Saudis, Europe move against oil speculators

The Carter administration came under attack this week from European and Japanese oil ministers at the energy summit of the seven leading OECD nations that participated in this summer's Tokyo economic summit. What provoked the ministers was the Carter administration announcement earlier this month that it would extend the deadline of the controversial $5.00 per barrel subsidy (entitlement) to U.S. oil majors purchasing crude on foreign markets at a higher price than domestic crude prices.

The subsidy program, which would have expired this month (it was initiated earlier this year during the heat of the oil crisis), was widely attacked by the French and German governments as an incentive to U.S. multinational companies to speculate on the Rotterdam spot market. Spot purchases, which under normal market conditions account for only about 5 percent of world oil trade, are across-the-counter transactions and, in times of shortage, are at prices far exceeding the OPEC benchmark price for crude. Earlier this year the majors, in part through the U.S. subsidy, were instrumental in dramatically driving up prices and disrupting European markets.

Since Carter's announcement to extend the deadline of the subsidy, spot prices have again begun to firm, according to the *Wall Street Journal*, Sept. 27.

As a result of the pressure on Washington at the Paris meet U.S. Energy Secretary Duncan announced that the entitlement will only be extended through October. According to one well connected oil analyst with a New York investment house, the U.S. "ate crow" at yesterday's conference.

Saudi production increase

Timed with the Paris energy summit, the government of Saudi Arabia has announced it will maintain its increased production level until the end of 1979. In June, Riyadh announced a 1 million barrel per day (mbd) production increase over the official production ceiling of 8.5 mbd to increase world supply and hence force a drop in spot market prices. According to the *New York Times*, Sept. 27, the Saudi decision to extend the deadline for the 9.5 mbd production level arose out of the desire to continue to enforce pricing moderation and to be a clear signal to Saudi Arabia's OPEC partners that the oil giant will not tolerate another hefty oil increase at the December OPEC meeting.

The Europeans and the OPEC moderates have taken initiatives on yet another front aimed at further dampening the Rotterdam spot market. According to the *Washington Post* Sept. 26, the participants in the Tokyo summit informed the U.S. that purchase of foreign crude for the U.S. "strategic reserves" should be halted. At the same time the Saudis and other OPEC producers warned the U.S. against putting Middle East crude into the Louisiana salt domes, which have no pipeline or pumping facilities for recovering the crude.

The Iranian factor

Other reasons cited by various press sources for the Saudi decision to maintain the higher production level was the probability of another shutdown or dramatic decline in Iran's oil exports. Last week the Revolutionary Council headed by Iran's theocratic strongman, Ayatollah Khomeini, conducted a full review of Iran's economy. According to the *Baltimore Sun* Sept. 20, one key issue under review was Iranian production and pricing policy for its crude oil.

The more fanatic members of the ultra-fundamentalist Council are said to be forcing a political showdown with the director of the National Iranian Oil Company, Hassan Nazih. Khomeini's son, reports the *Wall Street Journal* Sept. 27, is behind the drive to oust the moderate Nazih and replace him with either Ayatollah Rafasanjani or the head of Iranian Radio and Television, Said Ghotbazedah, both cothinkers of Khomeini, and both said by numerous sorces to be hated by the NIOC oil workers.

According to a well-placed Washington source, if such a change in the leadership of the NIOC comes about, there will be immediate strikes in Iran's oil fields in protest, shutting down Iranian production. Already Khomeini's son has begun a systematic purge of the lower levels of the NIOC bureaucracy.

A shutdown of Iran's output is considered by numerous oil industry souces to be sufficient to trigger another oil crisis similar to that experience in 1979. As this publication documented, the intelligence networks which were behind the Iran destabilization and openly backed the strikes of Iranian oil workers—such as the Bertrand Russell Peace Foundation, the Transnational Institute and its sister U.S. organization, the Institute for Policy Studies—have direct ties to the Seven Sisters cartel of multinational oil companies through Anthony Wedgewood Benn, the former British oil minister from British Petroleum. However, the multis must realize that they were seriously discredited during 1979 and a replay would further damage their position internationally.

—*Judith Wyer*