transcript *EIR* obtained and publishes below. Faced with a $65 billion and up balance of payments deficit on current account, the LDC's, including some of the best-off like Brazil, have been left to forage for themselves. The commodity option presented by the Brandt Commission appears, to the advanced-sector governments, as a mere formality following what is already at work on the markets, and as a last way out to the better endowed LDC's.

Eurocurrency bankers believe that the collapse of the dollar this week—it briefly touched an all-time low of 1.69 to the West German mark in Jan. 3 trading—settles the question of whether the international banks will resume lending to the LDC's after the near-panic following the Iran assets freeze. If this did not, the sudden new rise in oil prices, bringing the OPEC average price to over $27 a barrel, could well settle the fate of these countries.

Options for financing the LDC's now under discussion include World Bank guarantees related to energy and raw materials development; commodity price-indexed bonds; or oil-linked debt instruments. However, as Charles Robinson emphasized, the short-term prospects for the realization of any of these schemes are extremely bleak, and "Murphy's Law"—what can go wrong, will—will apply in the months ahead. Prof. Robert Triffin of Louvain University told *EIR*, "The crazy rise in the price of gold is a reflection of diffidence concerning all governments' capacity to act."

The near-term implications for both the industrial and developing economies are devastating. Various commentators, including the editors of the London *Times* and the *Wall Street Journal*, have argued that the gold-oil price constitutes a basic sort of historical inflation index. Both prices have doubled in the past year; as other commodities follow them up, this implies an inflation rate far in excess of the current 15 percent dollar inflation rate. If credit is indexed to these prices, as the Brandt Commission and others propose, then "the rate of inflation becomes indeterminate," in the succinct phrase of Princeton University's Peter Kenen.

What will happen to oil prices, which have already undergond a second upward ratchet since the OPEC meeting (see OIL) is now difficult to project. However, the State Department's Office of Fuels and Energy currently expects Iran's oil exports to "go out" entirely due to one form or another of military action. It must be emphasized that the Soviet move into Afghanistan makes most of the State Department's calculations irrelevant. It is sufficient to emphasize that the current glutted state of world oil stockpiles ensures that any such price rise will be hard to put across unless there is a major disruption of supplies, and that this consideration must figure in the actions of the British, the Libyans, and others.

Iran shutdown to aid Brandt plan

Richard Hecklinger, of the State Department's Office of Fuels and Energy, dropped a strong hint in a Dec. 26 interview that a shutdown of Iranian oil exports was being considered as an option by the Carter administration.

According to Hecklinger, the curtailment of Iranian oil supplies would force other industrialized countries to reduce oil imports, as agreed on at the December International Energy Agency (IEA) meeting, and would effect the Brandt Commission's proposals through "less formal means." Hecklinger's statement appears below:

There is no government position yet on these proposals. Part of the problem is that OPEC cannot agree among themselves. But I will tell you this: The Brandt plan could be beneficial. The question is how much more will prices increase and what would happen to prices with a supply shortfall? What if Iran went down?...

We're looking at a number of plans. International oil buffer stocks, for example, which would work like those in other commodity arrangements. But would producers be able to agree on a quantity of oil to produce? There are a lot of ifs....

What we accomplished at the December IEA meeting was quite remarkable. We not only agreed on oil import ceilings but got an agreement to adjust these ceilings of supply conditions should warrant it. This is fairly important since last March, the maximum we got was an agreement to reduce oil imports by two million barrels a day collectively, and it didn't say when this would happen. To go from there to specific import ceilings, which are adjustable, is an important accomplishment. ... The IEA will meet again to assess supply conditions in early 1980. If Iran goes down, it will require tough policies....

But it's important to realize that we can achieve the same objectives (as the Brandt Commission) through less formal means. You have most of the world's oil consumption represented in the IEA and EEC. That's 80 percent of free world oil consumption, 38 million barrels a day.