

EIR Special Report

Oil shut-off phase II: London targets Saudi Arabia

by Robert Dreyfuss

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British Foreign Secretary Lord Carrington is running a multibillion-dollar mafia-style protection racket vis-à-vis the Saudi Arabian royal family. Briefly, the Lord is telling Saudi Arabia that unless it places its oil and financial policy in the hands of the City of London, then the House of Saud may get burned down. Lord Carrington is telling the Saudis that what happened to the late Shah of Iran might easily spread across the narrow Persian Gulf to the shores of Arabia.

Late last month, Lord Carrington paid a very delicate visit to Riyadh, the Saudi capital, ostensibly to repair diplomatic damages suffered after the screening of the anti-Saudi film "Death of a Princess" by British television. The Saudis had expelled British Ambassador James Craig, and almost broke diplomatic relations. But the real purpose of Carrington's visit, it now appears, was to convey the implicit warning stated above.

What the British are seeking from Saudi Arabia is as follows.

The British, and the Carter administration, want the Saudis to shape their oil production and pricing policy in such a way that the export price of OPEC oil soars to approximately \$60 from its present level averaging little more than half that. London wants the Saudis to slash their oil output, presently standing at 9.5 million barrels a day, to something like 5-6 mbd, and to go along with a policy of permanent indexing of the price of oil to OECD inflation. At the same time, the British want the Saudis to place their huge financial power at the disposal of the International Monetary Fund.

In the somewhat longer term, as the following report documents, the British are guiding an Anglo-American military policy whose eventual aim is the military occupation and "recolonialization" of Saudi Arabia and the Arab Gulf states. For now, the threat of terrorism, instability, and Iran-style chaos in the Arab Gulf is being held over the head of the Saudi elite and modernizer Crown Prince Fahd like a Sword of Damocles. Do what we want, Lord Carrington is hinting, and perhaps such catastrophes can be avoided.



Photo: Gamma-Liaison

In fact, the British plot against Saudi Arabia is merely Phase II of an overall strategic plan whose initial phase was the toppling of the shah. As the *Executive Intelligence Review* has documented in detail, the fall of the shah was part of a British plan to cut off the supply of Iran's oil to the industrial countries of the West, particularly West Germany, France, and Japan, and send the price of oil skyrocketing from \$13 to just under \$35, as occurred during 1979. It was aimed at undercutting the political-economic power of an emerging coalition between OPEC's largest producers in the Middle East and the countries of the European Monetary System, founded by Paris and Bonn in 1978. Now, Saudi Arabia itself is the target of the same operation—and for the same reasons.

In fact Anglo-American planners have already begun making concrete plans and investment strategies on the assumption that Iran, Saudi Arabia, Iraq, and the UAE will be only marginal sources of oil supply by the middle of the 1980s, and that the Persian Gulf will be all but eliminated as a world energy fulcrum. Instead, they foresee a "North American Common Market" which de facto includes Great Britain and its North Sea resources, Alaska, Canada, Mexico, and Venezuela, along with a major world emphasis on coal resources located in primarily the United States and the countries of the British Commonwealth. Such a new bloc would achieve a strategic superiority to continental Western Europe.

The target of the British scheme is the rapidly developing relations between Western Europe and OPEC.

The key combination there is the Franco-German axis in Europe and the newly established Saudi-Iraqi partnership in the Middle East. Together, Iraq and Saudi Arabia are currently producing almost half of OPEC's entire oil output, and they have stated their intention to increase their production potential dramatically over the coming few years. The basis of the European-OPEC cooperation as envisaged by Paris, Bonn, Riyadh, and Baghdad is an expanding series of oil-for-technology agreements in the fields of nuclear energy, oil technology, agricultural development, and so forth. Part of the European-OPEC package involves putting the OPEC financial surplus at the disposal of the European Monetary System to create what *Business Week* called a "new financial superpower."

For the Anglo-Americans and the City of London, the European-OPEC combination is therefore beyond toleration.

The British want the Saudis to join them in bringing about a complete reorganization of the international financial system. A sharp rise in the price of oil would immediately bankrupt most of the developing nations and throw them at the mercy of the IMF, which intends to impose drastic austerity regimes to force consumption cuts and export drives by raw materials extraction industries—precisely the policy which, on a smaller scale, has led to famine throughout Africa. It would also mean that such key developing nations as Brazil and South Korea would be forced to virtually abandon their industrial

development plans, leading to the onset of a major economic depression in West Germany and Japan. At a single stroke, the European plan to institutionalize some sort of the Trialogue proposal, whereby OPEC would funnel petrodollar holdings through the EMS into Africa and other developing countries, would be wrecked, and the IMF would emerge on top of the ensuing chaos.

Or so London hopes.

But will the Saudis go along? Observers noted recently that just before the arrival of Lord Carrington in Saudi Arabia, the Iraqis initiated a major anti-British propaganda campaign, accusing London of using its Baghdad embassy to subvert the Iraqi state, and accusing Britain of orchestrating the worldwide propaganda campaign aimed at stopping the Iraqi nuclear development program. The Iraqi campaign was aimed as much at the Saudis as it was at the British, in an attempt to dissuade the kingdom from moving too close to the British. But there are signs that the Saudis may be considering going along with at least some part of the British plan, as evidenced by Riyadh's apparent willingness to put forward a plan for indexing oil prices to inflation, as has been rumored in OPEC circles recently.

In fact, despite the shutdown of Iran's enormous production, OPEC still faces a glut of several million barrels of oil per day, and worldwide stocks of oil are overflowing the storage tanks. Thus, the Saudis must consider their own strategy to deal with that glut—including possible production cuts. The problem that the Saudis and OPEC are facing is: Unless they can come up with some strategy for reviving industrial production in the West, and thereby reviving demand for OPEC oil, they will face an increasingly shrinking oil market and fewer and fewer nations capable of supplying them with the industrial technology they need for the era when oil will have run out.

Reportedly, the British are making offers to sweeten the deal as far as the Saudis are concerned. Carrington may have told the Saudis that London can help bring about a change in the Israeli government which would speed the Palestinian autonomy negotiations. But far more important is the club that Carrington is wielding.

The threat of U.S.-NATO military occupation of the Gulf, mentioned as early as 1974 by then Secretary of State Henry Kissinger and Secretary of Defense James Schlesinger, is now being revived by both the Jimmy Carter and Ronald Reagan forces in the election campaign, and serious plans are underway to establish a permanent U.S. on-the-ground presence in the Gulf.

With such plans already underway, the danger of Iran-inspired terrorism in Saudi Arabia—possibly in the context of the Muslim pilgrimage to Mecca, the *hajj*—and other terrorism by Palestinian radicals or Iranian kooks sponsored by British and Israeli intelligence, is a heavy threat which Carrington and his government can use against Riyadh.

'Resource warfare' and 'recolonization'

by Mark Burdman

Top-level strategists in the North Atlantic Treaty Organization and in various strategic planning institutes in Great Britain and Israel have recently made operational a political-military strategy for the conquest and recolonization of the oil-producing regions of the Arabian Gulf.

The prime target in this strategy is Saudi Arabia.

This strategy derives from the increasing hegemony in these planning circles of the geopolitical doctrine of "warfare for control of scarce resources."

This doctrine is the updated version of the concept of warfare-subordinated-to-control-of-resources developed by the East India Company and other British feudal institutions over the past 300 years. Its increasing acceptance in Washington and other Western capitals reflects the extent to which traditionalist-republican military planners have been removed from the NATO chain-of-command over the past decade.

In adopting the strategy that control over Arabian oil requires recolonizing Saudi Arabia and other states, the NATO-centered planners are playing with fire. No sane military strategist believes that substantial military action in Saudi Arabia is possible without provoking either a total shut-off of oil by "anti-Western" terrorists and saboteurs throughout the Gulf or a confrontation with the Soviet Union.

The Gulf area, after all, is not distant from the southern borders of the Soviet Union, and under conditions in which the United States has adopted the PD-59 "limited nuclear warfare" doctrine, the U.S.S.R. will undoubtedly perceive military conquest in the Gulf as part of an effort to establish "forward-defense" nuclear weapons across their southern rim.

The NATO strategists think they can pursue this "nuclear encirclement" policy without penalty *now* because they claim that they have the Soviets "off-balance" and "on the defensive" because of developments in Poland.

This is a drastic miscalculation. Soviet restraint vis-à-vis Poland has everything to do with the nearness of the West German federal elections, since the Soviets are eager to pursue détente policies with the government of