

Armand Hammer's East-West coal flurry

by Renée Sigerson

On the eve of retirement from a 60-year career devoted to manipulating U.S.-U.S.S.R. relations, Occidental Petroleum chairman Dr. Armand Hammer hopes to wrap up a large business deal with proponents of zero-growth in the Soviet Union. The deal would involve Occidental, Bechtel Corporation, and Italian energy groups in constructing a low-technology, coal-slurry pipeline from the Soviet town of Kansk in Siberia to the European part of the Soviet Union.

Hammer unveiled the proposal last October, at a press conference in Moscow.

It is now evident that the project is a piece in Hammer's broader objective, to restore coal to the position of a leading fuel source in the 1990s, as a high-cost, low-technology substitute for nuclear energy programs in both East and West.

Hammer has also been playing a leading role in bringing investors into projects in Appalachian coal reserves. The Appalachian coal region is in a serious economic depression. Barring a full-scale U.S. economic recovery, the only pathway for restoring Appalachian coal profitability is through U.S. coal exports which undermine coal sales of other international producers. This situation has direct bearing on East-West relations, since one of the countries hardest-hit by competition in international coal is Poland.

In November, Polish leader Jaruzelski stated publicly that he was highly suspicious that one of the primary reasons the United States was refusing to lift economic sanctions against Poland was so that Appalachian coal could steal Poland's coal-export markets. Presently, coal exports are the only predictable means available to Poland for earning foreign exchange. It is true that Appalachian producers have been grabbing up markets throughout Europe and Asia which Poland could easily supply.

Poland is poised on the edge of starvation; every 100 tons of coal sold abroad mean the difference between food supplies purchased, or not.

The international market has been of no real benefit to Appalachia, however. The overriding cause of depression in that region is 30 percent collapse in metallurgical coal sales in the United States, due to the shutdown of the U.S. steel

industry. If the boosting of coal exports, in which Armand Hammer's home-base of Kentucky has played a leading role, has been to anyone's direct benefit, it has been those international investors now bedding down in the Appalachian region. They are expecting coal to reach a new boom-stage 8 to 10 years down the line, for which the current export drive is only the first phase.

Energy competition in the U.S.S.R.

According to several "Soviet watchers" in the United States, Hammer's October coal-slurry pipeline announcement is intended to cement an alliance between his industrial allies in the West and the proponents of low-technology energies within the Soviet bloc.

According to these specialists, there are "three camps" within the research institutes of the U.S.S.R. as regards coal technologies. These are:

1) The advanced-technology camp, which has developed long-distance, high-voltage electricity transmission systems; their program for coal centers around building electricity generating systems on site, where the coal is located, and then carrying the electricity by large diameter, high voltage wires across vast distances. The Soviets have made major breakthroughs in such long-distance electricity transmission, and are considered world leaders in the field. While there is a marginally costly loss of electricity in the long distance transmission, as stressed by opponents, an ancillary benefit of the approach is that it allows for valuable research into intense electromagnetic-field generation.

2) The second camp supports synthetic-fuels production. Observers claim that while former Soviet President Brezhnev was a supporter of long-distance transmission, at the last Party Congress he gave a "nod of support" to synthetic-fuels proponents.

3) The "distant third" in the competition are the researchers and technocrats backing coal-slurry pipelines. "The advocates of the third technology," a Rand Corporation Soviet specialist stated, "are catching up through Hammer."

Another Sovietologist claims that Hammer's timing in launching the proposal fits neatly into the brewing economic crisis the Soviets face. "This is the first time in post-war history that the Soviets are working under a sustained squeeze in three areas: capital, labor, and investments." The economy, he added, is also under intense strain from the Soviets' commitment to completion of the natural-gas pipeline system to Western Europe.

The key current project in Soviet energy development, the natural gas pipeline, he claims, is consuming every ounce of investment available to the economy after military and agricultural investments are deducted. "The entire steel complex is stagnating because of the gas pipelines." He added that, once the pipeline is finished, it will generate an entire array of new problems in storage and distribution.

Hammer's timing in intervening in the Soviet energy debate at this conjuncture was extremely precise.