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The plan for an 'energy Yalta'

by Judith Wyer

U.S. Energy Secretary Donald Hodel, in testimony before the Senate Energy and Natural Resources Committee, declared Feb. 1 that the Persian Gulf was no longer of strategic importance as it was during the 1970s. Because less than 10 percent of total U.S. oil consumption now comes from the Arab oil producers, Hodel said, government funding for the strategic petroleum reserve would be cut in half. The Hodel statement caused such a stir that the State Department issued a correction noting that the Persian Gulf remains within U.S. vital national-security interests.

The State Department response came after a wave of protests from Capitol Hill demanding a cut in the defense budget for the Rapid Deployment Force whose main deployment is protecting the Persian Gulf.

In fact, both the political and economic position of the United States in the Gulf, as well as the sharp downturn in U.S. dependency on Arab oil, support Hodel's statement. Less than 7 percent of U.S. oil consumption is now provided by Arab oil producers. And since the outbreak of the Khomeini-led revolution in Iran in 1978, the once-dominant position of U.S. oil concerns within the Middle East has steadily diminished.

EIR has documented the opportunistic ventures of Moscow and London to undercut U.S. influence in the Mideast and fill the vacuum themselves. A similar U.S. retreat is quietly occuring in Western Europe, where American multis are slowly liquidating their holdings in the gravely depressed refining and petrochemicals industries.

On the surface it would appear that American oil companies are pragmatically responding to economic pressures by leaving Western Europe. Similarly, the reduced presence of the American majors in the Arab world can easily be explained away as a response to the growing anti-Americanism of the radical regimes of Libya's Qaddafi and Khomeini's Iran, or the U.S. multis refusal to pay the high cost of Saudi crude.

But beneath the undeniable trend of the majors' retreat to home turf, is London's geopolitical battle plan since at least the mid-1970s: carve the world into two discrete spheres of influence. Known as the "New Energy Yalta," the scheme

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The Novopolotsk oil refinery in the Soviet Union: the Soviets have increasingly sold to Western Europe, while certain Mideast OPEC members fill the slack in supplies to the Warsaw Pact.

associated with Britain's Lord Carrington, aims to carve out Eastern and Western hemispheric energy blocs.

In June of 1978 the then Chairman of Chase Manhattan bank, David Rockefeller, called for such an "energy Yalta" between the superpowers. But neither the hapless Rockefeller nor anyone else has revealed Britain as the mediator of such a physiocratic design.

Since 1978 there have been numerous attacks on the Yalta scheme from influentials within both Europe and the Arab world who recognize that it threatens the sovereignty of the nation-states of those regions. In mid-1979 the French journalist Alain Vernay editorialized in *Le Figaro* about the ominous political implications of an "energy Yalta." In mid-1981 Saudi Foreign Minister Saul al Faisal condemned the Yalta scheme, as did French Foreign Minister Claude Cheysson in mid-1982.

It is no coincidence that France above all other nations has staunchly refused to accept any supranational agreement which would diminish its national sovereignty. French President François Mitterrand was also the first to denounce the December 1982 arms limitation proposal of Soviet leader Yuri Andropov as a ploy to break the alliance between Western Europe and the United States.

A series of geopolitical studies was written in 1977 and released by the British-coached New York Council on Foreign Relations (CFR) in the form of the *Project '80s Studies*. In the volume concerned with energy, the conclusion is that the Comecon nations will join a new supranational energy cartel which will dictate the price, the type, and availability of all energy forms to the world economy.

The "energy Yalta" is the political form of a London-mediated supranational energy arrangement, according to which both superpowers expend billions of dollars into exorbitant oil and gas projects, primarily in the Arctic area, at the expense of long-term investment in the more viable energy sources, thermonuclear fusion and fission. Such an orientation would lock both superpowers into raw-materials-based economies in conformity with the British Commonwealth's objective of reordering the monetary system on the basis of natural-resource looting.

The role of George Shultz

The mid-1982 appointment of former Bechtel chief George Shultz meant, among other things, that Shultz overcame the final U.S. obstacles to the completion of the Euro-Soviet gas pipeline. Upon completion, that gas pipeline will net the Soviets up to $8 billion in hard currency and lock Western Europe into a 20 percent dependency for its total gas needs (see article, page 21).

Bechtel is heavily involved in Soviet energy development, while Morgan Guaranty, on whose board Shultz sat before moving to the State Department, is an arm of the British oligarchy allied to Lord Carrington. Through the influence of Shultz, the Commerce Department last month

dropped its ban on U.S. technology for the joint Soviet-Japanese oil and gas development project on Sakhalin Island. The same month, the Soviets approved a modified version of a plan submitted to the Kremlin a year earlier by Occidental Oil's Armand Hammer and Stephen Bechtel for a 200-mile long coal-slurry pipeline originating at Novosibirsk in Siberia.

Shultz and his British allies calculate that these western-supported massive oil, gas, and coal projects about to come on stream in the U.S.S.R., and primarily for export to Western Europe, will bring the Soviets into the CFR's supranational energy cartel.

Squeezing the LDCs

The kind of supranational order based on raw materials that the CFR and its mother institution, the Royal Institute for International Affairs, envision would mean that the only industry a developing nation would be allowed is raw-materials processing. The current downward turn in oil prices is calculated by the City of London and the International Monetary Fund to break the potential for developing countries to independently develop high technology industry.

The *Wall Street Journal,* a mouthpiece for Thatcherist British free enterprise, issued a declaration of war on the developing nations, Jan. 31 in an article entitled "Oil Markets' Balance of Power is Shifting to Companies From Producing Nations." The article quotes tough-talking oil-industry executives, including SoCal's Vice-President W. Jones McQuinn, that whoever controls oil markets in the future controls the entire business. The *Journal* gloated that the battering which Nigeria has taken as Gulf and other companies all but pulled out shows the producing nations have lost their powers.

On Feb. 1 James Lee, Chairman of Gulf, told a group of New York investment analysts that Gulf would only take 10 percent of its previous share of Nigerian exports, down 190,000 barrels a day, and was orienting its future investment in the Western hemisphere in Alaska, Newfoundland, and the sub-Arctic Beaufort Sea.

According to a Chase Manhattan Bank oil analyst, "in the future developing countries will be forced to give multinational companies with global market dominance contract terms that in the 1970s would have been unthinkable."

In late December, the Commonwealth's top operative, Aspen Institute associate Maurice Strong of Canada, sponsored a conference through his Swiss-based International Energy Resources Corporation which dealt with the new relationship emerging between the multinational giants and the producing states. At that conference Kuwaiti Oil Minister Ali Khalifa al Sabah, himself an asset of the British Commonwealth, stated: "It is better to be exploited and produce an income that can be used to develop your country than not be exploited and run from one financial crisis to the next."

A clue as to what Ali Khalifa means by development is provided in a report released in November 1982 by the Washington-based National Petroleum Council (NPC), the unofficial think-tank for the Department of Energy. The report, in which the British-intelligence controlled Heritage Foundation played a dominant role, calls for increased private-sector investment into oil and gas in the developing sector. And for this reason it is no surprise that it advocates much tougher concession contracts with LDCs, giving companies such "luxuries" as marginal or no taxes on their investments abroad as well as the right to remove capital with no restrictions. According to a spokesman for the NPC, the report, which was issued to the press by Standard of Indiana chairman John Swearingen, acts as a kind of "shopping list" for companies interested in investing in the developing sector.

The next oil hoax

Daniel Yergin, director of Cambridge Energy Research Associates, has already begun a study on the emerging dominance of the oil companies over the developing sector. Yergin is featured in the Jan. 24, 1983 *Business Week* cover story, "Arctic Oil and Gas." Yergin is quoted: "The Arctic is absolutely crucial to the world supply picture." Yergin warns of a continued decline in OPEC output over the coming decade. John Swearingen said it bluntly before a Houston oil industry seminar at the end of January: The United States may expect "a complete shut-off of oil supplies from the Persian Gulf," the oil company chairman said, and should rate "a high probability of politicial explosion in the Persian Gulf."

In fact, it is common knowledge in the oil industry that by no later than 1985 there will be a new upturn in oil prices, probably sparked by a catastrophe in the Gulf that would undermine Saudi Arabia. Even Saudi Oil Minister Yamani himself predicts a price upturn at that time.

The kind of Arctic energy boondoggles Gulf and its multinational partners are now rushing into will, in the long run, require a market price far higher than $25 a barrel if inflation and the lead time to bring Arctic oil and gas on line are factored into costs of production.

The OPEC states did a favor for the financial gamemasters who run big oil in the 1970s by quadrupling the price. Oil reserves like the North Sea were for the first time made "economical." But in reality, it was never OPEC which masterminded the run-up in oil prices. OPEC was a façade for the men above suspicion in corporate boardrooms. As far as they are concerned, the current decline in prices will shake out some of these OPEC producers as a result of politicial chaos which will no doubt occur in certain OPEC countries from collapsed income. That chaos could well hit Saudi Arabia as the basis for the next oil price hike hoax.

This Special Report was prepared under the direction of Criton Zoakos and David Goldman.