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According to a source with a Swiss-based spot trading company, the majors themselves have become a strong market force in spot trade. The source named Mobil Oil as one "particularly hawkish force" in the market which has contributed to the pricing spiral.

Following the announcement of a rumored Iranian oil embargo last week, the prices of crude on the spot markets shot up to over $50 a barrel. The chaos in Iran and the embargo imposed on all U.S. tankers is expected to yield even more oil price jumps between now and the mid-December OPEC price setting meeting.

Cartelizing energy

The U.S. oil companies that have been embargoed by Iran this week will now be forced to buy the necessary margin of oil on the spot market. Industry sources agree that OPEC will impose a base price of $30 a barrel next month if this spot market price momentum continues. For the first time last week, an official with an OPEC country has also predicted that the cartel would go for the $30 a barrel price tag as the cartel's ceiling price. Kuwaiti Finance Minister Abdul-Rahman al-Attiqi stated that the $23.50 OPEC ceiling has already been breached. Similarly, the *Middle East Economic Survey*, a journal known for its close ties to the Saudis predicts that Riyadh will raise its prices from $18 a barrel to the $23.50 a barrel level even before the Dec. 17 OPEC parley. Last week, UAE Oil Minister, Mana Saeed Oteiba, during a trip to Jeddah Saudi Arabia, told the press that his country would advocate a price rise since all pricing discipline within the cartel had broken down. Oteiba is known to be a close ally of Saudi Oil Minister Zaki Yamani.

Numerous prominent American bankers, notably H. Thornburg of Security Pacific bank see a major shake out of the oil industry as a result of skyrocketing prices and accompanying tight credit policies. Thornburg predicts that a pattern of acquisitions will begin to occur in which the independents will be bought up by the multinational oil companies.

Within Europe, a similar process will occur whereby smaller state-owned oil firms will be forced out of the spot market unable to competitively bid against the multis.It is under these conditions that a reintegration process of international energy firms will occur in what the CFR calls the formation of a "multinational oil regime." The horizontal diversification of the multis to include control over all branches of energy production will become the base of such a regime. The smaller companies both in Europe and the U.S. will be bludgeoned through market chaos into either accepting such a "new reality" or will be bankrupted and bought up.

A speech delivered by the prominent international oil consultant Walter J. Levy, a leading member of the CFR, in March of 1973 foretells the current chaos. At that time, Mr. Levy was preparing Europe and Japan for the 1974 energy crisis and giving the allied nations the critical choice of joining the International Energy Agency. The creation of the IEA in 1974 was a prelude to the current CFR plan to establish the multinational regime.

The economic reality of such a scheme is harsh energy conservation, economic austerity for the industrial nations and the ever-present danger that war may erupt over the oil-rich Persian Gulf.

—*Judith Wyer*

World economy in for energy shocks

A Ford Foundation sponsored report, titled "Energy: the Next Twenty Years," describes the next two decades of economic chaos that will be caused by repeated energy crises. The following are excerpts.

As we note elsewhere, the most serious and likely energy shocks over the next 20 years will be associated with the world oil market and particularly with the oil-exporting countries in the Middle East. The probability and effects of disruptions in the world market might be reduced in various wars, perhaps including reducing oil imports below what they otherwise would be. But whatever is done, the United States and others will import a large share of their oil for most or all of our 20 year period and will be affected by shock anywhere in the world oil market. The importing countries must work together to prepare for the kinds of interruptions in supply that are certain to occur—but at times, in places, and for reasons that are unpredictable.

A reduction in the volume of oil flowing into the world market will cause prices on the spot market to leap upward; even if long-term contract prices are honored for the oil exports that continue. By the time the oil makes its way through the system to consumers, it will tend to be priced at this spot scarcity value. Conversely, a sudden increase in the price at which oil is available, even if unaccompanied by explicit limitations on quantity, will result in less oil being purchased. In principle, there is little difference between a reduction in quantity supplied and an increase in price—although given the difficulty of reducing oil use quickly, a small reduction in quantity supplied can be equivalent to a large increase in price.

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