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Planning for the end of OPEC

by David Goldman

Virtually all the major international financial institutions and most leading American commercial banks plan on major disruptions of Saudi Arabia and decreased availability of OPEC oil to hit the world economy before the end of 1980.

This is not a "political estimate" on the part of these institutions, but a commitment to support such a destabilization as a vehicle for economic warfare against the European Monetary System. Most observers of the diverging paths of development of the "Anglo-American" economies and the European sector have noted that, on strictly economic grounds, the United States is not in position to reverse its slide into industrial decay without complete rejection of Federal Reserve Chairman Volcker's monetarism.

However, the American side has no intention of competing with Europe. The expectation at Chase Manhattan Bank, the Hoover Institution, Georgetown University's Center for Strategic and International Studies, and Robert McNamara's World Bank is that a shutoff of Persian Gulf oil will leave Western Europe economically prostrate.

Chase Manhattan gained notoriety last year in the field of Middle East politics when its outgoing chairman, David Rockefeller, helped Henry Kissinger persuade the Carter administration to admit the late deposed Shah to the United States for medical treatment. As *EIR* documented, there was no medical need for the Shah to come to New York, which Kissinger and Rockefeller knew at the time. They also knew the action would lead to Iranian attacks on the American embassy in Teheran, as did the Carter administration.

The calculations for an oil shutoff

Now Chase Manhattan's economists are conducting a secret comprehensive study on the global and domestic economic impact of a shutoff of Persian Gulf oil. Taking a reduction of Persian Gulf production from 17 million barrels per day to 9 million barrels per day as a starting point, the Chase economists are calculating the effects on world financial markets and on every American industrial sector. The 17 million figure—the current output of Saudi Arabia, Kuwait, the Emirates and Iraq—could only be reduced to the 9 million level "by a catastrophe," a Chase economist said. "Nine million barrels a day is the point at which OPEC is destroyed as a world financial power. That is why we are using the figure," the Chase economist said.

Stanford University's Hoover Institution began planning for an oil shutoff at a closed-door conference on June 16, sponsored by Reagan adviser Glenn Campbell, the Institution's director. As *EIR* reported at the time, the conference titled itself "An investigation of non-military responses to a cutoff of Middle East oil and a consideration of how the quantitative and quali-

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tative energy requirements of the United States could be met in this contingency." Apart from Campbell, the chief speaker on the subject of "Macroeconomic Effects of Oil Cut-Back" was former Treasury Secretary George Schultz, the man in charge of all economic program work for the Reagan campaign.

Chase's internal project on the American economy duplicates the work at Hoover, examining the United States industry by industry to determine which sectors could function on virtually no energy. "Take the paper industry," said a Chase staffer. "It can operate on virtually no energy input at all" by producing its own power through biomass waste. Some of the Hoover planners did not anticipate a Persian Gulf collapse, using the scary theme instead to press for energy programs. Dr. Edward Teller, the noted physicist, wanted a $50 billion annual program for nuclear power, and used the conference "to get the Carter administration's attention," a colleague said.

But at Hoover and at Georgetown University's Center for Strategic and International Studies, resident geopoliticians are deadly serious about the near-term overthrow of the Saudi regime. "Iran is deteriorating fast, and Saudi Arabia will be next," predicts geopolitician Alvin Cottrell, the institute's Mideast specialist.

Retargeting the European Monetary System

What terrifies the Hoover and Georgetown specialists more than any other scenario is a European-Mideast economic axis with close relations to the East bloc. As *EIR's* cover story reported two weeks ago, the intensity of Euro-Arab economic and political diplomacy during the last three months has virtually brought such an axis into being, and the more than $100 billion per year petrodollar surplus now flows largely through European channels.

Any major reduction in the availability of Persian Gulf oil would ruin the European Monetary System—which barely survived the Shah's overthrow—in a matter of weeks.

That is the unstated content of a series of financial scenarios released by the World Bank, Morgan Guaranty Trust, the OECD, Chase Manhattan, and others during the last several weeks. Most blatant is the World Bank (see International Credit), which insists that developing countries adopt national autarky "self-reliance" economics, because neither OPEC financial resources nor OPEC oil will be available to them in the years ahead. All these scenarios project the virtual disappearance of the OPEC surplus by 1982 or slightly later. However, as Chase Manhattan reports, the breaking of OPEC's international financial muscle depends on the virtual halving of production of the four leading Persian Gulf producers.

The prevailing view that a large OPEC surplus would persist through the early 1980s is suddenly changing, the *Financial Times* of London reported in an analysis published Aug. 19. "It has become a pundit's platitude to predict that the millstone of the OPEC surplus will be heavier and harder to dislodge this time round than it was after the first oil shock in 1973. The shakeup in Iran has reduced the phenomenal propensity to import shown by the Islamic world in 1974-75. And the producer countries' resistance has stiffened to any repeat of the fall in the real price of oil which also occurred in the period," wrote Lombard columnist David Marsh.

"All the same," continued the British financial daily, "it is worthwhile recalling how closely the present consensus view on the durability of the petrodollar surplus resembles the conventional wisdom of 1975. The economic soothsayers were confounded last time . . . and they could well be proved wrong again."

Destabilization not preordained

Different forecasts for the end of the deployable OPEC surplus cite myriad reasons, ranging from expected price stability (Morgan) to recession in the West and greater imports into producing countries (OECD). But the strategic thinking guiding these forecasts is the destabilization of the Persian Gulf. Chase Manhattan's own published forecasts, in its newsletter *International Finance,* projects that the surplus will begin to decline in 1981. But the newsletter, presumably an insiders' view for the bank's clients, does not report what the real assignment of the bank's economics research group is.

In a series of exposés on the origins of the Khomeini dictatorship in Iran, *EIR* has demonstrated that the objective of the United States and Great Britain in giving Khomeini an open door to power was to disrupt world oil markets and practice strategic blackmail against Western Europe. The same participants and the same predictions are now pointing towards Saudi Arabia.

By no means, however, does this guarantee that the Saudis will suffer the same fate as the Shah. *EIR* does not endorse the "insider briefings" circulating among the corporate community doing business with the Arab world to the effect that the Saudi regime will not survive. A great many forces in the world, Western Europe in particular, are committed to the stability of the Middle East and Saudi Arabia in particular. This is not a matter of regional dislocation, but a fight for control over the world economy, whose outcome is by no means assured. American companies who take precipitate action in reducing exposure in the Gulf might also be cutting themselves out of important future growth possibilities.