

Energy Insider by William Engdahl

Will Carter use Iran to ration?

Iranian oil means virtually nothing to the United States, but since when did the facts influence administration energy planning?

The recent Carter administration operation to heighten tensions in the strategically vital Persian Gulf led me to do some investigation into the possible impact of total and prolonged loss of Iranian crude oil production on the world oil markets.

When the Japanese government obliged the Carter administration a week ago by refusing to buy Iranian crude at record high \$35 per barrel prices, horror stories went out in the editorial pages of the *New York Times* on the prospect of imposing domestic rationing to honor Carter's reputed commitment to make up Japan's loss of Iranian crude.

The spectre of Henry Kissinger's International Energy Agency (IEA) imposing its emergency sharing agreement was raised.

I decided to track down the actual impact of Japan's loss of 500,000 barrels daily of Iranian crude, some 11 percent of Japan's total consumption. At this juncture, the oil producing and consuming world has all but written off Iran as a source of oil. From a high of over 6 million barrels per day during the reign of the Shah, current export is estimated at between 800,000 to 1,500,000 bpd. Total production hovers at a maximum of 2.5 million bpd, down from an average of 3.5 million last fall. Much of this is due to lack of maintenance of pumping equipment and lack of competent man-

power and to sabotage.

The loss of this Iranian oil will mean almost nothing, unless Carter foreign policy under Brzezinski's Arc of Crisis is as successful in Saudi Arabia and Iraq as it has been in Iran in fomenting chaos.

We have just learned from reliable sources that Saudi Arabia has quietly been working at break-neck speed to increase their oil production capacity by a whopping 20 percent over present levels.

Already, according to these reports, the Saudis, OPEC's largest producer, are able to sustain production up to 11 million bpd, up from 10 million some months ago, through improvement of equipment. In addition, a multibillion dollar investment program in new equipment will give them 12 million bpd capacity by the end of next year instead of the original 1985 target. This is a devastating refutation of what certain factions of the royal family have recently called for: reduced output. Recent Saudi production has averaged 9.5 million bpd, making up the entire Iran export deficit of 1,500,000 barrels.

But, what of the other countries? On Iran's border, Iraq lowered its production in recent months to 3.3 million bpd from 3.7 million because of the unprecedented glut on the world oil markets. A recent statement from the Iraqi government indicates they are prepared to increase output by

500,000 bpd "to meet any new demands" in the face of Iran cut-offs. Kuwait recently reduced output by 500,000 barrels per day, although they just agreed to sell Japan an additional 100,000 bpd. Nigeria has also reduced output from 2.4 million to 2.2 million bpd because of the glut, which, by the way, is largely due to the relative economic collapse in the industrial countries. U.S. consumption is down fully 8.5 percent over the same week of last year.

It's quite clear that Saudi Arabia and Iraq would have to be the next target of Islamic "fundamentalism" à la Brzezinski's "Arc of Crisis" if Henry Kissinger's long-dreamed-of IEA energy rationing regime is to be imposed on the U.S., Western Europe and Japan. Otherwise, the Iranian losses have already been "prediscounted" by the rest of the oil-producing world.

In light of all this, the *Wall Street Journal* on April 29 carried an ominous story on how the Japanese loss of Iranian oil is having a "psychological" impact on world oil spot market prices, despite the glut. One of the main reasons now as last year when the tightly controlled Rotterdam spot market led the world price spiral, is Henry Kissinger's International Energy Agency. The spot market price explosion of last year that forced OPEC to up its prices could have been avoided if the IEA agreements among 20 leading industrial nations had not prevented flexible sharing of the increased Saudi production among those hardest hit by the Iranian cutoff. The rigidity forced crude-short buyers to feed at the Rotterdam trough. Are the same forces attempting a rerun amid a record world stockpile?