

Middle East Report by Robert Dreyfuss

Haig tries to hike oil prices

His sabotage of the French move for peace in Lebanon could cut supplies from the Gulf.

Just when Saudi Arabia is taking steps to put an end to the oil price spiral, Secretary of State Haig has stepped in to fan the flames of a Middle East crisis over Lebanon which could result in a new oil price explosion.

Haig personally intervened during his mid-April visit to Paris, to undermine an initiative by President Giscard to stabilize Lebanon, which is currently threatening to explode in a new civil war. All-out civil war in Lebanon could escalate into war between Israel and Syria—both are heavily involved in the present Lebanese crisis—and a new 1973-style “oil shock.”

Haig's friends at the Trilateral Commission, which earlier this month called for a doubling of oil prices, are clearly worried about the May 25 price-setting meeting of OPEC. Without a major Mideast crisis before that date, the Saudis may succeed in imposing price moderation on OPEC price hawks.

Saudi Arabia has maintained a record oil production of nearly 2 million barrels a day over its official production ceiling of 8.5 million in order to flood the depressed world oil market and force OPEC and non-OPEC producers to align their prices with Saudi oil, the lowest priced crude in the cartel at \$32 a barrel.

In the last week the Saudi objective has begun to be realized. Ecuador, an OPEC producer, and Mexico, a non-OPEC producer, announced a \$2 a barrel drop in the

prices of certain grades of contracted crude. But the prime targets for Riyadh are the OPEC price hawks, who earlier this year jacked their prices to as high as \$41 a barrel. Kuwait, Nigeria, Libya, and Algeria are reported to have quietly reduced or eliminated surcharges, and oil companies are refusing to buy oil from Nigeria and Kuwait unless their prices come down.

Should the Saudi oil initiative succeed, it would provide a healthy stimulus to a world economy weakened by the tripling of oil prices during the past three years.

The Trilateral Commission this month released a Mideast policy document calling for a \$60 a barrel oil price. But, as a CFR insider recently observed, “The only way you can keep oil prices climbing in a period of lowered consumption is through repeated crises, which are called ‘oil shocks.’”

A second civil war in Lebanon could produce such a shock. There is a greater likelihood of an Israeli invasion to defend Lebanon's Falange against Syrian troops.

Haig and National Security Adviser Richard Allen have publicly voiced their support for the Israeli-Falange axis against Syria, and are said to favor partitioning Lebanon into sectarian ministates.

However, France has conducted quiet diplomacy to reach an agreement with the Arab world, the U.S.S.R., and certain European countries to deploy a multinational force into Lebanon to ensure its

continued unity.

During a Paris press conference following a meeting with French Foreign Minister Jean François-Poncet, Haig declared his support for the French initiative. By making the sensitive, behind-the-scenes French diplomacy public and by associating it with his noisy backing of the Israelis in Lebanon, “Haig doomed the effort,” according to a French source. “Neither the Arabs nor Moscow would then touch it.”

The eruption of a war over Lebanon would trigger a wave of Palestinian extremism which a well-informed U.S. Defense Department source fears “will culminate in terrorism in the Gulf.” And Johns Hopkins University Prof. Fuad Ajami, an insider with the more radical Palestinians, has predicted that Palestinian terrorists would “make a show of force” in Kuwait.

The first Palestine National Council Meeting in two years convened last week in Damascus, Syria with a flurry of unusually hardline statements against Washington. The normally moderate political chief of the PLO, Farouk Kaddoumi, warned that the “PLO will attack American interests all over the world if Washington goes ahead with apparent plans to launch an offensive against the Palestine organization and its allies.”

An Arab source concluded that such instability “is ultimately aimed at one country and that is Saudi Arabia. You have a crisis in Lebanon today, but it could happen in Saudi Arabia. There will be some assault on the monarchy there by radicals who will be Soviet directed in cooperation with Britain.” This is what “I'm afraid Haig and his friends are leading us toward.”