

# ENERGY SHUT- DOWN

**T**he events surrounding the American hostages in Teheran have triggered a kaleidoscopic torrent of diplomatic and strategic reactions spanning the entire globe. Though not yet known to the sixty or so hostages themselves, their capture was the result of a deliberate prearrangement involving, among others, Zbigniew Brzezinski, Henry Kissinger, Ibrahim Yazdi and Ayatollah Kalkali, the latter representing the Muslim Brotherhood—the entity in real, behind the scenes, control of everything of significance that occurs in Iran.

The purpose of this deliberately prearranged international provocation was to trigger a series of international shifts in the key areas of world energy policy, world credit and financial policy and, most importantly, in the area of East-West relations. In summary, the sponsors of the sordid event, among whom are top ranking U.S. government officials, were aiming at a result publicly stated in the current issue of *Business Week*:

“It may be that an Arab banking system funneling petrodollars through the European Monetary System will replace the current domination of the world’s financial system by U.S. banks and the IMF. This depends, of course, on OPEC’s willingness to play the power broker part. If it refuses, there is another scenario that many still think unthinkable: *open warfare, in which either the industrial West as a group, or the U.S. going it alone, gives up trying to work with OPEC and instead invades the oil fields.*”

The authors of the provocation at Teheran in fact

aim at destroying, by a single stroke, the possibility of the European Monetary System capturing the prize of petrodollars for intended use for generalized Third World development policies. This by itself would, as Brzezinski, Kissinger and their patrons calculate, destroy the European Monetary System. The deadline for destroying the EMS is some time before the December 13, 1979 ministerial level meeting of NATO in Brussels. If the EMS is crushed by then, then the current Brezhnev leadership in the Soviet Union is expected to be defeated on grounds that its officially stated “war-avoidance” strategy, i.e., long-term cooperation with the European Monetary System, will have been crushed. Then the hour of the straightforward military hardliners will have struck in Moscow—which by itself will ensure that the NATO summit will finally overcome the continental European opposition to a renewed arms race under the guise of “weapons modernization.”

President Giscard of France and Chancellor Schmidt of the Federal Republic of Germany will see all their foreign and domestic policies crushed and they will soon be expected to face personal political demise in the early months of 1980. What is supposed to ensue is a period of military flare-ups throughout the globe, an international depression which the Council on Foreign Relations has happily dubbed “controlled disintegration,” and the beginning of a drive to “restructure” the shambles along what is known among the “old boys” as the “*synarchist*” scheme of things: global reorganization of the world energy markets under the auspices

of a U.N.-driven "international institute of energy" which will have authority to allocate the production, distribution and consumption of every last ounce of energy, exactly in the way the IMF controls credit flows; global reorganization of all raw materials by means of similar "supranational" agencies; reorganization of the IMF by means of a weakened dollar, regional currency zones and a dramatically augmented role for Special Drawing Rights.

These were the stakes in mind when the Teheran Embassy caper was launched by Brzezinski and Ibrahim Yazdi. The operation had been arranged initially in New York City, at the CFR's Pratt House where Yazdi met with Brzezinski's representatives on October 5, and later again when the two men met with Arafat in Algiers during the festivities of the Algerian Revolution Anniversary. The scheme provided for slow-tempo implementation, resulting in a successful PLO negotiation on behalf of the hostages, and U.S.A diplomatic recognition of the PLO. The whole operation went out of control when Ibrahim Yazdi disappeared and Abolhasan Bani-Sadr (known to insiders as Bani SDR) surfaced to prominence.

By Monday, Nov. 11, Brzezinski, Vance and their Interagency Task Force were boxed in to desperate improvisations, not with respect to the fate of the hostages, but with respect to Western Europe, the Arabs and the Soviets. The Arabs are overtly and covertly threatened with financial warfare, freezing of assets, etc., if they dare shift into the European Monetary System. The Europeans, especially the Defense Ministers assembled at the Nuclear Planning Group meeting on Tuesday and Wednesday, are told that they either go immediately for nuclear rearmament through "weapons modernization," or their energy supplies will be cut off. An intensive propaganda campaign is launched in the mass media to create the impression that "heavy in-fighting in Moscow has resulted in President Brezhnev's defeat." On Wednesday, after coordinated consultations, the West German government adopts a "low profile" and the French government announces that it opposes Washington's policy. The Soviet government issues a stern clarification to Washington, warning that it has never supported Khomeini's regime and that it will not suffer to be misrepresented in this matter. On the same day, with only the Libyans abstaining, all the Arab League Foreign Ministers assembled in Tunis, launch, finally, coordinated and vituperative attacks against Khomeini as a "sacrilegious person." Now, only Brzezinski and Vance in all the world appear as sympathizers of the Ayatollah. On that day, White House spokesman Jody Powell startles the press corps by announcing at the press conference that "Mr. Brzezinski finds a useful role for Ayatollah Khomeini and for Islamic fundamentalism."

Meantime, toward the evening, Radio Moscow in

its evening commentary on the Nuclear Planning Group/NATO meeting ruefully remarks "according to yesterday's *Financial Times*, this may result in a rift within the Atlantic Alliance." This is a signal to France and the Federal Republic of Germany that the Brezhnev faction is firmly in the saddle. Within hours, French Foreign Minister Jean François-Poncet is in Bonn to meet with Chancellor Helmut Schmidt. Almost at the same time, the announcement comes from Teheran that Ayatollah Khomeini has been placed "incommunicado and in seclusion until December 5 'by his doctors' for reasons of health."

This is a slice of the situation as it was frozen at the moment of the writing of this report. The stakes that are in the balance are staggering in their enormity. The maneuvers that will unfold in the hours and days ahead will decide between two alternative paths for subsequent world events: Either European-Arab cooperation will collapse bringing the EMS under and launching a crisis worse than the Cuba Missile Crisis of 1962, or the Washington-London axis will suffer a devastating defeat which will alter the Atlantic Alliance beyond recognition, launch a world-wide role for the EMS and bankrupt the IMF

—Criton Zoakos

## Chirac: 'France's voice for human progress'

*The following is the central portion of RPR General Secretary Jacques Chirac's Oct. 17 speech before the French National Assembly. Central to Chirac's call for a "grand alliance for progress" is his demand for "a dialogue with oil producers," by France alone if necessary, the opposite of "invade the oil fields" scenarios promoted in this week's Business Week.*

The Western economies have been sick for ten years. They suffer in reality from two ills, whose effects are intermixed and cumulative: monetary disorder on the one hand, and the oil war on the other.

But as to the real responsibilities, the greatest confusion reigns in most minds. Some take pleasure in entertaining this confusion, since it is so convenient to deflect one's own errors on to that somewhat mysterious institution that OPEC constitutes.

In 1973-74, the oil shock acted abruptly as a revealer: in several months, the price of oil quadrupled, then quintupled and all the cards in the international economic game were thrown into disarray. If I say that it was revealing, it is because in reality the upheaval which we were suddenly made conscious of had other, more far-reaching and more profound causes. First, the international monetary disorder which had set in several years earlier could not fail but to entertain—as Jacques

Rueff repeated with obstinacy—the rise of inflation. And inflation in the West meant a constant drop in the buying power of the oil and raw materials producing countries ...

Today, the international situation has become explosive: the enormous mass of dollars put out by the United States, to finance the permanent deficit in their balance of trade, are floating around the world, on the lookout for any speculative opportunity, sometimes on gold or this or the other raw material, sometimes on one or another reputedly strong currency. The hundreds of billions of dollars held by persons residing outside the U.S. escape from any controls, including from the Ministers of Finance from the richest countries of the world who get together periodically to talk about it ... with the results that we all know.

The proliferation of Eurodollars and other Euro-currencies creates a climate of permanent instability. It is fundamentally at the roots of the inflation which has been disrupting the Western economies for years. . .

The voice of France must be raised to vigorously denounce the situation.

It is not enough to create in Europe a mini-zone of stability under the domination of the Deutschemark to shelter France from international monetary turbulence.

... We must institute means of payment whose emission would be controlled and limited by a common accord, and in the definition of which, gold, whether one likes it or not, would have to play an important role.

### **For Third World development**

During the 1960s, France did not hesitate to be, on international monetary questions, the bad conscience of the dominating Western powers. France must once again find the courage to proclaim out loud the truths which have, alas, not made many inroads since.

It should in fact not come as any surprise to you that the institution of a new international monetary order and the ordering of relations between the oil producers and consumers are two questions that are intimately linked....

French diplomacy must simultaneously assign itself the objective of creating the mechanisms for the transformation of Eurodollars, in order to make the oil surplus values contribute to the development of the poorest or most indebted countries.

As I have several times proposed, France must be the messenger of a *grand alliance for development*, the only means of solving the immense needs which subsist on all four corners of the planet, and to thus relaunch world economic growth, growth which is indispensable for the developing sector countries as well as for ourselves.

It will be a long and difficult battle.

If our Western partners delay in opening the dia-

## **Thinking the unthinkable**

*The Nov. 19 issue of Business Week featured "The Petro-Crash of the '80s," promoting the option of a Western military invasion of the oilfields in order to halt what Business Week claims is OPEC's threat to link up with the European Monetary System. We quote from the article.*

The world was in trouble with OPEC before—in 1974 after the first big increase. Then, too, petrodollars flowed from the consuming nations to OPEC in the greatest transfer of wealth ever seen ... The most immediate peril of the soaring price of oil is that the industrial world and the majority of developing countries are confronted with the spectre of chronic, global stagflation. Money sent overseas to pay for oil cannot be spent or invested at home, and this forces national monetary authorities to create more money to make up for what is being lost....

logue with the oil producers, France must show the example and, if necessary, take the initiative for bilateral negotiations.

The success of this enterprise will determine, in the long run, the success of our internal policy....

### **Must invest**

France first needs to invest. France needs to export....

We must invest for today and for tomorrow. Investment would permit, right away, directly or indirectly, the creation of new jobs. We could, in exchange, distribute an increased buying power, which would not be a liberal act on the part of the welfare state ["Etat-providence"] but the wages for effective labor. This supplement of buying power favors consumption, by which general activity would find itself stimulated.

But investment is also the jobs of tomorrow. To invest means to set up more modern and better performing machinery, to develop more elaborate products, to penetrate high technology areas; in a word, it means to give life to this imagination, creation, research, and progress without which a nation shrivels up and little by little loses its footing in the competition being played out between great countries....

For our part, we would like to see a vigorous impulse given in this area. To do this, we call for measures of great scope, notably a progressive revaluation of balance sheets, accelerated amortizations, and interest abatements, with an action on interest rates

The capturing of both the world's supply of capital and its energy may prove to make OPEC so powerful in the decade ahead that the Western alliance will crack apart as nation after nation moves to align itself economically, politically, and perhaps militarily with OPEC. It may be that an Arab banking system funneling petrodollars through the European Monetary System will replace the current domination of the world's financial system by U.S. banks and the IMF.

This depends, of course, on OPEC's willingness to play the power-broker part. If it refuses, there is another scenario that many still think unthinkable: open warfare, in which either the industrial West as a group, or the U.S. going it alone, gives up trying to work with OPEC and instead invades the oilfields....

Europe and Japan have been moving away from the U.S. in recent years to make their own arrangements with OPEC, just in search of securing their energy lines. If OPEC controls not only energy, but also capital and real wealth, the breakdown of the Western alliance and a restructuring of the Western

economy is clearly only years away. Only energy-efficient, export-oriented countries with access to OPEC's oil and capital will be able to survive and prosper, and then only if OPEC proves willing to provide enough energy and capital to keep the world growing....

Again and again, as OPEC pushes the West toward the edge of economic survival, the option of a military response becomes more and more reasonable. As one monetary official put it recently: "OPEC price actions are really getting out of hand. If they don't call for a military response, I wonder what would. I don't know what would happen if we intervened militarily. I hope some intelligent people are discussing this seriously, so that if we have to act we won't go off half-cocked. I don't see much danger of crippling damage to the oilfields. Even if there were sabotage, it would have very temporary effects in the Arabian peninsula, where you can strike oil with a hatpin. I don't think many other OPEC countries would dare to shut down for very long, if at all, in the face of a determined, united NATO military action."

whose present explosion, exclusively based on concerns of a monetarist order, threatens to set off a terrible depression in the Western world....

We reject any deflationary economic choice which would come down to slowing down our national economic activity in order to establish equilibrium in our commercial balance. The alternative is to export more.

... Among the measures or actions which could be conceived to do so, I will cite only two: first, the necessity of encouraging the creation of real channels between different economic sectors, starting from the top—that is to say, production—down to the level of marketing, not only within the country but also abroad. The instruments of these professional channels should be, outside of France, international trading companies, of the type which are making Japanese trading such a success on the world markets. I propose that a juridical and financial mechanism be set up to encourage the creation of such companies, to be put together with the partners of the big French industrial branches ...

If we really want to get to the bottom of things, we must absolutely master the unproductive expenses which artificially inflate global demand while supply is depressed by general economic stagnation. I am certainly not making balanced budgets an intangible dogma. I would not be at all shocked if a deficit permitted the financing of an ambitious plan for the encouragement of productive investments ...

The problem of jobs must be tackled through eco-

nomie investment. As long as we are resigned to the 2.5 percent growth rate which is being announced for 1980, it is illusory to think that we can stop the increase in the number of unemployed.

### **Only progress**

An efficient employment/job policy must be based on ... an offensive action favoring job-creating productive investments and eliminating the unproductive expenses that come from a system of generalized assistance.

... We will only succeed if we manage to wipe out of the minds of our fellow citizens this idea that they are condemned to some kind of regression ... It is no longer the time to relish in morose dissertations on the misfortunes of this century. We must not cultivate man's irrational penchant for paradise lost. Soft growth is only soft for those who have a lot already.

Only progress, as long as it is mastered and firmly led, can give us the means to struggle against the ugliness of things and the unhappiness of men. Only progress, mastered and led, can permit us to give back to the water, the air and the land their purity, once destroyed. Only progress, mastered and led, based on uncompromised moral requirements, can reinforce the chances of justice over violence.

This is the ambition that we must give back to the French. It is not a selfish and comfortable dream. It is a cause to serve for France, and it is what the world, and the poor of the world, expect from France.