

*U.S. State Dept. press briefing by Hodding Carter III, Feb. 8:*

Our goal is not to directly or indirectly fuel the conflict... (in response to a question about U.S. arms sales to Sadat for use in Somalia) If anyone is interested in getting arms from the U.S. for purposes of getting involved in a war, then they won't get U.S. arms...

It is not Administration policy to link Soviet involvement in the Horn to other U.S.-Soviet bilateral agreements... (There are reports of) 1,000 Soviets and 3,000 Cubans in Ethiopia... (However) the Soviets are not involved in the fighting... (Cuban pilots) may have been involved, but we have not been able to confirm this.

*Cyrus Vance, Feb. 10:*

Events on the Horn cannot help but affect the political atmosphere (between the U.S. and Soviet Union), parti-

cularly with respect to the Indian Ocean, but there is no linkage... (Cuban involvement) will affect the atmosphere in our relations, but our intersection with Cuba is very important and will be kept open.

\* \* \*

At the State Dept. press briefing on Feb. 9, spokesman Reston described the Ethiopian activity as a "counter-attack."

In sharp contrast to the caution demonstrated by the State Dept., President Carter's National Security Advisor, Zbigniew Brzezinski, in an interview in *U.S. News and World Report*, Feb. 13, referred to the possibility of the U.S. being confronted with a Soviet challenge in the Horn: "Just as a Soviet-Cuban intervention is now developing, it can also be reversed — and it should be."

## Saudi-American Alliance Under Attack From London And Israel Lobby

A contingent within the Carter Administration is out to undermine the U.S.-Saudi relationship, thus disrupting traditional American interests in the oil-rich Mideast. Working with London-based merchant banks such as Lazard Freres and with the Zionist Lobby, Defense Secretary Harold Brown, Energy Chief James Schlesinger, and Senator Frank Church (D-Id.), this grouping has recently set off a propaganda campaign with an eye to discredit Saudi Arabia as a major oil producer.

The effort is directed not only at the Arabian American Oil Company (Aramco), but at its partners, Exxon, Socal, Mobil and Texaco, which service the Saudis' 8-9 million barrel a day (mbd) oil production. Moreover, Aramco, which the Saudi government owns 60 percent of, is a major institutional link between traditional progrowth U.S. industrial forces and the Arab world.

On Feb. 9, the *New York Times* printed the second article in two months on the Saudis and Aramco by that famous Glomar Explorer Seymour Hersh. Hersh challenged the efficiency of Aramco's management, alleging that a breakdown in Saudi Arabia's giant oil business is likely due to sloppy Aramco management. Hersh's allegations are based on the combined "findings" of notorious liar James Schlesinger, who just returned from Saudi Arabia, and Sen. Frank Church's Senate Foreign Relations Committee, Subcommittee on Foreign Economic Affairs, and the General Accounting Office. Hersh also tried to use his claims to build a case for lower estimates of future Saudi production and reserves.

Both Church and GAO coordinator of the study, Phillip Woodside, are presently "investigating" Aramco and Saudi Arabia. The GAO's division of energy and minerals' preliminary findings assert that Saudi Arabia will never be able to increase its production beyond 14 mbd. Hence, Woodside concludes that "major worldwide economic and political instability can be expected sometime between 1983-84." Senator Church — who last called for breaking up the Organization of Petroleum Exporting

Countries oil cartel — has pushed similar alarmist statements on future oil supplies based on incorrect predictions of Saudi output.

### *Schlesinger Wants It All*

According to a well-informed Wall Street oil analyst, the motivation for destroying Aramco is the formation of a corporatist U.S. oil purchasing agency which would control the flow of fuel to the U.S. Schlesinger and his British allies hope to transform the Saudi-U.S. special economic relations which in part has brought 1 million barrels a day of Saudi crude to this country, into the first phase of such a plan. While in Saudi Arabia, Schlesinger proposed that the Saudis provide the U.S. Energy Department's strategic stockpile with 2 to 3 million barrels of crude a day. The stockpile represents the first major step towards transforming the Department of Energy into a major purchasing agency. Ultimately, Schlesinger hopes to eliminate Aramco and take direct control of acquiring Persian Gulf oil. The mastermind of the U.S. purchasing agency idea is Massachusetts Institute of Technology (MIT) economist Morris Adelman.

The Saudis, according to numerous press reports, did not receive Schlesinger's plan with enthusiasm, contrary to rumors emanating from London last week. The Saudi government is, in fact, very close to Aramco since it depends on the corporation not only for its oil production, but a major portion of its industrialization.

Just last month, Aramco submitted a \$22 billion three-year plan to the Petroleum Ministry in Riyadh for an increase in Saudi production capacity from the present 11.8 mbd to 16 mbd by the early 1980s. Numerous analysts indicate that by then, the Saudis could easily be producing nearly 20 mbd depending on global needs.

### *Saudi-U.S. Relations Pressured*

The Saudis have come under considerable pressure to break the Riyadh-Washington axis. Schlesinger's cohorts in the cabinet, Treasury Secretary Blumenthal and Defense Secretary Harold Brown, are jointly implicated.

Primarily through Blumenthal's conscious efforts to let the value of the U.S. dollar slide, the Saudis and other OPEC members have been offered the "alternative" of breaking with the dollar in favor of pricing oil against a basket of currencies, a plan which came from London in 1971 after the dollar crisis erupted.

Secondly, both Brown and Schlesinger are on record as advocating a possible U.S. military move into the Persian Gulf to "protect" oilfields in the event oil flows to the consuming nations are disrupted.

This scenario spinning began late last year with the release of Presidential Review Memo-10 by the National Security Council. The Saudis and other Gulf Oil producers are expected to take anti-U.S. action by the London conspirators — like a Saudi nationalization of Aramco.

In the last month Oil Minister Sheikh Ahmed Zaki Yamani has twice publicly defended his country's relations with the U.S. He told visiting Rep. Clement Zablocki (D-Wisc.): "Although our views differ sometimes, the traditional friendship between Saudi Arabia and the U.S. does, and always will, remain steadfast."

An Aramco official expressed concern over the current press assault against both Aramco and the Saudis. He noted that fabrications like those manufactured by Hersh were aimed to "drive a wedge between the Arabs and the Americans" and weaken the Arab position in the current efforts to reach a settlement of the Middle East conflict.

From the standpoint of Britain and its allies in the Zionist movement, a "settlement" would include putting the Arab world and its oil reserves under surrogate military domination of Israel and Iran along the lines of the strategic thinking of the former-Secretary of State Henry Kissinger. This is a critical element in London's bid to recover its global colonial empire at the expense of the United States economy, and the developing Arab world.

—Judy Weyer

## Influencing Oil Production

*An aide to Senator Frank Church's Foreign Economic Policy Subcommittee of the Senate Foreign Relations Committee reveals the motivation for the investigation of Saudi Arabian oil production:*

*Q: What do you hope to discover in your investigations of Saudi oil production problems?*

A: Oil production is the key to Saudi Arabia and if it is true that the Saudi ability to increase production is limited, then in terms of their political power there would be a new structure in the Middle East area. The Saudi influence depends on oil supply and their ability to increase or decrease it. If they can't deliver oil then the world looks different.

For example, the Saudis claim to be moderates on pricing. Well, that depends on their ability to threaten to increase production to keep prices down. The price of oil could increase if they don't have this threat. Thus, the point of our study is to see if the Saudis have this ability for the future. If the Saudis can't increase production

then we predict a major oil shortage in the early 1980s. You see, if the Saudi oil production is limited, Saudi power is limited.

*Q: Couldn't the fact that you are investigating this, and then the publication of just a "report," significantly hurt Saudi influence?*

A: Well, the report is a sensitive issue. The report itself could have an impact. It could affect relations with Europe and the Arab states. We will also look into the relationship of the oil companies and the Saudis.

*Q: Did you hear of Senator Javits (R-N.Y.) speech on the international economic questions? He called for OPEC funds to go for the Third World, and for the commercial banks to be integrated with international lending institutions.*

A: Yes, and Javits is the ranking minority member of the same subcommittee that Church heads. We will have hearings on orderly marketing and the state of world trade. We will also have hearings on the decline of the dollar and North-South relations. We will look into the questions that Javits raised in his speech.

## Hersh Doesn't Know What He Is Talking About

*An Aramco official responded to Seymour Hersh's Feb. 9 article on Aramco in the New York Times:*

After the first Hersh article on Aramco our chairman of the board Mr. Kelberer, sent a letter to the New York Times editorial staff rebutting the conclusions drawn by Hersh. Among other things he stated that Aramco had found more new reserves last year than was the total output of oil. And you will take note that last year saw record levels of production. Well, the New York Times chose not to print Mr. Kelberer's letter. Now, we see that somehow, Mr. Hersh got access to the letter and excerpted it for his purposes. Unfortunately, Hersh does not know the first thing about oil.

## "The Story Came From London!"

*A New York oil analyst commented on the recent Hersh story.*

...Hersh's story came from a small newspaper in London. This whole crew in the federal bureaucracy that is throwing out all this talk about Aramco mismanagement and declining Saudi oil reserves doesn't know the first thing about oil. The General Accounting Office is just a bunch of lawyers and accountants. No one in the government has the expertise to deal with oil adequately. It's all political. They are going after Aramco because they want to set up the purchasing agency that will replace Aramco in buying Saudi crude. This plan goes back to Adelman at MIT.

It won't be easy to accomplish this task since the Saudis are so dependent on Aramco and respect the company so much. Aramco will give the Saudis anything they want. It is Aramco that is helping the Saudis industrialize. The company has a lot more than just petroleum going in Saudi Arabia.