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Behind the surge in gasoline prices

by Chris White

Rapid jumps in the pump price of refined petroleum products have left consumers reeling in some parts of the United States. Since the tanker *Exxon Valdez* was run aground up in Alaska, prices for regular grades of unleaded gasoline have jumped by between 10% and 14%. Gas station operators, in different parts of the country, report calls from their distributors, sometimes running at a rate of every other day, with news of further price hikes.

On April 7, a spokesman for the Independent Petroleum Retailers' Association of Pennsylvania took to the airwaves to denounce the gas price increases as another "rip-off" by the multinational corporations. He said the oil companies were using the Alaska spill as a pretext to jam through a new round of price increases. On April 14, a spokesman for the Chevron oil company told an Ohio caller, asking why the oil companies were wrecking the country like this, "The State Department approves of what we're doing."

What, it might be asked, does the State Department have to do with approving oil company policy in the matter of price increases? The answer had been provided earlier in the week in an interview given to the Italian daily paper *Corriere della Sera,* April 12, by Leonid Abalkin and Vassily Selunin, two of the top advisers on economic policy to the Russian Empire boss Mikhail Gorbachov.

What Abalkin in particular had to say was astounding in its shamelessness, to say the least. "Unless we have a new oil crisis that is going to send prices sky rocketing, it is illusory to finance food imports through the export of energy." Abalkin stressed that 52% of all Soviet exports to the West are energy-related, and that every dollar change upward in the price of oil, would mean for the Soviets $1 billion per year more of revenues. Abalkin tells *Corriere* that Soviet options are, overall, quite limited: "We cannot receive new Western credits, because we will not be able to pay them back. We don't want to end up like Poland." He insists that there is no alternative to the demanded oil price increases other than cutting back on expenditures. Except, the case in which Western "entrepreneurs" invest in joint ventures in the Soviet Union in order to increase Soviet hard currency earnings from exports.

State Department 'approves'?

It just so happens that the same company, Chevron, which reported the State Department's approval of its actions, is one of the constituent elements of the American Trade Consortium which has just concluded a joint venture with the Russians. For the first time, the Soviets are going to permit Chevron to export oil from the Soviet Union, independently of the state apparatus, and earnings from such sales will be used to underwrite the earnings of the other participants in the consortium. Other members of the consortium include the same RJR-Nabisco corporation which is the subject of the ongoing leveraged buy-out, which at $25 or so billion is the largest takeover in U.S. history, and Archer Daniels Midland of the grain cartel's Dwayne Andreas, which also happens to be one of the principal exporters to the Soviet Union of the food products for which Abalkin alleges the Soviets must pay with their earnings from oil.

Chevron pioneered the kind of arrangement now being implemented in the Soviet Union in its transactions with the government of Angola during the 1970s and 1980s. Gulf Oil, later bought out by Chevron, extracted oil from the Angolan Cabinda Enclave, and remittances from the sale of the oil, in the West, were used to underwrite the Marxist MPLA government, even while others in the United States were providing financial backing, and weaponry, to the UNITA opposi-

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tion military forces of Jonas Savimbi.

But Chevron also happens to be one of the companies which, inside the United States, has most forcefully promoted the oil price increases now registering at the pump. Chevron facilities are included among those where suspicious accidents or breakdowns have, since the Exxon tanker grounding in Alaska's Prince William Sound, been responsible for keeping the price of oil up near the $20 per barrel level.

For example, in the second week of April, a mysterious fire at the Chevron refinery in Richmond, California, was responsible for reducing the installation's output from 90,000 barrels per day to 20,000. On the same day rumors circulated that one of Amoco's refineries in the same state had also been put out of action by fire. Those rumors were later discounted as false.

However, for the first time since the oil crisis months of 1973-74, gas rationing has been imposed on the West Coast. Gas station operators have been restricted in what they can acquire from distributor companies, for the month of April, to 90% of their purchases for the same month last year. This is said to be "because of the effects of the oil spill in Alaska." It is nothing of the sort. The interruption of supplies from the Valdez, Alaska outlet of the Alyeska pipeline was never enough to warrant imposing emergency measures to deal with shortages.

Rather, while the panic about the Alaska spill was at its height, but after output from the pipeline, which accounts for 25% of U.S. daily production, had been restored from the reduced level of one quarter of its usual rate of flow, the British Petroleum Company, one of the big producers on the Alaska North Slope, and Exxon, took the opportunity to declare, at the end of March, *force majeure* on their contracts for April delivery. Declaration of *force majeure* means that the declarer does not have sufficient supplies of a contracted commodity on hand to meet booked orders. The companies' *force majeure* was the trigger for rationing in California, and other parts of the West Coast, not the suspension of supplies. The Chevron refinery fire conveniently helped to ensure that shortages, and therefore emergency rationing procedures, could continue.

Perhaps this is what the company spokesman meant when he reported that the "State Department approves" the company's actions.

It is also significant that news of rationing in California, perhaps the biggest story on the oil front inside the United States in recent years, apart from government's obsessive refusal to adopt a trigger price tariff at parity production costs, has not been trumpeted across the pages of the nationally significant press, like the *Wall Street Journal, New York Times,* or *Washington Post.* Wire service perfunctory coverage, in a couple of short paragraphs, has been reported from such papers as the *Winchester Star-Gazette* in northwestern Virginia. Equally, while the *Financial Times* of London promoted the BP-Exxon *force majeure* story to front-page lead, no U.S. daily, in the country affected, saw fit to accord the story similar prominence.

Meanwhile, since the Alaska spill, similar "disasters" are being reported from around the world, such as to represent not simply an American, but an international pattern of activity to constrict availability of the fuel. For example, on April 8, Reuters reported that all of Nigeria's refining capacity was shut down, and would remain shut down for the time being. As in Alaska, and in the *force majeure,* BP again shows up in the Nigerian case. The shutdowns are said to be the combined effect of regular closures for maintenance, coinciding with unexplained accidents. The effect: Nigeria, an oil producer, must now import refined petroleum products for its own use. Thus, further upward pressure on the price. And, in the North Sea oilfields, since the disaster last year on the Piper Alpha platform, there has been a continuing round of disruption of pumping efforts, either through accidents, or through fire, or through, as in Nigeria, shutdowns for maintenance.

At the end of last year the OPEC nations agreed to restrict their production in an effort to bring the price of oil back to a range of between $18 and $20 per barrel. OPEC's commitment in this respect was supported by various non-OPEC oil producers, including the participation of Kent Hance from the Texas Railroad Commission, Britain, Norway, the Soviet Union, and Mexico, among others. OPEC has more recently reaffirmed that it does not want the price to go above $20 per barrel.

Mishaps not enough for Mother Russia

However, it is clear from Abalkin's interview with *Corriere della Sera* that a level of $20 per barrel is not sufficient for Mother Russia.

The recent "mishaps," around the world, have contributed to keeping the international price at about the $20 per barrel level. They have not helped push the price beyond that. This points to the scale of "event" which would be required to meet Abalkin's outline of what the Russians are demanding, and what they can be considered as insisting on getting, through their joint venture channels with Chevron, RJR-Nabisco and Archer Daniels Midland. Only the equivalent of an outbreak of war-fighting hostilities in the Middle East, comparable to 1973, or something like the Khomeini revolution in Iran, which in 1979 was responsible for a bigger oil price hike than that achieved in 1973-4, would meet the requirement.

It could also be the case that this is why U.S. media outlets are keeping such a low-key tone, if not absolute silence, over what is now transpiring on the West Coast. The emergency rationing regime now in effect in California may well turn out to be the precursor, and pilot project, for what is being prepared nationally, an emergency measures-based police state, achieved under the cover of the exigencies of another manufactured oil crisis, for the greater benefit of Gorbachov's Russian Empire.