After Caracas: the demise of OPEC?

by Judith Wyer

The failure of the Saudi Arabians to force a unified oil price at the Organization of Petroleum Exporting Countries (OPEC) semi-annual price setting meeting in Caracas, Venezuela, may well signal the break up of the 19-year-old cartel. After an unprecedented four days of haggling which was polarized between the moderates, led by Saudi Oil Minister Zaki Yamani, and the hawks led by Iran and Libya, the cartel could only agree to a split price of $24 to $30 a barrel. At the last OPEC price setting session in June, the cartel agreed to a ceiling of $23.50.

Throughout 1979, the Saudis have been unable to enforce pricing discipline within OPEC as member states anarchistically bid up their contract prices for oil against the skyrocketing speculative price on the Rotterdam spot market. Yamani this week cogently characterized the result of the increasing heteronomy within the cartel by stating that from now on, world oil markets will look like an "Arab Bazaar," where prices will continue to climb and supply will remain an uncertainty.

A design

The current collapse of OPEC unity has occurred by design, and is usefully dated from the February "Islamic Revolution" in Iran. The disintegration of the oil markets which expanded the volume of oil traded on the speculative spot markets, and the Iranian revolution itself, were the direct result of scenarios drawn up by the New York Council on Foreign Relations, and its mother institution the London Royal Institute for International Affairs. The design was chiefly implemented through Royal Dutch Shell, British Petroleum, and British National Oil Company.

The gallery of Iran-led radicals within the oil-producing sector who now threaten unending price hikes, reduced production, and a break with the dollar share a common allegiance to the Muslim Brotherhood, a secretive anti-Western movement created by British intelligence. The purpose of such madness is the creation of a "One World" new economic order in which the multinational companies, the International Monetary Fund and the United Nations would assume supra-governmental domination over sovereign nation states.

Undermining the Saudis

Up until the downfall of the Shah of Iran in February of this year, the Saudis had a powerful alliance with the Persian monarch based onensuring that OPEC maintain a moderate pricing policy so as not to undermine the world economy and the value of the dollar. Jointly the Saudis, the world's largest oil exporter, and the Iranians (OPEC's second largest producer) controlled well over half of OPEC's total oil producing capacity and could easily flood the market to undercut any price hawk. Holding tens of billions in dollar reserves, the Saudi royal family was—and still is—unwilling to adopt an alternative to the dollar for oil pricing, for fear of undercutting their own net worth.

Following the "Islamic Revolution" in Iran, Saudi Arabia became increasingly isolated within the cartel. Iran began to catalyze support, particularly within the

North African oil producing nations, for its radical pricing and monetary policies.

In recent months, Iraq has leaned towards an alliance with the Saudis on moderating prices and the critical question of Persian Gulf security, but even with the record Iraqi production of 3.7 million barrels a day, added to the Saudi output of 9.5 million barrels a day, their efforts to reunite the cartel around a moderate policy have failed.

And now, the Saudis themselves are threatened with an Islamic style coup. Such was previewed last month when Khomeini-backed Muslim insurgents occupied the holy Grand Mosque at Mecca. Washington sources reveal that a faction of "Young Turks" within the Saudi elite are working with the Muslim insurgents. These elements are known to be in favor of the same anti-Western—i.e., feudal—economic policies which currently prevail in Iran.

OPEC as surrogate

At this writing a radical clique of OPEC nations including Iran, Libya, Algeria, and Venezuela are moving to impose on the industrial nations the policies that London and Washington have designed. This will be achieved by making certain demands on the consuming nations as a condition for oil supplies.

Exemplary is the demand made by the National Iranian Oil Company last week. The West German state-owned oil company Veba-Demenex was told that continued oil sales must henceforth be paid in West German deutschemarks rather than dollars. According to the Venezuelan ambassador to Iran, an eight hour meeting between the oil ministers of Iran and Venezuela earlier this month concluded that on a country-by-country basis, OPEC members—in effect, as surrogates for the City of London—could force a diversification out of dollars by asking payment in other currencies. This corresponds to the Bank of England's goal of "currency blocs" replacing the dollar as international reserve currency.

In recent weeks numerous OPEC countries have threatened to break with the dollar, including Libya and the wealthy Persian Gulf emirate of Kuwait.

High prices, energy austerity

Just 4 days before the Dec. 17 OPEC meeting, Saudi Arabia along with three other producing nations enacted a blanket $6-a-barrel price increase in an effort to unify prices and strike a compromise with the hawks. Saudi Arabia, since June, had been selling oil at $18 a barrel, the cheapest on international markets. The Saudis have vowed to maintain a production level of 9.5 million barrels a day—a full million barrels a day over their official ceiling—in order to create a margin of oversupply to moderate spot-market prices. Similarly, the Iraqis who have adopted a much more moderate pricing position and have raised their output to a whopping 3.7 million barrels a day, agreeing to sustain that level.

The big question rests with Iran. If a civil war breaks out causing a production shutdown, or if the Iranians decide to arbitrarily reduce production as oil chief Moinfar is currently threatening, then sufficient shortfall could be created to start a new pricing spiral, led by Britain and the "radical" oil producers. Otherwise Abu Dhabi, Indonesia, and Venezuela have already announced production cuts for Jan. 1, 1980.

Since the OPEC meeting started, Libya has announced a retroactive price hike to $30 a barrel (to Nov. 1) with an option to impose yet another jump before the end of the year. Iran the next day imposed a boost to $28.50 a barrel, followed by Nigeria and Algeria to the same level.

According to the *Financial Times* Dec. 18, there may be a "silver lining" in this new series of increases. The *Times* notes that now such boondoggle energy projects as the Venezuelan heavy-oil Orinoco project and the Canadian Athabasca project can be made "economical," as well as smaller more risky fields in the North Sea. Such multi-billion dollar ventures are being promoted by the United Nations Institute for Training and Research (UNITAR) which held a conference in Montreal last month. UNITAR is a principal tenacle of the CFR-RIIA "multinational government" plan.

Iranian Oil Minister Moinfar in Caracas glibly noted that world oil prices should climb to $55 a barrel to make such utopian alternative energy sources as biomass and solar energy economically feasible.

The Secretary General of OPEC, Rene Ortiz, told the press last week that the 1980s would see unprecedented chaos as a result of the collapse of the 50 year old integrated system of oil transportation and marketing which would mean unpredictable oil price increases. The same day a vice-president from Exxon Corporation, A. J. Wolgast, told the press that the world was increasingly being held hostage to the "black spot market" thanks to the Islamic regime of Khomeini, which has been selling massive volumes there at prices to $50 a barrel. According to the CFR's calculations these soaring energy costs can only be met with an unprecedented reduction of energy consumption in the industrialized nations.

What Wolgast, of course, did not say was that Exxon's six sisters, notably Mobil, Shell, and British Petroleum, have played a pivotal role in forcing up spot prices. The OPEC militants have used these as a pretext for imposing repeated arbitrary price hikes. As the events in Caracas demonstrated this week, the pro-dollar pricing moderates led by Saudi Arabia appear helpless to halt the economic anarchy which has swept OPEC over the year.