Click here for Full Issue of EIR Volume 8, Number 43, November 3, 1981

Import shifts point oil weapon at the economies of Western Europe and Japan

by Judith Wyer

The London-centered strategists who orchestrated the 1973 and 1978-79 oil hoaxes are ready for a third run of energy warfare against the industrialized countries. Intelligence community sources from Washington to London are widely predicting a new such "oil shock" and runup in world oil prices, citing as possible triggers the U.S. trade embargo of Libya recently called for by Richard Nixon or a Muslim Brotherhood rampage in Saudi Arabia.

The chief difference this time around would be that the energy warfare would devastate the economies of continental Europe and Japan, which are as vulnerable as ever to an import cutoff and spiral of world oil prices, while leaving the United States and Britain relatively unscathed, in a position to step in as the international arbiters of world oil supplies.

The changing pattern of dependence in world oil markets is perhaps most dramatic in the case of Libya. Presently, the United States is importing at most 200,000 barrels per day (bpd) of Libyan oil, compared with 650,000 bpd in 1979.

Continental Europe, on the other hand, would be severely affected by price hikes from by an Anglo-American-inspired embargo of Qaddafi, and the resulting market panic. This would be a "best-case option" for Europe, compared with the disaster resulting from an Iran-style destabilization of Saudi Arabia.

Changing dependence

The U.S. reduced dependence on Libyan oil reflects a broader pattern and strategy. Over the past four years the United States has reduced its dependence on imported oil, particularly oil from the Persian Gulf, to the extent that, were Gulf oil flows shut down today, the United States would relatively easily withstand the cutoff.

The United States has cut back its overall oil consumption, from 18.8 million bpd in 1978 to a projected 16.5 million bpd in 1981; and within that, it has cut back its total imports from 6.35 million bpd to a current 4.60 million bpd, with particular attention to weaning itself from Arab OPEC imports.

Earlier this year, Britain became completely oil self-sufficient, and is an exporter to the European continent. The rest of the world is not so well positioned, however. Despite stringent austerity measures, both continental Europe and Japan are still highly dependent on Arab oil (in the case of West Germany, more dependent than in 1978-79), making them very vulnerable to a crisis in the Persian Gulf or other oil-producing area. And even a slight increase in oil prices would hurt, since these countries pay their oil bills in high-priced dollars. Despite the decline in OPEC oil prices this year, they paid 50 percent more for their oil over last year because of the cost of converting their devalued currencies.

Preparations for a new oil hoax

Since Ronald Reagan came into office, his administration has pushed to an unprecedented level the growth of the U.S. Strategic Reserve, which was designed to protect the United States in the event of a new Arab oil cutoff. Under Carter, the reserve reached a high of 90,000 barrels. But in the past six months alone, the reserve has grown to over 200,000 barrels, positioning the United States to withstand a new crisis.

In fact, according to the Washington-based consultant firm Melvin Conant and Associates, the "trend is moving" toward the United States', as such, replacing the International Energy Agency in a future crisis as the international arbiter of oil supplies. Conant, who is affiliated with the prestigious London-based *Petroleum Economist,* is one among many conduits into the United States of policies originating with British intelligence. According to Conant and others, the Anglo-American duo will now be "responsible" for determining who gets oil in the next energy crisis. The International Energy Agency, created after the 1974 oil hoax, is now defunct, they say, since it was premised on the multinational oil companies' controlling world markets in order to distribute oil in a crisis. However, since state-to-state oil trade has dramatically reduced the multis' share of the market, it will be up to the self-sufficient industrial countries to decide how much oil they can forego in the event of a new crisis.

© 1981 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.

In recent weeks, spokesmen for British intelligence have strongly hinted that new "oil shocks" are around the corner.

At one of the most influential yearly conferences on world energy, the Oxford-OPEC seminar in September, Robert Mabro, an Anglo-Egyptian who is a British intelligence controller of OPEC, warned that the 1980s would be the "decade of traps" for energy supplies and urged more backbreaking energy austerity to prepare for the impact of these crises.

It is this same British intelligence network that created and controls the fanatical Muslim Brotherhood in the Middle East, which assassinated Egyptian President Anwar Sadat and now threatens to destabilize Saudi Arabia. So worried is Riyadh that two days after Sadat's death, it announced that it would build the largest oil storage facilities in the world in western Saudi Arabia at Yanbu on the Red Sea, far away from the Persian Gulf.

New York oil analysts are warning meanwhile that the Saudis may be wasting their money. Brewing conflicts on the Horn of Africa between Sudan and Libya on one side of the Red Sea and, potentially, on the Arabian peninsula around Yemen on the other side, might at some point block the only alternative oil shipment route to Europe outside of the Persian Gulf. The recent bombing of Kuwaiti oil installations by the regime of the Muslim Brother Ayatollah Khomeini is a grim reminder to the Saudis and their Arab neighbors of the prospects for conflagration in the Gulf.

Enter Al Haig

In late summer, *EIR* learned that certain individuals within the National Security Council were consulting with Daniel Pipes, the son of Richard Pipes, the Soviet specialist on the National Security Council, to plan contingencies in case the price of oil dropped below $34 a barrel. Over the last 18 months, OPEC oil prices have dropped about $7 because of the precipitous collapse in demand, which has seen OPEC exports plummet nearly 12 million bpd since 1979. In an interview with a journalist, Pipes, Jr. indicated that neither he nor his allies within the administration would stand for further erosion of oil prices.

Now it has become clear that Secretary of State Alexander Haig and former President Richard Nixon

World oil import shifts

Country	Year	Total imports	From Saudi Arabia		From Mideast (east of Suez)	
			Percent of imports	Percent of consumption	Percent of imports	Percent of consumption
United States	1978	6.35 mbd	18%	6.5%	25%	8%
	1979	6.51	25	7.0	35	12
	1980	5.22	25	6.2	28	8
	1981	4.60	19	6.2	24	7
France	1978	2.3 mbd	34.6%	38.5%	78.9%	90%
	1979	2.52	35.9	37.0	75.4	89
	1980	2.18	35.4	39.1	70.6	80
	1981	1.98	52.0	N.A.	N.A.	N.A.
Germany	1978	1.91 mbd	14.3%	11.0%	43.1%	33%
	1979	2.14	15.8	13.0	38.8	29
	1980	1.95	23.3	19.5	40.5	39
	1981	1.67	28.5	19.0	64.0	N.A.
Japan	1978	4.66 mbd	9.8%	9.5%	33%	26%
	1979	4.84	9.6	9.6	36	26
	1980	4.37	8.5	10.8	27	25
	1981	4.15	7.5	10.1	37	N.A.

NOTE: U.S. 1st half 1981; France, West Germany, Japan 1st quarter 1981.

are engaged in an operation to prompt Muammar Qaddafi to impose an oil embargo on the United States, no later than the first week of November, and, in so doing, to trigger a panic on the international oil spot markets, thereby reversing the downward trend in oil prices.

Haig secretly coordinated Nixon's tour of the Arab world, a tour that began after Nixon's attendance at Sadat's funeral. Upon completion of the trip, Nixon made a widely publicized call for an embargo of all trade with Libya. The next day, President Reagan personally distanced himself from the call by stating that he would only advocate such an embargo if U.S. allies, who are far more dependent on Libyan oil than the United States, went along with the scheme—a remote possibility. That same day Washington sources leaked to the *Washington Post* that no one in the White House was aware in advance of Nixon's tour of the Arab world except Haig, and that there was considerable displeasure over the fact that before Nixon left Washington, he had not discussed the trip with any White House official.

While talk persists behind closed doors about an embargo against Libya, Nixon's call could serve to provoke the mercurial Qaddafi into preempting such a move by imposing his own embargo. This could be sufficient to induce chaos on the spot markets and a new climb in oil prices.

Some Washington sources are predicting that Qaddafi will impose an embargo sometime during the course of the Bright Star military exercises in the Middle East by the U.S. Rapid Deployment Force. These exercises will approximately coincide with the next OPEC meeting, at which Saudi Arabia is expected to agree to lower its oil production by as much as 1 million bpd, another factor that could eliminate the "glut" of oil that has acted to depress prices. Moreover, it is reported that world oil stocks have begun to fall, going into the autumn and winter months of peak oil demand. All the pieces are in place for another crisis.

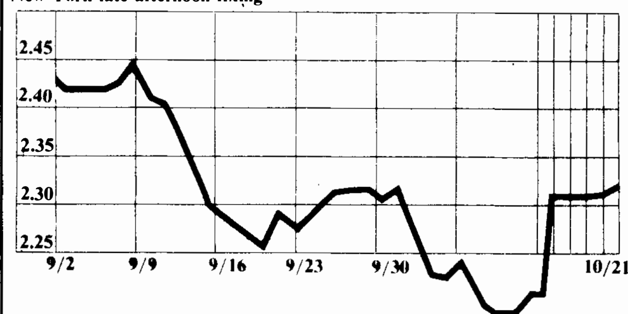
A European diplomat who bemoaned the 20 percent decline in Germany's oil consumption over the last 12 months and the current slump of West Germany's economy into "negative growth," noted that even a small oil increase would hurt as much as if not more than the 1978 price hike of 150 percent.

Another source with the Washington-based Heritage Foundation observed that another crisis will "simply be greeted by the United States as an excuse to cut even further its dependency on OPEC and move toward Western Hemispheric energy independence." As for Europe and Japan, he noted that "they will feel the pinch and will simply have to make very painful cuts in their economies, since they don't have the oil that the United States or Britain has."

Currency Rates

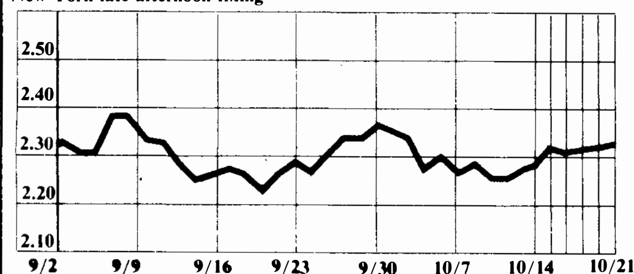
The dollar in deutschemarks

New York late afternoon fixing



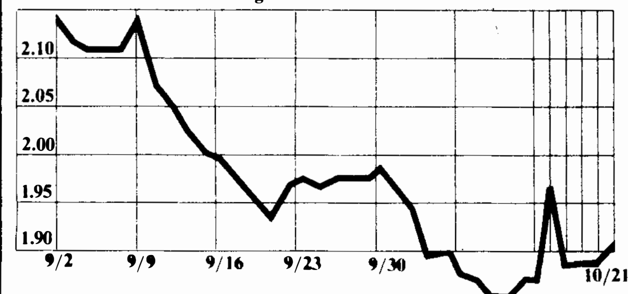
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing