3. The Rotterdam oil price swindle

Although the Rotterdam spot market normally trades only 3 to 5 percent of total world oil output, manipulation of this tiny market, controlled largely by Rothschild and Oppenheimer financial interests, has been a key factor in the process by which the "Seven Sisters" oil majors, led by British Petroleum and Royal Dutch Shell, have added some four dollars to the price of an average barrel of oil on the international markets since December of 1978.

Through the Rotterdam swindle, it is the oil majors, with the complicity of such leading government officials as U.S. Energy Secretary James Schlesinger, who have stampeded Arab and other OPEC governments, to a significant degree against their will, into following the rapid price hikes on the Rotterdam market with a round of price surcharges of their own.

The swindle began in January. Although, as *Executive Intelligence Review* energy analysts documented at the time, there was *no overall oil shortage due to the temporary Iranian shutdown*, two of the majors, British Petroleum and Royal Dutch Shell, seized on the pretext of the Iranian crisis to declare fraudulent *force majeure*, breaking supply contracts with Europe, Japan, and other customers even though both companies had glutted stocks of oil due to stockpiling, and were assisted by diversions of supplies from the U.S. members of the Seven Sisters oil producing community. Incredibly, the two companies declared 35 percent cutbacks for the entire first quarter of 1979, even though, according to the U.S. Department of Energy, world oil production stayed at the high level of 60 million barrels per day throughout the first quarter as a whole.

The supplies which they had fraudulently withheld under the *force majeure*, the two companies diverted to the Rotterdam market, where the price of oil reached $20 per barrel in late February. (Rotterdam is reported to have increased its share of the world oil trade to around 7 percent.) As European customers, and U.S. independents primarily, were forced to turn to the spot market for the supplies lost following the *force majeure*, BP and other producers on the unregulated North Sea fields raised the price of their North Sea output to match the ballooned Rotterdam prices. It was during this period that BP and Shell began putting intense pressure on the OPEC producers to follow suit with price hikes, with BP Chairman Sir David Steele even publicly chastising the Saudis for keeping their prices down.

It was the spot market bubble, coupled with intense pressure on OPEC to raise prices (the present situation recalls that the Saudis accused Henry Kissinger of being a leading proponent of high oil prices following the 1973 oil hoax), which has prompted the welter of surcharges and price increases by OPEC members who have been stampeded by the Rotterdam situation. The British and Rotterdam traders are now looking for spot market oil prices on the order of $36-40 per barrel by the end of June, and London is further urging establishment of a quasi-official "London oil futures market," to institutionalize and extend the Rotterdam operation.

Fight to shut down the market

The Rotterdam issue erupted into the open this month when the French government representative called on the European Economic Community energy ministers to impose ceiling prices and policing measures on the Rotterdam market, as a first step toward bringing the operation under control. As well, the five European oil companies brought a memo to EC Commissioner Guido Bruner demanding an investigation of the market. And Le Figaro journalist Paul Marie de la Gorce this week wrote that cooperation between the producing and consuming nations is the only way to avoid "confrontation" which de la Gorce linked to the policies established by Henry Kissinger.

Frantic pressure from Great Britain and allied countries blocked the French government proposal. "That would be unrealistic because if you exercise too strong a pressure on Rotterdam, the free market will just move somewhere else," was the rationale supplied by Tory Energy Minister David Howell to the *New York Times*, but broader moves underway could help to rein in the oil majors' power to use Rotterdam to manipulate oil prices anyway.

These moves center on various proposals by France, Saudi Arabia, and Mexico, for a producer-consumer approach to oil supplies. Underlying the approach is the realization by both producer nations and leading consumers that it is the world marketing control exercised by the "Seven Sisters" cartel that has been the primary vehicle for skyrocketing oil prices. As a result, it is expected that Mideast producers will soon increase direct oil sales to consuming nations—bypassing the oil multis, and the Saudi-French proposal for a producer-consumer dialogue will be on the agenda at the June OPEC meeting. Moreover, the Japanese are reported irked over the Rotterdam situation, and are working on bringing the question of cooperation

between producers and consumers onto the agenda of the Tokyo economic summit.

In response, the Seven Sisters will convene a meeting of their own June 26 in London to map a counterstrategy.

State-to-state deals

Saudi Arabia has already begun moves to whittle away the influence of the multis. In the first quarter of this year, the Saudi government quietly informed the four U.S. multinationals which participate in the Arabian-American Oil Company (ARAMCO), the Saudi oil service company, that beginning in the second quarter their contracted volume of Saudi oil would be dropped by a million barrels per day, to 6.5 million barrels per day. New York analysts indicated that this was the most forceful way Riyadh could emphasize its displeasure at the recently signed Camp David separate peace between Egypt and Israel.

Shortly thereafter Crown Prince Fahd during a visit to France announced that his country would guarantee France's future oil needs. Saudi Arabia at the same time signed a direct sales contract with the Italian state-owned company ENI through the Saudi oil company Petromin. Washington sources reveal that since the Iranian oil export shutdown, the Saudis have begun to supply some of the National Iranian Oil Company's former customers in the underdeveloped sector with oil through Petromin. A notable beneficiary is India, which just sent a delegation to Jeddah.

Miscalculations and blackmail

The Saudis, in particular, are under intense pressure to abandon their independent initiatives (the U.S. has publicized contingency plans for an invasion of Saudi Arabia, and French sources report that there was a near coup in Saudi Arabia last month by British-linked "Islamic fundamentalists.") And the benefits U.S. economy may be restricted by miscalculations on the part of both Giscard and the Saudis, who have foolishly echoed Schlesinger's demands for U.S. import cutbacks.

As a result, London-connected financial sources have gleefully projected that a state-to-state alliance between the Arab, Europeans, and Japanese could "cut the U.S. out of the Mideast oil picture," giving Schlesinger and Co. the ammunition to impose further cutbacks in the U.S., and intensify their hostility to European-Arab development collaboration.

As long as Britain continues to dominate policy-making in the United States and among the oil majors, this scenario is likely to prove valid.

Short-term price hikes

In the short term, the recent spate of surcharges which the OPEC nations, with only Saudi Arabia holding the line, have applied to their oil has pushed the price of some grades of OPEC crude oil to over $20.00 a barrel. The OPEC nations have militantly responded to the spot market speculative bubble by "penalizing" the speculators, i.e. the oil companies, but in turn the pattern of price rises has exacerbated a price spiral on the international markets.

As a result, all informed sources agree that the Saudis will doubtless be unable to hold the line at the upcoming price setting parley against another price rise, and the $14.54 official OPEC price is expected to increase again by at least 5 percent. Such continued price "leapfrogging" between the spot markets and OPEC, if it is not soon abated, will give London and allied oil companies this anticipated $30.00 per barrel oil price. To date isolated Rotterdam spot sales of crude and petroleum products of cargoes are being bid up to that equivalent level.

—Judith Wyer and Paul Arnest

De la Gorce ridicules energy conservation

Veteran foreign policy commentator Paul Marie de la Gorce writing in Le Figaro, *May 24, outlined the failures of Henry Kissinger's policy of confrontation with OPEC. Instead de la Gorce, who is associated with the views of President Giscard, advocated the approach currently taken by the French government: cooperation around building the new world economic order. And de la Gorce blasted U.S. contingency plans to occupy the Arab oil fields, as well as the "conservation approach" of Energy Secretary James Schlesinger. Here are excerpts of the article "From Confrontation to Concertation."*

... Five years ago there was talk about choosing between cooperation and confrontation: those were the alternatives. The choice was made: it was blind and anarchist confrontation that prevailed.

First, undoubtedly because the right lessons were not drawn from the 1973 crisis. ... The crisis had a political significance: it showed that it was illusory to try to indefinitely separate the oil problem from the Mideast crisis and that any aggravation of the latter will have consequences on the former.

The fact is that in 1973-74 the question of how to react was correctly posed for the big consumers: confrontation or cooperation with the producing countries. The American government became the advocate of the first option. Mr. Kissinger proposed the creation of a consumer bloc. ...

... At the time the French government wanted to go the other road. Its analysis, which was publicly

expressed by Prime Minister Messmer, was that this was not a crisis which could be reabsorbed little by little, but was the announcement of a new phase of international relations characterized by economic decolonization, just as important as political decolonization. Hence the idea of establishing relations of a new kind, of cooperation, with the producers. This would be translated by the quest for state to state contracts, preferably long term, which would not only be aimed at ensuring the supply of the French market but at a sort of complementarity of economies leading to a rebalancing of exchanges. ...

The fact is that this road was abandoned. First, by France's European partners. The United States obtained their adherence to an association of big consumers. ... As for France itself, it preferred to orient itself after 1974 toward a return to the market. ...

Then began a kind of economic war on both sides, ... followed by a currency war. ... One had to be blind not to see that this war would be disastrous for the industrial countries deprived of raw materials, beginning

What was to be done? There were those who thought war would be a way out. Already, in 1975, the idea was raised publicly: a study was made in Washington with a view toward a military occupation of at least part of the Gulf oil fields, but it appeared that the means were lacking to make this a sure success. Things may have changed since. But the fact remains that the racist climate that is maintained here and there concerning oil affairs could prepare public opinion for this type of solution. ... If there are people who are partisans of transforming the oil crisis into racial and religious wars, let them say so. Or if they retreat in front of an admission of their real and secret desires, let them be quiet.

... We must be lucid enough to see the limitations [of energy savings]. One can reduce oil consumption by reducing economic activity. But a collapse of production means a collapse of living standards, of levels of employment, increased inflation and deficits in public finances. We would indefinitely become engulfed in the inflation-recession duo. ...

The most rational road to take is to equip the industrial countries which don't have raw materials with nuclear energy, at least for a generation. It implies that all European governments seek a real and global settlement of the Mideast crisis. ... And if we want to get out of economic war, we must establish and organize new relations of cooperation with the producing countries. ...

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Mexico's plan for securing world energy supplies

On Sept. 27, Mexican President Jose Lopez Portillo will formally present a global energy development and distribution framework to the United Nations for urgent debate and endorsement. According to the view he has spelled out with increasing specificity and forcefulness during the past year, "Energy resources are the responsibility of all mankind. ... We wish to commit our possibilities, our potential, to give meaning and content to a new economic order that, although now recognized among nations, is still a formal and empty framework that must be satisfied and filled out with specific commitments, starting with those we can assume regarding energy resources." These were his words to Cuban President Fidel Castro May 17 during the important summit at Cozumel, Mexico, where the Cuban leader officially endorsed the Mexican initiative and pledged to make the proposal a top agenda item in the Havana Non-Aligned heads of state meeting in late summer.

The President has outlined the following principal features of his program:

- rational, global decisions must be reached on the production, consumption and distribution of energy within the context of a necessary New World Economic Order;
- new energy sources must be developed, and the developing sector must have access to them through the transfer of advanced technology;
- new and adequate credit mechanisms must be established to finance this massive transfer of technology;
- The United Nations is the proper forum in which the world community of nations must debate out these issues, East and West, North and South; and
- without such a solution to the world energy crisis, war is virtually inevitable and humanity will be faced with "apocalypse."

This program was endorsed by French President Giscard visiting Mexico in early March. Giscard in turn was instrumental in bringing the full European Community heads of state to endorse both the Mexican proposal and the Saudi drive for an oil consumer-producer conference.

Mexico has aimed its international energy offensive against "Mr. Schlesinger's myopic, arrogant and close-minded attitude," in the words of Mexico's semi-official daily *El Nacional*, and equally against the oil multis who hold the economies of nations hostage to their speculation. A staunch defender of full national sovereignty, Mexico has forged state-to-state exchanges of its oil for technology and capital goods in its own oil dealings and clearly has such state-to-state arrangements in mind as the essential form of new energy agreements.