The Office of Management and Budget had vetoed \$10 billion for international coop-

eration for this purpose as too expensive. The new scheme retains what the *Washington Post* called June 9 a "World Bank" approach—using seed capital to raise private-market funds—and a plan, as if the U.S. were a banana republic, relies more heavily on foreign investment plus "windfall oil profits tax" revenue. This new plan, as outlined by the State Department [see below] has not been reported elsewhere.)

Economic Policy

The U.S. delegation, lead by Secretary of the Treasury Blumenthal, will walk into the summit with a confidential report by the IMF Secretariat demanding immediate and severe deflation by the United States under the "surveillance" of the IMF, which will dictate huge interest rate hikes and major cuts in credit volume to the economy i.e., "induce recession" (see International Credit).

Under Blumenthal's direction, President Carter will use U.S. compliance with the IMF regime to demand that the industrial nations at the summit, and the developing sector, be put through the same deflationary ordeal. Blumenthal intends to call at Tokyo for an "unlocomotive policy," said a Washington source close to the National Security Council (see interview below). "The locomotive ... was where some countries were to reflate. ... The unlocomotive is where Japan, Germany and the U.S. all agree to ... deflate."

But Blumenthal's real intent is to provoke a *dollar collapse* at Tokyo. The other summiteers will reject these provocations, said the source, the summit will collapse, and Europe and Japan will "let the dollar go" (see Foreign Exchange). When this occurs, Anglo-American opinion makers and their spokesmen in Europe are set to scream "failure of nerve" and "crisis of confidence," while behind the headlines financial and resource-supply chaos is triggered—in the midst of a probable SALT II treaty defeat and a hurricane of OPEC and Third World destabilizations.

The forces of sanity

Against these threats, there is a clear counterpolicy now being pressed by the French with growing support from

Japanese political and industrial leaders. In West Germany, supporters of the French counterpolicy are using the domestic debate on nuclear energy to press Bonn to aggressively join Paris. Italy, following the elections, is sidelined.

As we have reported, the French absolutely reject a showdown with OPEC. Moreover, they are in effect using the energy question to underscore the urgency of implementing Phase II of the European Monetary System: putting together giant long-term loans to finance exports of high-technology agricultural and industrial projects in the Third World, along with advanced energy sources to power them. This is the EMS plan whose postponement the IMF managed to force last March, when sighs were mounting of Arab interest in placing investments through the Fund.

Countering the U.S.-British pressure at the Tokyo summit, the government of French President Giscard proposes:

- to end speculative extortion on the petroleum spot markets by putting transactions through the Rotterdam center on public record, curbing supplies and purchases there, and capping the price through national import controls or international agreements;
- cooperative producer-consumer negotiations to secure long-term contractual supplies at a reasonable price;
- joint development funded by OPEC and the "North" to avert energy-supply disaster in the "South" through nuclear energy and technology proliferation—the EMS approach.

The issue, then, is not merely the Rotterdam spot market, despite the European fury about Schlesinger's subsidy to U.S.-based oil companies to bid up supplies there. The Carter Administration is perfectly willing to terminate the \$5 entitlement gambit, so long as overall policy runs on the Anglo-American track.

The *London Observer's* economics editor summed up June 10: "The West faces this month its biggest test of international economic cooperation since the aftermath of the Second World War. ... (after) a world economy founded on cheap fossil fuels shrugged aside the warnings from the Club of Rome about limitations on resources at the end of this decade. ..." The *Observer* has special qualifications for commenting on both history and energy. It is owned by Robert Anderson, whose Atlantic Richfield oil company and Aspen Institute have contributed so much to the oil hoax; and it directly relays the views of the British Round Table, which designed and entrenched the IMF, turned the Truman Administration away from economic development of the post-colonial world, and made the U.S. into a "dumb giant" for Whitehall's military designs.

Japanese on the eve of the summit

The Japanese federation of heavy industry, Keidanran,

has come out in favor of a strong Japanese policy in support of the French approach. Keidanren chairman Toshio Doko, in an interview published June 7 in the French daily *Le Figaro*, said Japan should follow France's lead on Mideast policy, reaffirmed Keidanren's commitment to nuclear energy, and firmly stated that the Tokyo summit should pursue the "complementary" questions of energy and North-South cooperation. Last month, Keidanren's energy committee publicly proposed that Japan free itself from Seven Sisters oil manipulation by setting up an independent national oil company to negotiate state-to-state deals with OPEC suppliers.

The Ohira government, however, which was put into place last fall precisely to sabotage a fruitful Japanese-European alliance, is trying to avoid any clash with Washington and London. Foreign Minister Sunao Sonoda told the June 8 *Mainichi Daily News* that the summit should not discuss oil issues. Japan wants to develop "coal and coal liquefaction," and "at a huge cost" the safety of nuclear energy must now be proven before it can be counted a reliable contribution to world energy supplies.

But the head of Ohira's own party's policy planning group, Toshio Komoto, pointedly told *Mainichi* last week that the U.S. was to blame both for the oil price escalation and the Mideast situation, and praised France for organizing discussion with OPEC. The pressure on Ohira is reflected in his latest interview (see below).

The West German fight

Helmut Schmidt, in the wake of what some observers considered a mealy-mouthed performance on his trip to the U.S., told the West German parliament June 12 that it is necessary to collaborate with OPEC and the Third World to secure the energy future or the Third World will starve. Coal and nuclear energy are the key to the future, especially nuclear, he said, since coal is environmentally damaging.

The Bund Deutscher Industrie (BDI), the national industrialists' association, has in the past week insisted that, in the words of BDI chief Rodenstock, the country is "in its gravest crisis since *Wiederaufbau* (postwar reconstruction)." A commitment to nuclear power, including the Gorleben reprocessing facility, must be rammed through, he said.

Rodenstock also challenged the Economics Minister Otto Graf von Lambsdorff's enthusiasm for letting the IMF and World Bank run the underdeveloped sector; he called for a West German export drive to the Third World, centered around nuclear technology, and dismissed fears of Third World industrial competition.

The impact on the government was indicated in a subsequent statement by Development Minister Rainer Offergeld, who told an audience June 13 that "exporting

know-how, high technology, nuclear power and scientific cooperation with Third World nations are essential elements of our development policy."

At the same time, many West German industrialists and bankers are so exasperated with the Carter Administration that they say they would just as soon see the U.S. go under while Europe "rides out" the oil squeeze. Others disagree on the grounds that there is no possibility of European trade and investment in the

Third World so long as an austerity-crazed U.S. is provoking financial disaster there.

On June 18, the EC heads of state meet in Strasbourg to prepare their summit strategy. The *Financial Times* of June 13 expressed fear that a "Franco-German initiative" at Strasbourg will produce a "coordinated approach" in Tokyo.

—Susan Johnson

State's strategy for Tokyo: conservation, coal gasification

A June 13 interview with an aide to Undersecretary of State for Economic Affairs excerpted here.

Q: *What is the U.S. negotiating position on energy for Tokyo?*

A: We have a strategy, which will be ironed out at the Paris Third Pre-Summit Preparatory Conference June 16-17. Internationally, we will stress great emphasis on conservation, a renewed commitment for 1980 IEA energy import reductions, since the current 5 percent reduction commitment holds only for 1979; and greatly increased production of nontraditional energy: coal gasification, oil tar sands, shale, solar.

Q: *This is for all the summit nations to implement?*

A: Yes.

Q: *What about nuclear?*

A: Oh, we'll discuss nuclear, but just from the standpoint of safety, the question of whether we can continue with nuclear at all. No expansion. In fact our big new area of expansion will be to draw international investment into large-scale coal gasification projects here. We'd like to set up an international government corporation which all the summit governments must join for joint coal-gasification development projects as a major new energy source.

Q: *Coal projects where?*

A: Where's the coal? Here, of course; we could get in Japanese capital, British capital....

Q: *What about the State-Treasury plan for a \$10 billion International Energy Corporation for energy projects in the Third World?*

A: Well, the OMB is queasy about the amount of money we could spend, but there's no doubt that that program, which is part of the World Bank program for Third World energy development, will go through.

That was the major success of the Bonn Summit. The oil companies said, keep the World Bank and governments out of oil development—the summit overrode them. This year we have to get an even bigger backing for World Bank energy projects in the Third World—alternative energy, mostly.

Q: *How will the summiteers deal with OPEC pricing? What about the French proposal for a price cap on oil companies buying in the spot market?*

A: The U.S. position will be quite simple. The consuming industrial nations have to club together and refuse to buy oil over a certain price from OPEC at all. Carter will insist on this. OPEC can take it or leave it. This has nothing to do with the spot market. We just have to unify against OPEC.

A: *And if OPEC says leave it?*

A: Then we'll have our energy conservation program sooner rather than later.

'Blumenthal will push deflation at Tokyo'

The following interview is with a Washington source linked to the Bank of England and the National Security Council.

Q: *Do you believe there will be a blow-out of the dollar after inaction at the Tokyo Summit as Britain's imminent relaxation of exchange controls suggests?*

A: Yes. Blumenthal is going to the summit to present what is being called in Europe the "unlocomotive" policy. The locomotive (proposed at the 1978 Bonn summit—ed.) was where some reflat to pull the others along. The unlocomotive is where Japan, Germany, and the U.S. agree to share the role of deflating their economies, to cool off the world economy. Or if the U.S. jacks up interest rates—and they would have to be really austere to do anything at this point—then Japan and Germany would have to do the same to protect their currencies.

Q: *Would this be the content of the IMF Western Hemisphere Division report on the U.S. economy calling for U.S. deflation which Blumenthal is rumored to be bringing to the summit?*

A: Yes. He'll ask them all to follow that medicine. Now the other alternative to the unlocomotive is that the Japanese and Germans may just say: "We're healthy economies, we're not wasting all this oil—you are. You deflate, and we fuel-efficient countries will maintain world demand."

Q: *You mean Blumenthal's unlocomotive will deliberately provoke a confrontation around these two alternatives and then the summit will fall apart?*

A: Right. Blumenthal can't deliver anything anyway, whether deflation alone or in an unlocomotive. No one will believe him, not that he's lying, just that the amount of austerity needed to feed the monster of U.S. oil consumption would be so extensive that no one would believe it politically possible. Even with a run-of-the-mill recession, the U.S. will continue to feed inflation by monetizing its mammoth energy consumption.

A: *And then the dollar will go?*

A: Right, like in 1977. This will be one summit they could have done without. The only thing keeping the dollar up is oil price increases. OPEC will probably oblige with another hike at the end of the month but that won't hold the dollar for long. The big question is will the Germans and Japanese decide they've had enough this time and just let the dollar go? They're furious with us, all our gas guzzling.

Q: *Isn't it Thatcher who convinced the Ohira group in Japan and the Lambsdorff crew in Germany of this? That's why they're removing exchange controls...*

A: Yes. Thatcher announced her first priority is the commonwealth, then Europe—which means first her plan is to get sterling back into third country financing as a reserve currency and then get into the EMS, without exchange controls as the EMS demanded. That is, fortress Europe—let the U.S. and the dollar go to hell, that's how the Germans feel. Germany and France will just run into fortress Europe, and the central banks will let the dollar go. They and the Japanese will say: "You want the dollar to collapse, all right, we'll help you. We'll collapse it down to zero."

Q: *And then sterling makes a big comeback as the new reserve currency?*

A: Sure, Thatcher is very big on doing that.

Giscard: cooperation is the key to solving energy problem

French President Giscard d'Estaing made the following statement to the French Council of Ministers meeting in Paris on June 6.

There are no solutions to the problem of energy outside of solidarity and cooperation; solidarity and nonconfrontation with producing countries. Any other attitude would lead to disorders and adventures.... France considers that solidarity of the consuming countries will have to be taken at the Strasbourg European Council meeting, and objectives and concrete measures will have to be established at the Tokyo Summit. As far as cooperation is concerned, France will actively pursue exchange of opinions with the producing countries to find the bases for a concerted action in order to stabilize the market and to avoid wasting natural resources.

Ohira: energy and North-South relations the principal themes

The following is a composite of Japanese Prime Minister Ohira's interview with French journalists, as reported in the June 12 editions of Le Figaro and Le Monde.

What are the principal themes that Mr. Ohira would like to put at the heart of the Tokyo Summit? He places, he told us, particular importance on energy problems and North-South relations. At this stage in the preparations of the conference, he does not want to be more precise...

Since Japan depends essentially on oil for its energy, Mr. Ohira remarked, and since it essentially buys its oil from the Middle East, it is useless to insist on what stability in this part of the world means for Japan. It is necessary to contribute to peace being established there....

How does Japan intend to react to the reinforcement of the Soviet fleet in the Pacific? The staid Prime Minister begins to laugh: his country does not propose entering a war with the Soviet Union, and does not envisage increasing its military potential. This kind of absurd competition stems from a long-gone philosophy. [Japan] will develop closer economic and cultural relations with the Soviet Union....

... He declares himself a partisan of the active continuation of a policy of peaceful use of nuclear energy.... This is an area in which industrial cooperation ... with Europe and notably France, could be particularly fruitful.