# EIR Economics

# Oil prices: Does Kissinger want a new Mideast war?

by Chris White

The list of accidents and mishaps that have fueled the upward spurt of oil prices was augmented in mid-April by two more. Half of the output of the North Sea's Brent field was interrupted when Shell's Cormorant Alpha platform was shut down the night of April 18. And, one-quarter of the output of the Alaska field was shut down because of a breakdown in a pumping station on the pipeline.

It is not clear how long either of these shutdowns will remain in effect. Some accounts anticipate that the problems with Cormorant Alpha will take from four to six weeks to fix. Others see an indefinite closure in the works. Though Cormorant Alpha did not itself produce much oil, the pipeline from the Brent fields to the Sullom Voe collection center for field output runs through one of the platform's legs. Therefore, flow from the whole field has been interrupted.

The two closures set off new tremors in the oil markets. On April 20, futures prices for May delivery jumped up to $25.40, in part because this was the last day contracts for May delivery were open. The effect should be another round of dramatic price increases at the pump for the month of May, beyond the 14-18% that is being reported from around the United States during April.

These price increases were the subject of congressional hearings on April 18. On that occasion, California Sen. Alan Cranston (D), along with others, heard the Exxon Corporation deny that the recent round of price increases had anything to do with the Alaska *Exxon Valdez* oil spill. The company attributed the increases to technical factors that had been in the works previously.

That account is, of course, self-serving nonsense. OPEC and non-OPEC producers had indeed agreed in December of last year on a redistribution and lowering of production quotas to shore up the price of oil at a price between $18 and $20 per barrel. The Alaska spill, followed by a declaration of *force majeure* on April deliveries by Exxon and British Petroleum, pushed the price above the $20 per barrel level for the first time since 1986. OPEC producers meeting subsequent to the spill reaffirmed that they did not seek a price for their product above $20 per barrel. Now, the latest closures and accidents are pushing prices into the range between $21 and $25 per barrel.

Shortly after the Alaska spill was engineered, this magazine reported that two variants were under discussion internationally, so far as the price of oil is concerned. In the first, we reported, there was the intention to increase the price to a level between $20 and $25 per barrel. The purpose of this was identified as a tactical maneuver, typical of the time-buying methods associated with former Secretary of the Treasury James Baker, to ease pressures on especially the larger U.S. commercial banks.

Since the international oil price is denominated in dollars, a stronger price helps alleviate pressure on the dollar, and thereby also offsets pressure for interest rate increases, of the sort that America's foreign creditors have been demanding with increasing insistence since the beginning of the year. The extra cash flow gouged out of consumers at the pump, via higher prices for refined products, is also the sort of windfall that cash-strapped banks would not sniff at.

The other variant, we reported, envisaged an oil price moving back to the range of $40 per barrel. Yet, in this range, pricing considerations cease to apply as such. At this level, the question of oil pricing would have nothing to do with time-buying for the banks, or any such thing, but would rather have to do with plans, by extremely powerful circles in the Soviet Union and the West, to spread chaos in the world, in the interests of simply spreading chaos.

## Studies of chaos

Now, we learn that studies are circulating, in the City of London and elsewhere, which examine the consequences for various sections of the world economy, with oil priced at about $40 per barrel. The interesting point being that the existence of such studies was admitted, in the week after Gorbachov's leading advisers on economic policy, Leonid Abalkin and Vassily Slyunin, told the Italian newspaper *Corriere Della Sera* that only a "skyrocketing" of the international price of oil would permit the Soviet Union to generate the hard currency earnings from exports which would permit that country to pay for the foodstuffs it would have to import in the coming period. In Abalkin's account, each dollar added to the international price of oil adds $1 billion to the Soviet Union's hard currency earnings.

Reportedly, the London studies on the higher range of price for oil, focus on the effects of such pricing on the oil import-dependent, developed economies of the Federal Republic of Germany and Japan. It is estimated that those economies could not withstand the effects of oil priced at that level, and would crack. On the other side, the United States is supposed to be able to withstand a further doubling in the price of oil.

Actually, it is more than likely that the reverse situation would be the case. Even though Germany and Japan are import dependent, their economies remain in better fundamental shape than the United States, where the explosion of indebtedness, on top of a decaying productive base, has created the greatest danger for chain-reaction collapse of accumulated financial paper. A new oil shock would no doubt be one of the most efficient means of destabilizing that mass of paper, increasing operating costs of earnings-reduced, debt-bloated corporations and financial institutions to the point that a chain-reaction blowout would occur.

Either way, the consequences would be disastrous for the West, creating the kind of political, social, and economic disruptions from which only the Soviet Union would benefit. Precisely this reality ought to prompt another look at the Russian demands relayed by Abalkin. As he reported, "skyrocketing" oil prices are required to permit the Soviet Union to generate the earnings that will enable imports of foodstuffs to be paid for. Since when, it might well be asked, did the Soviets express such a willingness to even consider paying for the food they import? Their general practice has been to secure credits, on favored terms, with long repayment schedules and massively subsidized concessionary sales. Their hard currency earnings are not necessarily spent on food imports, because they insist on making other, less costly, arrangements. Therefore, contrary to Abalkin, the Russians do not need higher earnings to finance higher imports.

## Enter Henry Kissinger

Their interest in this matter is perhaps best reflected in the activities around the Middle East of Henry Kissinger and his cronies like Larry Eagleburger, now number-two in the Baker State Department. Without a significant interruption in supplies from the oil-producing regions of the Middle East, there will be no skyrocketing of prices of the sort that Abalkin has demanded, and that are being reviewed in the City of London and elsewhere. Quite the reverse, as things stand right now: For example, if the OPEC nations are serious about the $20 upper limit on the price which they have espoused, there is very little that can actually be done to continue to drive the price higher. For, as these accidents and shortages reduce output, OPEC producers can move into the market, underselling the competition.

A commitment to an oil price higher than the range of $20-25 per barrel is therefore also a commitment to a war in the Middle East of the sort that would eliminate enough of OPEC's present capacity to permit the price to breach that barrier. Here, it is Kissinger and Eagleburger's support for Soviet puppet Syria in Lebanon which is rightly the focus of attention. Kissinger, following the recent Trilateral Commission meeting in Paris, admitting, "God will punish me for saying this," went on to express fulsome support for Syria's Hafez Assad and the "cold calculations" via which Assad develops his self-interest. Eagleburger, before the Congress, has advised against the United States opposing Syria in Lebanon. And the United States is indeed following these prescriptions of the Kissingerians.

In backing Assad's Syria, Kissinger and Eagleburger are also, by extension, backing the terrorist formations which are deployed under Syrian control, such as the PFLP-GC of Ahmed Jebril and the PDFLP of Naif Hawatmeh, and backing the coalition between Syria and such terrorist formations, and Qaddafi's Libya and Khomeini's Iran. This coalition, for its part, under the Russians, is targeting Pakistan, Turkey, Saudi Arabia, and Egypt.

Then consider the Abalkin demands for a higher oil price in light of the movements of the hands and feet of Russia's stooges in the Gulf and Middle East, and in light of Kissinger and Eagleburger's insistence that such activities not be challenged by the West. These are the forces of chaos who would use renewed conflict in the Middle East to create a new epicenter for spreading disruption which would rapidly drag in everybody else, one way or another.

He did it before, in October 1973, unleashing a Middle East war, on behalf of the kind of chaos which would permit so-called international crisis managers to take over, under conditions of existential threat. Now, it seems Kissinger and company are doing it again.