ENERGY

Carter joins OPEC/ oil company cartel

U.S. policy and the structure of the world oil market guarantee higher prices, regardless of supply and demand.

By Alexander Cockburn and James Ridgeway

N THE DAYS AFTER THE ONSLAUGHT of the "Mandists" on the Great Mosque in Mecca, an American businessman recently returned from Jeddah reports, every airfield in the Kingdom of Saudi Arabia was white with the robes of Saudi princes, poised by their jets and ready to flee if it turned out that the invasion of the Mosque presaged a wider uprising.

It is now clear that just such a serious upsurge was only narrowly aborted. The princes stayed, but only last week London bankers discussing the dramatic fall in Saudi reserves concluded that panic money was leaving the country, while consoling themselves with the thought that, as one put it, "it does not matter which prince stoals what in the end, so long as the fucking money stays in the banking system."

Judgement day is, for new, postponed against the House of Saud. Sheikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, recently quit a meeting of the Arab Petroleum Exporting Countries in Kuweit. It was thought at that time that he stamped out in protest against Iran's actions amid the hostage crisis. It turns out that Yamani had a less principled metive for his exit. He was hastening back to Riyadh to defend himself against charges recently aired in Italy that Yamani and other Saudi associates were taking a 7 percent kickback on every barrel of oil sold to ENI, the Italian state company.

Observers of the Italian imbroglio speculate that there is no reason to assume that such kickbacks are limited to BNI, and that indeed the kickback system may contribute to Saudi Arabia's tendency toward self-restraint within the **OPEC** pricing structure. The probability that the Italian scandal forms only the tip of an iceberg also helps explain the profound Saudi reticence concerning any real investigation of the relationships between OPEC and the major international oil companies. A month age a Pentagon official concluded that in a couple of years the Saudi Royal Family would be joining the Shah in exile. No doubt the account books of the house of Saud will be read with much interest than by the mullahs, which is why the princes are eager to postpone that day of accounting as long as possible. On Nov. 7, z memo on White House stationary dropped upon the desk of Alfred E. Kahn, the so-called anti-inflation czar, more formally known as the chairman of the Council on Wage and Price Stability. The memorandum had been prepared by Neronce L. O'Rourke. In simple language, O'Rourke out-Enes the causes of inflation in the oil industry, elaborates a policy for reducing it, and, most significantly, lays bare the structure of the industry itself.

ternational markets and imported into the United States." O'Rourke writes, "is controlled by a handful of major international companies. Other companies buy all or most of their foreign oil from them. In recent months, as the world oil supply became tight, these major companies reduced their third-party sales to other companies in order to meet their own needs and/or divert supplies to take advantage of high spot market prices. At the same time, they greatly expanded their mark-ups on remaining third-party sales. The customers who were cut back were driven into very thin spot markets for oil where they bid up prices to extraordinary levels. They imported this oil at vastly inflated prices into the United States where it has had the double impact of driving up prices for both domestic crude oil and refined products.

"In past months," O'Rourke continued, "those few major companies who control the bulk of foreign oil moving in world commerce were able to reap immense profits, because: (1) They were assured of adequate supplies as a result of the control they exercised; (2) They purchased their crude oil supplies at the lowest prices and often resold a portion of it at vastly inflated mark-ups in the limbo of international markets; and (3) They sold their refined products at market prices which reflected the costs of refiners who were buying crude oil at the highest prices.'

After this exemplary description, O'Rourke discussed the consequences: "Due to the inelasticity of demand for petroleum, the cost of oil to the second tier companies (those with scarce or nonexistent foreign supplies) generally establishes the price for refined products, creating a wide margin for immense profits for the major companies. The oilproducing countries point to the high prices and profits of these oil companies as justification for further increases in their oil prices, creating a vicious spiral of ever-inflating oil prices."

This straightforward assessment will come as no surprise to students of the oil industry, who have been reading the same sort of thing since Ida Tarbell's History of the Standard Oil Company more than 50 years ago. But for those unfortunates who must acquire their information from the energy correspondents of the New York Times or the advertisements of Mobil Oil, the simple facts can never be stated too often.

O'Rourke's memorandum, extinguished beneath the placid buttocks of Alfred Kahn, merely helps to make U.S. policy clear. This policy has been designed, under the aegis of President Carter, to reinforce the system so soberly described by O'Rourke. Carter, after all, deregulated oil prices, giving the oil companies even greater control. He then introduced the derisory windfall profits tax as a fig leaf to conceal overall surrender. The direction and effect of this policy are clear: oil company profits, straightforwardly described by O'Rourke as "immense," are permitted as a mode of capital accumulation which the companies will be encouraged to devote to the development of new energy sources. There are two main points about energy policy in the U.S. First, the major companies have not yet achieved consensus on just what they want to do. Second, whatever the policy, it is clearly the province of these companies, not of the U.S. government. This surrender of responsibility has been the major achievement of the Carter administration, in an era when every other government in the world is moving in precisely the opposite direction.



ply and to direct full attention, blame. and fury at OPEC, assembled now in Caracas to perpetrate further outrages upon the consuming world.

For its part, OPEC has been attributing blame to the companies. But the truth is that both OPEC and the companies enjoy the status quo and need each other. (Even though country-tocountry oil deals are on the increase, this slice of world oil commerce accounts for only 10 percent of overall production.) OPEC has assumed over the last decade a greater role in production, while the companies have reorganized themselves to take profits downstream in shipping, refining, and marketing.

Throughout the history of the oil industry there has always been one central problem: glut. Today, the talk in uninformed circles is-as always-of shortage. Such is not the case and those who believe this talk of glut to be the unwholesome obsession of these two authors should direct their attention to articles in the last five days in the Journal of Commerce, the Wall Street Journal, and indeed Business Week.

Glut-more oil than people needshould, in the cheery worlds of Adam Smith and Milton Friedman (who forecast a collapse of OPEC and sub-\$10 oil in 1974) spell lower prices. Such, in today's world of \$30-a-barrel prices, is manifestly not the case. A "classical" drop would of course be ruinous to Carter's energy policy which, as we have suggested, depends on inflated prices for capital accumulation as the springboard of the new energy industry.

OPEC, amid ongoing emphasis on the insistence of the administration that the hostages in Teheran be released. There is an irony here. The government which is allegedly acting with such responsible determination to rescue those hostages has, by its own actions over the last three years, made itself, and indeed every American consumer, hostages of the OPEC/oil company cartel. The hostages who will be suffering over the coming winter are not the embassy personnel in Teheran but the poor people in this country who never even had the option of volunteering for service in an embassy overseas.

This article previously appeared in the Village Voice.

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It has become fashionable lately in the West to discount the role of the major oil companies, to relegate them to the humble role of mere utilities overseeing sup-

Hence the first unifying principle of OPEC and the Seven Sisters: No glut. This, put in its most cynical light of the Iranian revolution, with consequent reduction of oil sales to the West, can be viewed as exceedingly helpful. So, too, can the caution with which Middle Eastern regimes now view untrammeled industrialization, which enables them to need less revenue, leave more oil in the ground, and reduce the possibility of surplus.

These arrangements have had a most unpleasant effect on one segment of the earth's consumers: the poor Third World countries. The rising cost of oil since 1974 has meant that these countries have plunged deeper and deeper into debt to the Western banks, largely through the Euromarkets.

For the non-oil producing Third World countries the prospect is grim. Default is one possibility—with the chance of a world banking catastrophe. More likely is the reorganizing and extension of debt on onerous terms, the effect of which would be to reduce them to an ever-more-abject neocolonial posture.

This week the White House press room will no doubt echo with lamentations and tirades against the oil gougers of Pseudoscience and Mental Ability: The Origins and Fallacies of the I.Q. Controversy by Jeffrey M. Blum . . helps clear up some of the mysteries in our scientific and professional lives."-THE REVIEW OF EDUCATION \$5.95 Paper PB4965 231 pp.

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8 IN THESE TIMES JANUARY 9-15, 1980

By Diana Johnstone

PARIS

RINCE NORODOM SIHANOUK has moved from Pyongyang to Paris to organize his diplomatic offensive aimed at getting Vietnam to give him back Cambodia. Arriving in Paris from Peking on Nov. 25, the phoenix-like prince, who has had better luck than most of his compatriots in surviving the successive disasters visited on his unhappy country, stressed his long-standing friendship with France and his condemnation of his erstwhile allies the Khmer Rouge, still supported by China. France was obviously ready to give its diplomatic support to Sihanouk insofar as he succeeds in the next few months in gaining leadership of the fragmented Cambodian exile community and, above all, in convincing other governments that he represents a credible alternative to the Phnom Penh regime of Heng Samrin, brought to power by the Vietnamese invasion of Cambodia last January.

Vietnam condemned the operation in strong terms. On the eve of Sihanouk's arrival in France, the Vietnamese Communist Party organ Nhan Dan published a lengthy article by national assembly president and official party historian Truong Chinh firmly rejecting any search for a "political solution" to the Cambodian problem that might jeopardize the Heng Samrin regime. Reviewing recent Indochinese history to show that Vietnam had been drawn into Cambodia in self-defense against Khmer Rouge attacks encouraged by China in line with China's traditional strategy of trying to encircle and weaken Vietnam, Truong Chinh called this year's political changes in Cambodia "irreversible."

Observers in Paris differed in their assessment of Sihanouk's chances. Some, like journalist Jean Lacouture, see a slim chance that Vietnam, faced with a hostile world and staggering economic problems of its own, may find hanging onto Cambodia too great a drain and be willing to accept some sort of a compromise with Sihanouk once it is clear that he is now independent of China. But others fear that the anti-Vietnamese campaign building up around the Sihanouk initiative will not only prolong the fighting in western Cambodia and drive the Vietnamese further into a stubborn and dangerous isolation-dangerous to themselves and to what remains of the Khmer nation.

While condemning Vietnamese military occupation of Cambodia, Sihanouk is quicker than others to recall that it was the Khmer Rouge who started the war with Vietnam. He has stressed that he is not anti-Vietnamese, and recognizes that no Cambodian resistance can hope to defeat the powerful Vietnamese military machine. But he called for the creation of a nationalist army to harass the Vietnamese.

sionary Francois Ponchaud, who said that the "same sources" on which he based his earlier charges of Khmer Rouge genocide had informed him that "a more subtle and systematic genocide" is being carried out by the Vietnamese. This was too much for Jean Lacouture, who in the past has accepted Ponchaud's sources. Lacouture considers that the Khmer Rouge mass killing stemmed from a kind of madness caused by extreme isolation, comparable to the Jim Jones sect in Guyana. But the Vietnamese, he maintained, are nothing if not rational and would have no reason to wipe out the population—even a colony needs native labor.

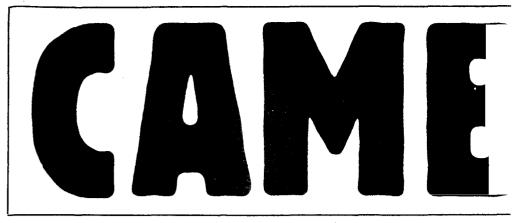
bodia. The charge was echoed by mis-

Anti-Vietnamese sentiment.

What with rightists who will not forgive the Vietnamese for having defeated the West, and disillusioned leftists ready to believe the worst of their former idols, it is almost fashionable these days to accuse the Vietnamese of every imaginable crime. Vietnamese reluctance to let more than a few selected friends see the mess they are in lends credibility to the worst accusations against them.

In fact, except for such an obviously politically motivated visitor as Madelin, the Westerners-mostly doctors and relief workers-who have been in Vietnamese-occupied Cambodia concur in describing a hungry and traumatized population that greeted the Vietnamese as liberators. This sentiment may not last forever, but neither, apparently, has it lasted in Uganda, whose Tanzanian liberators have reportedly behaved somewhat badly without raising the indignation of the governments that hastily dropped Idi Amin but continue to support the Pol Pot government in the United Nations. The Vietnamese, like the Tanzanians, were provoked by their neighboring despot into overthrowing him, and are certainly justified in complaining at the double standard by which the world condemns them but hails Tanzania and even France for overthrowing Bokassa. The world's readiness to con-

Clockwise from the top: The new currency printed in China was never used in Cambodia; racks of skulls found outside a Cambodian prison camp; the women in this family were digging their own mass grave when their captors fled at the approach of Heng Samrin troops.



demn them only makes the Vietnamese less willing to allow the outside world to see Cambodian calamities for which they will probably be blamed, which in turn makes the outside world more suspicious of the Vietnamese, and incidentally obstructs any efforts to help the Cambodian people recover. It is hard to see an end to this vicious circle.

The historical view.

Some members of what might be called France's community of "concerned Asian scholars," who have closely followed Indochinese events for many years, stress the need to grasp the real historic reasons for the Vietnamese presence in Cambodia in order to avoid either of the opposing ideological explanations: (1) that they are there as angelic benefactors, or (2) that they went in as wicked imperialists.

According to these scholars, the invasion is not due to some irradicable racial hostility between Vietnamese and Khmers, still less to Sino-Soviet rivalry, but primarily to the inner weakness of the Khmer Rouge regime itself which led it to become a base of Chinese-backed harassment of Vietnam.

The Cambodian Communist Party was always small and weak, numbering only a few hundred when Sihanouk was overthrown by Lon Nol in 1970 and growing to perhaps a couple of thousand by 1972. At that time the Party secretary Saloth Sar, who later took the name Pol Pot, was political commissar of the guerrilla army, which became the real instrument of Party rule. This Party could never have come to power in Cambodia by itself under normal circumstances. It was brought to power by the overthrow of Sihanouk, who allied with the Communists he had previously persecuted and driven into guerrilla resistance, even becoming their figurehead leader from his exile in Peking, by the American bombing that disrupted the countryside and radicalized the peasantry, and by





In practice, Sihanouk's strategy seemed to depend on two weapons outside his control. The military weapon to harass the Vietnamese army is composed mainly, whether Sihanouk likes it or not, of the estimated 30,000 to 40,000 Khmer Rouge soldiers armed by China via Thailand—which provides them with temporary sanctuary—plus a rag-tag collection of private militias.

The other weapon is a propaganda offensive against Vietnam much more violent than Sihanouk's own statements so far. Three participants in a 90-minute French television panel discussion featuring Sihanouk two days after his arrival in France accused Vietnam of "genocide" in Cambodia, and brushed aside testimony to the contrary by the only two panel members who have spent much time in Cambodia recently-journalist Wilfred Burchett and French doctor Jean-Yves Follezou-by accusing them of being "Communists." The "genocide" charge was launched by right-wing French parliamentarian Alain Madelin who recently made a lightning visit to Phnom Penh and concluded rather hastily, but with evident ideological satisfaction, that the Vietnamese were helping themselves to food aid sent to Cam-