The Brandt Commission grabs for OPEC's petrodollars

by Judith Wyer

On June 9, the Oil Ministers of the Organization of Petroleum Exporting Countries (OPEC) will meet in Algiers in what may prove to be a disastrous turning point in the history of the cartel. At that meeting, proposals will be placed before the cartel which, if approved, will revolutionize OPEC's pricing policies and establish unprecedented petrodollar recycling channels that would make the oil-producers little more than in instrumentality of the hated World Bank.

In that case, instead of becoming the investment instrument for developing the impoverished nations of the Third World, the petrodollar wealth embodied in OPEC will become an instrument of genocide and disintegration throughout the developing sector.

This threat reflects the fact that the debate on all critical issues faced by the 13 cartel members is being heavily influenced by the so-called Brandt Commission and its appendages in the Second International. In particular, the Brandt Commission would like to see the cartel endorse a plan to revise its current erratic pricing procedure to a quarterly pricing adjustment system which would be pegged to the value of "a basket of currencies"—presently OPEC pegs to the U.S. dollar. As such a system permits OPEC to raise prices in accordance with "world inflation trends," the Commission proposes expansion of a recently established OPEC lending agency from its current $4 billion capitalization to $20 billion, a proposal that Algeria and Venezuela will present at the June 9 meeting. That proposal is already being considered by a meeting of OPEC finance ministers in Vienna.

The fund, according to European sources, would operate as an adjunct of the World Bank, making "project loans" to Third World nations.

Winning over the Saudis

The key to whether these policies will succeed rests with Saudi Arabia. Up until now, Riyadh has not been receptive to the Brandt Commission's bid to "restructure" relations between the industrial nations and the developing world. Brandt wants a mega-fund called the World Development Fund, which will recycle capital into the debt-ridden Third World—not for development, but for debt rollover and "self-sufficient" economic projects based on "appropriate technology." The Brandt Commission sees the establishment of a $20 billion OPEC fund as a primary component of its mega-fund perspective.

According to the Brandt Commission Report, and related documents such as the Council on Foreign Relations *Project 1980s* volume, "Oil Politics in the 1980s," the Saudi resistance to the mega-fund perspective can be broken by offering Riyadh a deal to resolve the Palestinian problem. This is the significance of the deployment of Brandt Commission member and *Washington Post* publisher Katherine Graham last week to Saudi Arabia. The timing of the Graham visit was meant to coincide with the deadline of the Camp David autonomy talks on the Palestinian issue. The same day Israeli Defense Minister Ezer Weizman, a close collaborator of Israeli Labor Party chief Shimon Peres, himself a member of the Second International, resigned.

The Second International leader Willy Brandt and his cohort, Austrian Premier Bruno Kreisky have been vocal opponents of Begin and advocates of a Mideast dialogue on the Palestinian issue. But when one reads between the lines of Kreisky and company's peace proposals it becomes clear that they are proposing an unending dialogue with no resolution to the pivotal Palestinian problem. It is this "soft" Mideast policy which Graham and company are attempting to use to buy off Saudi resistance to backing up Brandt's mega-fund proposal with petrodollars.

Crown Prince Fahd threw cold water on the deal this week when he publicly castigated Katherine Graham for having misquoted him during an interview in Riyadh last week which appeared in the *Washington Post*. According to the text of Graham's interview, Fahd stated that he would be willing to accept a statement of intent from the Israelis to withdraw from the occupied territories as a basis for negotiations. Fahd's heated denial of having made that statement reflects the attention both Riyadh and other Arab capitals are giving to continental Europe and the U.S.S.R. to mediate a real peace in the Mideast which will facilitate a Palestinian state.

According to New York financial sources the Saudis and other surplus oil-producing states of the Persian Gulf are "not inclined towards putting all of their petrodollars in one basket ... they like to control their own money flows, they are content with the various development funds they have set up as the best way to recycle their funds."

The Saudis have quietly engaged in a stepped up pattern of lending to both industrial nations, notably West Germany and Japan, and several developing nations. British sources indicate that these include the city of São Paulo, the government of Sudan, and most recently Turkey. The West German government has been in close consultations with Riyadh over putting together a massive bail-out package for debt-ridden Turkey.

Brandt Commission member Peter Peterson of Lehman Brothers Kuhn Loeb, in an interview made available to *EIR* by a journalist, noted that if peaceful means do not succeed in getting petrodollars behind the Brandt scheme, then crises may occur "that will produce the courage of will. A courage of will is what is needed." Peterson referred to the potential for further eruptions of instability such as occurred in Iran last year to hit other oil-producing nations. Over the last six weeks, a barrage of incendiary articles have appeared in the British and American press attacking the Saudi regime for corruption and violations of human rights in the manner of press coverage of the Shah before the outbreak of the Islamic Revolution.

The oil price spiral

The same press which has been propagandizing the potential demise of the Saudi royal family have been lauding the Saudis' inability to control the renegade OPEC producers who have been anarchistically driving up prices. For the third time since the OPEC price-setting meeting in Caracas in December, the Saudis whose oil is the least expensive in the cartel, have hesitantly raised their prices with the hope that such action could persuade the pricing militants to adopt a formula for reunifying the OPEC crude price. Last week the Saudis again found that their efforts had been thwarted. Riyadh announced a jump from $26 to $28 a barrel. Within 48 hours, Algeria, Indonesia, and Libya increased their prices by $2 a barrel which led to an across-the-board $2 a barrel price increase by the remaining cartel members, taking the OPEC pricing ceiling from about $36 to over $38 a barrel for contracted crude.

British sources indicate that, at the June 9 Algiers meeting, the Saudis will most probably raise their price to $30 a barrel. At that point, according to these sources, the pricing differential within the cartel will span a range of from $30 to $40 a barrel. This is the range at which, according to London's scenarios, a plan could be introduced into the cartel which would scrap the current semi-annual price rises, a policy largely defunct given the anarchic individual pricing of members, for a series of small quarterly price hikes based on the rate of world inflation.

The basis for this plan was drawn up by OPEC Long Range Planning Committee, a special planning group set up in July of 1978 in London by Saudi Oil Minister Ahmed Zaki Yamani in close cooperation with then British Energy Minister Anthony Wedgewood Benn. Benn, a prominent member of the European Second International, has continued to play a behind the scenes advisory role to the committee.

Earlier this month, the Committee met in Taif, Saudi Arabia, where it was announced for the first time, that the cartel would in principle accept the proposals laid down by the committee. According to Kuwaiti sources, the Saudis managed to get an agreement from the long-standing opponents of the Committee, Algeria, Libya and Iran by agreeing to allow those countries to set the ceiling for OPEC oil. There is also evidence which points to Saudi Arabia having raised its prices as part of such an agreement with the pricing hardliners.

The idea of small oil price hikes based on a quarterly schedule has been endorsed by the governments of France and Germany *in principle*. But what is most controversial within the Long Range Planning Committee perspective is where the mounting petrodollars go and what western interests mediate their recycling.

The Brandt Commission wants to institute the small price increase policy in order to introduce a certain amount of stability into the world oil markets, and financial petrodollar flows, which the Commission, in turn, wants channeled to the megafund. The Commission calculates that at the current pricing levels OPEC will bring in about $150 billion in surplus this year. The price hikes of just last week are estimated to add another $20 billion to OPEC surplus. Without risking a financial blowout in one of the heavily debt ridden LDCs such as Brazil, it is calculated that OPEC earnings are at a sufficient level to merit creating the mega-fund Brandt himself is proposing. This fund in alliance with the World Bank would then recycle petrodollars not only for debt roll-over but to fund projects of "appropriate technology" in the underdeveloped sector.

The close alliance with the Saudi government and its newfound ally Iraq have with both France and West Germany, however, is a powerful contributing influence to Saudi Arabia's resistance to the Brandt fund. France and West Germany have embraced Riyadh as a close ally on the basis of increased petrodollar flows into the European Monetary System, which was founded by Bonn and Paris, and which may soon provide a means of funding transfer of advanced technology into the developing sector. The Brandt proposal is calculated to be an obstacle, at least, to the ripening of this relationship.