Korean trade unionists, on the other side, are holding Kim responsible for the IMF's demands. Demonstrations in the tens of thousands of workers are growing daily at the National Assembly and in downtown Seoul, demanding that the bankrupt conglomerates be nationalized, to freeze jobs where they are. This, of course, would be preferable to closing them, but the unions refuse to understand that the global market for Korean cars and electronics is collapsing as the United States hits its "hard landing."

Neither the GNP nor the unions, so far, have been willing to frontally attack the IMF, so they are, instead, quoting the IMF report which blames President Kim. "Market sentiment has deteriorated in recent months," as the IMF put it, and this "decline in confidence is largely related to market perceptions that [Kim's] corporate and financial restructuring has been slow."

President Kim visited Daewoo Motor's headquarters on Nov. 20, and made a speech saying that he intends to save the company, if Daewoo accepts the IMF's program of massive job cuts. "We should keep whoever they are, as long as they are needed, otherwise we must lay them off to make ends meet," Kim said. "All would become jobless if the firm collapses, but jobs would be created if the business survives with a 10% job cut."

Unfortunately, President Kim is wrong. No new jobs will be created in Asia, until it creates a new monetary system.

Riyadh Meeting Blasts 'Paper Oil' Speculation

by Hussein al-Nadeem

On Nov. 17-19, the Seventh Energy Forum of oil-producing and -consuming nations convened in Riyadh, Saudi Arabia. This forum was established following the catastrophic rise of oil prices during the Gulf War in 1990-91. The issues discussed in these fora are confined to academic presentations on future perspectives for oil industry and marketing, environmental issues, and so forth, where no conclusions or binding resolutions are made. However, the discussions on the sidelines are very important and reflect the reality of the world crisis.

In the days prior to the forum, a number of revelations were made, proving that *EIR* had been right in arguing that the reason behind the rise of oil prices was speculation. Western governments have been turning a blind eye to this speculation, because it is part of the rules of the so-called "free market."

Although the question of speculation was not openly addressed at the Riyadh conference, officials of the Organization of Petroleum-Exporting Countries (OPEC) and some media made the point clear. OPEC Secretary General Alí Rodríguez stated in an interview with France's *La Tribune* on Nov. 17 that speculators in oil futures have "created a market that did not really exist, adding up $8 to the price of each barrel of oil. There were days, on which more than 150 million barrels, that is double the world's demand, were negotiated on the markets" by speculators.

On Nov. 16, the U.S.-based, semi-official Saudi daily, the *Saudi Gazette,* published an editorial blaming speculators for forcing up oil prices and warning of the potential for a collapse. The paper reportedly added that "the world oil market is held captive by derivatives market" speculators, who "could bring about the world's next financial catastrophe. If oil prices are pushed substantially above current levels by speculation—paper demand for non-existent paper barrels—the effect on the world economy could be disastrous."

Another signal came from the Singapore-based newspaper *Energy Asia*. As reported in the Nov. 13 issue of *Tehran Times* of Iran (another OPEC member), *Energy Asia* stresses that "paper oil traders could crash Asian economies." It stated: "Oil has evolved from being a mere commodity into a financial instrument much like currencies or bonds following the setting up of over-the-counter derivatives and swaps in New York and London." It emphasized that these derivatives markets, not OPEC, set the price of oil.

Energy Asia said that the size of the paper oil market is "easily 20-30 times" bigger than the physical market. "Such power to set prices now rests largely with paper traders in large oil firms, financial houses on Wall Street, and speculative funds established to trade commodities." It further compared the impact of the oil price rise on Asian economies to that of the currency speculators on the Asian economies in 1997.

Oil ministers from OPEC countries have been vigorously protesting against American and European pressure on them to raise production as a means of lowering the price. They have increasingly argued that the oil market has a *surplus* of more than 2 million barrels, and that speculators and bottlenecks in the U.S. refining and distribution sectors are to blame for the high prices. In Riyadh, the American and European representatives kept repeating the same mantra, regardless of what their counterparts said. U.S. Energy Secretary Bill Richardson was the most emphatic in this regard. Therefore, OPEC oil ministers, represented by Saudi Oil Minister Ali Al-Nuaimi, emerged from the Riyadh forum to announce that there had been very little agreement between the two sides, especially on "the supply and demand" question. He stated that next time, "OPEC will raise production only if there is a shortage of supplies on the market.

This is a completely different mechanism than that which has functioned so far. The previous policy was to raise oil production by 0.5 million barrels whenever the price of oil went above $28-30. OPEC has raised production four times in the recent months, but the price is still above $30, and rising. Some OPEC representatives in Riyadh even demanded that OPEC should reduce its production gradually from the first quarter next year, due to fears of an artificial collapse in prices.

Oil for Technology

On the eve of the Riyadh meeting, a new concept started circulating in certain Arabic media and economic circles. The idea of exchanging Arab oil for Western industrial technology was emphasized in an article published by the London-based Arabic daily *Al-Arab International*. Under the title "Wanted: Oil for Technology Program for All Arab Nations," this author warned that the billions of oil dollars stuffed into the Anglo-American banks and markets could be wiped out very soon. The article referred to the Riyadh meeting as "an appropriate opportunity for opening a dialogue on this issue between the two sides, the mostly industrial consumer nations and OPEC."

The author wrote that this meeting comes at a crucial point, when the collapse of the financial bubble in the West had been hitting according to the timetable forecast by Lyndon LaRouche. There is also the possibility of the decline of the dollar by 30-40% in the near future. All this has taken place when the United States has descended into a political-strategic crisis, due to the unresolved Nov. 7 Presidential election vote.

The article goes briefly into the recent Russia-European Union cooperation strategy for a long-term "oil for technology" trade agreement, and calls on Arab countries to develop a similar policy, in cooperation with Asia and Europe, on wa ide range of agreements. Most important is to trade oil for water desalination technology, transport technology, and integration of the Arab railway and road networks in the context of the New Silk Road/Eurasian Land-Bridge project. Other areas of great significance for the Arab world's development are the machine-tool sector, petrochemical industries, biotechnology, metallurgy, and similar sophisticated branches of industrial knowledge. It would also be imperative for these countries to develop a well-educated labor force, through educational programs coordinated with the industrial nations. The second part of the article deals with ideas for stabilizing the oil markets. It states that these ideas and proposals "have been developed out of the work of American economist Lyndon LaRouche" and that following this kind of oil strategy "would be the stepping stone into a new, just world economic order, as designed by LaRouche."