

# The 'New Yalta' agreement and the coming third great oil hoax

by Judith Wyer

All the pieces are now in place for a third oil hoax no later than November as the Iran-Iraq war expands to disrupt Persian Gulf oil exports.

Oil company executives are now stating publicly that a new oil price hike, as was the case in 1979, will occur not because of a shortage of oil, but because of "panic" on the oil markets. "There isn't going to be a physical shortage," stated Alfred Munk, manager of foreign affairs for Standard Oil of Indiana. "But the headlines of a flareup of fighting in the Persian Gulf would be enough to send psychological tremors. If you ask whether this logically should produce an impact, the answer is no. But 1979 logically should not have produced the impact it did either."

During the 1979 crisis, the majors sparked a pricing panic by cutting off contracts to third-party buyers, sending smaller oil concerns scrambling for oil at any price, causing the speculative spot market to soar. Britain, Libya, and Iran jacked prices up in the spot market causing a 150 percent oil price hike. The impact of the second oil shock massively depressed world demand and prices over the course of 1982 and 1983. But following the first official OPEC price drop in March, *EIR* forecast a price increase by the end of the year.

Though the price impact of a shutoff of Gulf oil might be more modest than the 1979 crisis, the strategic effect could be far more dramatic. The U.S.S.R. is prepared to come out of the third oil shock much closer to Finlandizing Western Europe, and with a substantially stronger position in the Middle East.

The Oct. 8 announcement from Paris of the delivery of Super-Etendard fighter bombers to Iraq caused the first upturn in months in the depressed spot markets as speculators, expecting a new oil cutoff, began to hoard. The bombers, which will carry Exocet missiles, give Iraq the ability for precision targeting of Iran's oil installations. Iraq has affirmed that it will take such action out of desperation to end the three-year-old war which has destroyed its economy even at the risk of an oil shutoff. Khomeini warned that should Iraq deploy the fighters against Iranian economic targets, Iran will retaliate by halting the flow of oil from the Persian Gulf.

Less than 24 hours after the Super-Etendards arrived in Iraq, Iraqi President Saddam Hussein issued renewed threats that Iran will suffer "a decisive defeat. . . . Our victory over

the Iranian enemy will be achieved soon. . . ." Iran has notified the governments of Saudi Arabia, Kuwait and the United Arab Emirates "in clear language that in case of an attack on us they will also suffer," according to an Iranian source.

## Henry Kissinger 10 years after

Since the middle of August, Iraq has sent two envoys to Washington to solicit support in pressuring Iran to end the genocidal war. In late September, Iraqi Foreign Minister Tariq Aziz conferred with Secretary of State George Shultz and other administration officials about blocking the illegal arms conduits to Iran, which the State Department is known to be well aware of.

The apparent failure of Iraq to win the support it was looking for coincides with a major shakeup in the Middle East policy making and foreign service team which, according to the Kuwaiti daily *Al Watan* of Oct. 3, marked the return of Henry Kissinger to the team. Kissinger was the man who helped set up the fall of the Shah and the second oil price spiral, just as it was the treasonous Kissinger who crisis-managed the first oil crisis exactly 10 years ago, which began the use of the oil weapon.

Mideast sources report that if the United States does not show a willingness to back Iraq against Iran, Iraq has no recourse but to use the Etendards to "end the war," which Hussein's strong words suggest.

On Oct. 8, for the first time, President Reagan in a public address justified keeping U.S. forces in the Mideast because of the danger of losing the Gulf to the Soviets, which would undercut the United States' alliance with Japan and Europe. An administration spokesman issued a warning to Iran early in October that Washington was prepared to use every means including military action to protect the free flow of oil through the Gulf, which supplies about 50 percent of Western Europe and Japan's fuel.

Early October has seen a rapid buildup of U.S.-led NATO forces in the waters near the mouth of the Gulf at the Straits of Hormuz. In the first week of October Washington ordered a naval task force and the aircraft carrier *Ranger* from Central American waters to the Indian Ocean. The British carrier *Invincible* has been ordered from the coast of Lebanon to the Arabian sea as well, where French ships are reported to be

deployed from Djibouti.

The Soviet Union, too, has increased its troop deployment to 26 divisions on the 1,500-kilometer border it shares with Iran.

A former ambassador to Iran warned on Oct. 12 that given the massive NATO buildup off Iran's southern shores, it was not too likely that Khomeini alone "would be interested in blocking the Gulf and confronting" these forces. He concurred with numerous projections that Iran is now prepared to launch a series of "kamikaze" air strikes against Kuwait's oil installations, and the Saudi oil loading facility at Ras Tanura before trying to block the mouth of the Gulf. These strikes are expected to be made by low-flying fighters that can escape the AWACS surveillance plane's detection.

### **A Soviet gain in Western Europe and the Gulf**

In the event of a U.S.-led NATO show of force against Khomeini, there is concern in Washington that Iran would ask for Soviet air defense. Since early September, Khomeini has sent signals that he is prepared to play the Soviet card, twice publicly defending the downing of the KAL jetliner. A move towards the U.S.S.R. is being urged by a group of Khomeini's confidantes known as the Imamis, many of whom are East bloc-trained. Two strong Soviet allies, Libya and South Yemen, have pledged support to Khomeini's stated bid to challenge NATO for the Gulf. While the South Yemen foreign minister visited Tehran recently, the head of South Yemen was in Moscow meeting Soviet President Yuri Andropov. Their communiqué warned of nuclear war if the United States continued its "militarist" posture in the Mideast.

For the first six months of 1983, Soviet trade with Western Europe showed a substantial increase. The sudden surge in trading activity is a byproduct of the largest economic agreement in history, the Euro-Soviet natural gas pipeline, announced by Moscow last month to be coming on stream early. The increase in European dependency on Soviet petroleum under current strategic crisis conditions, threatens to weaken European support for Washington as strategic nuclear arms negotiations reach a deadlock.

Earlier this month, a Japanese trading company sounded alarm bells in releasing a study which showed that for the first time since Japanese-Soviet relations were restored in 1956, Japan is losing its lucrative trade relationship with the Soviet Union to Europe.

For the first half of 1983, Japan's trade with the U.S.S.R. fell by 15.9 percent, after it had climbed by 20 percent to nearly \$4 billion last year. In the same period, total trade between the Soviet Union and the Netherlands rose by 29.9 percent, with Italy by 14.6 percent, with Britain by 13.2 percent, and with France by 11.4 percent. The completion of the pipeline has produced a turnaround in this trend almost overnight. Last year Japan ran a \$2.17 billion trade surplus with the U.S.S.R., while France posted a trade deficit of \$1.25 billion and Italy a \$2.08 billion deficit.

The European states which have contracted to buy Soviet natural gas have offered Moscow favorable trade relations with Moscow to avoid running a large deficit. They are exporting everything but the proverbial kitchen sink at terms very favorable to the Soviet Union; as the gas comes on stream this trend will markedly increase. Despite efforts to find alternative sources of energy, Western Europe and Japan remain as much as 50 percent dependent on the Gulf for fuel, while U.S. dependency on the Gulf has withered from well over 1 million barrels a day at the end of 1981 to just over 100,000 bpd today.

During 1982 Soviet exports of petroleum to Western Europe, not counting natural gas, rose by 23 percent. It appears that the major U.S. and European oil companies, which have invested billions in the Euro-Soviet gas deal, are behind the massive increase in petroleum imports. Last year Royal Dutch Shell almost doubled its Soviet trade turnover with the U.S.S.R. to \$2.2 billion.

The Soviet Union appears to be playing its own neo-colonialist game, akin to the old czarist bid to capture petroleum-rich lands that border the warm waters of the Persian Gulf and Arabian Sea. By getting hold of petroleum there, Moscow can export even greater quantities of petroleum to Western Europe, netting badly needed foreign exchange.

The Soviet magazine *Asia and Africa Today*, a journal of the Institute of Oriental Studies, an institution founded by the czars, is putting forward just this policy. The Soviets are pursuing their own version of the Bernard Lewis plan, to splinter the nation-states of the Mideast into ethnic-sectarian tribal entities. Last month *Asia and Africa Today* carried a lengthy item on the Baluchistani tribe which spans Pakistan, Afghanistan, and Iran and borders the Arabian Sea, calling for Baluchistani "autonomy" within Pakistan. Baluchistan has some of the richest petroleum deposits in the region. Occidental Petroleum, the firm of that long-standing friend of the Kremlin Armand Hammer, has explored for oil there.

Should Moscow side with Iran against NATO, the Kremlin would probably require that Iran resume exports of oil and gas to fuel Georgia and the Caucasus region. For years Moscow has been attempting to woo Khomeini into renewing old gas contracts set by the Shah.

The Shah agreed to sell the U.S.S.R. large volumes of gas through the IGAT II pipeline to offset Siberian gas to be shipped to Europe. Although Khomeini has refused to resume the deal, there are new signs that this may be changing. The *Middle East Economic Digest* of Sept. 23 reported that Iran will complete the IGAT II pipeline but only to the Soviet border, and for the time being only for domestic Iranian consumption.

The approaching Gulf crisis again poses the question of whether the United States will back down as it did in Lebanon, thereby strengthening the Soviets' strategic power. If so, then the process of breaking the Mideast and Western Europe out of the U.S. orbit will be well advanced.