Caracas OPEC Summit Casts Spotlight on Speculators

by David Ramonet and Isabel Alcega

On Sept. 27 and 28 in Caracas, Venezuela, the "Summit II" Conference of the Organization of Petroleum Exporting Countries (OPEC) brought together heads of state for only the second time in its 40-year history—the last such meeting being 25 years ago. In addition to the 11 member-nations, Russia was also represented, by invitation of the summit host nation. The 20-point final communiqué, on Sept. 28, was issued as a joint document by the participating sovereign nations.

What was the common concern? From pre-meetings, to follow-up commentary, it became clear that the summit's purpose was to strengthen the organization's unity, and to stop the oil price inflation through supporting dialogue with the oil-consumer nations. Venezuela's offers to the United States on heating oil were repeated (to date, rebuffed by Washington). Groundwork behind the scenes was laid for a renewed oil offer (with a set price range) from Venezuela, announced a week later, called the "Energy Pact of Caracas," to supply ten Central American and Caribbean nations. Signing is expected on Oct. 19.

Of strategic significance, the very same week as the OPEC Summit favoring "producer-consumer dialogue," Germany's Chancellor Gerhard Schröder was in Moscow, conferring with Russian President Vladimir Putin, on prospects for a 20-year oil-for-technology commitment, to the mutual benefit of the European Union and Russia. The next meeting will be Oct. 12 (see *International*).

Flanking Speculators?

This activity is in the same direction as that proposed in a policy memorandum by Lyndon LaRouche, released on Sept. 19, which circulated widely in Caracas, and was covered by key media in the Americas and the Middle East in late September.

The nation-to-nation dialogue approach was favored at the summit, instead of any direct confrontation with the oil speculators, whose ranks, as is well known, contain some of the most powerful financial and political interests in the world—interests currently predominant in Washington and London. The world "oil futures casino" is centered in London and New York City, where far more barrels of "paper oil" are traded every day, than exist in reality. (See accompanying article.)

Numerous OPEC spokesmen and summit organizers made clear that the prices paid to oil-producing nations are not responsible for oil price inflation.

On Sept. 25, Venezuela's Deputy Foreign Minister Jorge Valero, president of the summit Presidential Preparatory Commission, stated, "We have categorically affirmed that it is not OPEC that establishes or determines the logic of crude prices in the market, among other reasons, because its power is limited to its productive capabilities, and we know that only 40% of world oil production corresponds to OPEC." He added, "There are factors determining the oil price which don't depend on OPEC. Speculation is one of them. . . . We've seen how, despite OPEC's decision in its last meeting to add another 800,000 barrels to the market, the price also rose."

Similar remarks were made by OPEC President Alí Rodríguez Araque, who is Venezuela's Minister of Energy and Mines. OPEC, he said, has continued to put extra barrels of oil on the market to bring down the price of crude. But, he said, "it's not just a question of putting out more barrels, because there are problems of refining, taxes, transportation, but the biggest of these is speculation. . . . The problem is such that, as you see, just the fact that the U.S. government announced it would take 30 million barrels from its strategic reserve, brought the price of Brent down by more than $6, and WTI [West Texas Intermediate] by more than $5—without a single barrel having been put on the market!"

Venezuelan President Hugo Chávez continued this anti-speculation theme, as he welcomed heads of state to Caracas on Sept. 26. He told reporters that current oil prices have nothing to do with demand. "There are other factors such as speculation and taxes, and refining," he said.

President Chávez reported that OPEC Secretary General Rilwanu Lukman, of Nigeria, had explained to him that refining capacity utilization stands at 90%, with only 10% remaining, which, though insufficient, should be used. Then, "there's the problem of speculation, of the intermediate companies. I understand that in Europe, discussion on this matter has already begun, and this has to be said, and [we must speak clearly] about the intermediate companies which also inflate prices."

Financial Disintegration Looms

What these leaders still appeared not to fully acknowledge, is the magnitude of the systemic financial crisis causing hyperinflation of commodities and prices of all kinds, and the fact that this system is doomed. The Declaration of Caracas avoids this reality. Instead, it speaks of "the velocity at which changes are occurring in economic, political, technological, and environmental events, as well as the challenges and opportunities created by globalization and liberalization."

The word "speculation" does not appear in the declaration. Reports were that the representatives of Kuwait and Saudi Arabia, at the Tri-Ministerial session, objected to the "s" word appearing in the text. Point three of the declaration makes the oblique reference, that members resolve to "express our firm commitment, as key participants in the world oil market, to continue offering an adequate, opportune, and secure petroleum flow to consumers, at just and stable prices, as well as to emphasize the firm existing link between the security of supply, and the security and transparency of world petroleum demand." As Chávez explained at the closing press conference, the phrase "transparency of demand" refers to the need to eliminate speculation in all forms.

OPEC President Rodríguez explained the reason for this circuitous formulation. "We have to be very conscious of the fact that we live in a capitalist reality, and that one of the biggest symbols of capitalism is the speculative market, and the stock market, such that these states are unlikely to establish legal procedures to limit that which is one of their greatest paradigms. Nonetheless, without having to apply legal procedures or prohibitions, it is perfectly possible, not to eliminate, but to minimize the negative effect speculation has on the markets; the most efficient mechanism is to eliminate all unpredictability in terms of the future of the market."

He added: "Speculation is based precisely on whether prices will abruptly rise or fall. To the degree the market stabilizes, and the situation becomes prudently predictable, and to the degree that producer countries guarantee adequate supply, without flooding the market or saturating it, and also without producing artificial shortages, to that same degree the market will stabilize, and the activity and impact of speculative activity on prices will be reduced."

Venezuela's Offer to the United States

One of the most effective ways to cut out speculation is for government-to-government commitments. In fact, Venezuela had already offered to sell the U.S. government 1.4 million barrels of heating oil, increasing this to 3 million barrels within five months, to help the country's northeastern states get through the winter. However, U.S. Energy Secretary Bill Richardson told the Venezuelans that "the government isn't in the fuel business," and suggested they put the heating oil on the "free market" instead.

Richardson is now a laughingstock, as U.S. East Coast oil cartel refineries are lining up to receive ("pay-later") oil from the U.S. Strategic Reserve (announced on Sept. 22 by President Clinton), all the while the same refineries are profiteering off *selling U.S. heating oil to Europe*. The free market at work.

The Venezuelan offer stands. Representatives of the Venezuelan Energy and Mines Ministry and the state oil firm Petróleos de Venezuela, SA will shortly be meeting with officials from Massachusetts and other New England states.

Point nine of the declaration resolves to "actively seek new and effective channels of dialogue between oil producers and consumers. . . . In this regard, the VII International Energy Forum, to be held in Riyadh, Saudi Arabia on Nov. 17-19, provides an excellent opportunity for such a dialogue, to which consumer nations are invited to participate at the highest levels."

LaRouche's Emergency Memo Publicized

On Sept. 25, just prior to the Heads of State meeting, veteran Mexican journalist from *Excélsior,* José Neme Salúm, published an article on the oil issue, with special emphasis on the importance of LaRouche's memorandum. In the Dominican Republic, *El Siglo* columnist Jorge Meléndez put out a similar report. On Sept. 27, just as the official summit began, the international edition of the London-based Arabic daily *Al-Arab* published LaRouche's memorandum. The Caracas daily *El Globo* followed a day later with an article by economist José Parés Urdaneta. Under the headline "OPEC, Oil and World Finances," Urdaneta addressed the precarious state of world finances, and remarked that "the issue of oil prices is a very delicate one, which requires a rapid response. This could be achieved through a G-7 conference with OPEC, to reach an agreement to stabilize prices in a framework of satisfying demand. The ideas and solutions of economist Lyndon LaRouche . . . deserve to be retransmitted and heard. They are sensible ideas and solutions, in a world of stupidities and contradictions. What is at stake is not OPEC's future, but the world's."

On Sept. 17, LaRouche discussed his proposals and analysis of the world strategic situation, with "Agenda Abierta" radio host Román Rojas, a well-known commentator and former diplomat.