period. What you have to do, LaRouche said, is to establish long-term agreements between oil-producing and oil-consuming nations, on a 20-25 years basis, to exchange oil for technology. In this regard, LaRouche praised the recent initiative taken by European Union Commission President Romano Prodi ("a man I do not praise often") and German Chancellor Gerhard Schröder, who started to negotiate a deal exactly in this direction with Russia. LaRouche compared the EU-Schröder initiative to the famous deals between Germany and Russia at the 1921 Rapallo conference.

The other question concerns alternative sources. Although there is no energy source that can fully replace oil in the medium term, nuclear energy is the safest alternative that one could promote now. The decisive factor is energy flux-density, LaRouche explained, which makes nuclear energy productive and rejects such sources as solar energy. The only problem with nuclear energy, is that you do not want stupid or incompetent people to handle it; but you solve that with education. Otherwise, oil can be made cleaner and more productive, if we refine the product at the source of extraction, LaRouche said. In the case of Ascoli, a port facility to receive refined product and a new power station to process it would be ideal, in order to have a surplus energy potential. Every region should have a potential of energy production surplus.

If governments establish such state-to-state energy agreements, they will outflank and neutralize the futures market speculators. Of course, they must also streamline refining and deliveries, setting priorities. The experience in doing this will be useful for the next job, once the financial collapse has struck: the bankruptcy reorganization of the financial system. Then, long-term development agreements must be established to launch infrastructure projects connecting western Europe to the rest of the Eurasian land-mass, the Middle East, and North Africa. This will bring the real recovery. Mrs. LaRouche was asked to explain the LaRouches' role in organizing worldwide support for the project called "the New Silk Road" or Eurasian Land-Bridge, which she did, recounting the evolution of the idea, starting from LaRouche's Paris-Berlin-Vienna "Productive Triangle" proposal of 1989.

Again and again, in meeting local administrators and business leaders, LaRouche stressed that the key in times of crisis is to mobilize the population to support development initiatives. In order to achieve this, he said, you must tell people the truth! You have to stop lying or telling fairy tales. "If you tell the truth, you will win the confidence of people. If you then are *right,* they will follow you."

Discussing economic issues led the audience to grapple with the underlying cultural and moral questions. The problem today is that civilization is collapsing because of its own culture, LaRouche said. If you look at the mass entertainment media, you see that we are replicating the *panem et circenses* (bread and circuses) policy of the late Roman Empire, which brought doom upon that civilization. An aspect of this, as Mrs. LaRouche was invited to discuss at the Kiwanis Club meeting, is the proliferation of the so-called "New Violence." The New Violence is not only the youth violence induced by addiction to Nintendo sorts of computer games, or the police violence resulting from training in similar sorts of computer simulations, but as part of the New Violence, you can see the increasing promotion of the death penalty in the United States. Against this barbarism, Mrs. LaRouche said, there is only one remedy: Return to Classical forms of education.

The intense three days of meetings and discussions left a deep impact on the city, and a very positive impression on the LaRouches. Two national newspapers, *Il Messaggero* and *Il Resto del Carlino,* published favorable articles on the trip, while the local news program of the national TV network Raitre broadcast several times a report on the conference at the Chamber of Commerce. Lyndon and Helga LaRouche received artistic gifts from the Chamber of Commerce, the Ascoli municipality, and the Kiwanis Club, as well as a beautiful pair of hand-made shoes from the Mayor of Montegranaro.

U.S. Strategic Reserve Oil Flows to Europe

by Edward Spannaus

On Sept. 22, Energy Secretary Bill Richardson announced the intention to release 30 million barrels of oil from the U.S. Strategic Petroleum Reserve (SPR), saying that it was called for to provide Americans with home heating oil, when inventories are low, and prices are high. But, like pouring water into a bucket with a hole in it, U.S. Reserve oil is now going into the U.S. oil system—to designated private companies, while at the same time, Northeastern-based refineries are *shipping home heating oil from the U.S. over to Europe!* The companies involved are counting on mega-profits.

What's really scandalous about this, is the fact that all along the line, it was knowable in advance what would happen. Secretary Richardson, and those in the "industry," know that heating oil has been going for many months from the Northeastern states to Europe, because there the price has been higher for this product (called gasoil, and used for either heating or diesel fuel). And also, because most national security constraints on the U.S. energy industry (natural gas, as well as oil, and also electricity) have been successively removed in recent decades of increasing deregulation, globalization, and cartelization.

The fact that U.S. heating oil is going to Europe was conspicuously ignored in the Administration's release order in September. There were no constraints placed on the destination of the final product, because, as they say, the United States is committed to the "free market."

In fact, when Venezuela, which has excess refinery capacity as well as being a crude oil exporter, offered in September to provide several million barrels of heating oil to the Eastern States, Richardson refused the offer, saying that the United States is committed to the "free market."

On Oct. 5, when a reporter confronted Mark Mazur, the acting director of the Energy Information Administration (EIA) of the Department of Energy, about how much New England heating oil is going abroad, he could not say. He replied to a session of the "2000 Winter Fuels Conference" of state energy officials, that "U.S. refiners are producing fairly large quantities of heating oil. So, there's a question as to where those additional production amounts are going." Mazur suggested that perhaps there are quantities of heating oil being exported, "that we're not picking up in the data." He said that the EIA will pick up that data "with a lag," but at this point "we can't separate out" how much is being held and how much is being exported "to figure out exactly what's going on."

Thus, the Clinton Administration's Sept. 22 SPR gesture itself, and also those who have made grandiloquent speeches either applauding or condemning it (the Al Gore and George W. Bush show, respectively), are all acting in line with the blatant fraud that the "markets" are free, and "supply and demand" determines prices.

As Richard Freeman showed in our last issue (Oct. 13), oil prices are not set by Saudi Arabia or by Saddam Hussein, but by oil speculators on the London and New York energy-futures exchanges. Oil prices have skyrocketted, even as the Organization of Petroleum Exporting Countries (OPEC) has increased production, because of derivatives speculation. Prices for natural gas—produced entirely in North America, and not by distant sheikhs—are likewise set through speculation and cartelization.

The Scam and the Scandal

On Oct. 4, the Energy Department accepted bids from 11 companies for the 30 million barrels of crude oil to be released (actually, swapped in exchange for a larger amount to be replaced a year from now). Three of the companies are unknown entities, without any refining capacity, which are seen as simply front-men for the major oil companies. Two are one-man operations. One of those, Lance Stroud, works out of a tiny office in central Harlem in New York City, and has never traded oil before. But, he acknowledged that he is in negotiations with BP Amoco, and he says he expects a letter of credit to be issued by BNP Paribas in France—hardly a source of credit available to your typical Harlem businessman.

Another successful bidder was the well-known oil refinery, Wall Street's Morgan Stanley Dean Witter.

This kind of line-up was to be expected. Although rumors had been circulating for weeks, it was confirmed in the September issue of the *Oil Market Report,* published by the Paris-based International Energy Agency, that German and Swiss consumers have been stocking up on heating oil before winter arrives, driving up gasoil prices in Northwest Europe, and that "heating oil was exported from the U.S. Northeast to Europe, rather than vice versa." The report noted that heating oil stocks in the Central Atlantic States "now stand at only about half of last year's level."

It now turns out that fully two-thirds of the oil being released from the U.S. Strategic Petroleum Reserve is likely to be exported to Europe, rather than refined and made available as heating oil or other fuels for U.S. consumers. This was announced by the EIA on Oct. 6, according to the *Washington Post,* which said that only about 10 million of the 30 million barrels of crude being released from the SPR will be available for U.S. consumers, with the rest expected to be sold on foreign markets.

Congress Takes Notice

On Oct. 10, a bipartisan group of five Congressmen from Northeast states called on President Clinton to issue an Executive Order banning the export of heating oil. "Some companies are taking advantage of this situation to pump up their profits," Rep. Bernard Sanders (I-Vt.) wrote in a letter to his Congressional colleagues. Sanders was joined in the letter, and in another letter to President Clinton, by Reps. Sherwood Boehlert (R-N.Y.), John McHugh (R-N.Y.), John Baldacci (D-Me.), and Sam Gejdenson (D-Conn.).

Sen. Frank Murkowski (R-Ak.) is seeking a Congressional probe of the SPR release, asking "whether providing this oil to a bunch of speculators" meets the purpose of delivering heating oil to the fuel-starved Northeast.

The knives are out against any such probe, and against any intervention by Congress or the Administration.

Already on Sept. 28, a phalanx of top executives from the largest energy speculation and production companies personally went to Capitol Hill, to warn lawmakers not to dare intervene in any way in the energy "markets." Steve Strongin, Managing Director of Goldman Sachs (one of the largest players in energy futures), ended his oral testimony to the House Commerce Committee's Subcommittee on Energy and Power saying, "The wonder and unfortunate reality of modern capital markets is that the market allocates capital to where it is most useful, measured by the market's willingness to pay for the product. If you shield the consumer from those costs [by limited price rises, or helping with supplies], you will likely destroy the incentives to create the product. And, without question, if you prevent shareholders from receiving those profits, either through additional regulation or taxation, you will further undermine the market's willingness to invest and thus will create even tighter capacity constraints for the future."