# MYTHS LIES AND OIL WARS

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edition.engdahl Wiesbaden


Library of Congress cataloging in Publication Data applied for
Edited by Margot L. White

Cover design:
Kay Coenen, Infographicmedia.Nl + 06 421 46 0 46 +
+ http://www.infographicmedia.com +

Published by edition.engdahl Wiesbaden, Germany
www.williamengdahl.com

ISBN 978-3-9813263-6-9 Printed in USA

To George L. Mehren— invaluable friend, honest critic and intellectual architect of the concept behind this book and to Vladimir Kutcherov, friend and teacher whose passion for scientific truth guided me in this writing.

## CONTENTS

We have about 50% of the world's wealth but only 6.3% of its population. This disparity is particularly great as between ourselves and the peoples of Asia. In this situation, we cannot fail to be the object of envy and resentment. Our real task in the coming period is to devise a pattern of relationships which will permit us to maintain this position of disparity without positive detriment to our national security. To do so, we will have to dispense with all sentimentality and day-dreaming; and our attention will have to be concentrated everywhere on our immediate national objectives. We need not deceive ourselves that we can afford today the luxury of altruism and worldbenefaction…

We should dispense with the aspiration to "be liked" or to be regarded as the repository of a high-minded international altruism. We should stop putting ourselves in the position of being our brothers' keeper and refrain from offering moral and ideological advice. We should cease to talk about vague and… unreal objectives such as human rights, the raising of the living standards, and democratization. The day is not far off when we are going to have to deal in straight power concepts. The less we are then hampered by idealistic slogans, the better.

*– George F. Kennan, US State Department, Policy Planning Study 23 (PPS23), Foreign Relations of the United States (FRUS), 1948*

## AUTHOR’S INTRODUCTION

### *From Spice Wars to Oil Wars*

In the words of George Santayana, “Those who cannot remember the past are condemned to repeat it.” The history of the last century is unique in significant respects, but in terms of manifesting fundamental features of human behavior and actions, it is anything but unique.

In September 2001 after the destruction of the World Trade Center towers and the attack on the Pentagon, President George W. Bush declared a US War on Terrorism, calling it a “new crusade,” a war of good versus evil: “You’re either with us or against us.” His choice of words was revealing as it evoked for the rest of the world — especially the nations of the oil-rich, predominantly Arab Middle East – more than two centuries of European “Holy Crusades” against the Muslim peoples of the Middle East. The historical comparison by Bush was revealing, so much so that Bush was quickly advised to drop the word ‘crusade’ from his rhetoric.

Almost eight centuries before the dramatic events of September 2001, the Arab/North African world had been at the center of world geopolitical conflict. Arab traders across North Africa and what is today called by the West the ‘Middle East’ had secured a tightly-controlled monopoly on the most valuable commodity of that day — the spices from Asia.

The clever Arab tradesmen kept the origins of their spices—cinnamon, pepper, nutmeg and other spices—a de facto military secret of the highest strategic importance. They went to extraordinary lengths to perpetuate a myth of great scarcity in order to maintain monopoly control of the remote sources of the much desired spices and, thereby, to attain colossal profit margins of as much as 4000% on their trade.

Venice, then a City State on the Adriatic Sea, had close ties to the Orient. As a result of its trade ties to Arab spice merchants, as well, Venice rose to a position of unprecedented wealth and power in the 13th Century. Venice became the mightiest naval empire of Europe based on dominating and controlling the European import of oriental spices traded by the Arabs.

When Venice was threatened by an Arab cutoff of those spices, the City State launched one of history’s most brutal and grandiose looting operations — the religious crusade of 1204, a naked imperial conquest masquerading as a Holy War.

The Arabs had successfully controlled the supplies of exotic spices from Indonesia and India, the world's most treasured commodities, by inventing mythical tales of their extraordinarily remote sources, as well as of their extreme scarcity. For the Europeans, the Arab traders invented fabulous tales of the extreme dangers involved in securing the allegedly 'rare' and 'scarce' spices. And they used military means to defend their secret sources from European traders – that is, until a suspicious Venice discovered the sources and set about to capture the riches for herself. Thus opened a black chapter in history known as the Holy Crusades of the Tenth and Eleventh Centuries. Those religious wars were, in reality, spice wars.

Venice recruited mercenary armies from France and elsewhere, promising them a share of the conquered loot – albeit a minor share. Venice made certain it took the lion's share of the loot. Carrying the Sword and Cross, financed and provided with countless ships by Venice, the crusader armies launched what became almost two centuries of wars and slaughter — Christianity's own version of Jihad.

The 'Spice Wars' were dressed up in religious robes and disguised as Holy Wars of Christians against Islamic 'infidels.' In reality they were wars of conquest and control over the world's most valuable commodities of the day—the spices of the Orient. Tens of thousands of 'soldiers of Christ' recruited for a Holy War often found themselves diverted from the alleged goal of recapturing the Holy Lands from the Muslim infidels, and instead sent to grab more worldly treasures for their Venetian sponsors.

The greatest Crusade, begun in 1204, did not even target Arab lands, but rather the then-Christian city of Constantinople (now Istanbul), the metropolis at the crossroads of east-west trade in spices. The Crusaders sacked and occupied Constantinople, the fabulously wealthy Capitol of the Eastern Christian Byzantine Empire. It was the time of the Great Schism within Christendom between the Eastern Orthodox and Western Latin churches. Marching with the Cross, the

Venetian Crusaders' swords would cut down the Orthodox Christians as readily as the Muslim 'infidels.'

### *Oil wars and politics*

In the 1890s a German engineer named Rudolf Diesel transformed world politics and the world economy by inventing an internal combustion engine that was up to 500% more efficient than traditional coal-powered steam engines used in naval ships. Within two decades, the petroleum-fueled motorization of the world's major navies and armies had begun the most profound transformation of world power since the invention of the steam engine two centuries earlier.

As with the bloody history of the highly valued spices of the Orient centuries before, the history of oil would be written in blood, fought over in wars, cloaked in deception and permeated by desperate attempts to hide the secrets of its origins.

To secure an apparent monopoly on world oil and with it, the greatest concentration of political power the world had ever seen, a tiny group of companies—British and American—backed secretly by their respective governments, created one of the greatest myths of modern science. They invented myths: 1) that oil was a scarce and rapidly depleting energy resource; 2) that it had been somehow created from transformed biological detritus several hundred million years ago; 3) in a process described in western geology textbooks — if at all — only vaguely, but as if it were infallible, scientific fact.

Since the dawn of the so-called 'Age of Petroleum' more than a century ago, the world has largely believed the carefully cultivated myth of oil scarcity, as well as the unscientific claim that oil originated from fossilized remains of dinosaurs and plants.

The following volume traces the origin of that scarcity myth and its role in two great and destructive world wars, as well as endless international conflicts —from the Cold War to regional wars in Africa, the Middle East, and beyond — in order to maintain oil supremacy and, above all, to control oil flows and the dollars tied to them. That control was firmly monopolized by a handful of American and British oil giants—once called the seven sisters, today just four in number—ExxonMobil, Chevron, BP and Shell.

The large-scale advent of new financial instruments — called “oil derivatives” or “futures” — by the late 1980s enabled yet another means of Anglo-American control of oil. It created the mechanism for controlling the price of the world’s most valuable commodity at key periods without regard to the traditional laws of supply and demand. That opened huge new potentials to use oil as a weapon of economic warfare.

The following book traces the history of that Petroleum Century and of the extraordinary and often shocking measures used by an identifiable Anglo-American elite to maintain the myth of oil scarcity as an essential pillar of their global power. It also documents in detail the new version of the ‘scarcity’ mythology — a myth today enshrined in an almost religious ideology often called “Peak Oil” theory.

The book also details the emergence of a substantiated new theory of petroleum origins deep in the mantle of the Earth where conventional petroleum geology insists the presence of oil is not possible. The new science of petroleum — whose traditional doctrines trace back to the darkest days of the US-Soviet Cold War — holds out the potential to make petroleum as abundant and affordable today as the supposedly scarce spices such as pepper became, once their secrets were uncovered.

When George W. Bush launched his new “crusade” against what was clearly a predominantly Islamic world — the oil-rich Middle East and Eurasia — the parallel to the Holy Crusades some eight hundred years earlier was more revealing than most realized.

This time, a quasi-religious fervor was being stirred up to justify what in fact were new oil wars—wars aimed at securing global control of the world's most valuable commodity: petroleum. Against the backdrop of endlessly repeated televised images of the World Trade Center towers under attack, and the image of an elusive Osama bin Laden, hapless Americans were lured into what has become a new wave of US-backed wars from Kabul to Baghdad to Darfur to Cairo and Tripoli and beyond — wars supposedly for "freedom and democracy." In reality they were for control of oil — *all oil, everywhere.*

On December 17, 2010 a young Tunisian named Mohamed Bouazizi set fire to himself when officials in his impoverished rural town prevented him from selling vegetables on the streets. The event nominally triggered a wave of riots, protest marches and conflicts that soon swept the Islamic world from Egypt to Yemen and across North Africa and the Middle East.

The true instigator of those events, as would become clear, was far away in Washington. The motives behind the greatest series of regime destabilizations since the fall of the Berlin Wall that brought down the Soviet Union had nothing to do with genuine democracy – although cynical use was made of people's deep yearnings. The sweeping destabilizations had to do with power, with the *future* power of an ailing American colossus, the oncehailed American Empire.

The purpose of upheavals across the Middle East — upheavals that showed no signs of abating in early 2012 — was not to bring down the corrupt or decadent monarchies or despotic regimes, though they certainly existed and were widely opposed. Instead, the actual target was more than five thousand miles away from North Africa, far from Europe and the Mediterranean, across Eurasia in Beijing.

It was becoming commonplace knowledge that China was rapidly emerging as the world's economic colossus. Some even spoke of China as a Superpower able to challenge America's hegemony one or two decades hence. For several years — beginning with the US-financed unrest in Tibet prior to the 2008 Summer Olympics — Washington had been running a series of 'pin-prick' provocations of

China, in an effort to remind Beijing of its dependence on a controlled dollar system, to little evident effect.

It was becoming clearer to Washington and to Wall Street policy circles that China was exerting its self-interest around the world with increasing effectiveness, forcefulness and self-confidence. Moreover, China was doing so with a brilliant series of economic and diplomatic overtures across the globe to secure the one essential commodity whose abundant supply was essential to China's future growth — petroleum.

Across Africa and the Middle East, Beijing's politicians and Chinese companies were making economic pacts with resource-rich African and Persian Gulf countries long-since ignored or taken for granted by the West. China's largest suppliers of petroleum for its accelerating economic development included Angola, Saudi Arabia, Iran, Oman, Sudan and Russia.

The outbreak of so-called "Twitter Revolutions" across the Islamic regions of North Africa and the Middle East had begun to unleash a dramatic speculative rise in the price of China's most vital imported commodity—oil. More alarming for China and numerous other nations, especially in Western Europe, was the longer-term prospect of a Washington-orchestrated militarization of the entire Islamic world. Indeed, the entire region was being transformed into what George W. Bush in 2003 had dubbed a Greater Middle East – a vast area stretching from Morocco in the west to the borders of China in the east – where the installation of radical free market privatizations, backed by US Abrams tanks, F-16 fighter jets and remote-controlled drones would determine the future.

As with the Spice Wars eight centuries earlier, the question of who controlled the most essential strategic resource was what counted. In this, oil was the highest of stakes in the geopolitical game. As Henry Kissinger, President Nixon's Secretary of State during the oil shocks of the early 1970s, is alleged to have said: "If you control the oil you control entire nations."

By the Summer of 2012 it was clear that for Washington, control of China, Russia, Iran across the whole of Eurasia into Europe was of the highest strategic priority. Whether she would succeed in such a high stakes game was anything but clear.

*—F. William Engdahl, Frankfurt, Germany, June 2012*

# chapter 1

## A CATASTROPHIC BLUNDER REPEATED

### *Painful lessons*

The German General Staff learned some painful lessons from their humiliating defeat in World War I. Uppermost in their minds as they prepared the campaigns that would come to be known as the Second World War was that the German army should never again be forced to fight a war on two fronts—Russia to the east, and France and England to the west.

That explained Germany's effort to neutralize the threat of attack from the west — from the Low Countries and France — in a series of dramatically successful Blitzkrieg strikes. In September 1939 the German Panzers rolled into Poland, to be met at Brest-Litovsk by the Red Army. On September 29, a German-Soviet non-aggression treaty — the MolotovRibbentrop Treaty — was signed between the foreign ministers of the USSR and the German Third Reich. That, in effect, assured German forces a free hand in the West without fear of an imminent strike from the Soviet Union, while the Soviets bought themselves time to mobilize.

In May 1940, eight months after it overran Poland, the German Panzer Corps swept across the Low Countries—Holland and Belgium —and a new word, *Blitzkrieg*, entered the lexicon. German armored divisions swept across the Meuse River at Sedan and took control of the Ardennes. Germany's brilliant lightning strikes led French General Maurice Gamelin to announce he could no longer protect Paris because he had lost the Ardennes. Six weeks later France was effectively under German control and Marshal Philippe Pétain was proclaimed head of a pro-German Vichy Regime. British and French forces had been driven to the sea at Dunkirk where, in one of the more curious instances of the war, Hitler did not order their capture or defeat, permitting sufficient time for Churchill to organize their escape

by ship, enabling more than 338,000 British and French soldiers to flee to safety in Britain. That was the true “miracle” at Dunkirk. Hitler had evidently thought he could cut a deal with England. He was badly mistaken.
By early 1941 German forces had successfully occupied Poland, Holland, Belgium, France, Yugoslavia, Greece and Crete. Hitler then ordered the *Wehrmacht* to prepare the most colossal military campaign in history— Operation Barbarossa — conquest of the Soviet Union.

The German General Staff had overlooked one strategic element of ultimate victory, however. The Third Reich was vulnerable in the most essential commodity: oil. The oil they needed was even largely from the same oil wells of Romania that had led to their crushing defeat in 1918.

The leading circles of the Reich — from Hitler to Goering, as well as the Military High Command (*Oberkommando der Wehrmacht* or OKW), including Chief of the General Staff of the Army Franz von Halder and General Wilhelm Keitel, as well as the head of the Air Force — all were fixated on the Soviet Union as Germany’s prime enemy, with Great Britain or the United States considered less important. Germany’s ally Japan, meanwhile, with considerably more foresight, argued that the Soviet Union was far less a strategic threat to the Axis partners — Japan, Germany and Italy — than were their Anglo-American opponents. Germany was to repeat the catastrophic blunder of World War I yet a second time, as its leadership failed to fully appreciate the strategic importance of controlling oil and of denying control of oil to the enemy.[1]

### *A small oversight*

In 1916, Romania joined forces with England against Germany. In November of that year, aware that a German assault was imminent, British military commandoes, led by British sabotage expert Colonel John Norton-Griffiths, along with Romanian volunteers, were sent on a secret mission to destroy oil stocks and sabotage oil wells in Ploesti. The sabotage was successful, dealing a devastating blow to the Germans when they took Romania in December 1916. They had made control of Romanian oil a strategic focus of their invasion. Romania was then Europe's leading producer of oil.[2]

During the final stages of the First World War, Germany had launched a massive western offensive in March 1918 — Ludendorff's *Operation Michael* — the first of a series of offensives designed to split British and French forces and secure a victory before the arrival of American forces in Europe. It looked very threatening and likely to succeed. The collapse of the Kerensky government in Russia and the Bolsheviks' signing of the Treaty of Brest-Litovsk on March 3, 1918 had taken Russia out of the war. Germany was able to redeploy large numbers of troops for a final campaign in the West. Since American troops had not yet landed in France, German chances of a military breakthrough were significant.

Romanian oil was now essential to the German motorized offensive along the Somme on the Western Front. Despite intensive work since 1916, however, the German army had not been able to bring Romanian oil production to a level needed to sustain the 1918 Spring Offensive in the Western Front. Ludendorff's massive offensive in the west against France and the Allied Powers, after stunning advances, stalled at the Somme. German trucks carrying reinforcements to advance the battle were unable to move for lack of fuel. It was the first major battle in which motorized artillery and tanks had been used on a major scale. The German final offensive stalled largely for lack of essential fuel for its tanks and vehicles. It was a new mode of warfare — one in which petroleum played a vital new role.[3]

For their side, French and British forces were fully supplied with American oil from Rockefeller's Standard Oil tankers. In December 1917, anticipating the German offensive, French General Foch urged President Clemenceau to make an urgent appeal to President Woodrow Wilson. Clemenceau sent a telegram to Wilson, declaring, “A failure in the supply of petrol would cause the immediate paralysis of our armies, and might compel us to a peace unfavorable to the Allies… If the Allies do not wish to lose the war, then, at the moment of the great German offensive, they must not let France lack the petrol which is as necessary as blood in the battles of tomorrow.”[4]

After the defeat of Germany in 1918, Britain’s Foreign Secretary Lord Curzon quipped, “The Allies floated to victory on a wave of oil.” [5]
At the start of the Great War in August 1914, a young British Lord of the Admiralty, Winston Churchill, had organized the conversion of the Royal Navy from coal to the more efficient oil. The German Navy, by contrast, lacking secure sources of oil, depended entirely on the heavier and less efficient coal to fire its fleet. Horses were their primary mode of transport for men and war materiel in 1914, at a ratio of one horse per three soldiers. An average horse ate ten times the amount of food as three soldiers, making logistics difficult if not impossible.
When Britain entered the war, it had only about 800 motor vehicles, most of which had been requisitioned from private citizens. By the end of the war, Britain had 56,000 trucks and 36,000 cars. France had 70,000 trucks and 12,000 airplanes. In addition, the United States shipped over 50,000 motorized vehicles to Europe and, within a year and a half, built some 15,000 airplanes. Motorized transport began to dramatically change the nature of war, and petroleum was the fuel that drove the revolution in modern warfare.[6] Development of the airplane and the tank — first used at the Battle of the Somme in 1918 — provided mobility and power unprecedented in the history of warfare.
It also had become clear, therefore, to leading political and military circles in London and Washington that control of major oil resources was the key to a power’s future military success. Conversely, denial of control over oil resources could defeat a potential enemy even more effectively than guns.

### *Secret War for the Baghdad Railway*

In 1899 the German Empire had signed an agreement with Ottoman Turkey that was to alter the course of history and ultimately precipitate British reactions that led to the outbreak of the Great War in 1914. The agreement, backed by the powerful German Deutsche Bank of Georg von Siemens, created a concession to Deutsche Bank for the construction of a railroad linking Berlin to the far reaches of the Ottoman Empire in Mesopotamia — what is today Iraq.[7]

As part of the Baghdad railway agreement, Deutsche Bank's Karl Helfferich also won for the German consortium the subsurface mineral and oil rights within a zone twenty kilometers on either side of the railway to Baghdad, a line going directly through the newly discovered oilfields of the Mosul region some 400 kilometers north of Baghdad. By 1913 German geologists had confirmed large petroleum deposits to the south of Mosul along the Tigris River going towards Baghdad near the city of Kirkuk. The route of the German-Baghdad Railway conveniently traced the outline of the new oil regions. [8]

Meanwhile Britain, anxious to block any future threat to her Indian colony, countered the German Baghdad agreement of 1899 by concluding its own secret, exclusive agreement with an unscrupulous Sheikh Mubarak-alSabah of Kuwait, converting that chunk of Ottoman real estate into a British "lease in perpetuity." By 1905, through the intrigues and machinations of British master spy Sidney Reilly, Britain's Lord Strathcona obtained exclusive rights for his company, the Anglo-Persian Oil Company, to the oil of Persia. The British Royal Navy was on the verge of converting its entire fleet from coal to the more efficient oil-fired engines; securing strategic oil resources had become a matter of the highest national security. [9]

### *Stealing Mesopotamia for the Empire*

On July 28, 1914, two historic events occurred. Heir to the AustroHungarian throne Archduke Francis Ferdinand was assassinated by Gavrilo Princip, a member of a Serbian secret society with alleged ties to British and French secret societies,[10] precipitating the chain of events known as the Great War. On that same day, Britain secretly acted to secure oil exploration rights in what would become a British Mandate territory after the war – Iraq – one of the richest oil regions of the world. London was clearly thinking ahead.


Copy of a detailed map of the oilfields of Mesopotamia (today Iraq), from the London 'Petroleum Review' dated May 23, 1914, before the outbreak of the First World War. Those oilfields became British as a result of the war.

Meanwhile, a Turkish-born Armenian businessman and naturalized British citizen named Calouste Gulbenkian, had become a major shareholder of the Rothschild's Anglo-Dutch oil company, Royal Dutch Shell. Gulbenkian had also secretly secured for the British government a 50% share in the Turkish Petroleum Company from the Turkish National Bank through the British government's Anglo-Persian Oil Company. [11]

With that deft move, what had been a 75% German-Turkish oil enterprise — a company with exclusive oil rights along both sides of the newlybuilt Berlin-Baghdad railway, with a 25% minority British share via Shell — now became a company controlled 75% by British interests. The German dreams of secure oil from Mesopotamia were not to be realized.

The Turkish Petroleum Company had obtained exclusive exploration rights to the rich, recently discovered oil fields near Mosul, then Mesopotamia, a part of the Ottoman Empire. Leading circles in London were already preparing in early 1914 for control of the vast oil resources of the Middle East in the postwar world. Before Gulbenkian's secret coup, the Turkish Petroleum Company had been owned 25% by Germany's Deutsche Bank, the bank financing the Baghdad rail project. Another 25% was held by British Shell and 50% by the Ottoman Central Bank. [12]

Indeed, one of the little known factors leading Britain to precipitate war in 1914 against the German Empire was the existence of Germany's BerlinBaghdad Railway project. This was no minor geopolitical event as London saw it. The geographical position of the Ottoman Empire was strategic, dominating the Balkans, the Dardanelles Strait, and territory extending to the Shatt al-Arab waterway into the Persian Gulf, and from Aleppo to Sinai bordering the strategic Suez Canal link to British India, down to Aden at the Strait of Bab el Mandab.

The German-Ottoman agreement assured final construction of the Berlin-Baghdad Railway and with it, exclusive rights to mineral resources along the railway extending for twenty kilometers on both sides — thus shattering England's plan to bring Mesopotamia, with its strategic location and its oil, under exclusive British influence. The German-Ottoman strategic linkup, more than any other, threatened essential British strategic interests on the eve of the Great War. [13]

### *A little war for rich booty*

To finally secure exclusive control over the oil fields of Mesopotamia after the war in Europe had ended and an Armistice had been signed on November 11, 1918 between a defeated Germany and the Allied Powers (Britain, France, Italy and the United States), Her Majesty's British Government incited and armed the forces for a new war — a war to secure her richest booty of all.

In May 1919, a mere six months after the end of the European war, London instigated a Greek military invasion of defeated Ottoman Turkey, not with British soldiers, of course, but with the Greek army under the control of Prime Minister Eleftherios Venizelos. British and

Greek diplomats were secretly drawing up the terms to be imposed on defeated Turkey. The planned Sevres Agreement would dismember the vast Ottoman Empire as booty of war, dividing the spoils among various powers, including France and Greece. Naturally Britain would be holding the knife.

The Sevres terms were Carthaginian, to put it mildly. Alleging high costs of maintaining an Allied occupation army in Turkey, as well as British and Allied war costs, Turkey was to pay a huge debt to England and the Allied Powers. A new Inter-Allied Financial Commission was to be superimposed onto the existing Anglo-French Ottoman Public Debt Administration. The new Financial Commission would have full control of Turkey's taxation, customs, loans and the national currency along with control of the State budget and absolute right of veto. The British draft of the Sevres statement argued that all this was being imposed on a new Turkish state "to help Turkey to develop her resources, and to avoid the international rivalries which have obstructed these objects in the past." [14]

To secure the terms it was drafting in the Sevres agreement, Greek Prime Minister Venizelos had secretly been assured by British Prime Minister Lloyd George that Greece could take prime pieces of Ottoman Turkey as a prize of war, including what today is Izmir on the Turkish Aegean and Thrace, the European part of Turkey, dividing Istanbul across the Bosporus Strait.[15] These were to be Greece's reward for joining the Allied side in the war against Germany and Ottoman Turkey.

The promise of Lloyd George and the British to Venizelos at the Versailles peace talks was part of a British geopolitical strategy aimed at Balkanizing the Ottoman Empire and securing for England exclusive rights to that part of the Empire that was Iraq. Britain used Greek soldiers as proxy cannon fodder to attain her goals.

Venizelos had been recruited to the British Secret Service as early as 1899 when he was a minor official in Crete. He had been recruited by a master British agent named Basil Zaharoff. [16] Zaharoff, an unscrupulous arms dealer — the original “Merchant of Death” — provided Venizelos’ army with enough weapons to take the Turkish lands by force in 1919.

Zaharoff, born in Ottoman Turkey of Greek parents, had become one of the most successful arms merchants before and during the First World War. He was knighted by Britain and made a member of the board and largest shareholder of Vickers, the leading British armaments maker. [17]

Zaharoff now set about to arm a Greek army and, on behalf of Britain, as the official agent of Lloyd George for Asia Minor affairs, to dismantle the vast Ottoman Empire to the advantage of England. Little did it matter to London that the Great War had ended. After all, it was about reaping the rewards of victory, by hook or by crook.[18]

The forces of Venizelos met with fierce resistance from nationalist forces organized by the Turkish general, Mustafa Kemal Pasha, who later went on to become President of Turkey under the name, Kemal Ataturk. As the Greek army fought to secure large parts of Turkey, nationalists in the Turkish Parliament voted on January 28, 1920 a de facto Declaration of Independence, rejecting any foreign occupation, vowing to fight for national sovereignty under the leadership of Mustapha Kemal Pasha. [19] In a GrecoTurkish war that lasted from May 1919 through October 1922, some 300,000 Greek soldiers perished as they were driven to the Mediterranean by Kemal Pasha’s irregular forces.

In 1916, the same Kemal Pasha had delivered a humiliating defeat to the misconceived war strategy of then Lord of the British Admiralty Winston Churchill in the Battle of Gallipoli, ending Churchill’s dream of capturing Constantinople and the Dardanelles. The British defeat at Gallipoli had cost the lives of more than 141,000 Allied troops and led to Churchill’s demotion and the fall of Prime Minister Asquith’s government in December 1916. If one thing remained clear in Kemal Pasha's mind, it was his bitter hostility toward England.

Capturing the oil riches of Iraq was not without obstacles for the British. And the greatest obstacle at one point was not the fiercely nationalist forces of Mustafa Kemal Pasha. It was Britain's wartime ally, France.

In February 1916, in order to secure a stronger French war effort against Germany and its allies, including Ottoman Turkey, the British Foreign Office assigned diplomat Sir Mark Sykes to negotiate a secret, postwar carve-up of the Ottoman Middle East. His French counterpart Francois G. Picot was instructed to demand French control over Lebanon, Syria and the oil-rich Mosul region in what came to be Iraq. (The British had been referring to this region as Mesopotamia, within which the local inhabitants referred to the nation state of Iraq by its Arabic name *al-Iraq*, in use since the sixth century, BC. The British chose to name it *Iraq*.).

Under terms of the final Sykes-Picot Agreement, Britain agreed to forsake her earlier claim to Mosul to get the French on board for the future division of the Ottoman Empire. England was in a weak position in 1916, having suffered the devastating defeat at Gallipoli that had cost Winston Churchill and Prime Minister Asquith their jobs by December 1916. [20]

Such British generosity was not long lasting. The new Prime Minister, Lloyd George, who took office in December 1916, privately concluded that the government should ignore the secret agreements of Sykes-Picot. The only thing that mattered, as Lloyd George saw it, was who physically possessed the lands. He told his Ambassador to Paris in early 1917, "We shall be there by conquest and shall remain." [21]

### *Grabbing Iraq by ruse*

Lloyd George's secret arming of Venizelos' forces against Turkey in the west served as a useful deflection of troops and Turkish resources away from the real prize—the vast oil fields of Mosul and Kirkuk in Iraq. To do this, London did not deploy troops; there were few troops to deploy anyway after the long and exhausting Continental European war. Instead, Whitehall dispatched a curious Oxford graduate, a woman who had mastered several Arab tribal dialects — even more rare in that day — to the oil fields of the sparsely populated Mesopotamia.

An agent of the British Intelligence Services, Gertrude Bell was sent to Mesopotamia — with a convoy laden with gold — to secure political control for England over Iraq. Fluent in Arabic, one of the few Europeans in that day to be so, Bell manoeuvred a council of tribal leaders of Mesopotamia into naming Sheikh Faisal, one of the sons of Sheriff Hussein, the first King of Iraq. Conveniently for London, Faisal had previously also promised Bell and England that he would seek exclusive British "protection" and would give British oil companies exclusive rights to the rich oil fields of Mosul and elsewhere in the country. [22]

On October 11, 1922, the day after Greece capitulated to the Turks, Faisal Ibn Hussein signed a treaty with England's representative, Sir Percy Cox, in which the new King agreed to be served "only by British advisers." Under the agreement, England retained control over Faisal's army, his finances and, most important, his oil. [23]

A month later, in November 1922, Faisal's British-trained troops marched to the oilfields of Kirkuk. France made no protest. A secret quid pro quo had already been reached between London and Paris. In exchange for leaving the oil of Iraq to the British, France's revanchist Prime Minister Raymond Poincare got a secret British green light for French soldiers to occupy Germany's industrial Ruhr steel region to force war reparations payment at the point of French bayonets.[24] France definitely made the poorer bargain.

Under the final Versailles peace settlement in 1919, part of the terms imposed on a defeated Germany involved taking from Germany and from Deutsche Bank all rights negotiated before the war for the Baghdad Railway and for the oil and mineral rights adjacent to it.[25]

All the German rights were assigned by a League of Nations arbitrator to a designated British-French-Italian company, obliterating Germany's considerable pre-war holdings in the Near East without a trace. Another section of the Versailles agreements created a British-dominated League of Nations. Now London was in virtual control over the world's most promising petroleum deposits: in Persia, through the UK Government-owned Anglo-Persian Oil Company Ltd (BP); in Kuwait and Iraq and what would become Saudi Arabia, through the efforts of, among others, British intelligence agent, T.E. Lawrence, the famous "Lawrence of Arabia."

Britain had secured a League of Nations Mandate to exercise its control over Iraq. In addition, in a move termed by Sir Halford Mackinder, the father of British geopolitics, "one of the most important outcomes of the war," Britain got rights to Palestine as a League Mandate. [26] The oil-rich Middle East had fallen to British control as the booty of war. It was to be but the first of countless wars in the strategic region for control of oil.

Both Iraq and Palestine became British mandated territories. One of Sherrif Hussein's sons, Faisal, through the machinations of British Arab Bureau agent Bell, had been installed as King of Iraq. Palestine was split in half, with the eastern half becoming Transjordan, ruled by another of Hussein's sons, Abdullah, as King, locking Transjordan firmly into the growing British sphere of influence in the Middle East. The western half of Palestine was placed under direct British administration and the Jewish population was allowed to increase, initially also under British protection according to the Balfour Declaration.

Most of the Arabian peninsula fell to another British ally, Ibn Saud, who created the Kingdom of Saudi Arabia in 1932.
Throughout the Middle East following the Great War, the key strategic

player was British Petroleum, then called Anglo-Persian. In 1914 the British Government took a controlling 51% ownership of the company as a strategic asset, to secure oil for its Navy and its military forces. By 1923 Anglo-Persian Oil Company and the British government controlled the oil of Iraq and Persia, and had major inroads to controlling potential oil discoveries in the future Kingdom of Saudi Arabia. The Great War had in significant respects been the first war over control of oil.[27] The British players deployed proxy warfare (using the Greeks against Turkey), bribery and deception, eventually igniting a world war in pursuit of their control over the new "black gold," oil. It was far from the last war over control of oil.

***World War II: Catastrophic Blunder Repeated***

One of the great mysteries of the German campaigns of the Second World War was the failure of the German military to secure adequate sources of petroleum and to deny the same to the enemy forces prior to Operation Barbarossa against the Soviet Union.

The German military as well as the Reich's armaments industry appeared to be oblivious to the bitter experiences of 1918 when the tanks on the Somme ground to a halt and with it, Germany's last chance of victory.

That oversight in strategic preparation for such a massive war occurred despite the fact that by 1938, the vastly enlarged German Army moved entirely by motorized transport, all fuelled by petroleum. Added to the Army's dependence on oil was the fact that the German Navy was also entirely driven by oil, as was its Air Force.

One factor influencing a relative German complacency on petroleum until it was too late was the significant increase in German synthetic oil production. The main process converted cheap and widely available lignite or brown coal — abundant in eastern Germany – into fuel. Using what was called the Bergius Hydrogenation Process developed before the war by the giant chemicals combine, I.G. Farben, partly in collaboration with Rockefeller's Standard Oil, the process was effective. By 1944 it produced almost 25% of all petroleum products used in Germany. The largest synthetic gasoline plant was at Leuna. [28]

On the eve of war in 1938, Germany imported the remainder – as much as 70 percent of its oil needs — almost entirely from North or South America or from Romanian fields owned by Anglo or American companies. [29]

German war planning, under the primary direction of Goering, named by Hitler in 1938 to direct economic preparations, was astonishingly weak on the securing of strategic imports of oil supplies for any major war.

In the summer of 1939, weeks before German Panzers rolled into Poland triggering formal British and French declarations of war, a report was delivered to Goering with estimates for a massive campaign against the Soviet Union beginning 1942. To supply that planned offensive, the report calculated that the oil supplies to the German war machine from the oilfields of Romania alone would have to double. Significantly, it counted on securing Persian oil from the British.[30]

Only there was one major problem: Romanian oil, Germany's largest source, was controlled by private companies. The majority ownership of those private oil companies in Romania was in the hands of Britain's AngloPersian Oil and Royal Dutch Shell, as well as Rockefeller's Standard Oil, or French oil companies. In short, oil was in enemy hands, hardly a secure basis upon which to launch a war. Romanian oil was — and remained until 1944 — the largest supply source for the German war machinery – and it was woefully inadequate.

By 1940 Deutsche Bank and the Third Reich leadership began to take another look at the vast oil fields of Iraq, thinking how to reclaim the old Deutsche Bank's ownership share in the Turkish Petroleum

Company in Iraq that had been taken as part of the spoils of war by England in 1919.

Ownership of oil on paper was one thing. However, in order to get physical control of Iraqi oil, Hitler would need to go against the wishes of Mussolini, who claimed Iraq as part of the Italian sphere of influence. Mussolini feared giving Arab countries independence, preferring instead to make them part of his dream of a new Italian Empire. [31]
What in other circumstances would be a black comedy recalling a fumbling Laurel and Hardy adventure, Berlin deferred to Rome on Iraq until literally the eve of Operation Barbarossa, losing the chance for a successful pro-German revolution inside Iraq, in deference to Italian insistence that Arab independence not be in any way encouraged.

As late as January 1941, those responsible for strategic planning and logistics of the imminent Operation Barbarossa against the Soviet Union were sending internal memos to the Reich Foreign Ministry Middle East Desk, arguing that it was "high time that Germany direct the political agenda in the Middle East." [32] They argued that Berlin must take decisive leadership in Arab oil policies and not allow Italy — by blocking support for an anti-British Arab revolt – to make Axis control of the oilfields impossible. [33]

Finally, in May 1941 German ground troops and German air power went into Iraq as part of a larger North African campaign. The aim was to support anti-British forces inside the country loyal to Raschid Ali al-Gailani and the Grand Mufti of Jerusalem, Mohamed Amin el Husseini, as well as anti-British forces in Syria and Iran.

At the time of the German decision to intervene, Iraq produced just over four million tons of oil, almost all of it from the Kirkuk fields near Mosul, where it was carried by pipeline to the British Mandate territory of Palestine and to Tripoli in Syria, where British tankers loaded the oil for England's armed forces.

Britain's main supply sources for oil were Bahrain and Iran which supplied her with sixteen million tons a year through the world's largest oil refinery at Abadan in Iran, and by oil pipeline to the Iraqi Port at Basra. As a senior German strategist put it in a confidential memo sent to Hitler, to Ribbentrop and the Military High Command, the Basra Port and the Suez Canal were the two most strategically vulnerable points of the British war machine.

Without petroleum as fuel, British forces would be at a standstill. Germany and the Axis forces, by seizing control of the petroleum and refinery sources of Iraq, Palestine and Syria, would have the essential fuel to march to the Suez Canal, choking off the Allies' oil transport route from the Middle East, leaving Great Britain's Navy powerless to threaten any German advances.[34]

The problem was, from a purely military point of view, the German military and political leadership appreciated far too late the strategic necessity of securing adequate oil supply lines *before* such a large war. When the realization at the highest levels of the German leadership of the strategic importance of taking control of Iraq and its oil finally dawned, it came as the Wehrmacht was bogged down in Greece and Yugoslavia in the Balkans as well as in North Africa.

In April 1941 an Iraqi colonels' revolt led by anti-British and proGerman military nationalists placed Rashid Ali al-Gailani into power as Prime Minister. Gailani immediately ousted the British-backed Hashemite King Faisal and blocked the British Army. The German response was so ill-coordinated and late in coming that the British were able to land 14,000 Indian troops at Basra to defend against loss of Iraq. British Royal Air Force fighters destroyed the badly outnumbered German Air Force within fourteen days. Within three weeks the feeble German attempt to support Gailani's anti-British coup had collapsed, an utter military and political disaster.

The German High Command in Berlin had failed to give sufficient resources for success in the Middle East, viewing it as a diversion from the looming Russian campaign. In his war memoirs later Churchill called Iraq Germany's greatest missed opportunity of the war.[35]

The concept of oil chokepoints, so basic to Anglo-Saxon war strategy, was simply unknown to the oil-deficient German leadership, or at least only dimly appreciated when it was too late. The High Command was in effect waging a new war using the mental habits developed from the previous War of 1914-1918.

***Wehrmacht out of gas***

The final death blow to the German war capability came in 1944 when British and American air forces launched a massive bombing campaign at targets inside Germany. The subsequent analysis by the United States Strategic Bombing Survey, commissioned by Roosevelt in 1944 to independently assess the effect of the bombings of Germany, showed that it was not the bombing of civilians, nor the destruction of ordinary industry, that broke the German war effort. It was the repeated and targeted bombing of Germany's synthetic oil industry along with the war effort against oil facilities in Romania and Hungary that brought Germany to its knees in 1945.
The person responsible for developing a precise map of domestic German oil targets on behalf of US intelligence, was German-born OSS officer, Walter J. Levy.[36] As a notable footnote, the same Levy was to play a decisive role some three decades later for American oil interests, in the orchestration of another major oil war also directed against Germany — the October 1973 Oil Shock. But more about that later.

A 1947 final report by the US Strategic Bombing Survey summed up the reasons for Germany's ultimate defeat:

*The chief source of supply, and the only source for aviation gasoline, was 13 synthetic plants together with a small production from three additional ones that started operations in 1944. The major sources of products refined from crude oil were the Ploesti oil fields in Rumania* *and the Hungarian fields which together accounted for about a quarter of the total supply of liquid fuels in 1943.. The refineries at Ploesti were attacked, beginning with a daring and costly low-level attack in August 1943. These had only limited effects; deliveries increased until April 1944 when the attacks were resumed. The 1944 attacks, together with mining of the Danube, materially reduced Rumanian deliveries. In August 1944, Russian occupation eliminated this source of supply and dependence on the synthetic plants became even greater than before.*

*Production from the synthetic plants declined steadily and by July 1944 every major plant had been hit...Production recovered somewhat in November and December, but for the rest of the war was but a fraction of pre-attack output.*

*The Germans viewed the attacks as catastrophic. In a series of letters to Hitler...Speer wrote: "The enemy has succeeded in increasing our losses of aviation gasoline up to 90 percent by June 22d. Only through speedy recovery of damaged plants has it been possible to regain partly some of the terrible losses."* [37]

The German oil industry did not give up without a fight. The destruction of the largest synthetic oil plant at Leuna required one full year and an astonishing total of 6,552 US and British bomber sorties dropping 18,328 tons of bombs. But after May 1944, the Third Reich had a net deficit in oil, stocks were rapidly depleting, and the military was severely hit for lack of fuel. The movement of German Panzer Divisions in the field was hampered.

By December 1944 as Armaments Minister Albert Speer had stated, the fuel shortage had reached catastrophic proportions. When the Germans launched the Battle of the Bulge or the Ardennes Offensive on December 16, 1944, in a desperate effort to split American and British forces, their reserves of fuel were insufficient to support the operation. They counted on capturing Allied stocks, which General Eisenhower ordered destroyed. Failing this, many panzer units were lost when they ran out of gasoline. In February and March of 1945 the Germans massed 1,200 tanks on the Baranov bridgehead at the Vistula to check the Russians. They were immobilized for lack of gasoline and overrun by the Red Army. The war was ended because, literally, the German *Wehrmacht* ran out of gas.[38]

From the experience of the Second World War, Washington and the powerful private oil interests around the Rockefeller family realized one essential lesson. The engine of modern war ran on petroleum, so control of oil could determine who won or lost a war and hence, who would emerge to rule the world. After 1919, it had been the British oil companies — AngloPersian Oil Company (BP) and Royal Dutch Shell — that dominated the global oil cartel, with the American Rockefeller group as junior partners; by 1945 the pecking order had definitely changed. One of the most fateful outcomes of World War II was the unchallenged emergence of Rockefeller's private domination of global oil markets.

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# *chapter 2*

## A GLOBAL POWER SHIFT

### *A new oil imperialism*

The United States emerged from the Second World War the clear global victor, the only truly dominant power with its industries intact and its territory untouched by the bombs and destruction that had ravaged Europe, the Soviet Union and much of Asia. It became clear to leading US circles that it was their ability to control oil that had won them victory in two world wars.

America's postwar leaders saw that it was essential now to secure oil in order to be able to mobilize their modern military on land, sea or air. They had also learned – from their battle against the Germans for control of the oil fields of the Caucasus and the Middle East — that the ability to deny oil to foes was just as important as the ability to secure one's own oil sources. From that point on, America's — or more precisely, Rockefeller's — control of global oil became an integral component of postwar American power. As Belgian historian Michael Collon put it, "If you want to rule the world, you need to control oil. All the oil. Anywhere." [1]

In the course of the Second World War, petroleum had clearly emerged as the energy of the future—oil was king. And the King of Kings of world oil in 1945 was the American Rockefeller group of companies—Standard Oil Company of New York (SOCONY Mobil), Standard Oil Company of New Jersey (later Esso and then Exxon), Standard Oil Company of California (Chevron), Standard Oil Company of Indiana (Amoco), and numerous subsidiaries of the original Rockefeller Standard Oil Trust.

Just as the First World War had consolidated the global domination of British oil interests around state-owned Anglo-Persian Oil (BP) and Royal Dutch Shell, and Britain's control of the oil fields of the Middle

East, Mexico and Asia, the Second World War established the American "Rockefeller Century" in terms of global oil control.

Whatever oil the Rockefeller companies did not already control by 1945 they soon got, by hook or by crook: whether through their control of domestic US oil production — then the largest in the world, accounting for some 63% of world oil output; or through control of the Saudi Arabian ARAMCO oil concession; or through political intrigue and coups orchestrated on their behalf, conveniently, by the newly established Central Intelligence Agency.

By 1950 Rockefeller's oil companies in North America and Venezuela — then a de facto colony of Standard Oil — produced fully 70% of the world's oil. [2] Their first major effort after the war was to radically transform the energy base of the world's strongest and largest economy, that of the United States itself.

The consequences were enormous, although few observers comprehended this at the time. America was being turned into a captive and dependant consumer of oil — and the oil was controlled by one family of companies all tied to the Rockefeller family, by far the most powerful dynasty in America at the time.

***Running Trolley Cars into the Ground***

Picture of American electric trolley cars which Standard Oil and GM forced into bankruptcy to make way for the Oil Era after World War II.

Within the United States after the war, the Rockefeller Standard Oil group set about to completely transform the domestic US economy, inside and out. The Petroleum Age had begun, big time. Automobiles would no longer be the playthings of the rich. Where politicians during the Great Depression promised a “chicken in every pot,” by the 1950s it was to be not just a car in every garage but two cars. Step by step, a concerted alliance between the Detroit automakers and Rockefeller oil companies created a huge new market for oil and petroleum. Americans left their trains for cars, as postwar real estate developers built large shopping malls and new suburbs far from rail connections, and far from jobs. Railroads themselves would henceforth be predominantly for freight, and not for passengers.

In America’s major cities, a stealthy alliance between the world’s largest carmaker, GM, and Standard Oil, along with tire maker, Firestone, destroyed the competition of the efficient, electric municipal streetcar.

At the end of the war, most major American cities still had clean, efficient electric trolleys than ran every few minutes along major avenues, bringing most people to work or home. Approximately one in ten Americans owned a car; most used rail. The President of General Motors, Alfred P. Sloan, and Standard Oil were determined to change that.

GM bought the largest bus-operating company in the country and the largest bus-production company. Sloan then moved GM into Manhattan, buying interests in New York’s railways and methodically destroying them to make way for his petroleum-burning buses. At that time Manhattan, a tiny island borough of New York City, had arguably the most densely concentrated urban population in the world — a place where only public transit by subway or streetcar transportation made sense. By ruining existing electric mass transit rail and street cars in Manhattan, and replacing the city’s rail transport with gasoline-powered buses and cars, General Motors ensured traffic chaos and generated a huge boom in car sales and gasoline consumption.

During the Great Depression on the eve of the war, Sloan had quietly created the innocuous-sounding National City Lines, a company that appeared to have no visible connection to General Motors. In reality GM totally controlled it. The Board of Directors came from Greyhound, a bus company controlled by GM, which also put up the money to start the company.

Partners with GM in National City Lines were Standard Oil of California (Chevron), Phillips Petroleum, Mack Truck Company, and Firestone Tire. By the end of the 1940s, GM had bought and scrapped over one hundred municipal electric transit systems in 45 cities and put gasburning GM buses on the streets in their place. By 1955 almost 90% of the electric streetcar lines in the United States had been ripped out or otherwise eliminated. [3]

GM, Standard Oil and their partners were indicted in 1949 on charges of conspiracy to gain control of public transportation systems and to destroy competition in oil, auto, and rubber products, and conspiracy to monopolize the sale of those same products, clear violations of American anti-trust laws. In 1951, the United States Court of Appeals acquitted GM and its partners of the first conspiracy charge and convicted them on the second, fining the company a laughable $5000.[4]

***The trains next...***

By 1945 the United States was well on its way to becoming the world’s leading gasoline consumer and its largest gasoline-powered automaker. What remained to complete the conversion of the United States to the Age of Oil was the systematic destruction of long-distance passenger and freight railways across the vast continent, to make way for a national grid of highways, carrying far less energy-efficient, and far more accident-prone, truck and passenger car traffic.

At the end of the war, US railroads were hit by a barrage of crippling circumstances. The government subsidized construction of highways and airports, both in competition with the passenger railways. By contrast, the privately-owned railroads did not receive government assistance. On the contrary, the Government forced railways to retain a war-time 15% excise tax on tickets that originally had been meant to discourage wartime civilian train travel, in effect keeping rail fares higher than necessary.

After the war, young families of war veterans became eligible for government home-mortgage loans. The new suburbs, curiously far from jobs in older cities, began to spring up — suburbs with no links to rail or streetcar transportation. For tens of millions of Americans, cars and buses now became essential for work and daily life. Few questioned the blatant lack of energy efficiency in the transformed landscape; it was accepted as economic necessity.

By 1956 Standard Oil companies and General Motors successfully lobbyied President Eisenhower to push through the largest public infrastructure program in history—the National Interstate and Defense Highways Act of 1956. Ninety percent of the cost was borne by the Federal Government, a huge indirect subsidy favoring the explosive growth of truck and car transportation.

Businesses that once relied on railway access now gravitated toward highways — particularly the interstates, into which the federal government poured billions of dollars, while simultaneously squeezing taxes from the railroads on rights-of-way and other company assets, including increasingly unused depots. The Federal Government drove an added nail into the coffin of railways when they robbed the passenger trains of the mail cars that had provided substantial revenues since the dawn of passenger trains.

Between 1945 and 1964, non-commuter rail passenger travel declined a staggering 84%, as every American who could afford it bought a private automobile. [5]

By 1966, fewer than 2% of all intercity passengers were traveling by rail.[6] Alfred Sloan and Rockefeller's Standard Oil had triumphed. Sadly, the American public ended up paying the bill: the vast highway construction project, initially budgeted to cost taxpayers $25 billion over 12 years, eventually cost $114 billion.[7]

America was becoming an oil-based economy on a colossal scale and no one enjoyed it more than the Rockefeller interests. Crude Oil prices ranged between $2.50 and $3.00 a barrel from 1948 through the end of the 1960s. An American during the 1950's could fill the car with gasoline for as little as .25 cents a gallon. Long-term, low interest car loans put cars into the hands of ordinary Americans as never before.

The postwar oil revolution was pervasive in the US by the end of the 1950s. In addition to creating the world's largest per capita ownership of gasoline-powered cars, America's oil revolution generated freight transport networks for petroleum-fuelled trucks and petroleum-fuelled air traffic. Oil became the fuel of choice in sea transport and challenged coal as the main source of energy for industrial production. Oil-powered machinery became crucial to modern agriculture, and oil became an important feedstock for fertilizers and pesticides. DuPont, Dow Chemical and other petroleum-based chemical companies were tied to the Rockefeller interests. Indeed, with the development of the petrochemical industry, oil reached into every area of modern life from synthetic textiles to plastics, from transportation to food.

From the point of view of the growing power of Rockefeller's Standard Oil companies and the Detroit Big Three automakers, their postwar strategy was a resounding success. A few numbers underscored the change that had transformed the American economy and landscape in just two decades after World War II:

• In 1925 petroleum had comprised one-fifth of US energy consumption; by the outbreak of war in December 1941, oil had reached one-third of US energy use. [8]

• By the mid-1960s, oil and natural gas had passed 68% of total US energy consumption, coal falling to a mere 26% from a peak of nearly 50% only a quarter of a century before.

• Total energy consumed in the US economy had nearly doubled between 1940 and 1964.[9]
• Equally indicative was the explosive growth of all motor vehicle travel in America:

• Whereas in 1940, on the eve of the war, measured in millions of vehicle miles, total travel was some 302,000 million vehiclemiles, by 1965 it had risen by almost threefold to 888,000 million.

• Detroit produced some four and a half million vehicles in 1940 and two-and-a-half times that in 1965, more than eleven million vehicles in a year.

Not surprisingly in 1953 during his Senate confirmation hearings, the head of General Motors declared, "What's good for General Motors is good for the country."

For the major American oil companies, the transportation revolution spelled a huge, growing and captive market for gasoline, bringing a 300% rise in refined gasoline sold between 1940 and 1965.[10] The Age of Petroleum in America created and dominataed what became known as 'The American way of life.' The major US oil giants, along with the Detroit auto makers, had become some of the largest and most powerful corporate enterprises in history.

The problem that the strategists around the Rockefellers and other wealthy oil families now faced was how to *keep* their control of such a world. An eccentric Harvard economics professor would help them.

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*chapter 3*

## SILENT WEAPONS FOR QUIET WARS

### *The new kings of oil*

The 1950s could be called the Golden Age of American 'Big Oil' — the handful of giant oil companies that were part of, or closely allied with, the Rockefeller Standard Oil empire. The combined trusts and foundations owned by the Rockefeller family at the end of the war effectively held controlling shares in the three most important international oil companies — Standard Oil of California (Chevron), Standard Oil of New Jersey (Exxon) and Standard Oil of New York (Socony, later Mobil). [1]

At the pinnacle of that oil empire stood the four Rockefeller brothers. David, the youngest, went into the family bank, Chase National Bank, which began to emerge as New York's second strongest international bank, in no small part because it was the house bank to Rockefeller Standard Oil interests worldwide.

Nelson, who had already played an influential role in advising Democratic President Franklin Roosevelt and who emerged as FDR's most influential policy figure in Latin America, had made a seamless transformation into an Eisenhower Republican by 1952. From that Republican pinnacle, Nelson oversaw a reorganization of the entire US Government and went on to become Special Assistant to the President for Psychological Warfare, shaping Cold War responses to the Soviet Union.

Brother John D. III, who had played a central role in postwar Japan and in population control programs, was also heading the Rockefeller Brothers Fund and the Rockefeller Foundation, whose grants were shaping the future of academic research worldwide, all to the ultimate benefit of the family's private agenda.

The fourth of the politically active brothers Laurance, the business entrepreneur of the four, founded, among other enterprises: Eastern

Airlines — partly to shuttle cheap non-union labor to the New York garment industry from Puerto Rico; McDonnell Aircraft Co.; and later in the 1960s, through his Venrock venture capital group, a small semiconductor company called Intel Corporation.[2]

The Rockefeller brothers' vast influence in the postwar years went well beyond the four brothers, however. It spread through corporate interlocking directorates among key defence firms such as McDonnell Aircraft, Monsanto, DuPont, Hercules Powder, Nuclear Development Corporation, General Electric, Rockwell Manufacturing and scores of other holdings along with their core holdings in the various Standard Oil companies. Rockefeller influence also operated through the highly elite and highly influential private foreign policy think-tank, the Council on Foreign Relations (CFR), which Rockefeller money and J.P. Morgan money had helped to establish in the corridors of the 1919 Versailles Peace talks.[3]

The two most influential figures in the Eisenhower Administration during the onset of the Cold War in the 1950s were the brothers Dulles. Allen Dulles headed the CIA and John Foster Dulles was Secretary of State. Both brothers built their careers within the Rockefeller empire.

John Foster Dulles, as partner of the Wall Street law firm, Sullivan & Cromwell, had represented Rockefellers' Standard Oil and was a Trustee of the Rockefeller Foundation. Married into the Rockefeller family, he also served as Chairman of the Board of the Rockefeller Foundation before becoming Eisenhower's Secretary of State.[4]

The Rockefeller dynasty, in brief, was well positioned during the Eisenhower years immediately after World War II to advance the interests of its new global oil empire.

### *A fateful Harvard project*

By the 1950s the Rockefeller family's oil interests had transformed the American economy into the world's largest oil consuming society.

Standard Oil companies produced, refined and delivered that oil. But the powerful interests behind the oil cartel were not content to operate as an ordinary profit-making group of companies.

Despite laws prohibiting price-fixing cartels in American industry, the large oil companies were able to exert influence in Washington to ignore such restraints when it came to oil. The influence of the Rockefeller group in postwar Washington was immense and it spanned both Democratic and Republican parties.

After the war, even as the power of the oil cartel grew exponentially, Washington looked the other way, permitting monopoly practices that no other groups were allowed. By 1950 the major Rockefeller oil companies were seamlessly inter-linked with the emerging American "national security state." The growing Pentagon war machine was one of the largest consumers of oil and gas. Oil was a sacred cow not to be touched. It was considered too important for American economic security to be left to the free market or constrained by anti-trust laws.[5]

Within the United States and later across the non-communist world, the social engineers and scientists advising the Rockefellers and other leading powers of the American East Coast Establishment — as the combined oil and banking interests of Wall Street and Standard Oil were called — devised an ingenious and ultimately diabolical method of using energy as a lever of social control. They tested it first on the American population and later expanded the model to encompass the world economy.

In 1948 the Rockefeller Foundation gave what was then a very substantial grant of $100,000 to Harvard University's young Russian-born economist, Wassily Leontief.[6]

Leontief, an economist who had left the Soviet Union during his university studies and emigrated to the United States, set up the Harvard Economic Research Project just after the war. His aim was to develop an accurate, dynamic economic model based on his development of industryby-industry input and output data. Leontief's project, part of which became the Harvard Business School's "agribusiness" model under Professors Ray Goldberg and John H. Davis, was generously financed with Rockefeller money throughout the 1950s.

Later the Ford Foundation, whose work was closely tied to the US foreign policy agenda — and often to that of the CIA during the 1950s — joined with Rockefeller to co-finance Leontief's ambitious project. It was the first application of modern digital IBM computers to study complex economic variables.[7]

The result of the work done by Leontief's group at Harvard was an extraordinary gift to the powers-that-be within the establishment: a precise tool that, for the first time, could determine when the economy threatened the establishment's interests by growing in ways not beneficial to those interests. Leontief's work provided the Rockefeller circles with tools of social engineering unprecedented in scope. Energy, not surprisingly, was at the heart of that social engineering. Entire populations would be manipulated — in ways they would not grasp — to become drones, in effect, of powerful elite industrial dynasties, such as the Rockefellers, DuPonts, Carnegies and Fords. The concepts emerged from something called Operations Research, a strategic and tactical methodology developed for military management during World War II.

The original purpose of Operations Research was to study and solve the strategic and tactical problems of air and land defence, in order to maximize use of limited military resources against an enemy. Some foresighted persons in positions of power realized that the same methods might be useful for controlling an entire society. Rockefeller Foundation people then approached Leontief at Harvard.[8] His project was to 'model' ever-greater sectors of the United States economy. Later versions expanded the inputoutput analysis, as computing power and data sources grew, to model first the U.S. economy then that of the entire world – the global economy.[9]

‘Managing limited resources’ — as developed in the Leontief applications of Operations Research — became the heart of the Rockefeller group’s economic strategy after the 1950s. However, they were determined to be the only ones to decide when, where, and by how much to limit the most valuable of those allegedly ‘limited’ resources — oil.

***Keeping oil prices high***

Using the evolving and increasingly sophisticated econometric tools, they described and ‘mapped’ the global economy and its total energy requirements well into the future. Having engineered the transformation of the economy of the United States from coal-driven rail to oil-driven transport, the Standard Oil group, their allies at Shell, and what was then called Anglo-Iranian Oil Company (later British Petroleum) became increasingly concerned that their carefully constructed edifice of world oil domination might collapse if *too much* oil were to suddenly flood the market.

Then, in 1948, the Rockefeller Standard Oil companies within their Saudi Arabian-based company, ARAMCO — Arab-American Oil Company — discovered the world’s largest-ever oil field at Ghawar. That one gargantuan field produced at a staggering rate of five million barrels per day and, despite claims to the contrary, continued to do so more than half a century later. By 2005, Ghawar had produced 55 billion barrels of oil, dwarfing every previous oil discovery in the world. The discovery of Ghawar oil field changed the world of oil overnight, and set the stage for the strategy of making the oil-rich USA oil import-dependent.

It was, however, far from the only giant new oil discovery at that time. Ghawar was followed in 1953 by discovery of the giant Rumalia oil field in Iraq. Fortunately for the power calculus of Rockefeller’s American oil majors and their closely allied British oil companies, Shell and AngloIranian (BP), most major new giant fields were under the Rockefellers’ direct control.

With the immense new fields of Saudi Arabia, Iraq and the Middle

East under their control, the US oil majors around the Rockefeller group decided it would be far better to use their ultra-cheap Mideast oil instead of the domestic US supply which often cost considerably more to extract and was frequently in the hands of smaller independent oil companies.

In the early 1950s, a critical economic consideration was the difference in lifting costs – operating costs: Saudi or other Middle East oil operations typically cost some 400% to 500% less compared with those in West Texas, California or Oklahoma. It cost US-Saudi ARAMCO oil companies about $0.20 to produce a barrel of Saudi oil that they sold to the market in the 1950s for $1.75. Under a special tax arrangement — on the argument of US national security — the US Treasury paid a sum, termed a Foreign Tax Credit, to the Saudi Government to insure the flow of cheap Saudi oil that was, in effect, bankrupting domestic US independent oil producers. The ARAMCO American oil companies got away with paying no taxes either in the US or in Saudi Arabia.[10]

Little wonder that the major oil companies began a concerted drive to flood the domestic US oil market with their cheap Middle East oil, conveniently bankrupting thousands of small and medium-sized independent US oil producers.

Despite all this, however, the Rockefeller oil majors faced a nightmare scenario. Oil was by then the primary energy driving the global economy. In a world where control over oil was the key to global power, they knew that significant non-Anglo-American players, as well as national oil companies not under the Rockefeller thumb, could also discover huge new fields such as Ghawar or Rumalia, thus ending the Anglo-American control of world oil.

A radical new approach to their control of oil became urgent.

### *Big Oil finds a new King*

As a first step, the major American and British oil interests concluded that a plausible scientific argument was needed that would propagate the convenient (for them) myth that the world's petroleum resources were finite and depleting rapidly. For this job, they chose an eccentric petroleum geophysicist from the University of Chicago who was working for Shell Oil in Texas, a man named Marion King Hubbert, or King, as he preferred to be known.

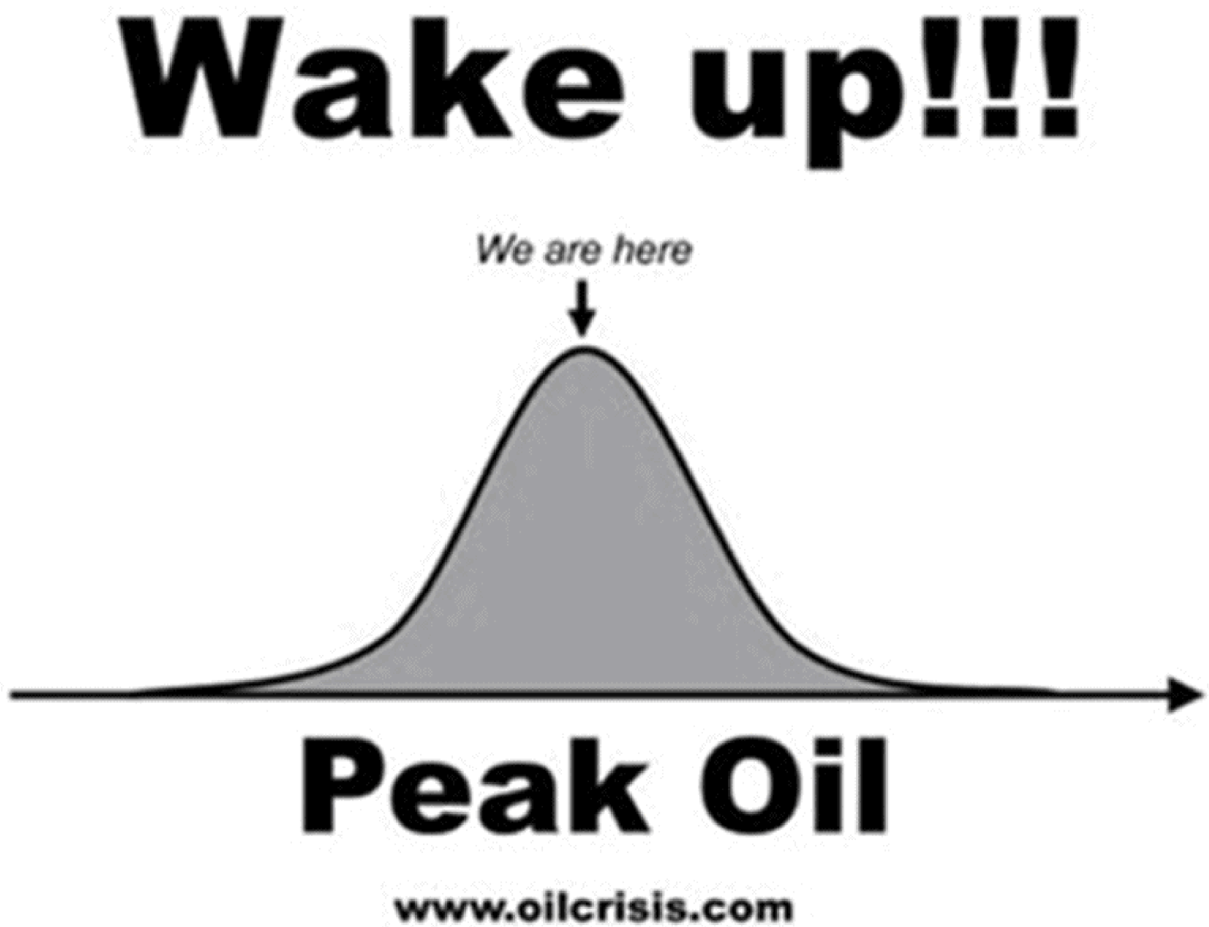


Diagram of presumed peaking of oil based on idealistic Gauss curve not on empirical measurements of real oil fields.

Hubbert was asked to deliver a paper to the annual meeting of the American Petroleum Institute in 1956, an event that would become one of the most fateful examples of scientific fabrication in the modern era.

Hubbert posited all of his 1956 conclusions on the unproven assumption that oil was a fossil fuel, a biological compound produced from dead dinosaur detritus, algae or other life forms originating some 500 million years back. Hubbert accepted the fossil theory without question, and made no evident attempts to scientifically validate such an essential and fundamental part of his argument. He merely asserted ‘fossil origins of oil’ as Gospel Truth and began to build a new ideology around it, a neoMalthusian ideology of austerity in the face of looming oil scarcity.

For the giant British and American oil companies and the major banks backing them, the myth of scarcity was necessary if they were to be able to control the availability and price of petroleum as the lifeline of the world economy. The scarcity myth was to be a key element of Anglo-American geopolitical power for more than a century.

King Hubbert admitted in a frank interview in 1989 shortly before his death that the method he used to calculate total recoverable US oil reserves was anything but scientific. It might be compared with wetting one’s finger and holding it up to see how strong the wind is blowing.

Hubbert told his interviewer,

*What was required there was that I need to know or have an estimate of the ultimate amount that could be produced...I know the ultimate and I know, I can only tailor that curve within a very narrow range of uncertainty. So that’s what was done. Those curves were drawn. I simply, by cut and dry, I mean, you drew the curve, calculated the squares, and if it was a little too much you trimmed it down or too little, you upped it a little. But there was no mathematics involved, other than the integral area under the curve, the integral* ***pd dq*** *by, at times, et, for accumulated production up to a given time...So with the best estimates I could get on the ultimate amount of oil in the United States, my own figure at the time was about 150 billion barrels. 11*

If Hubbert’s description of his methodology doesn’t sound like rigorous scientific procedure, that’s because it wasn’t.
Hubbert, in effect, transformed an unproven and inaccurate assertion — that oil derives from fossilized biological remains – into grounds for claiming its inherent scarcity and inevitable decline: “This knowledge

provides us with a powerful geological basis against unbridled speculations as to the occurrence of oil and gas. The initial supply is finite; the rate of renewal is negligible; and the occurrence is limited to those areas of the earth where the basement rocks are covered by thick sedimentary deposits.” [12] Once that was accepted wisdom in the world of geology, a world whose textbooks were written mainly in America, it was a matter of controlling those areas politically or, if necessary, militarily.

Hubbert made no attempt to demonstrate that even if oil reserves were restricted to “areas of the earth where the basement rocks are covered by thick sedimentary deposits,” that all such areas had already been thoroughly explored for petroleum potential. Barely a tiny fraction of the earth had even been touched by oil drills when he made his dire forecast of ‘finite’ and ‘limited’ supplies in 1956.

Almost a quarter century later, Michael T. Halbouty, a respected oil geologist and petroleum engineer from Texas, an outspoken advocate of increased domestic United States oil exploration, wrote in the *Wall Street Journal* in 1980:

*[There are] approximately 600 prospective petroleum basins in the world. Of these 160 are commercially productive, 240 are partially or moderately explored and the remaining 200 are essentially unexplored. Around the globe 3,444,664 wells had been drilled up to 1978. Of this amount, 2,513,500 or 73 percent were drilled in the United States. Yet the prospective basin areas of this country...comprise only 10.7 percent of the world’s total. Thus 89.3 percent of the world’s prospective basins saw only 27 percent of the wells drilled...The majority of the world’s basins have not been adequately explored or drilled. 13*

Such facts were of no evident interest to Hubbert or to the big international oil companies.

Armed with his unproven hypothesis of finite oil, Hubbert proceeded to predict that, based on his estimates of total US oil reserves of 150 to 200 billion barrels, the United States output of petroleum would peak in the late 1970s and an accelerating bell curve decline in oil would begin. It was an alarming picture, to put it mildly. It was also false.

To illustrate his paper and give it the appearance of real science, Hubbert adopted the idealized bell curve invented as a heuristic tool in the 19th Century by the German mathematician Karl-Friedrich Gauss – thus, the 'Gauss Curve.' Hubbert neglected anywhere in his writings then or later to demonstrate how the Gaussian Bell Curve described oil reservoir behaviour in all cases. He merely asserted it was so. The Hubbert curve was not based on empirical data from actual oil fields but rather, on an assumption about what Hubbert claimed was the case with all oilfields. Without having proven any connection between fossils and oil, he then made 'guesstimates' of how much total oil existed, based on his guessed amounts of fossilized remains trapped in sedimentary zones within the United States. [14]

A colleague of Hubbert's at Shell in Houston during the 1950s, Kenneth Deffeyes, remarked, "The numerical methods that Hubbert used to make his predictions are not crystal clear. Today, 44 years later, my guess is that Hubbert, like everybody else, reached his conclusion first then searched for raw data and methods to support his conclusion. Despite sharing roughly 100 lunches and several long discussions with Hubbert, I never had the guts to cross-examine him about the earliest roots of his prediction." [15]

That remarkable admission by Deffeyes, who went on to become a prominent professor of geological engineering at Princeton University — and one of the most ardent promoters of the Hubbert thesis — was more than revealing. Aside from what it revealed about Deffeyes' lack of intellectual courage on such an important geophysical question, it showed that Hubbert concealed even from his closest colleagues any details of his methodology. Perhaps that was because he knew he could not rigorously defend it.

Hubbert's himself admitted, in an extensive interview shortly before his death, that prior to delivering his 1956 speech predicting the imminent, dramatic decline of petroleum production in the United States, he had given his paper to the chairman of Royal Dutch Shell to read first. Hubbert stated that, "the managing director of Shell's only comment was, he hoped that I would counteract these essentially over-estimates of L.G. Weeks."[16]

L.G. Weeks, at the time the most well-respected oil reserve researcher in the USA, had estimated 400 billion barrels of recoverable oil in the US, and he was regularly revising the amount higher, something the large oil companies found highly unsatisfactory. If oil were so abundant, how could they justify holding the price high and even putting it higher in the future? [17]

Hubbert apparently heard the clear message from his boss at Shell. In his speech he used a maximum estimate of only 200 billion barrels of oil in the United States and predicted a decline in total US oil output by 1970.

In his same 1956 paper, M. King Hubbert estimated total world Ultimate Potential Reserves of Oil to be 1,250 billion barrels. In 2008, however, the BP Statistical Review of World Energy estimated total world oil reserves to be somewhere between 1.8 trillion barrels and 2.2 trillion barrels.

Of the totality of oil consumed since the onset of the modern petroleum era more than a century ago, approximately 90% of all the petroleum that has ever been consumed was used *after* 1958. That would translate into almost 1000 billion barrels used, out of Hubbert's estimate of 1250 billion barrels remaining as of 1956. [18]

If some 83% of Hubbert's total reserves had been used up by 2008, how was it possible that there was still an estimated amount left in 2008 that was almost double the total "scientifically" estimated by Hubbert in 1956? Clearly there were serious discrepancies in the Hubbert projections. For Hubbert's powerful oil industry sponsors and the influential establishment circles using him for their political agenda, it did not matter. After all, no one would bother to look at the details. They would only remember the headline: "Oil is finite and will peak in 1970 in the USA and soon thereafter in the entire world." No one can object then to higher prices, can they?

### *Hubbert's Malthusian energy model*

Hubbert himself was a curious personality. During the 1930s depression, he espoused an alternative monetary system based on a kind of Malthusian idea that oil resources are finite while the money system, with its compound interest, grows exponentially. His proposed alternative was to create an economic society in which energy availability, not money, would control standards of living. The world he envisioned, destined for his predicted dramatic imminent decline of energy from oil and gas, would experience a drastic decline in general living standards, not just for Americans, but ultimately for the entire world.[19]

M. King Hubbert (far left) with other leaders of Technocracy Inc., modeled on Mussolini's fascist technocracy futurists. Hubbert, as Shell Oil geologist, first promoted the pseudo-scientific Peak Oil theory in 1956 to justify high oil prices for Big Oil

Hubbert proposed this energy-driven economic model in a paper he wrote in 1938 when he was a member of a cult-like group calling itself Technocracy Incorporated. The group advocated that society be ruled by technocrats —scientists and engineering experts. Such experts, Hubbert and his fellow technocrats maintained, knew better than ordinary people which choices were best for society. In the 1930s, Hubbert's Technocracy Incorporated loyalists wore grey shirts and monad insignia lapel pins, and saluted when they encountered the group's founder, Howard Scott, leading to a barrage of negative media coverage suggesting similarities with Italian fascist practices under Mussolini's dictatorship and cult of personality.[20]

In 1933, the year Hitler seized power in Germany, the Technocracy Incorporated founding statement declared, "Technocracy is not misled by emotional optimism created by temporary palliatives. Its findings prove why no 'new deal,' but an entirely 'new game,' based upon an accurate 'balanced load' method of social control is the only solution for the problems facing this continent." [21]

In brief, Hubbert's Technocracy organization advocated a system of centralized top-down social control by elite technocrats. Little attention was given to how the moral fiber and behavior of the technocrats might be guaranteed to promote the greater good of the overall society. Nonetheless, there is no record that Hubbert ever disavowed Howard Scott or Technocracy Inc.

The core of the Technocrats' vision was "an energy theory of value." Since the basic measure common to the production of all goods and services was energy, they reasoned that the sole scientific foundation for the monetary system was also energy. Hubbert proposed, "We distribute purchasing power in the form of energy certificates to the public, the amount issued to each being equivalent to his pro rata share of the energy-cost of the consumer goods and services to be produced during the balanced-load period for which the certificates are issued. These certificates bear the identification of the person to whom issued and are non-negotiable." [22]

In effect the Hubbert energy-regulated economic system would insure that as oil reserves declined in availability as the primary energy source for a country or the world as a whole, the disposable income or standard of living would sink along with it. The theme was to be revisited several times in later decades by the Rockefeller circles and their various organizations and think tanks.

During the Second World War, Hubbert had served in the Federal Government's Board of Economic Warfare until 1943, when he went to Shell Petroleum Company to make his career as a geophysicist. Thus the eccentric technocrat who worked for Big Oil, promoting their myth that oil was running out, understood the basics of how oil could be used as a weapon of economic warfare. Whether he realized it or not, in 1956 that weapon was turned against the American people, not against any external enemy.

Hubbert was rewarded for his effort by the powerful oil establishment. He was elected to the American Academy of Arts and Sciences in 1957; he received the Geological Society of America's Arthur L. Day Medal in 1959, and became the society's president in 1962, giving an aura of prestige and credibility to his thesis of oil peaking.[23]

### *Big oil uses Hubbert*

As it happened, continental US oil output did decline after 1970, but for quite different reasons than Hubbert's alleged imminent exhaustion of fossilized dinosaur goo or algae. Domestic US oil production went from a peak of 11.3 million barrels a day in 1970 to 10.5 million a day in 1974. The reason, however, was not depletion of oil. Rather it was US oil majors flooding US oil markets with cheaper Middle East oil, where imports grew from 23% of total US oil supply in 1970 to some 36% in 1974. Hundreds of smaller oil companies simply shut down their wells, unable to compete with the giant Standard Oil and other international companies. [24]

Using Hubbert's pseudo-scientific paper, the major oil companies begged the US Congress for preferred tax treatment to offset the “risk” of importing oil from fields in Saudi Arabia, Kuwait and now Iran. Since the CIA coup in 1953 that restored the rule of the Rockefeller-friendly Shah of Iran, a new flood of cheap Iranian oil was now controlled by US oil majors for the first time.[25]

Essentially, Big Oil argued that their Middle East oil operations should get tax benefits and other preferential treatment over domestic US oil — oil that in any case soon would decline. They could point to the work of Hubbert as “proof.”

The big oil majors, using Hubbert’s pseudo-science as backup, argued in Washington that their Mideast oil was a US “national security” priority. A joint report by the US State and Defense Departments in the 1950s noted, “American and British oil companies . . . play a vital role in supplying one of the free world’s most essential commodities. The maintenance of, and avoiding harmful interference with, an activity so crucial to the well-being and security of the United States and the rest of the free world must be a major objective of United States government policy.”[26]

### ***Seven Powerful Sisters***

What was not so openly stated was that the major US and UK oil companies enjoyed a freedom of action during the postwar period that scarcely any other American corporations enjoyed. They were more or less given free reign over the structures and operations of world oil markets, something that would later have ominous consequences, leading the world into countless wars and conflicts over oil. In 1952, a US Senate Select Committee on Small Business released a report titled *The International Petroleum Cartel.* The report showed that the seven largest oil companies — Anglo-Iranian (BP), Royal Dutch Shell, Standard of New Jersey (Exxon), Standard of New York (Socony Mobil), Gulf Oil, Texaco, and Standard of California (Socal, later Chevron) — controlled 88% of the oil reserves outside the United States and the Soviet Union.[27]

Those seven companies, nicknamed the Seven Sisters, controlled the majority of the oil-producing areas outside the United States and all foreign refineries. They divided up the world markets, sharing pipelines and tankers among themselves, and fixing oil prices worldwide.

Meanwhile, in 1952 Dwight D. Eisenhower, the Commander of Allied Forces in Europe during the Second World War, had become the US President and John Foster Dulles, former head of the Rockefeller Foundation and a Standard Oil attorney, was Eisenhower's Secretary of State.

The result was that the monopoly power of the Rockefeller oil cartel became a forgotten issue in Washington; the new foreign policy mythology became "anti-communism." It was indeed an Anglo-American oil world in the 1950s, and the Rockefeller group controlled that world, at least outside the United States.

In 1953, in one of its first moves to expand their control, CIA head Allen Dulles and his brother, Secretary of State John Foster Dulles had persuaded Eisenhower to authorize a CIA-backed coup to oust popular nationalist Iranian Prime Minister Mohammed Mossadeq, who was in a bitter battle with British Petroleum, then called Anglo-Iranian Oil Company. The Iranian Parliament had voted to nationalize Anglo-Iranian following the company's repeated refusals to renegotiate better terms with Iran. The British government, owner of 51% of Anglo-Iranian shares, discussed the possibility of an invasion of Iran to occupy the area around Abadan's oil refineries, on the Persian Gulf. By 1952 the US Government authorized a covert operation to depose the popular nationalist Mossadeq and bring back the despotic Shah as their proxy.

The CIA, with British MI-6 support, began a well-financed subversive action against Mossadeq, painting him falsely in US and Western media as sympathetic to the Soviet Union for his call to legally nationalize AngloIranian Oil. The CIA coup, led by Kermit Roosevelt, forced Mossadeq out of office and, with US backing, and abundant bribes to religious leaders, a brutal dictatorship under the Shah was returned to Tehran.

As quid pro quo for the CIA helping their British cousins, Washington extracted a heavy price on behalf of the Rockefeller oil group. What had been the sole domain of British oil since 1908 now had to be shared with the American Rockefeller companies. British Petroleum, as the company was renamed after the coup, would henceforth get a mere 40% share of Iranian oil. Each of the five Rockefeller-linked US sisters got 8% or a total of 40%, and Shell got 14%, while the weaker French CFP got 6%.

The CIA oil coup in Iran was a major signal to other oil producing countries not to get any ideas of nationalizing their oil and gaining independence from Washington or from Big Oil.

Middle East oil was the lowest cost oil on the world market in the early 1950s, by far. At that time, the sentiment in both the White House and the US Congress was that defending domestic oil production and reducing dependence on high-risk Middle East oil was the "national security" priority.[28]

The redefinition of oil in the Middle East as a US national security priority during the Eisenhower years, therefore, was a complete reversal of the conventional notion of national security in terms of vital commodities and raw materials — which had argued that support of essential *domestic* supply sources ought to have priority. It was a geopolitical shift and the wellspring for continuous oil wars ever since, either directly involving the United States as belligerent — as in Iraq — or via surrogates, as in the US-instigated IranIraq War of 1980-88.

Few during the height of the Cold War and the height of McCarthyism dared challenge national security arguments. For Mobil, Chevron and the other so-called Seven Sister Anglo-American oil majors of the time, the economics of controlling Mideast oil were staggeringly favorable. They simply set out to redefine the term "US national Security."

With their other tax concessions from Washington added in, the American oil majors could lift crude oil from the ground in Saudi Arabia during the 1950's for less than $0.20 a barrel and sell it in the US refinery markets or in Europe for some $3.00 or more a barrel, a profit of at least 1200%. The only commodity that came close to such rates of return was illegal heroin traded from Laos and Burma — where the cost of transport was subsidized unwittingly by the American taxpayer in the form of supporting the CIA's Air America during the Vietnam War.[29]

By sheer force of the Big Oil lobby in Washington and their bankers on Wall Street, led by Chase Manhattan Bank and Citibank, the imports of cheaper Middle East oil into the United States overwhelmed the argument for more domestic oil production.

The shift from domestic to imported oil reliance that began towards the end of the 1950s and accelerated into the 1960s, paralleled the rise of US military and diplomatic presence in the Middle East. Contrary to what had been considered prudent during the early 1950s, the powerful propaganda machine of the Rockefeller faction managed now to define US "national security" as controlling the oil fields of Saudi Arabia, Iran, and the Persian Gulf. It would prove to be a fateful re-definition.

By the beginning of the 1970s, the strategic importance of Middle East oil to the US economy and to the Western world had become paramount. King Hubbert's prediction of a peak in domestic US oil production by 1970 came to pass, more or less like clockwork in 1970.

By the early 1970s, with the United States and Western Europe increasingly dependent on Middle East oil as never before, the stage was set for the boldest manipulation of world oil markets yet. The leading US and British oil titans, along with the most select bankers of New York and the City of London and a handful of high-ranking government officials from the United States and Western Europe met in a high security island retreat just outside Stockholm, Sweden to lay the groundwork for a global oil price shock.

They were about to test the reactions of the world to a deliberate 400% rise in the dollar price of oil, the most dramatic application of their oil weapon — their "silent weapon for quiet wars." Hubbert's greatest day of glory was about to come.

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[3] New York Council on Foreign Relations, *History of the CFR: The Inquiry*, accessed in the official CFR website, http://www.cfr.org/about/history/cfr/inquiry.html. Carefully omitting the role of bankers from J.P. Morgan, the City of London and the Rockefeller group in establishing the Anglo-American alliance that became the CFR, the most influential foreign policy think-tank in world history, the official CFR text merely states, "On May 30, 1919, a little group of diplomats and scholars from Britain and the United States convened at the Hotel Majestic, billet of the British delegation, to discuss how their fellowship could be sustained after the peace. They proposed a permanent Anglo-American Institute of International Affairs, with one branch in London, the other in New York," making it sound like a reunion of an Odd Fellows lodge.
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[7] Ibid. 2
[8] For a fascinating if controversial discussion of the application of the Leontief project,

refer to a document which was putatively authored by Hartford Van Dyke in 1979 under the published title, "Silent Weapons for Quiet Wars," and the sub-title, "Operations Research Technical Manual TM-SW7905.1." While much of the legend surrounding the alleged discovery of the document in a copy machine in an Air Force base can best be ignored, the content of the actual document makes fascinating and highly plausible reading. The 1956 paper of M. King Hubbert, as well as other statements on economic matters, and http://www.technocracytechnate.org/index.php?topic=3.0, a four-hour interview with Stephen B Andrews on March 8, 1988, fit remarkably well the energy-as-social-control model described in Van Dyke's Silent Weapons for Quiet Wars – the idea of using control of energy for the economy as the governor of all social life. See Hartford Van Dyke, *Silent Weapons for Quiet Wars An Introduction Programming Manual,* accessed in *http://www.rexresearch.com/dyke/slntwpn.htm.*

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http://www.oilcrisis.com/hubbert/tribute.htm

[24] Federal Energy Administration, Project Independence Blueprint, Interagency Taskforce on Oil, *Oil: Possible Levels of Future Production*, Final Task Force Report, pt. 5, Government Printing Office, Washington D.C., 1974, p. II-9. This decline in domestic US oil output owing to cheaper Middle East imports pushing out domestic US production has been confirmed in numerous interviews with independent oil producers over years with the author, from Texas to Ohio to New Mexico and California. It is a chapter rarely discussed in the debate over energy.

[25] For an annotated account of the Mossadegh coup see F. William Engdahl, A Century of War: Anglo-American Oil Politics and the New World Order, 2004, Pluto Press, London, pp. 91-96.

[26] Wyatt Wells, *Antitrust and the formation of the postwar world—Looking the Other Way: Petroleum*, Columbia University Press, New York, 2002, pp. 187-189. [27] Ibid., p. 196-197.

[28] Craufurd D. Goodwin, op. cit., pp. 223-239.

[29] For more on the CIA role in Asian heroin traffic during the 1960s, see Alfred W. McCoy, *The Politics of Heroin in Southeast Asia*, Lawrence Hill Books, revised 1991 edition.

# *chapter 4*

## A DRAMATIC SHOCK

### *A US economy in eclipse*

By August 1971, the once-dominant position of the US economy as the world's leading industrial power had become a pale echo of the 1950s. Its industrial base was becoming obsolescent. Most of American industry had been modernized as part of its 1940's war mobilization. Now some three decades later, Western Europe and Japan had rebuilt their industrial infrastructure on the most modern basis, significantly more productive and efficient than their American competitors. As US exports dropped and a chronic balance of trade and of payments developed during the Vietnam War of the late 1960s, foreign central banks with surplus dollars began to demand hard physical gold from the US Federal Reserve — and no longer paper dollars.

Under the rules of the 1944 Bretton Woods agreement, solemnly ratified by the United States Senate as Public Law 171, the US had incurred obligations to fellow signatories of the treaty to redeem foreign central bank dollar holdings in Federal Reserve gold payments.[1]

In 1944 when the rules of the International Monetary Fund were drafted at the conference in Bretton Woods, New Hampshire, the United States was at its economic and monetary pinnacle while its industrial rivals in Europe and the Pacific were in war-ruined shambles. At that time, more than 70% of all monetary gold in the world was locked in the vaults of the US Federal Reserve. [2]

Bretton Woods participants had reluctantly agreed therefore to the Washington proposal that all other currencies be based on a fixed relation to the US dollar with only the dollar convertible into gold.

They had little choice if they were to get the dollar credits and industrial equipment to rebuild their economies.

In turn, under the rules of the treaty, the dollar and *only* the dollar would be pegged to gold for monetary transactions, with $35 equalling one fine ounce of gold. At the end of the war and well into the early 1960s, the dollar was de facto, “as good as gold,” much as the British Pound Sterling after the 1815 defeat of Napoleon at Waterloo had been, until its debasement before World War I.

By the summer of 1971, Washington’s dominant economic and monetary position was in the midst of a grave crisis, its most severe crisis of the postwar period. Germany and France as well as smaller foreign central banks were demanding gold for their dollars. The Federal Reserve’s official gold stock had plunged from $25 billion to only $12 billion at the beginning of 1971, and the trend was snowballing as more central banks worried about the value of their inflated dollars.

US foreign military spending — especially for its growing war in Indochina —and a wave of US corporate buyouts of European and other foreign companies, led to a huge dollar drain from the 1960s and into the early 1970s. According to US official sources, between 1960 and 1964 American foreign exchange expenditures on armed forces stationed abroad averaged $3 billion dollars annually and went up to $4 billion a year between 1965 and 1970. As well, between 1946 and 1970, American investments abroad exceeded a relatively staggering sum of more than $160 billion dollars.[3] Those foreign dollar claims ended up in European, Japanese and other central banks of America’s largest trading partners.

By August 1971, President Nixon’s advisors were urging him to take drastic measures. He was advised above all by Under-Secretary of the Treasury for International Monetary Affairs Paul Volcker. Volcker had come to Washington in 1969 from his post as Vice President of David Rockefeller’s Chase Manhattan Bank.

Volcker and others convinced a nervous Nixon that the only way out of the gold crisis was to hold a press conference and tell the world he was ripping up the Bretton Woods Agreement – which is precisely what he did on August 15, 1971.

From that point, the dollar was floating in the wind relative to Japanese Yen, German Marks and French Francs or other major currencies. The dollar was, in effect, backed by a rotting, declining industrial America. Those who held dollars no longer convertible to gold rushed to sell them at almost any price. The dollar began a serious decline in value in late 1971. By early 1973 the dollar had lost 40% of its value against the German Deutschmark. The power of Wall Street and of the American Century was threatened as never before in the postwar period.

That dollar decline was to reverse dramatically over the ensuing months.

***Preparing a dramatic shock***

After 1945 American power had been based on two vital and interlinked factors. First, the United States must remain the world's dominant military hegemon — a position secured with the decision by President Harry Truman to drop atomic bombs on Hisroshima and Nagasaki in August 1945.

The second pillar of what the US establishment called 'the American Century'[4] would be the role of the US dollar as the world's reserve currency. As had been the case with Britain's Pound Sterling a century before, controlling the world reserve currency would give Wall Street and the large international banks of New York an incomparable advantage in dominating the world financial markets and economy.

By the end of the 1960s, with the United States Armed Forces facing humiliating defeat from a comparatively tiny opponent in the jungles of Vietnam, and with the dominant role of the dollar threatened, it was time for something very radical to save America's decaying empire.

### *Elites meet in Sweden*

In May 1973, with the dramatic fall of the dollar still vivid, a group of eighty four of the world's top financial and political insiders met at Saltsjöbaden, Sweden, a secluded island resort belonging to the Swedish Wallenberg banking family. The gathering was a private meeting of Prince Bernhard's Bilderberg group, which heard an American participant, Walter Levy, outline a scenario for an imminent 400% increase in OPEC petroleum revenues. The purpose of the secret Saltsjöbaden meeting was not to prevent the expected oil price shock, but rather to plan how to manage the flood of oil dollars it was intended to create — a process U.S. Secretary of State Kissinger later called 'recycling the petro-dollar flows.'[5]

Walter J. Levy, the American speaker at the Bilderberg meeting on the topic of Atlantic–Japanese Energy Policy had a remarkable history. Some three decades earlier during World War II, as a German refugee working with the US wartime OSS intelligence organization, Levy had provided US and British air forces with detailed maps of every German synthetic oil and fuel plant, enabling the sustained Allied bombing campaign. After the war, Levy served as a petroleum advisor to the US Joint Chiefs of Staff. From 1948 to 1949 he was chief of the petroleum branch of the Economic Cooperation Administration of the Marshall Plan, where he supervised the takeover of Western Europe's booming oil markets by Standard Oil companies. In short, Levy was Big Oil's 'man' — a consummate oil establishment insider.

After pointing out that future world oil needs would be supplied by a small number of Middle East producer-countries, Levy's view, as recorded in the confidential protocol of the 1973 Saltsjoebaden Bilderberg meeting, was prophetic: "The cost of these oil imports would rise tremendously, with difficult implications for the balance of payments of consuming countries. Serious problems would be caused by unprecedented foreign exchange accumulations of countries such as Saudi Arabia and Abu Dhabi."[6]

PERSONAL AND
STRICTLY CONFIDENTIAL

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BILDERBERG MEETINGS

# SALTSJÖBADEN CONFERENCE

11-13 May 1973

Protocol of private May 1973 Bilderberg Meeting in Saltsjoebaden, Sweden where 400% oil price shock was presented six months before the fact.

January 8, 1973

## BILDERBERG MEETINGS

### Names of Americans Proposed For Participation

### In The Salsjobaden Conference, May 10-13, 1973

(There will be room for 20 Americans at Salsjobaden, not including the authors of the papers and me. There are ten Steering Committee Members. This makes only ten places free.)

The following individuals have been proposed by one person or another - including in two cases themselves. In considering possible participants we must remember the importance of having some younger people and some women. It is also desirable to have one or two persons connected with the press and one labor leader if possible.

**U.S. Government - Executive Branch**

Henry Kissinger (Alternate: Under Secretary of State Rush)
George Schultz (Alternate: Donald Rumsfeld; Ambassador Eberle)
James Akins (Energy Expert in White House and State Department)

**U.S. Government - Congressional**

Senator John Tower (Alternates: Senators Brook, Percy and Scott)
Senator Jackson (Alternates: Senators Mondale or Proxmire)
Congressman John Culver

**Journalism**

Donald Cook
Osborn Elliott
Katherine Graham
Andrew Heiskell
Max Frankel
Flora Lewis
Tom Wicker

**Others**

Graham Allison
Robert Anderson
Robert Bowie
Harvey Brooks
Zbig Brzezinski
William Bundy
Miriam Camps
Patricia Harris
Stanley Hoffman
Richard Holbrooke
Robert Hunter
General G. A. Lincoln
Dean Robison of Bowdoin College
Robert Schaetzel
Carroll Wilson.

List of American attendees at May 1973 Saltsjoebaden Bilderberg Meeting where the 400% oil price shock was first presented to select European elites.

(source: Hoover Institute Library)

Levy, as a consultant to the largest international oil companies, observed that "A complete change is developing in the political, strategic and power relationships between the oil producing, importing and home countries of international oil companies and national oil companies of producing and importing countries."[7]

That was an understatement to say the least.
Levy then projected an imminent surge in OPEC Middle East oil revenues, which would translate into just over 400%, the same level of price increase that Kissinger was soon to demand from the Shah of Iran.

Present at Saltsjöbaden that May of 1973 were David Rockefeller of Chase Manhattan Bank; Robert O. Anderson of Atlantic Richfield Oil Co., a part of the Rockefeller oil group around Standard Oil; E. G. Collado, vice president of the Rockefeller Exxon Oil Corporation; Sir Denis Greenhill, director of British Petroleum and head of the British Diplomatic Service; Gerrit A. Wagner, president Royal Dutch Shell; Sir Eric Roll of S.G. Warburg, creator of Eurobonds; George Ball of Lehman Brothers Wall Street investment bank.

They were joined at the gathering by among others, Zbigniew Brzezinski, the man who would in 1974 become Director of David Rockefeller's new Trilateral Commission, and shortly thereafter, President Carter's national security advisor; Italy's Gianni Agnelli of Fiat, a close Rockefeller family associate, and Germany's Otto Wolff von Amerongen, a founding member of Rockefeller's Trilateral Commission group and president of the influential German Chamber of Industry and Commerce (DIHT).

Henry Kissinger, a regular participant at the Bilderberg gatherings, was listed by Robert Murphy as an American government representative to the secret Sweden talks. The host of the gathering was Marcus Wallenberg of the Swedish industrial and banking group, known in the Swedish press as the “Swedish Rockefeller.” Holland’s Prince Bernhard, honorary chair of the fateful 1973 meeting, was forced to resign as head of Bilderberg meetings in 1976 over a scandal involving his acceptance of a one million dollar bribe from Lockheed, the US fighter jet company. [8]

Also present at the Bilderberg talks were France’s top oilman, Rene Granier de Lilliac of Compagnie Francaise des Petroles (CFP), and Baron Edmond de Rothschild, head of London’s N.M. Rothschild’s merchant bank.

In sum, gathered in utmost secrecy, with all press banned from their discussions, were the most powerful American and British oil and banking figures from David Rockefeller to Baron de Rothschild, from Exxon to Shell to BP and Atlantic Richfield, along with their close allies in key European countries. They were being briefed on the coming coup in oil prices, a coup instigated by the Rockefeller circles, using the diplomacy of Secretary of State Henry Kissinger, their man in Washington.

Bilderberg’s May 1973 Saltsjoebaden meeting was where the Oil Shock of 1973 was prepared.

### *A Dutch Hotel and Atlanticist schemes*

Twenty years earlier, the Bilderberg annual meetings had been initiated in utmost secrecy in May 1954 by powerful individuals around the Rockefellers, including George Ball, Dr. Joseph Retinger, Holland’s Prince Bernhard and George C. McGhee, then of the US State Department and later a senior executive of Rockefeller’s Mobil Oil.

Named for the site of their first gathering, the Hotel de Bilderberg near Arnheim in Holland, the annual Bilderberg meetings gathered top elites of Europe and America for secret deliberations and policy discussion. Consensus was then shaped along desired American lines and delivered in subsequent press comments and media coverage without reference to the Bilderberg talks themselves, lest average people begin to think it was some kind of real-life conspiracy against their interests.

The Bilderberg process was one of the most effective vehicles for postwar Anglo-American policy shaping. The annual Bilderberg meetings were by invitation only. Their raison d'être was actually quite straightforward. They were created in order to bring select European elites into the everchanging American geopolitical agenda — even when that agenda required policies detrimental to European national interests. Each and every participant was carefully selected each year for that specific purpose. Bilderberg meetings were no "Old Boys" gatherings; they were working meetings aimed at implementing Atlanticist, that is, US elites' policies.

In May 1973, the powerful men gathered for the Bilderberg meeting had decided that a major economic shock was needed to re-tilt the balance of power back towards the US dollar, specifically to the international New York banks such as Chase Manhattan and Citibank, as well as the major oil companies tied to the banks.

To do that, in a world where the dollar was not anymore backed by gold, the Bilderberg elites decided to launch a colossal assault against industrial growth in the world, in order to tilt the balance of power back to the advantage of American financial interests and the dollar. In order to do this, they determined to use their most valuable weapon— control of the world's oil flows.

Bilderberg policy — or more accurately, Rockefeller policy — was to manipulate OPEC into imposing a global oil supply cut-off in order to force a dramatic increase in world oil prices. Since 1945, world oil had by international custom been priced in dollars, since American oil companies dominated the postwar market. A sudden sharp increase in the world price of oil, therefore, meant an equally dramatic increase in world demand for US dollars to pay for that necessary oil.

Never in history had such a small circle of interests, based in London and New York, controlled so much of the entire world's economic destiny. The Anglo-American financial establishment had resolved to use their oil power in a manner no one could have imagined possible. The very outrageousness of their scheme was to their advantage, they clearly reckoned.

### *Kissinger's Oil Shock*

On October 6, 1973, Egypt and Syria invaded Israel, igniting what became known as the Yom Kippur War. Contrary to popular impression, the Yom Kippur War was not the result of simple miscalculation, blunder, or an Arab decision to launch a military strike against the state of Israel. The entire constellation of events surrounding the outbreak of the October War was secretly orchestrated by Washington and London, using the powerful secret diplomatic channels developed by Nixon's national security adviser, Henry Kissinger.

Kissinger effectively controlled the Israeli response through his intimate connection with Israel's US ambassador, Simcha Dinitz. In addition, Kissinger cultivated channels to the Egyptian and Syrian side. His method was simply to misrepresent to each party the critical elements of the other, ensuring the war and the resulting Arab oil embargo.

US intelligence reports, including intercepted communications from Arab officials confirming the buildup for war, were suppressed by Kissinger, who was then Nixon's intelligence czar. The war and its aftermath, Kissinger's infamous 'shuttle diplomacy,' were scripted in Washington along the precise lines of the Bilderberg deliberations in Saltsjöbaden the previous May, some six months before the outbreak of the war. Arab oil-producing nations were to be the scapegoats for the coming rage of the world, while the Anglo-American interests who were actually responsible stood quietly in the background.[9]

On October 16, 1973, following a meeting in Vienna, the Organization of Petroleum Exporting Countries (OPEC) raised oil prices by a staggering 70%, from $3.01 to $5.11 per barrel. [10] In 1973, OPEC's members consisted of its five original founders – Iran, Iraq, Saudi Arabia, Kuwait and Venezuela, plus Qatar, Indonesia, Libya, United Arab Emirates, Algeria, Nigeria and Ecuador.

That same day, the Arab members of OPEC, citing US support for – and refuelling of — Israel in the Middle East war, declared an embargo on all oil sales to the United States and the Netherlands — Rotterdam being the major oil port of Western Europe. Saudi Arabia, Kuwait, Iraq, Libya, United Arab Emirates, Qatar and Algeria announced on October 17, 1973, that they would cut their production below the September level by 5 per cent for October and an additional 5 per cent per month, "until Israeli withdrawal is completed from the whole Arab territories occupied in June 1967 and the legal rights of the Palestinian people are restored." The world's first 'oil shock,' or as the Japanese termed it, 'The Oil Shokku,' was underway.

At a second OPEC Ministers' Meeting in December 1973, on demand from the Shah of Iran, OPEC further raised its official barrel price to $11.65, a 400% increase in the price of oil, the world's most economically important commodity. Over the course of a mere three months, OPEC delivered a staggering shock to the world economy and a staggering boon to the balance sheets of the largest New York banks — and to the US and UK oil majors.

In a personal interview with this author in London in September 2000, former Saudi Oil Minister and OPEC Secretary General, Sheikh Yaki Yamani, confided that in October 1973, Saudi Arabia's King Faisal had personally sent Yamani to Tehran to privately ask the Shah why Iran was adamantly demanding a price rise to $11.65 at the upcoming

December OPEC meeting, arguing that a severe economic downturn in the western economies would work against the interests of OPEC. Yamani reported to this author the surprising reply of the Shah: “Tell your King, if he wants the answer to this question, he should go to Washington and ask Henry Kissinger.” [11]

The ties between the Shah and the Rockefeller-Kissinger circles in America were deep, to put it mildly. Records of the Shah’s private family fund, the Pahlavi Foundation, for 1962 — nine years after the CIA returned him to his Peacock Throne with their coup against Mossadeq — reportedly show that the Shah transferred a generous “thank you” gift of $1 million to Rockefeller family friend and former CIA chief, Allen Dulles. David Rockefeller received $2 million from the Shah, as did Loy Henderson, the US Ambassador to Iran in 1953 who had aided the coup against Mossadeq. *Time-Life* publisher, Henry Luce got a check for $500,000 and his magazines became the most ardent supporters of the Shah thereafter. Kissinger, for his part in 1973, was lavished by the Shah with gifts of priceless Persian carpets and kilos of caviar. [12]

In 1972, on a visit to Tehran with President Nixon, Kissinger arranged to give the Shah the right to buy any weapons he wanted — aside from nuclear — in the US military arsenal, a favor not granted then even to the Saudi King.[13] The Shah meanwhile also maintained intimate ties to Kissinger’s mentor, David Rockefeller and to Rockefeller’s Chase Manhattan Bank. The Shah had ordered all of the Iranian government’s major accounts to be held at Chase, as well as the huge sums from Iran’s oil sales — running over $1 billion a month after the 1974 price rise – and the Shah’s personal family fortune, masquerading as the Pahlavi Foundation. As soon as he left government, Kissinger was rewarded with a position on Chase Manhattan’s International Advisory Committee. [14]

### *Germany was a target, not an ally*

In mid October 1973, the German government of Chancellor Willy Brandt told the US Ambassador to Bonn that Germany was neutral in the ongoing Middle East conflict, and would not permit the United States to resupply Israel from German military bases. With an ominous foreshadowing of similar exchanges which would occur some 17 years later, Nixon, on October 30, 1973, sent Chancellor Brandt a sharply worded protest note, most probably drafted by Kissinger:

*We recognize that the Europeans are more dependent upon Arab oil than we, but we disagree that your vulnerability is decreased by dis-associating yourselves from us on a matter of this importance ... You note that this crisis was not a case of common responsibility for the Alliance, and that military supplies for Israel were for purposes which are not part of Alliance responsibility. I do not believe we can draw such a fine line ... 15*

Washington would not permit Germany to declare its neutrality in the Middle East conflict. But, most significantly, Britain was allowed to clearly state its neutrality, thus avoiding the impact of the Arab oil embargo. Britain was clearly an 'insider' of the oil game; Germany was not. The game was in fact aimed against the Germans, as well as against Japan and other OECD economies that were becoming more and more independent of Wall Street's and Washington's control by the early 1970s.

Once again, London had skilfully manoeuvred itself around an international crisis that it had been instrumental in precipitating.
In addition, to prevent Germany, France or other major industrial countries dependent on oil imports from creating independent initiatives that would give them direct access to Middle East oil – through bilateral trade agreements or other arrangements — Kissinger intervened in the heated European debate to propose a "co-ordinated" response to OPEC.
Kissinger proposed that the nations of western Europe join with the United States in setting up a new International Energy Agency within

the Paris-based OECD after 1973. The aim was to appear to be cooperating with the Europeans while keeping oil policy firmly in US control.
The devil was in the detail. The Kissinger plan for the IEA created a formula for an ‘energy emergency’ which would have distinct advantages for the United States and drawbacks for Western Europe. The aim of the IEA was to keep European oil supply initiatives strictly under an Americancontrolled organization and thereby to prevent independent European oilfor-trade or other bilateral initiatives that would see Washington and the Rockefeller ‘Seven Sisters’ lose control over their oil weapon. [16]

### *An almost perfect crime*

The manipulated 400% oil price shock of 1973-1974 was almost the perfect crime. The Anglo-American oil majors around Rockefeller in New York, the Rothschild banking circles of the City of London, and Shell and British Petroleum had prepared the way carefully. They had been responsible for a huge increase in US oil imports from the Middle East in the fifteen years before 1973 – to just over 34% of domestic US demand by the time of the OPEC embargo. [17]

OPEC had been created in 1960 by five oil-producing countries — Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. By the end of 1971 six other nations had joined OPEC — Qatar, Indonesia, Libya, United Arab Emirates, Algeria and Nigeria, giving OPEC nominal domination of world oil supplies.[18] It began to seem as if the power to control world crude oil prices had apparently shifted from Texas, Oklahoma and Louisiana to OPEC. In reality, however, the power had actually not shifted at all from the major US and British oil giants.

OPEC was a producers’ cartel dependent on consumers, and the world’s largest oil consumers were in the United States, Western Europe and Japan. The oil producer countries of OPEC were as a group dependent on Washington for military aid and for control of global oil tanker traffic, refinery flows, pipelines and marketing. In the thirteen years after their founding in 1960 until they were manipulated by Washington into their oil embargo in October 1973, OPEC had never so much as whispered a threat to any fundamental interests of the major US and UK oil companies.[19]

Once Kissinger's Shuttle Diplomacy had successfully provoked the Saudi King into making good on his oil embargo threat to the United States and Western Europe, US media could demonize Saudi Oil Minister Yamani and the "greedy OPEC oil producers" for creating the worst economic hardship since the Great Depression. The OPEC embargo of October triggered panic buying of gasoline among the American public, calls for rationing, endless gas lines and a sharp economic recession. The "enemy" now was OPEC, but behind the scenes New York and London banks lined up to rake in the new OPEC petrodollars and, as Kissinger and the Bilderberg Saltsjoebaden discussions termed it, "recycled the petrodollars" through the largest British and American banks — banks intimately tied to the largest Anglo-American oil companies.

Nine months into the new oil price shock, in July 1974, Bilderberg guest Walter J. Levy, the man who had delivered the oil price shock scenario at Saltsjoebaden, wrote a major piece for the establishment's respected journal, *Foreign Affairs*, the magazine of the Council on Foreign Relations. At the time David Rockefeller was chairman of the Council. In his article, Levy fed the new OPEC 'enemy' image, stating that "oil-producing countries have in fact taken over complete control of the oil industry in their countries," an assertion which his own article later countered. Amid warnings of a "clear and present danger" from OPEC, Levy made the argument for a "painful program of energy austerity by the oil-importing countries." [20]

Significantly, Levy also issued a call for what was to be unveiled as the Rockefeller "soft energy path," demanding "policies to conserve consumption and to spur the development of alternative energy sources..." on the premise it would reduce dependence on foreign oil imports.[21] It would soon become clear that the Levy remedies were part of a coordinated assault on the global population under the guise of a permanent 'crisis' in energy, a crisis that Levy's clients in the oil industry had engineered with his assistance.

Another aspect of careful preparation prior to the price shock was the decision by the large Rockefeller and British oil majors to reduce their inventory stocks to make the impact of the OPEC supply cuts more dramatic. Exxon and the other Anglo-American oil majors had artificially limited the supply of oil to US and European markets beginning in 1972. [22]

Preparing the domestic climate for the coming energy shock of 1973, the establishment's newspaper of record, *The New York Times*, ran an editorial titled "Energy Crisis Ahead," in April 1972. It called for government measures to "discourage frivolous energy consumption...fuel and power may have to be rationed." [23] At the time, few Americans paid any attention.

One consequence of the ensuing 400% rise in OPEC oil prices beginning October 1973 was that investments of billions of dollars by British Petroleum, Atlantic Richfield, Shell and other Anglo-American petroleum concerns in the risky North Sea could produce oil at a profit. It was noteworthy that the profitability of these new North Sea oilfields was not at all secure until after the OPEC price hike precipitated by Kissinger's actions. Further, the largest oilfield ever discovered in the United States was Alaska's Prudhoe Bay above the remote Arctic Circle. Discovered by Rockefeller's Exxon and closely allied Atlantic Richfield, along with BP, it contained what in 1974 the State of Alaska's Division of Geological & Geophysical Surveys conservatively estimated to be ten billion barrels of oil — more even than the legendary East Texas oilfields. [24] Later, that figure was revised upwards to twenty five billion barrels of oil.[25]

Indeed the Alaska geophysical survey noted that there could be far more oil potential to be tapped in Alaska: "[T]he possibility [exists] of fourteen billion barrels of oil in the Marsh Creek anticline in the Arctic National Wildlife Refuge; the large structures in the Gulf of Alaska and the large sedimentary province in the Bering Sea all suggest that there is a much better than average chance that Alaska contains a number of giant oil fields." [26]

Like the offshore North Sea fields, the remote Prudhoe Bay oil of Alaska required costly infrastructure and pipelines to bring the oil to markets in California and beyond. Conveniently, the 400% OPEC price increase quickly made those giant new fields into literal gold, black gold controlled by the Anglo-American Seven Sisters oil majors. [27]

### *Kissinger's Alchemy – oil becomes the new gold*

Significantly, the oil crisis hit full force in late 1973, just as the President of the United States was becoming embroiled in the 'Watergate affair,' leaving Henry Kissinger as de facto president, running US policy during what was termed the 'energy crisis.' Kissinger, as Nixon's all-powerful National Security Adviser, was already firmly in control of all US intelligence estimates.

As Watergate scandals engulfed Nixon, he was persuaded by Kissinger to name him Secretary of State. With that deft move Kissinger and, in effect, the Rockefeller group, secured control of US foreign policy just prior to the outbreak of the October Yom Kippur War. Some insiders in Washington reportedly became convinced that Kissinger had played an active role behind the scenes in feeding the Watergate scandal to further weaken Nixon while Kissinger's power expanded.

Indicative of his central importance, Kissinger retained both titles — as head of the White House National Security Council and as Secretary of State — something not done before or since. No other single person during the last months of the Nixon presidency wielded as much absolute power as did Henry Kissinger. Appropriately, Kissinger was also given the 1973 Nobel Peace Prize.

In February 1973, Nixon had been persuaded to set up a special 'energy triumvirate,' which included Treasury Secretary George Shultz, White House aide John Ehrlichman, and National Security Adviser Henry Kissinger, to be known as the White House Special Energy Committee. Kissinger made certain he was in the middle of all key energy policy decisions for the Nixon White House. The scene was quietly being set for the Bilderberg plan, though almost no one in Washington or elsewhere realized that fact. By early 1973, US reserves of domestic crude oil were already at alarmingly low levels. [28]

Schultz's aide at Treasury was William E. Simon, a former Wall Street bond trader who went on to finance the creation of neo-conservative thinktanks in the 1990s. Schultz appointed Simon chairman of the important Oil Policy Committee. When Simon met with Saudi Oil Minister Yamani in the summer of 1974 to discuss a Saudi proposal for a large Saudi and OPEC oil sale to help bring prices down — something the Saudis strongly supported — Kissinger blocked any US State Department support for the Saudi plan. The Shah of Iran also refused the Simon-Saudi plan. Oil prices, at Kissinger's and the Shah's behest, were to remain high. James Akins, US Ambassador to Saudi Arabia at the time, recounted that Yamani became convinced that the US, or at least Kissinger, was "not entirely serious about wanting to bring down world oil prices." Shortly after that Kissinger fired Akins.[29]

In early 1974 President Nixon sent a senior White House official to the US Treasury in order to devise a strategy to force OPEC into lowering the oil price. He was bluntly turned away. In a memo, the White House official stated, "It was the banking leaders who swept aside this advice and pressed for a 'recycling' program to accommodate to higher oil prices. This was the fatal decision ..." [30]

The oil price increase was pure gold for the New York banks, above all David Rockefeller's Chase Manhattan Bank, where the Iranian Shah parked the oil revenues of the National Iranian Oil Company, a sum of some $14 billion annually after the 1974 OPEC price hikes.[31] Most of Iran's surplus oil revenues were spent on US-made weapons systems, including stockpiles of post-Vietnam inventories, thus fattening the coffers of US militaryindustrial complex, depleted somewhat since the end of the Vietnam War.

The key person inside the US Treasury ensuring the success of the New York banks' 'petrodollar recycling' from OPEC was US Assistant Treasury Secretary Jack F. Bennett. Bennett had been 'loaned' by Rockefeller's Exxon to the Nixon Treasury in 1971. At Treasury, Bennett had joined with another Rockefeller intimate, Paul Volcker, in advising President Nixon to tear up the Bretton Woods Treaty and take the dollar off the gold exchange standard, floating it in August 1971.

That 1971 decision, it turned out, had been but a prelude to the 1973 oil price shock which transformed the dollar overnight from the world's weakest currency into its strongest. In effect, by taking the dollar off gold in 1971, allowing it to float freely, the way was clear in 1974 to turn the dollar from a gold backed currency into a petro-dollar currency, a shift that produced huge consequences.

In 1975, Bennett was sent to Riyadh to formalize a secret accord with the Saudi Arabian Monetary Agency, SAMA. Under terms of the secret US Treasury-Saudi agreement, in return for a guarantee of US military equipment, the Saudi monetary agency SAMA would invest a major portion of the new oil windfall into US Treasury debt. That agreement insured the value of the dollar and locked in huge profits for Wall Street bond dealers, not to mention weapons makers. In effect OPEC oil revenues were to finance the continued expansion of the American Century even as America's domestic industry rotted and decayed.

David Mulford, a Wall Street investment banker with the firm of White Weld & Co., was sent by Bennett to Saudi Arabia to become the principal "investment adviser" to SAMA. His task was to guide the

Saudi petrodollar investments to the correct banks, naturally in London and New York. The Bilderberg petrodollar recycling scheme was operating just as had been planned that May at Saltsjoebaden. [32] It was to be one of the greatest transfers of wealth in history, and Wall Street and the Rockefellers were making sure they controlled the recycling flows of OPEC oil revenues.

The Seven Sister oil companies — Exxon, Mobil, Texaco, Chevron, Gulf Oil, British Petroleum and Shell — became the world's most powerful stock companies with annual profits exceeding the GDP of many nations. OPEC's petrodollars were deposited into the 'right' banks in New York and London: Chase Manhattan, Citibank, Manufacturers Hanover, Bank of America, Barclays, Lloyds, and Midland Bank in London. The petrodollar recycling from the New York and London banks went out again as bank loans from the London-based Eurodollar market, to finance oil imports in nations like Brazil or Argentina, laying the seeds for the 1980s Third World Debt Crisis.

To further ensure that the British Government was in harmony with the planned oil price shock and its ensuing petrodollar recycling, Lord Victor Rothschild, scion of the powerful London and Paris banking family, rose from Director of Research with Shell Oil Company to Chairman of Prime Minister Edward Heath's Central Policy Review Staff. Rothschild remained in that position from 1971 to 1974, through the period of the oil crisis. Rothschild warned Heath, well before the October 1973 embargo, that Britain should prepare for a major OPEC price shock. Rothschild was in a position to know; he was in regular contact at the time with US National Security Adviser Henry Kissinger. [33]

### *Hubbert's Day in the Sun*

In 1974, almost two decades after his famous 'prediction' of a US peak in oil by 1970, M. King Hubbert again made a bold prediction, this time in the *National Geographic* magazine. He predicted, in the midst of 1974's so-called 'Energy Crisis,' that global oil production would peak in 1995, “if present trends continue.” He did not elaborate, but it apparently did not matter. Hubbert was getting the public acclaim that had eluded him in the 1950s.

In 1975, with the United States still suffering from high oil prices, the National Academy of Sciences surprisingly announced their acceptance of Hubbert’s calculations on oil and natural gas depletion and his prediction of a US oil peak, stating that their earlier, more optimistic estimates had been incorrect.

Since the Second World War, the Rockefeller Foundation and the Rockefeller group had been a major factor in the priorities of the National Academy of Sciences, often using its imprimatur as cover to promote various of its policies in science. Until the early 1960s the same person, Detlev Bronk, had served as President of the National Academy of Sciences and also of the Rockefeller Institute. Rockefeller Foundation money was a major financial source for the Academy. [34]

That recognition by the Academy brought Hubbert great media attention. In 1977, as icing on the cake, appropriately, he received the Rockefeller Public Service Award.

Hubbert was being used again by Rockefeller Foundation circles to justify what was to become one of their boldest and most influential policy initiatives to date — the attempt to convince the world that resources were about to run out and that the world needed to undergo a major paradigm shift — to “zero growth.” They were about to launch a global environmental movement using radicalized youth and false propaganda. They would argue that the 1970s ‘energy crisis’ demonstrated that Hubbert’s peak oil thesis was right and that the world had to prepare for grim times.

The new Rockefeller strategy was hatched this time not in Sweden, but in a secluded castle in Bellagio Italy owned by the Rockefeller Foundation.

***Endnotes:***

[1] Congress of the United States*, The Bretton Woods Act of 1944*, Public Law 171, July
31, 1945, accessed in http://www.scribd.com/doc/36078042/Bretton-Woods-Act
1944.

[2] See F. William Engdahl, *Gods of Money: Wall Street and the Death of the American Century*, edition.engdahl, Wiesbaden, 2010, pp. 233-240, for a more detailed treatment of the creation of the post-1944 "American Century" under Bretton Woods. For

details on the Federal Reserve gold stock in 1945, see, Phillip Cagan, *Determinants of Change in the Stock of Money: 1875-1960* (New York: Columbia University Press, 1965), p. 341.

[3] Unsigned, *Eurodollar and the Dollar Crisis*, Peking Review, #11, March 16, 1973, pp. 12-14.

[4] Under the New York Council on Foreign Relations highly secret project, *War & Peace Studies*, begun before World War II in 1939, the strategists of the emerging American superpower decided on a deliberate strategy of creating a world dominated by American power but explicitly avoiding calling it an empire. They instead termed it in the words of the famous essay by Time-Life founder and establishment insider, Henry Luce, the American Century. For details of the War & Peace Studies see F. William Engdahl, *Seeds of Destruction: The Hidden Agenda of Genetic Manipulation*, 2007, Global Research, Montreal, pp.105-109.

[5] Bilderberg Meetings, *Saltsjoebaden Conference*, 11-13 May, 1973. An excerpt from the Confidential May 1973 Saltsjoebaden Bilderberg minutes, outlined what was to become David Rockefeller's idea of a Trilateral cooperation on energy including Japan. The Levy speech of May 1973 predicted a "crisis of increase in energy costs" that, if handled wrongly, could "undermine the world monetary system." That was six months before Kissinger openly provoked King Faisal of Saudi Arabia into declaring an OPEC oil embargo by approving arms deliveries to Israel on the eve of the Yom Kippur War of October 1973. The author obtained a personal and extremely rare copy of those confidential minutes by chance in a Paris bookstore in the early

1980s, where apparently one Bilderberg participant, Shepard Stone, US founder of the influential Berlin Aspen Institute in 1974, had discarded it among other books and papers. Levy's Saltsjoebaden presentation spoke about "huge increases of imports from the Middle East." As his clients were the big US and UK oil majors dominating the Middle East, he had good reason to know as an informed insider. Levy then went on to speak about the problem of "unprecedented foreign exchange accumulations of countries such as Saudi Arabia...," indicating what Kissinger later described as the problem of "recycling Arab petrodollars." Levy went on to outline revenue projections for Middle East OPEC producers which he calculated would rise just over 400%, a figure remarkably close to what took place by 1974.

So close were the ties between the Shah and the Rockefellers and Kissinger that in 1979, after the Shah had been exiled by the Khomeini revolution in Iran, it was Kissinger, David Rockefeller and Rockefeller family friend John J. McCloy, who put incredible pressure on Democratic President Jimmy Carter to admit the ailing Shah to the United States for medical treatment against the advice of the US State Department. The admission triggered the US hostage incident in Tehran and thereby gave Rockefeller's Chase Manhattan Bank the pretext to demand a US seizure of Iranian assets in US banks, primarily Rockefeller's Chase Manhattan Bank where the Shah held his major accounts. See Mark Hulbert, *Interlock: The Untold Story of American banks, oil interests, the Shah's money, debts and the astounding connections between them* (New York: Richardson & Snyder, 1982), pp. 71-87, for details on the incredible background to that hostage crisis and the Rockefeller and Kissinger role in Iran.

[6] Bilderberg Meetings, *Saltsjoebaden Conference*, op. cit.

[7] Ibid.

[8] Ibid. A Jan 8 1973 memo from US Bilderberg official, Robert D. Murphy, contains the US proposed list of May 1973 participants, including Henry Kissinger although Kissinger's name does not appear on the official participants list at Saltsjoebaden, either because his attendance needed to be discreet, or he was unable to attend. He clearly was informed of the proceedings in either case. The Murphy

memo was obtained by the author from the papers of Murphy at the Hoover Institute at Stanford University, Palo Alto.
[9] Matti Golan, *The Secret Conversations of Henry Kissinger: Step-by-Step Diplomacy in the Middle East*, New York, Bantam Books, 1976.
[10] John M. Blair, *The Control of Oil*, New York, Pantheon Books, 1976, p. 262. [11] Sheikh Yaki Yamani, to the author, London, September 2000 in a private discussion at Yamani's personal invitation. See also John M. Blair, op. cit., p. 264. [12] Mark Hulbert, *Interlock: The untold story of American banks, oil interests, the Shah's money...*, New York, Richardson & Snyder, 1982, pp. 50-51.
[13] Ibid., pp. 71-72.
[14] Ibid. p. 85.
[15] Henry A. Kissinger, *Years of Upheaval*, Boston, Little, Brown, 1982.
[16] Craufurd D. Goodwin, et al, *Energy Policy in Perspective*, 1981, The Brookings Institution, Washington, D.C., pp. 526-527.
[17] John M. Blair, op. cit., p. 176.
[18] James L. Williams, *History & Analysis of Crude Oil Prices*, WTRG Economics, accessed in http://www.ioga.com/Special/crudeoil_Hist.htm
[19] John M. Blair, op. cit., p. 261.
[20] Walter J. Levy, *World Oil Cooperation or International Chaos*, Foreign Affairs, July 1974, Vol. 52, no. 4, p. 711.
[21] Ibid, p. 699.
[22] John M. Blair, op. cit., p. 254-255.
[23] Editorial, *Energy Crisis Ahead*, The New York Times, April 10, 1972. [24] Alaska Division of Geological & Geophysical Surveys, Department of Natural Resources, *Estimated Speculative Recoverable Resources of Oil and Natural Gas in Alaska*, State of Alaska, January 1974.
[25] British Petroleum, *Prudhoe Bay Fact Sheet*, August, 2006, accessed in http://www.bp.com/liveassets/bp_internet/us/bp_us_english/STAGING/local_assets/d ownloads/a/A03_prudhoe_bay_fact_sheet.pdf
[26] Ibid.

[27] Italian oil entrepreneur Enrico Mattei coined the term 'Seven Sisters' to describe the Anglo-American oil cartel after World War II that dominated world oil markets with an iron grip. For his attempts to break the power of that cartel in oil deals with the Socviet Union and other oil producers, the CIA, according to informed accounts, had him killed. See F. William Engdahl, *A Century of War*, op. cit., pp. 101-104 for details of the Mattei assassination. The seven companies, at the time of the 1973 oil shock, were Standard Oil of New Jersey (Exxon), Standard Oil Company of New York (Mobil); Standard Oil of California (Chevron), Gulf Oil and Texaco; Royal Dutch Shell; and Anglo-Persian Oil Company (BP). By 2000 those seven had been reduced via mergers and concentration to four—ExxonMobil, Chevron, BP and Shell. [28] F. William Engdahl, *A Century of War: Anglo-American Oil Policy and the New World Order*, Pluto Press, London, 2004, pp. 130-138.

[29] Mark Hulbert, op. cit., p. 77-78.

[30] Ibid.

[31] Mark Hulbert, op. cit., pp. 85-87.

[32] Jack F. Bennett to Secretary of State Henry Kissinger, Letter of February 1975, *Subject: Special Arrangements for Purchase of U.S. Government Securities by the Saudi Arabian Government,'* Reproduced in full in International Currency Review, Vol. 20, no. 6, January 1991.

[33] Tessa Blackstone & William Plowden, *Inside the Think Tank: Advising the Cabinet 1971-1983*, London, William Heinemann, 1988, pp. 75-78.

[34] Editorial, *The National Academy of Sciences: Profile of an Institution(II)* , Science, vol. 156, pp. 360-364.

## *chapter 5*

# A MALTHUSIAN ENERGY STRATEGY

### *Rockefeller's paradigm shift*

The global energy crisis that David Rockefeller and his Bilderberg group launched in late 1973 was far more ambitious than a mere effort to support the US dollar, although that played a certain role. It was part of a strategic, global plan quietly drafted in think tanks and leading universities from Chicago to Harvard to MIT and beyond in the final months of the 1960s as the Vietnam debacle was winding down.

Also initiated at that time were the 1938 energy economy proposals of M. King Hubbert and his Technocracy Incorporated organization, whereby the overall standard of living for the majority of the world's population would be linked directly to the availability, real or contrived, of energy — especially of oil.

The architects of what amounted to a global paradigm shift intended to use the perceived energy crisis to foster a new ideology of scarcity. The 'scarcity' theme, promulgated under various guises, would be used to open the way for a drastic reduction in the general standard of living of the global population. The new theme was required in order to counteract decades of industrial fairs and relentless Madison Avenue advertising promoting the notion of limitless economic progress. Words like 'triage' entered the editorial pages of the *New York Times* and other prominent media. The idea of 'limited resources' was suddenly propagated everywhere.

Until that time the idea of ever-expanding 'progress' had formed the core of the American Dream, the notion that application of science could conquer any and all problems. Americans had been weaned on the notion of limitless progress so the idea of embracing the opposite constituted a drastic shift in ideology.

King Hubbert had laid the groundwork, embedded with an aura of scientific credibility, to propagate the notion now that oil, the basis of the modern postwar industrial world, was a scarce commodity about to peak and decline. The social engineers of the American establishment and their associates in Britain and Europe were about to launch a qualitatively new phase of their "silent weapons for quiet wars." They set out to convince ordinary citizens that they themselves, human beings, posed the greatest threat to the future of the planet — even suggesting that, as one member of the elite put it, "people are a cancer." [1]

The same circles of the Anglo-American establishment and their close Continental European allies who had created the secret, high-level policy deliberations of the Bilderberg Group, created what would become one of the most pervasive projects in mass social engineering and ideological change in history—the creation of a movement based on the idea that the planet was being destroyed by greedy consumers and that world population must be drastically cut in order to create what the architects termed "sustainable society." Their propaganda prepared the ground for the 1973 Bilderberg oil shock, and for the new Malthusian agenda that would be unveiled in the wake of that oil crisis.

### ***Creating the new paradigm***

At the end of the 1960s and into the early 1970s, the international circles directly tied to David Rockefeller launched a dazzling array of elite organizations and think tanks. These included *The Club of Rome*; the *1001: A Nature Trust,* tied to the *World Wildlife Fund (WWF*); the Stockholm United Nations *Earth Day* conference; the MIT-authored study, *Limits to Growth*; and David Rockefeller's Trilateral Commission.

All of these were promoted massively in the media, paticularly by select circles of the Atlantic establishment and its prominent news outlets. The Rockefellers used the 1970s oil crisis, a crisis they had deliberately created, to make forced reduction of general living standards appear credible, even necessary for the sake of, as they put it, “the survival of mankind.”

The problem these elite American circles faced at the beginning of the 1970s was a world that threatened entirely to slip out of their control, no minor matter for them. Western Europe was standing firmly on its own economic feet, while the industrial base of the United States was disintegrating. Japan had recovered and rebuilt from the devastation of the war to become a major industrial power. The developing countries of Asia, including South Korea, were growing at an impressive pace, as were most of the economies of Latin America. Even the forgotten African Continent was moving forward, as were the oil-rich countries of the Middle East. They were all beginning to seek trade relations with one another — no longer exclusively, or even predominantly, with the United States.

Now a major new propaganda offensive was to be launched by the Anglo-American establishment aimed at capturing the new young generation that had emerged from the radicalization of the 1968 “revolution” for their agenda of austerity and population reduction, all under the pretext that the world was about to run out of vital resources such as oil.

### *‘Limits to Growth’*

In 1972, only some months before their planned oil price shock, the circles around David Rockefeller and his Bilderberg group unveiled a major work that would quickly be translated into dozens of languages and debated as few books before it had been. Its main author was a 28-year-old student from the Massachusetts Institute of Technology (MIT) in Boston named Dennis Meadows. Working under Professor Jay Forrester, Meadows had obtained a grant of $200,000 from the German Volkswagen Foundation for development of a compter model of the planet’s economic growth. The book-length report was titled *Limits to Growth*.[2] It began with a dire warning:

*If the present growth trends in world population, industrialization, pollution, food production, and resource depletion continue unchanged, the limits to growth on this planet will be reached sometime within the next one hundred years. The most probable result will be a rather sudden and uncontrollable decline in both population and industrial capacity... All five elements basic to the study reported here—population, food production, and consumption of nonrenewable natural resources—are increasing. The amount of their increase each year follows a pattern that mathematicians call exponential growth... Population finally decreases when the death rate is driven upward by lack of food and health services. The exact timing of these events is not meaningful, given the great aggregation and many uncertainties in the model. It is significant, however, that growth is stopped well before the year 2100.3*

Those notions were little more than a souped-up computerized rehash of the basic Malthusian thesis of M. King Hubbert from 1956 and going back to his writings during the 1930s. It was also a reiteration of the writings of the long-discredited Parson Thomas Malthus of England whose

1798 writing, *An Essay on the Principle of Population*, asserted that while population tends to expand exponentially, the food supply only expands arithmetically — meaning that, sooner or later, population gets checked by famine, disease, and widespread mortality. The warnings of Malthus could have been penned by the Club of Rome ideologues almost one hundred eighty years later:

*The power of population is so superior to the power of the earth to produce subsistence for man, that premature death must in some shape or other visit the human race. The vices of mankind are active and able ministers of depopulation. They are the precursors in the great army of destruction, and often finish the dreadful work themselves. But should they fail in this war of extermination, sickly seasons, epidemics, pestilence, and plague advance in terrific array, and sweep off their thousands and tens of thousands. Should* *success be still incomplete, gigantic inevitable famine stalks in the rear, and with one mighty blow levels the population with the food of the world. 4*

The Club of Rome's *Limits to Growth* report went on to describe the beneficial effect to the world of stopping population growth, a favorite theme of the Rockefeller eugenics circles: "The result of stopping population growth in 1975 and industrial capital growth in 1985, with no other changes, is that population and capital reach constant values at a relatively high level of food, industrial output and services per person." How a global freeze on human reproduction would take place was left to the imagination.

In 1974, amidst the global oil price shock of Henry Kissinger and his Bilderberg circles, the Club of Rome declared boldly, "The Earth has cancer and the cancer is Man." Then: "the world is facing an unprecedented set of interlocking global problems, such as, over population, food shortages, nonrenewable resource [oil-w.e.] depletion, environmental degradation and poor governance." [5] They argued that,

*[A] 'horizontal' restructuring of the world system is needed, i.e., a change in relationships among nations and regions and as far as the 'vertical' structure of the world system is concerned, drastic changes in the norm stratum - that is, in the value system and the goals of man - are necessary in order to solve energy, food, and other crises, i.e., social changes and changes in individual attitudes are needed if the transition to organic growth is to take place. 6*

"Cooperation by definition connotes interdependence," the group insisted. While that sounded logical, it in fact was a veil for a concerted attack on the notion of national sovereignty. It was to be a manifesto for what George H.W. Bush in 1990 on the collapse of the Soviet Union termed a New World Order, a new global top-down governance of the planet and its inhabitants—a global dictatorship imposed on the argument that oil and other resources were running out.

The Club of Rome, in their second major report, *Mankind at the Turning Point*, further argued:

*Increasing interdependence between nations and regions must then translate as a decrease in independence. Nations cannot be interdependent without each of them giving up some of, or at least acknowledging limits to, its own independence. Now is the time to draw up a master plan for organic sustainable growth and world development based on global allocation of all finite resources and a new global economic system. 7*

The very notion "global allocation of all finite resources" in the context of their call to surrender national independence begs the question, who would be 'The Global Allocator'? David Rockefeller? MIT computer nerds? Oil technocrats like M. King Hubbert? The Club of Rome preferred to gloss over that fine detail.

In short, it was a blueprint for a totalitarian form of a world government, using a purported ecological catastrophe as the driver for the extreme change, "drastic changes in the value system and the goals of man," as the Club of Rome saw it. Naturally many people were rightly concerned with the unbridled destruction of the environment, the polluting of rivers by chemical and other industrial factories, the fouling of the air, wanton deforestation by large agribusiness concerns, dumping of vast volumes of toxins into the oceans. The circles backing the Club of Rome used this rational concern for quite different ends.

At the time the MIT report was commissioned, the Club of Rome was a relatively new organization. The task assigned to the MIT students was to analyse and formulate what the Club founders elegantly termed the "world problematique." Using a computer model called *World3* developed at MIT, they allegedly programmed the interaction of five giant parameters— population, food production, industrial production, pollution, and consumption of non-renewable natural resources. The result, *Limits to Growth,* was the first volley fired by the new Club of Rome.

***The real enemy: Humanity***

The Club of Rome's various predictions of the doom of human civilization were based on complex, "expert"-generated and entirely unverifiable computer models of *World3*.

The MIT computer modelling group doing the calculations for the Club of Rome used different scenarios to estimate that the world would run out of available petroleum somewhere between 1992 and 2022. It was a rehash of the M. King Hubbert thesis of 1956 dressed up with fancy computer language and terms like 'Systems Dynamics.' This did not make the predictions any more scientific or accurate. Any computer model is only as good as the assumptions underlying the data entered into it. Here, not only were arbitrary and unproven assumptions the basis of the doomsday 'Limits to Growth' scenario, but the conclusions were premised on a key variable that was grossly wrong: the world was nowhere near to running out of petroleum.

# THE CLUB OF ROME

The neo-Malthusian Club of Rome was founded at the Rockefeller estate at Bellagio, Italy to promote the idea of resource scarcity, especially of oil and to promote ineffective energy alternatives such as wind and solar.

The report had been produced by a group of MIT students who simply arbitrarily adopted Hubbert's and related estimates of resources. The report sent a chilling message: business-as-usual was no longer an option if the human species expected to sustain itself into the future. The world population would have to radically change its patterns of "unbridled consumption." Curtailing resource consumption by military forces was not mentioned.

As a way to give *Limits to Growth* maximum press attention, the book was published with great fanfare at the Smithsonian Institution in Washington to lend it an aura of scientific credibility and gravitas. *Limits to Growth* became the most successful environmental publication ever produced. It was translated into more than forty languages and sold more than 30 million copies. Throughout the 1970s, the idea that humanity itself was irreparably damaging the earth, thereby gained popularity.

The explicit underlying assumptions on which MIT's computer model operated were formulated to create a scenario that would result in a general reduction of living standards of the overall world population, but not, of course, its ruling elites. The study's director, Jay Forrester, openly declared this in his 1971 book, *World Dynamics*:

*Rising pressures are necessary to hasten the day when population is stabilized. Pressures can be increased by reducing food production, reducing health services, and reducing industrialization.8*

The Club of Rome was a Rockefeller project from the outset, though for political reasons the family that controlled world oil flows and much of its money preferred to remain discreetly in the background. The Club was actually founded in 1968 at the Rockefeller Foundation's private retreat, Villa Serbelloni, a secluded conference center in Bellagio on Italy's Lake Como. Dean Rusk, later Secretary of State, had acquired the estate on behalf of the Foundation in 1959 when Rusk was President of the Rockefeller Foundation. [9]

The initial founder of the Club of Rome was Aurelio Peccei, a senior manager of the Fiat car company, owned by the powerful Italian Agnelli family. The Agnelli Foundation financed the initial work of the group. Foundation Chairman, Fiat's Gianni Agnelli, was an intimate friend of David Rockefeller and a member of the International Advisory Committee of Rockefeller's Chase Manhattan Bank. Agnelli and David Rockefeller had been close friends since 1957 and Agnelli became a founding member of David Rockefeller's Trilateral Commission in 1973, the year Rockefeller instigated the oil shock. [10]

The Club was anything but an innocent gathering of free-thinking academics. Like Bilderberg group meetings, the Club of Rome gatherings were 'behind closed doors,' with no public records kept. Membership in the international body was limited to one hundred.[11]

The people who initiated the Club of Rome were in significant part the same people who, months later, would shape the dimensions of the October 1973 oil shock at the Bilderberg conference in Saltsjoebaden, Sweden. The list included MIT professor Carroll Wilson and Max Kohnstamm, a former Private Secretary to Netherlands' Queen Wilhelmina, both of whom were present at Bilderberg and also in the original Club of Rome group creating the *Limits to Growth* project. NATO played a key role in propagating the new ideology of scarcity through the Club of Rome. Eduard Pestel of Institute for Systems Analysis in Hannover, who was a member of the NATO Science Committee, was part of the original Club of Rome inner circle. Club of Rome co-founder, Alexander King, head of the OECD Science Program was also tied to NATO.

The initiators of the Club of Rome, though discreetly in the background, included David Rockefeller; Wall Street banker and diplomat, Averell Harriman; New York Manufacturers Hanover Trust banker Gabriel Hague; David Rockefeller's mentor and former head of Rockefeller's Chase Manhattan Bank and High Commissioner for Germany John J. McCloy; as well as Katherine Meyer Graham, owner of the *Washington Post*, one of the most influential American newspapers, useful in publicizing the project's goals and perspectives. Club of Rome founding member Harlan Cleveland was also US Ambassador to NATO.

### ***Paradigm Shift via NGOs***

The circles around Rockefeller's think-tanks and banking interests did not stop with creation of the Club of Rome. They spawned a flood of neoMalthusian non-governmental organizations — NGOs as they came to be called — all allegedly committed to 'nature conservancy' and propagating the idea that "people pollute." Hence, to cut pollution, the world must cut population, and drastically, especially of the fast-growing Third World countries of Africa, Latin American and Asia. This was the focus of John D. Rockefeller III's Population Council and of Henry Kissinger's 1974 National Security Memorandum, NSSM-200, which made global population control a US foreign policy priority for the first time. [12]

The creation of numerous NGOs in the early 1970s was part of a deliberate strategy. The idea was to use civilian organizations, which their taxexempt foundation money created or controlled via grants, to give the appearance of broad-based, spontaneous public support behind select policies which, if directly associated with the name Rockefeller or their corporations, would be suspect in the public eye.

The NGO strategy was to prove one of the most effective weapons of these elite circles in advancing their private agenda. For the powerful elite families around the Rockefellers and Agnellis and their like, a dominating fear was that a healthy, growing and prosperous population one day could come to the idea they had no need of such powerful elite families. For them a population scrambling for their shrinking daily income and literally in debt for their daily bread was less likely to have time and energy to think of serious revolt.

Just as the circles around David Rockefeller were launching their Club of Rome Malthusian ideology into world prominence, the same circles created two more highly effective vehicles to impose a global Malthusian reduction of living standards.

One such vehicle was the first so-called Earth Summit—the Stockholm Conference on the Human Environment—held in 1972 just months before the oil shock. The second was a little known and enormously influential elite group calling itself *The 1001: A Nature Trust*, created in 1971 by Bilderberg founder and chairman, Prince Bernhard of the Netherlands.

*The 1001: A Nature Trust* was an invitation-only club enlisting 1001 of the world's wealthiest people to pledge to an annual endowment for the World Wildlife Fund (WWF, today called the World Wide Fund for Nature). Prince Bernhard, former Nazi party member, was President at the time. Bernhard gathered only the creme-de-la-creme of the international elite—princes, lords, barons, billionaires. The select list included, of course, David Rockefeller and Rockefeller's friend Gianni Agnelli; Robert O. Anderson of ARCO oil, Rockefeller's close business associate and financier of the Aspen Institute; Viscount Astor from Britain; Prince Philip, Duke of Edinburgh; Dr. Alexander King, co-founder of the Club of Rome; and Krupp's Berthold Beitz from Germany.

It included high-ranking members of the European aristocracy: Count Clemens von Stauffenberg; Prince Johannes von Thurn und Taxis; Baron Heinrich Thyssen-Bornemisza; Prince Franz Joseph II von Liechtenstein and his son, Prince Hans-Adam. Throw in the Prince Aga Khan, Gianni Bulgari, Henry Ford II, John Loudon of Royal Dutch

Shell, Greek shipowner Stavros Niarchos, Baron Edmuond de Rothschild of France, Baron Edmund Rothschild of England and Saudi Sheikh Salim bin Laden — and it became clear that the agenda of Rockefeller's "nature trust" was a select club for only the richest and most powerful of the world's plunderers. [13]

The ideology of the World Wildlife Fund, like that of the Club of Rome and the other leading newly-created 'environment-focussed' NGOs, was summed up by WWF's founding chairman Sir Peter Markham Scott: "If we look at things causally, the bigger problem in the world is population. We must set a ceiling to human numbers. All development aid should be made dependent on the existence of strong family planning programs." [14]

The underlying, unspoken perspective here was that too many people were too poor to be spending money; therefore, they were a drain on profitability. But genocide could not be promoted, obviously. Some acceptable, even desireable, cover was needed. The driving ideology now being promoted was that corporate profitability was no longer compatible with continuing growth of consumer populations and their incomes — as had been the case in the postwar period until then. Instead, large corporations were exemplars of the new paradigm, demonstrating that company profit best came from downsizing, firing personnel and "cutting costs."

In a speech to the World Economic Forum at Davos Switzerland, England's Prince Philip, then President of the World Wildlife Fund International, told an elite gathering of the world's most influential business and political leaders that the human population must be treated like so many sheep that must be "culled" to desired size:

*You cannot keep a bigger flock of sheep than you are capable of feeding. In other words, conservation may involve culling in order to keep a balance between the relative numbers in each species within any particular habitat. I realize that it is a very touchy subject, but the fact remains that mankind is part of the living world and the* *apparently unending growth of the world's human population can only end in a crisis for all life on earth. 15*

Prince Philip omitted to say who would carry the awesome responsibility to decide on behalf of the entire human species who got culled and who was allowed to survive. He clearly had an unspoken idea who.
A definite pattern was evident in all the Rockefeller-backed NGOs using the their supposed environmental concerns and the alleged 'energy crisis' as their theme in the early 1970s. They were used to instrumentalize an agenda of resource control — calling it 'conservation' — especially of energy. 'Conservation,' in turn, was to be used to demand reduction of overall living standards—austerity.

In addition, the cover of 'stabilizlation' was to be used to advance the negative eugenics agenda of the wealthy and powerful backers of population control. And no family was more prominent in that area in 1972 than the Rockefeller family. In 1972, the year of the Earth Day conference, John D. Rockefeller III, founder of the Population Council, issued a report to President Nixon as head of 'The Rockefeller Commission on Population Growth.' Rockefeller's report concluded on an eerie and ominous note:

*After two years of concentrated effort, we have concluded that, in the long run, no substantial benefits will result from further growth of the Nation's population, rather, that the gradual stabilization of our population through voluntary means would contribute significantly to the Nation's ability to solve its problems. We have looked for, and have not found, any convincing economic argument for continued population growth. The health of our country does not depend on it, nor does the vitality of business, nor the welfare of the average person. By its very nature, population is a continuing concern and should receive continuing attention. Later generations, and later commissions, will be able to see the right path into the future. In any case, no generation needs to know the ultimate goal or the final means, only the direction in which they will be found. 16*

### *A mysterious Canadian insider*

One key organizer of Rockefeller's 'zero growth' agenda in the early 1970s was David Rockefeller's longtime friend, a successful oilman named Maurice Strong. Canadian Maurice Strong was one of the key early propagators of the scientifically unfounded theory that man-made emissions from transportation vehicles, coal plants and agriculture caused a dramatic and accelerating global temperature rise which threatens civilization, so-called Global Warming.

As chairman of the 1972 Earth Day UN Stockholm Conference, Strong promoted an agenda of population reduction and lowering of living standards around the world to "save the environment." Some years later the same Strong restated his radical ecologist stance: "Isn't the only hope for the planet that the industrialized civilizations collapse? Isn't it our responsiblity to bring that about?" [17]

As preparation for his 1972 Earth Day UN Stockholm Conference, Strong commissioned Rene Jules Dubos of Rockefeller University and Barbara Ward, an English conservationist working with the Carnegie Foundation, to write a book, *Only One Earth: The Care and Maintenance of a Small Planet*.[18] The book was hailed as the world's first "state of the environment" report. It was, not surprisingly, modelled on the same lines as *Limits to Growth* and other Club of Rome and World Wildlife Fund polemics: 'people pollute' and therefore, to reduce pollution, we must reduce the number of people.

It was raw eugenics dressed in ecological garb. No mention of corporate ecological destruction. 'People' were entirely to blame. Strong was a curious choice to head a major UN initiative to mobilize action on the enviroment, as his career and his considerable fortune had been built on exploitation of oil, like an unusual number of the new advocates of 'ecological purity,' such as David Rockefeller or Robert O. Anderson or Shell's John Loudon.
Strong had met David Rockefeller in 1947 as a young Canadian of seventeen and from that point his career became tied to the vast

fortune and network of the Rockefeller family.[19] In the 1960s Strong had become president of the huge Montreal energy conglomerate and oil company known as Power Corporation, then owned by the influential Paul Desmarais. Power Corporation was reportedly also used as a political slush fund to finance campaigns of select Canadian politicians. Prime ministers such as Pierre Trudeau, Jean Chretein, Paul Martin and Brian Mulroney all had ties at one time or another to Power Corporation, according to Canadian investigative researcher, Elaine Dewar. [20]
By 1971 Strong was named Undersecretary of the United Nations in New York and Secretary General of the upcoming Stockholm Earth Day conference. He was also named that year as a trustee of the Rockefeller Foundation – that financed his launch of the Stockholm Earth Day project.[21] It was a small cozy world Strong moved in. It was also filled with friends who were incredibly powerful.

### *'Silent weapons for Quiet wars'*

By 1976, the new 'ecology movement,' which was attracting a growing number of college-age youth looking for a worthy cause after the end of the Vietnam War, was becoming mainstream. No less an establishment magazine than *Foreign Affairs*, the quarterly of the Council on Foreign Relations, opened its pages to a long essay from Amory Lovins, a 29-year old from Washington D.C. who was head of the British Friends of the Earth. Lovins argued that business-as-usual in energy was not possible and that altenative energy technologies to oil, especially solar energy, were the "soft path" out of the crisis. Lovins thesis was a warmed over version of the energy-income model developed years before by M. King Hubbert.[22] At the time, David Rockefeller was also Chairman of the Council on Foreign Relations.

The Rockefeller circles were almost frenetic in spawning new environment-related NGO lobby in the early 1970s. In 1974, amid the debate over oil 'vulnerability' (relative percent of income spent on gasolene by individual drivers), the Rockefeller Brothers' Fund gave

$500,000, together with funds from Robert O. Anderson — whose ARCO oil company led the development of Alaskan oil the same year — to former Rockefeller employee, Lester Brown.

The purpose of this grant was to create yet another new NGO, or advocacy think-tank, the Worldwatch Institute in Washington, which would be dedicated to the new 'environmental activism.' It called itself the first research institute devoted to the analysis of global environmental issues. Brown advocated a new version of 18th Century Malthusian theory – namely, that the world population "explosion" was far outstripping the ability of the planet to feed itself, hence population reduction was a priority, a favorite Rockefeller theme. Brown was also an adherent of the Rockefellers' 'Green Revolution' and supported King Hubbert's 'peak oil' idea.

The NGOs — from the Club of Rome to the Friends of the Earth, the World Wildlife Fund, Aspen Institute, and Worldwatch Institute — all began a concerted international campaign, especially among university students, to attack industrial society as evil and population growth as a cancer, and to demand a shift to renewable energy sources such as solar and wind as the "solution" to the end of the era of oil. By maintaining control of the grassroots environmental movement's agenda, the NGOs could maintain control of the outcome, making sure it didn't threaten fundamental oil interests. The motive of the Rockefellers' new concern for the planet's ecology was that only they — and not the general population – would define what was meant by 'ecology' and identify who was to blame for problems linked to it.

As part of their "Silent Weapons for Quiet Wars" agenda of global social engineering, they began propagandizing the scientifically-unsubstantiated notion that carbon emissions such as from oil-fuelled cars or coal power plants — manmade emissions of CO2 — were creating a new threat to the future of the planet—'Global Warming.' It was the same Malthusian austerity agenda of the wealthy circles around the Rockefeller circles and the circles of the *1001 A Nature Trust*, dressed up in new guise.

While pollution remained a genuine problem, the idea that it was 'warming' the climate was a fabrication.
The co-founder of the Club of Rome and founding member of *1001 A Nature Trust*, Dr Alexander King admitted the essential fraud some years later in his book, *The First Global Revolution*. He stated:

*In searching for a new enemy to unite us, we came up with the idea that pollution, the threat of global warming, water shortages, famine and the like would fit the bill ... All these dangers are caused by human intervention and it is only through changed attitudes and behaviour that they can be overcome. The real enemy, then, is humanity itself. 23*

The question one had to ask was, why would the leading figures in the world of Anglo-American oil and the banking establishment create and finance a movement ostensibly aimed at reducing industrial growth and ultimately lowering consumption of petroleum?

The answer was not so obvious. As then Secretary of State Henry Kissinger purportedly said at the time of the launch of the global ecology NGOs during the mid-1970s, "If you control the oil you can control entire nations or groups of nations." [24] It is also worth noting that by hammering away the message of "humanity" as "the real enemy," the corporate world, by sleight of hand, effectively diverted attention away from itself and onto ordinary people.

For David Rockefeller's circles, oil had become far more than a source of personal or even corporate riches. It had become the effective throttle or controller of the entire world economy. If certain powerful interests were able to control that throttle — either turning on the fuel or shutting it down — they essentially would be able to control the fate of nations and of world geopolitics. That was the Rockefeller agenda in the 1970s. How it unfolded in the ensuing decades would define wars and world economic crises in ways few could even dimly perceive. Crises and perceptions were being deliberately manipulated by a powerful few, using oil or lack of it as the throttle of their world power.

***Endnotes:***

[1] Quoted from Club of Rome Report, *Mankind at the Turning Point*, 1974, cited in http://www.green-agenda.com/turningpoint.html

[2] Club of Rome, *Official History: The First Thirty Years History*, accessed in http://www.bibliotecapleyades.net/sociopolitica/esp_sociopol_clubrome2.htm#Beginnings.

[3] Donella H. Meadows, Dennis L. Meadows, Jorgen Randers, and William W. Behrens III, *The Limits to Growth*, New York, Universe Books, 1972.

[4] Thomas R. Malthus, *An essay on the principle of population*, Chapter VII, p. 61, in Oxford World Classics reprint edition.

[5] Quoted from Club of Rome Report, *Mankind at the Turning Point*, 1974, cited in http://www.green-agenda.com/turningpoint.html

[6] Ibid.

[7] The Club of Rome, *Mankind at the Turning Point*, 1974, quoted in Brent Jessop, *Mankind at the Turning Point - Part 2 - Creating A One World Consciousness*, accessed in http://www.wiseupjournal.com/?p=154

[8] Jay W. Forrester, *World Dynamics*, 1971, Productivity Press.

[9] The Rockefeller Foundation, *The Bellagio Center*, accessed in http://www.rockefellerfoundation.org/bellagio-center

[10] Biographies of 1001 Nature Trust members, *Gianni Agnelli*, accessed in http://www.bibliotecapleyades.net/sociopolitica/sociopol_1001club02.htm

[11] Initial Membership List of the Club of Rome, accessed in http://www.biblebelievers.org.au/clubrome.htm

[12] For details about John D. Rockefeller II's population control programs and the role of the Rockefeller Foundation and family in

promoting world eugenics since the
1920's, see F. William Engdahl, *Seeds of Destruction: The Hidden Agenda of Genetic Manipulation,* 2007, Global Research, Montreal, pp. 56-78.

[13] The information about *The 1001—A Nature Trust* was drawn from a copy of a doucument provided to the author by a South African investigative journalist. The cover sheet is dated May 1973 and labelled "Confidential."

[14] Sir Peter Scott, World Wildlife Fund founding Chairman, cited in Philip Jones, *To Kill A Tree - Part Four: Silent Weapons For Quiet Wars*, June 10, 2009, accessed in http://www.rense.com/general86/killa4.htm

[15] HRH The Prince Philip, Duke of Edinburgh, President of the World Wildlife Fund International, *speech to the Davos EMF Symposium*, 3 February 1986. The author obtained a copy of the official speech from the EMF, the precursor organization of the World Economic Forum in 1986.

[16] John D. Rockefeller III, *Report of The Rockefeller Commission on Population Growth*, 1972, cited in Philip Jones, op. cit.

[17] Maurice Strong, *Opening Speech to UN Rio Earth Summit*, Rio de Janeiro, 1992, accessed in http://www.infowars.com/maurice-strong-in-1972-isnt-it-ourresponsibility-to-collapse-industrial-societies/

[18] Richard Salbato, *Maurice Strong: Father of America's Destruction*, December 29, 2009, accessed in http://www.unitypublishing.com/Government/Maurice%20Strong.htm

[19] Elaine Dewar, *Cloak of Green: The Links between key environmental groups, government and big business*, Toronto, James Lorimer & Co., 1995, pp. 259-265. [20] Ibid. p. 269-271.

[21] Ibid., p. 277.

[22] Amory B. Lovins, *Energy Strategy: The Road Not Taken?*, Foreign Affairs, October 1976, Vol. 55, No.1, pp. 65-96.

[23] Alexander King and Bertrand Schneider, *The First Global Revolution: A Report by the Council of the Club of Rome*, New York : Pantheon Books, 1991, p. 75. The Global Warming agenda was

apparently born at a small conference organized by Margaret Mead, anthropologist and population reduction advocate, then president of the American Association for the Advancement of Science (AAAS), and a speaker at the first Earth Day conference. Mead, one of the most influential members of the establishment at the time, hosted a Washington conference on the endangered atmosphere, a theme not the focus of serious scientific discussion before. (Margaret Mead, Ph.D. and William W. Kellogg, Ph.D., eds., *The Atmosphere: Endangered and Endangering,* Fogarty International Center Proceedings No. 39, 1976, Washington, D.C.: U.S. Government Printing Office, DHEW Publication No. [NIH] 77-1065). One of the scientists attenting was the Malthusian population reduction advocate and co-author with Paul Erlich, Dr. John Holdren. Holdren later became President Barack Obama's advisor for Science and Technology, where he backed a radical Global Warming Cap and Trade scheme. Holdren had been a strong population reduction advicate well before the Mead conference. In a 1969 article, Holdren and co-author Paul R. Ehrlich argued that, "if the population control measures are not initiated immediately, and effectively, all the technology man can bring to bear will not fend off the misery to come." (Paul R. Erlich and John P. Holdren, *Population and Panaceas A Technological Perspective*, Bioscience, Vol 19, pages 1065-1071, 1969.) He backed strong measures against man-made emissions of carbon and warned of dangers of global warming at the 1974 conference even though he admitted scientific evidence was lacking. In short, 'global warming' was concocted by an elite group of scientists under establishment support back in the early 1970s. As Stephen Schneider, one of the climatologists participating at the 1974 Mead-Kellogg gathering put it, "To capture the public imagination, we have to offer up some scary scenarios, make simplified dramatic statements and little mention of any doubts one might have. Each of us has to decide the right balance between being effective, and being honest." (Stephen Schneider, an interview with *Discover* magazine, October 1989).

Climatologist William Kellogg from the RAND Corporation told the 1974 gathering, "the main purpose of this conference is to anticipate the call that will be made on scientists and leaders of government regarding the need to protect the atmospheric environment before these calls are made." He claimed that a vaguely defined phenomenon called 'global warming' would melt "the Arctic Ocean ice pack and the ice sheets of Greenland and the Antarctic...What will happen to the mean sea level and the coastal cities around the world?"

[24] The citation is attributed to Henry Kissinger sometime during the mid-1970s. It is cited frequently in the various web pages of the Internet, however until now no attributable source citation has been found. In an amusing incident related to this quote, a Chinese professor whom the author knows was visiting the United States as a guest scholar in early 2010 where he had occasion to meet and privately discuss various topics with Kissinger, at the time in his late 80s. When the Chinese guest asked Dr. Kissinger about the quote, a surprised Kissinger reportedly replied, "Well, uh, I am not sure. I don't recall saying that but it was long ago..." The fact remains whether Kissiner explicitly said so or not, the purported quote describes the actual agenda of the Kissinger-Rockefeller circles in the postwar period.

## chapter 6

# A HOSTAGE TO CHASE MANHATTAN

### *Hiding an oil glut*

The launching of the era of alternative energy during the early 1970s was anything but a resounding success in terms of decreasing the American dependency on imported oil. In fact, despite all the rhetoric about energy independence during Jimmy Carter's Presidency, after 1976 American oil imports increased as a percent of the total.

The United States imported 1.8 million barrels daily from abroad in the halcyon days of 1960, some 18% of the total daily oil consumption in the United States. That percentage of imported oil had already led to intense national debate over Middle East oil dependency and national security vulnerability. By 1970, three years before the Bilderberg group's planned oil shock, the total volume of US oil imports had climbed to 2.5 million barrels daily, although it still represented only 17% of total American daily oil consumption. [1]

By the end of 1975, two years after the oil shock and the 400% price rise in world oil, US imports had risen to a staggering 38% of total US oil consumption, more than double 1970 levels. Moreover, the share of imported oil coming from OPEC countries had risen from 43% of the total in 1970 to almost two-thirds, or 62%. By the end of the Carter Presidency in 1980, fully 41% of America's total daily oil consumption was imported. [2]

The companies that comprised the Anglo-American Seven Sisters oil cartel were steering the United States into an increasing dependency on oil from a region being made increasingly unstable – politially and militarily – by US Cold War foreign policy. Wherever the Seven Sisters went in search of oil, the Pentagon and US military were sure to follow.

The massive propaganda campaign — instigated by the Rockefellers' Club of Rome, WWF and similar "new ecology" NGOs – to reduce oil consumption and turn to so-called alternative energy, such as solar panels or windmills, fell flat. Most alternatives were vastly more expensive than oil, gas or coal, and none offered a positive net energy savings. It was a scam writ large, at taxpayers' expense.

The United States still had huge reserves of coal as well as natural gas, to say nothing of abundant domestic oil reserves that had been pushed out of the market by Middle East and North Sea imports from the Seven Sisters. By convincing the general public that such energy sources were environmentally unsound compared with "renewable" solar or wind or other energy sources that were much more costly, the big oil and related companies were able to continue to literally get away with murder at the expense of the taxpayer.

Soon, however, the greatest problem faced by the American and British oil giants and the banks behind them was how to hide the unintended consequences of their 1973 oil price operation — a rapidly developing *global oil glut.*

***Losing the oil lever***

By 1976 it was becoming clear to the circles around the Rockefellers that there had been two important consequences of their 400% increase in the price of oil. As intended, the price hike had been a positive boost to the US dollar, something Wall Street and Washington urgently needed. However, the same high oil prices, combined with the environmental appeal of "renewable" energies, had begun to make other energy sources far more attractive, and oil less so.

In 1976 oil consumption in America — by far the world's largest market for oil — was in decline as a result of its high price, down some 13% from the pre-crisis era in 1972. At the same time, rival energy sources were booming. Coal consumption in the United States rose by 22% between 1972 and 1979, becoming the second largest source of primary energy next to oil. As large numbers of nuclear power plants began to come on line, nuclear power consumption literally exploded by 400% — from almost nothing in 1972, to fully one-sixth the energy equivalent of oil. By contrast, the share of all alternative energy for the United States — including solar, wind and geothermal — remained at an infinitesimal 0.1% of the total by 1979. [3]

Oil was beginning to come under pressure in its greatest market, the United States. Prices were suddenly threatening to fall sharply, as the high oil prices caused by the shocks of 1973-1974 plunged the entire US economy into its worst economic decline since the Great Depression. Steel mills from Pittsburgh to Gary, Indiana were permanently closed. Unemployment soared and gasoline consumption dropped to the dismay of the Seven Sisters and to the major banks behind them, especially David Rockefeller's Chase Manhattan Bank and Citibank.

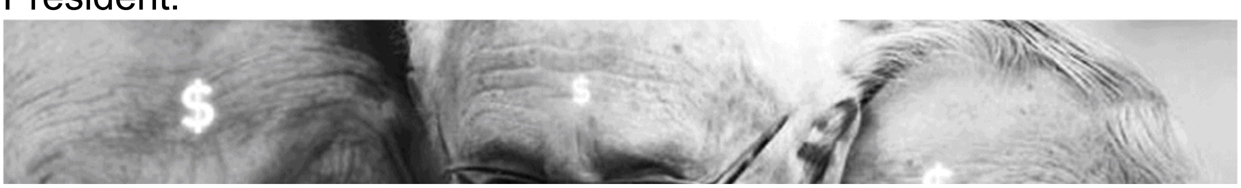
Germany and France, as well as Japan and other industrial countries, were reading the same message; construction of nuclear power plants was taking off worldwide as governments rushed to replace oil-fired electric power plants and reduce dependence on oil. By the early 1970s, nuclear technology had established itself as a significant future choice for efficient electricity generation, seemingly an improvement over both oil and coal. As of 1975, the plans of member European Community governments called for completion of between 160 and 200 new nuclear plants across Continental Europe by 1985, a huge, looming market loss for the oil industry.

In 1975, the government of Chancellor Helmut Schmidt in Germany, reacting to the implications of the 1974 oil shock, called for building 42 gigawatts (42 billion watts) of German nuclear plant capacity, in order to produce approximately 45% of Germany's total electricity demand by 1985. This program was exceeded in the European Community only by France's, which projected 45 gigawatts of new nuclear capacity by 1985. In the fall of 1975, Italy's industry minister, Carlo Donat Cattin, instructed Italy's nuclear companies, ENEL and CNEN, to draw up plans for the construction of some 20 nuclear plants by the early 1980s. Even Spain, just then emerging from four decades of Franco's rule, had a program calling for the construction of 20 nuclear plants by 1983. A typical nuclear plant of 1 gigawatt capacity was sufficient to supply all electricity requirements for a modern industrial city of one million people.[4]

The rapidly growing nuclear industries of Europe, especially France and Germany, were beginning to emerge as competent rivals to American domination of the nuclear export market by the time of the 1974 oil crisis. France had secured a Letter of Intent from the Shah of Iran, as had Germany's KWU, to build a total of four nuclear reactors in Iran. France had also signed an agreement with Pakistan's Bhutto government to create a modern nuclear infrastructure in that country. Negotiations between the German government and Brazil also reached a successful conclusion in February 1976 for cooperation in the peaceful uses of nuclear energy. The agreement with Brazil included German construction of eight nuclear reactors as well as facilities for reprocessing and enriching uranium reactor fuel.[5] The problem for the Anglo-American establishment was that their entire power edifice since World War I had been built on the foundation of controlling global oil—increasing or decreasing the supply as needed, in order to control world economic growth as they desired. It was the heart of their geopolitical strategy. By 1976 it was beginning to appear that the Anglo-American strategy was in desperate need of modification if their grip on global power through oil was to remain intact.

***A Trilateral initiative***

In 1976, following the administration of Gerald Ford, a little-known peanut farmer from Plains, Georgia named Jimmy Carter became President.



Zbigniew Brzezinski, Henry Kissinger were close associates in David Rockefeller’s Trilateral Commission founded in 1973 to create a “New International Economic Order” (NIEO). Its first meeting selectively invited 300 elite corporate, political and academic leaders from North America, Japan and Europe.

Carter’s Administration was dubbed, in certain media, the “Trilateral Presidency” because not only were President Jimmy Carter and Vice President Walter Mondale members of David Rockefeller’s secretive, byinvitation-only Trilateral Commission, but so were most of the members of his cabinet. Secretary of State Cyrus Vance, National Security Advisor Zbigniew Brzezinski, UN Ambassador Andrew Young, Assistant Secretary of State Richard Holbrooke, Treasury Secretary W. Michael Blumenthal, Defense Secretary Harold Brown and numerous other top-ranking members of the Carter executive — all were members of the Trilateral Commission.

David Rockefeller had set up the Commission in 1973, making his close friend, Polish-born Columbia University Professor Brzezinski, its first Executive Director. Rockefeller set up the commission in order to bring select business, banking and political elites from North America, Western Europe and, for the first time, Japan, into a private organization for purposes of policy coordination. It was similar to what had been created between the US elites and Europe with the Bilderberg group.[6] If the Bilderberg was 'bi-lateral,' the Trilateral Commission, with Japan added, was to develop strategy for what Brzezinski and Rockefeller called a 'tri-lateral world.'

Notably, David Rockefeller's 'trilateral' world was comprised exclusively of the leading advanced industrial nations; the developing countries were not invited into the club. Instead, they would become the victims of the coordinated economic policies among the Trilateral industrial nations, as dollar prices for their raw materials commodity exports were driven down.

Rockefeller assigned Brzezinski to become Carter's mentor in foreign affairs. Carter's Presidential candidacy had been decided at the first plenary meeting of Rockefeller's Trilateral Commission – with Carter present — in Tokyo, Japan in May 1976. Carter's candidacy had already been declared and the Commission paid his Tokyo travel. Carter said later in his autobiography that, "service on the Trilateral Commission gave me an excellent opportunity to know national and international leaders in many fields of study concerning foreign affairs." He added that "membership on this Commission has provided me with a splendid learning opportunity...." [7]

Through the very wealthy networks opened to Carter through Rockefeller's Trilateral Commission, as well as the media tied to the same power circles, Carter was promoted to an unwitting American public as a 'maverick,' a Washington 'outsider,' and a man of deep Christian convictions, a soothing message for ordinary church-going Americans. He was anything but an outsider.

### ***A predictable energy strategy***

One of Carter's first acts as President was to create a new Department of Energy. In 1977 the Department of Energy was formed, so it was proclaimed, in order to end the United States dependence on foreign oil. It didn't.

The first Secretary of Energy, James R. Schlesinger, had been Director of the CIA under Nixon and then Secretary of Defense; prior to that, he had been a leading analyst at RAND, the Pentagon-linked think-tank. As Defense Secretary during the 1973 Yom Kippur War, Schlesinger had authorized the airlift of arms to Israel – dubbed by the Pentagon 'Operation Nickel Grass' — that triggered the OPEC embargo. [8]

Carter as President followed Rockefeller's new Club of Rome energy paradigm to a tee. He even went as far as installing solar panels on the White House roof, and going around the White House in bulky sweaters with the heat turned off.

In an April 1977 "fireside chat" to the nation, former Navy nuclear submarine officer Carter declared that the American energy situation was "the moral equivalent of war." [9]

His speech had a ten-point list of emergency proposals, including a target to cut oil imports in half by 1985. Instead, however, oil imports would double over the next 20 years. Carter lost significant popularity among cardependent American voters by also saying that people who insist on driving large cars should be forced to pay more. He called on people to turn down their thermostat to a brisk 65 degrees Fahrenheit at night.

Carter's overall energy message was pure King Hubbert scarcity ideology, Club of Rome neo-Malthusian resource scarcity. He declared, "We simply must balance our demand for energy with our rapidly shrinking resources." [10]

The heart of his message was that oil was running out:

*The oil and natural gas we rely on for 75 percent of our energy are running out. In spite of increased effort, domestic production has been dropping steadily at about six percent a year. Imports have doubled in the last five years. Unless profound changes are made to lower oil consumption, we now believe that early in the 1980s the* *world will be demanding more oil that it can produce...The world now uses about 60 million barrels of oil a day and demand increases each year about 5 percent. This means that just to stay even we need the production of a new Texas every year, an Alaskan North Slope every nine months, or a new Saudi Arabia every three years. Obviously, this cannot continue... Because we are now running out of gas and oil, we must prepare quickly for a third change, to strict conservation and to the use of coal and permanent renewable energy sources, like solar power. 11*

It would happen that some twenty years alter in the mid-1990s the world was consuming more than 84 million barrels of oil daily, putting Carter's scare scenario to the dustbin, although few people noticed.

Schlesinger had been given responsibility for coming up with Carter's energy strategy and he was the author of Carter's "moral equivalent of war" energy speech. [12] To butress support for Schlesinger's energy austerity plan, Carter authorized the CIA to release publicly a study on Soviet Union oil which predicted, using King Hubbert's methodology, that the USSR's oil output would peak in the 1980s, and that by 1985 they would become a major rival with the West to get Middle East oil, forcing a fierce competition between the West and the Soviets for OPEC oil and resulting, very likely, in oil wars.[13]

Unbeknownst to the United States and the CIA, the Soviets had a major oil card of their own to play. Their geophysicists and geochemists had been at work since the early 1950s, under Soviet conditions of military secrecy, developing a radical new method for determining where oil might be found. Stalin, who had read the writing on the wall as Truman escalated the Cold War, mandated that Soviet scientists determine, by whatever means, how to make the Soviet Union entirely energy independent from the West.

Three decades later Soviet oil resources, far from peaking as the CIA predicted, were continually augmenting their reserves with new discoveries. By 2000 the far smaller Russian Republic, not any longer including the Soviet-era parts such as Kazakhstan and Azerbaijan, was producing the second largest oil output in the world after Saudi Arabia.[14]

As will be explained in a later chapter, when it came to oil and gas, Russian science was motivated by far different criteria than Western geology in the service of the Seven Sisters oil cartel. The Seven Sisters in the West were obsessed with how to hide the fact that the world was literally swimming in oil. For the Russians the problem was how to find and develop as much oil and gas as possible.

### ***Rockefeller loses, then uses an old buddy***

Events far away in Iran would soon necessitate an entirely new strategy to maintain US control of the oil weapon. David Rockefeller's old friend, the Shah of Iran, was in deep trouble domestically. His despotic regime was teerering on the brink as mass protests spread throughout Iran against the brutal dictatorship of His Imperial Majesty, Shahanshah, King of Kings, Reza Shah Pahlavi.

The Shah's return to the Peacock Throne had been made possible by the CIA's destabilization and removal of the oil-nationalizing Mossadegh government in 1953. By 1977, after huge, lavish, and wasteful spending programs — including tens of billions of petrodollars on US defense equipment — the Shah's regime was coming under attack at home. Despite the bountiful oil export surpluses in the days after the Shah had implemented Kissinger's requested OPEC price hike in December 1973, by 1977 the country was running chronic deficits of cash.

In 1977 Iran's government budget ran a deficit of $2.4 billion and the future trend, according to US Embassy estimates, would rise dramatically. To cover the deficits, the Shah ordered his government to borrow from international financial markets.

One bank stood shoulders above all the rest of the major international banks in lending to the Shah's regime after 1976—David

Rockefeller's Chase Manhattan Bank. By the end of 1978 Chase had an exposure to Iran of almost $2 billion, a gigantic sum at the time for one bank to owe one borrower. Were repayment of Iran's loans to be jeopardized, Chase could be in big trouble. [15]

Economic collapse and widespread unemployment, in addition to the chronic, brutal repression of the Shah's state apparatus, brought thousands of people into open protests against his regime. The Shah's response was to escalate arrests and torture of dissidents through his dreaded SAVAK secret police, an institution set up for the Shah by US and Israeli intelligence to suppress opposition. [16]

In 1978 the deepening opposition to the Shah erupted in widespread demonstrations and rioting. SAVAK and the Iranian military responded with repression, killing thousands of people. The repression only served to intensify the open opposition to the regime, reaching massive proportions in December 1978. Recognizing the inevitable, the Shah abdicated the throne and once more fled Iran, this time for good, in January 1979.

The sudden collapse of the Shah's dictatorship came as a surprise in Washington. As late as September 28, 1978 the US Defense Intelligence Agency had reported that the Shah was "expected to remain actively in power over the next ten years." [17]

The resulting turmoil in one of OPEC's largest oil producers initially served a convenient goal of the Seven Sisters by taking a big portion of Iranian oil out of world markets in early 1979. After the quadrupling of world oil prices in 1973-1974, and the increasing demand for more traditional alternative energy sources, such as nuclear and coal, global oil demand had begun to plummet. The major oil companies were getting nervous about maintaining high prices as demand fell.

During the first months of the post-Shah era in Iran, as Ruhollah Khomeini, one of the Grand Ayatollahs of Shi'ite Islam, moved to consolidate power in what was becoming a theocratic state, David

Rockefeller and his Chase Manhattan Bank were becoming alarmed about their heavy exposure in an increasingly unstable and unpredictable Iran, despite the fact that the mullahs had not once missed or even made a late payment on their Chase loans, let alone threatened to default.

Chase was still weighed down by bad real estate loans in the US real estate speculation debacle where the bank still had some $1.7 billion in nonperforming loans at the start of 1977. The US Comptroller of the Currency had put Chase on its list of “problem banks” owing to the size of bad loans relative to its capital. Problems with the bank’s once-golden Iran loans to the Shah were not at all what David Rockefeller and his advisers wanted. [18]

Their ‘solution’ to the Iranian regime change and their concern about losing their influence in Tehran would be unconventional to put it mildly.

The circles around David Rockefeller, in and outside Washington officialdom, embarked on a strategy of deliberately forcing Iran to default on its loan payments to Chase Manhattan Bank. They calculated that under US law, that would be the only rationale for the US President to declare a state of emergency and order a freeze of all Iranian assets in banks in New York and even London, thereby saving the day for David Rockefeller’s bank. David Rockefeller worked in a world of no ordinary bankers. For him to force US Government policy change fell into the domain of normal.

Energy Secretary James Schlesinger was more than willing to help Chase in its hour of need. On February 7, 1979 Energy Secretary Schlesinger testified to a Senate Committee on the impact of the Iranian oil supply cutoffs that had occurred in the ensuing post-Shah chaos. Schlesinger told a shocked Senate committee that oil inventories might drop to “dangerously low” levels and concluded that “we must regard this as prospectively more serious than was the (1973) OPEC embargo itself.” [19]

The effect of Schlesinger’s comments, given his position, was electrifying — the dollar and the stock market both plunged and gold rose to new highs. The only problem for Schlesinger and for Rockefeller and Chase was that it was a lie. There was no oil supply emergency. In early 1979 world oil production was almost 5% higher than a year before despite the temporary loss of Iran's oil. World oil markets were in the midst of a glut. Making matters worse for Rockefeller's hopes of a declaration of national oil emergency, by April 1979 as political matters settled down inside Iran, Iranian oilfields were coming back on line and exporting several million barrels of oil a day. [20]

Worse still for Rockefeller's need for a declaration of national emergency, the new Iranian regime was making clear to US Ambassador William Sullivan that Iran wanted to maintain stable and positive diplomatic and trade relations with Washington. During summer of 1979 the Ayatollah Khomeini personally suggested that Iran buy American military equipment for their campaign against the Kurds. The Pentagon had responded initially with a positive signal. [21]

At that point things became somewhat desperate inside the boardroom of Rockefeller's bank headquarers at One Chase Manhattan Plaza. Archibald Roosevelt, brother of Kermit who had masterminded the 1953 Mossadegh coup that brought the Shah back to Iran, was at the time Chase Manhattan's vice-president for Middle East Affairs. Henry Kissinger, now out of government, had a seat on David Rockefeller's Chase International Advisory Committee. Chase Manhattan and David Rockefeller had powerful friends in Washington.

By October 1979, with their situation getting somewhat desperate, as the Chase Manhattan bank was in effect a hostage to the political whims of an increasingly unstable, internally divided, Iranian regime that faced growing domestic opposition, Rockefeller, Kissinger, and Rockefeller family lawyer John J. McCloy decided on a bold strategy. They would pressure President Carter, a man who after all owed his White House job to David Rockefeller, to grant the ailing exiled Shah special medical asylum in the United States. They did so with full knowledge that the US State Department had intelligence reports advising that if the Shah were to enter the US, "the American Embassy would be taken over and it would be a threat to American

lives.” [22]
Kissinger and Rockefeller, aided by Carter National Security Adviser and Rockefeller confidante, Brzezinski, launched an intensive personal pressure campaign to get a reluctant President Jimmy Carter to unwittingly detonate the embassy hostage crisis. Carter was phoned by Kissinger in April 1979, pleading to admit the Shah. The very next day David Rockefeller visited Carter in Oval Office to “induce” the president to admit the Shah. [23]
Finally, on October 18, 1979, Dr. Benjamin Kean, David Rockefeller’s personal physician, whom Rockefeller brought in at the last minute to replace the Shah’s French doctors, recommended that the Shah be brought to the US for extensive tests. Rockefeller made sure the US State Department got Kean’s recommendation.
On October 21, US President Jimmy Carter reluctantly ordered the fateful decision that the Shah be admitted to the US for life-saving cancer treatments allegedly available only in the United States. Carter buckled under to Rockefeller and Kissinger. Kean later admitted not only that he had told people the Shah’s condition was not life-threatening, but also that he had suggested several countries in addition to the US where the Shah could get such tests. [24]
But the damage had been done. On November 4, 1979 several hundred Iranian students occupied the US Embassy in Teheran and took more than fifty people hostage, demanding the Shah be returned to Iran to face trial. Their action was later backed by Iran’s new leader, Ayatollah Khomeini, and US-Iran relations fell to a new low.
David Rockefeller’s Chase Manhattan Bank, however, unbeknownst to the outraged American public, was well on its way to freezing Iran’s assets abroad and recouping its billions. The fate of US Embassy personnel was apparently for them a minor item. [25]
On November 14, 1979, ten days into what would become a 444-day hostage ordeal, the US Government ordered a freeze of all Iranian bank assets in the United States. Chase Manhattan Bank and Rockefeller moved immediately the next day to announce that one Iranian loan, the largest for $500 million, was in default for a loan payment due November 15 — a move that under the complex terms of the loan set off a chain of cross-default clauses. Until that day, Iran

had scrupulously met each and every loan payment on time to Chase. The Iranian government had no time to arrange another payment method. Within a matter of days, Chase was suddenly free of all loans to Iran on its books. In turn, it was reimbursed every penny by the US Treasury from the siezed Iranian assets.[26]
Now the Seven Sisters and the Rockefellers were faced with yet another new problem—how to prevent Iran from adding to what was becoming a serious global oil glut. For this problem, an Iranian neighbor named Saddam Hussein was called on by certain very influential Americans.

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# *chapter 7*

## OIL WARS BY PROXY

### *A very bloody OPEC oil war*

No sooner had David Rockefeller recouped his exposed financial assets in Iran than a major Middle East war broke out in September 1980. The war was between the new Iranian Shi'ite theocracy under Ayatollah Khomeini, and neighboring Iraq, fellow OPEC member headed by secular Baathist Saddam Hussein. The war's rationale was far different from what mainstream Western media portrayed. The Iran-Iraq War would mark the onset of an almost continuous series of US-directed proxy wars — and ultimately US-led wars — for control of the oil-rich Middle East well into the new Century.

Shatt al-Arab waterway was focal point of Iran-Iraq War

In September 1980 the army of Saddam Hussein's Iraq invaded Iran and bombed its major cities, after Iraq had alleged that Iranian artillery had bombarded Khonqin & Mandali on the Iran-Iraq border and supposedly instigated an attack on Iraqi Prime Minister, Tariq Aziz. None of the charges against Iran were ever proven. Iraq used the allegations nonetheless to unilaterally abrogate the 1975 Treaty of Algiers in violation of the norms of international law. The Treaty had finally settled an important border dispute on rights to the strategic Shatt-al-Arab waterway that flowed near the Iraqi city of Basra and the Iranian city of Abadan. The waterway was of utmost strategic importance for both countries and formed part of their common border along the confluence of the Tigris and Euphrates rivers as they merge into the Persian Gulf. The waterway was Iraq's only shipping outlet to the Persian Gulf.

Within days of the war's outbreak, Iraqi troops moved deep into Iranian territory, capturing Khoramshahr and Abadan, site of Iran's largest oil refineries. Both sides soon attacked each other's oil facilities, their financial lifelines. It was the beginning of what was to become an eight-year "war against oil." The higher game, however, was being played out on a global scale, a contest for total control of the world's oil flows. The masters of that global game were the Rockefellers, the Seven Sisters, and their British allies BP and Royal Dutch Shell, using their enormous poltical leverage, especially in Washington, London and Rome.

A year earlier, in July 1979, an ambitious and quite ruthless Iraqi Baath Party politician, then-Vice President Saddam Hussein, engineered the removal of Iraq's President Ahmad Hasan Bakr, placing him under house arrest. He then accused a select list of Ba'ath Party leaders and ministers of conspiring against the State, and had them executed by firing squad at the hands of another group of Ba'ath leaders — a clever way to ensure loyalty.[1]

Thereby, Saddam Hussein became Iraqi President — until he was rudely removed by American carpet bombing in 2003.
As President, Saddam quickly escalated frictions with Iran by first expelling 40,000 Iranian-born Shi'ites from Iraq. He then ordered the

secret execution of Shi'ite Ayatollah Sadr and his sister which, when discovered, prompted Iranian Supreme Leader Ayatollah Khomeini to call for the overthrow of the Iraqi Ba'ath regime. Iraq, in turn, tried to foment rebellion among Iran's Arab population in Khuzestan Province, through which the Shatt-al-Arab flowed on Iraq's border, and site of Iran's major oil-producing region and its largest refinery at Abadan.[2]

The entire eight-year war was waged primarily over control of Iran's Khuzestan Province, including the Shatt-al-Arab. It was a war fought over oil and aimed at sabotaging each side's oil facilities, the first such war between Middle East OPEC member states, but by no means the last. Deep in the background, Washington had covertly provoked the war, sending deliberately false messages to both sides. For Washington and the Seven Sisters oil giants, the war put upward pressure on oil prices so long as such a major share of world oil was under threat. It also provided the Pentagon with a huge potential dumping ground for surplus weaponry left over from the Vietnam War, which they sold primarily to the Ayatollahs of Iran. It was yet another Pentagon war where neither side was to be allowed a decisive victory.

In the first months of the war, Iraq bombed Iran's largest Air Force bases in Tehran, and invaded the southwest oil cities of Abadan, Ahvaz and Dezful. Iranian commando units made an assault on Iraqi oil export terminals at Mina al Bakr and Al Faw to cut off her oil revenues. Iran also attacked Iraq's northern pipeline and persuaded Syria to close the Iraqi pipeline that crossed its territory. [3]

As the war dragged on over eight years, becoming the longest conventional war in the 20th Century, it shifted to what were called the 'Tanker Wars.'

By 1983, Iraq's oil export capabilities were down to 700,000 barrels a day, less than one-third of production capacity. Iran's Kharg Island oil terminal in the northern Persian Gulf, which had a pre-war export capacity of 7,000,000 barrels a day of Iranian oil, would be all but obliterated over the course of eight years and 9,000 Iraqi bombing raids. The 'Tanker Wars' contributed to this.

In March 1984 Iraq escalated the war by firing an Exocet missile at a

Greek tanker south of Kharg Island. That was the first deliberate attack on civilian ships in the Gulf and far from the last. In April 1984, Tehran launched its first attack against civilian commercial shipping, shelling an Indian freighter, then a Kuwaiti oil tanker, followed by a Saudi tanker in Saudi waters five days later, making it clear no Gulf state would be safe. These sustained attacks also predictably cut Iranian oil exports in half and reduced shipping in the Gulf by 25%, leading Lloyd's of London to dramatically increase its insurance rates on tankers. The immediate effect was to slow Gulf oil supplies to the rest of the world. The situation was becoming critical.[4] The tanker wars threatened new complications beyond those originally intended. Not only Iranian oil exports came under attack; the Persian Gulf was the exit route for all Middle East oil destined for Japan and Europe. Only Saudi Arabia's shooting down of an Iranian jet over Saudi territory led to a cessation – albeit temporary — of the attacks on non-belligerent civilian tankers in the area in 1984. By then, however, the impact had already hit both Iran and Iraq, as well as world oil prices, which remained near $30 a barrel, some 300% above the price just prior to the Iranian Ayatollahs' 1979 power seizure and ouster of the Shah.

Not surprisingly, as the Iran-Iraq war dragged on, talk of an oil glut vanished for almost the entirety of the 1980s. When the war first erupted in 1980, the CIA had estimated there had been an extra two to three million barrels of oil per day on world markets, threatening to collapse prices as the world went into an economic downturn on the back of high US and European interest rates and a soaring US dollar.[5] Some insider sources suggested that, in fact, Washington had instigated the war in order to manipulate oil prices by keeping Iran's supplies off the market – and also to 'tilt' US oil policy to greater involvement with Saudi Arabia.

The Seven Sisters' oil glut nightmare had ended for the time being. The war kept oil prices hovering around a then-significant and very profitable $30 a barrel. The cost of extracting oil from the Middle East during this period remained well below $1.00 a barrel.[6] David Rockefeller's Chase Manhattan and other New York petro-dollar banks could not complain.

Since October 1979, when he was invited to Washington by his boss and close friend David Rockefeller to become Carter's chairman of the Federal Reserve, Paul Volcker had put the United States and much of the world into the worst economic recession since 1945 by raising interest rates to double digit levels and holding them there until well into 1982.

The Volcker recession resulted in a dramatic drop in demand for oil. The Iran-Iraq War, however, conveniently allowed the price of oil to remain historically high, keeping the London and New York banks amply liquid as they continued to recycle petro-dollar loans to Eastern European states like Poland and Yugoslavia and to rapidly developing countries such as Brazil, Argentina, Mexico and most of Africa.

The world arms business also enjoyed booming sales during the Iran-Iraq War years, peddling advanced weaponry like French Exocet missiles and Super Etendard fighter aircraft, and all manner of US, European and Soviet tanks, ships, aircraft carriers, and destroyers. Iraq alone spent an estimated $200 billion on its military armaments during the eight-year war.[7]

Because the predominately Sunni Muslim Saudi Arabian Kingdom was alarmed at the prospect of a well-armed theocratic Shi'ite Iran emerging as the new center of power in the oil-rich Middle East, the Saudis poured funds into Iraq's war chest. From the onset of Iraq's attack on Iran in 1980 until at least the spring of 1982 Saudi Arabia — now America's strongest ally in the oil-rich Persian Gulf region — provided Saddam Hussein's war effort with a significant injection of $1 billion a month, enabling the size of the Iraqi army to expand tenfold.[8]

The war was to drag on as a mutual carnage, highlighted by repeated Iranian 'human wave' offensives and Iraqi use of US-supplied chemical warfare against Iranians, for eight long years. Finally a cease fire was brokered in August 1988 by Saudi Arabia's King Fahd, ending the war according to the terms of UN Security Council Resolution 598.

The human toll had been enomrous, with rough estimates suggesting more than one and a half million war-related casualties, while millions were made refugees. Iraq suffered an estimated 375,000 casualties, the equivalent of almost six million for a population the size of the United States. Another 60,000 were taken prisoner by the Iranians. Iran's true losses may have included more than 1,000,000 people killed or maimed. [9] The economic losses to both sides were equally staggering. The financial loss exceeded some $600 billion for both Iraq and Iran, for a total loss of some $1.2 trillions. For two of the largest oil producing countries in the world, economic development had stalled and oil exports had been severely disrupted for nearly a decade. [10]

### *Saddam, Kissinger and the BNL*

Rarely mentioned in news accounts of the war was the role of US intelligence, including former CIA chief George H.W. Bush, now Reagan's Vice President, and the role of David Rockefeller's crony, Henry Kissinger. These individuals played major roles in stoking the flames that led to the war itself.

Though official US policy was one of strict 'neutrality' in the Iran-Iraq War, the incoming President Ronald Reagan, his Vice President, George H. W. Bush, as well as Reagan's new CIA chief, William Casey, began secret meetings with leading Iraqi officials at least as early as April 1981 to bolster Saddam's war effort. Prior to that, beginning in 1980 with secret negotiations between the Republicans and Khomeini's regime, and acting through Israeli channels, Washington had covertly facilitated the arming of Iran. Washington policy was to arm both sides to the hilt and to make certain the war bled both countries over a period of years, while making sure neither side won a decisive advantage or victory. [11]

Former Secretary of State Henry Kissinger, now the high-powered head of his well-connected Kissinger Associates — a political risk-assessment consulting business — was asked to play a significant secret role in arming Saddam. He used the cover of US Agriculture Department food aid to Iraq, through the Atlanta branch of an Italian state-owned bank, Banca Nationale del Lavoro (BNL), a client of Kissinger Associates. Kissinger was a member of the BNL International Advisory Board and he allegedly used BNL to funnel at least $5 billion worth of covert US military assistance to Iraq.

Kissinger's influence in Washington at the time was sometimes greater than that of the President himself, even though he was officially out of government. One former Justice Department investigator who had examined Kissinger's role in the BNL affair pointed out:

*Kissinger seems to possess a special kind of immunity...Kissinger wields as much power over the Washington national security bureaucracy now as in the days when he was the Nixon Administration foreign policy czar. He gets the payoff; others get the blame. 12*

Investigative journalist Stephen P. Pizzo, who obtained declassified documents on the illegal BNL Iraq affair, noted:

*The BNL operation was a conscious, well thought-out and executed plan to secretly finance Iraq's military. The facts imply that the choice of BNL as the bank that would be used for the scheme can be traced to BNL's involvement with Kissinger Associates (KA) and former KA employees Scowcroft and Eagleburger. 13*

Maverick Texas Congressman, Democrat Henry B. Gonzalez, led a House of Representatives investigation into the BNL Iraq affair in 1989. The inquiry was buried by most major US media. Its evidence was damning. It determined, among other things, that BNL was, in fact, a client of Kissinger Associates at the same time BNL's former employees in Atlanta were providing Iraq with billions in unreported loans.

Gonzalez stated in the official Congressional Record:

*Many Kissinger Associates clients were doing business with the Iraqis as a direct result of the unreported $4 billion in BNL loans to Iraq. Volvo, whose chairman [then, Pehr Gyllenhammer-w.e.] serves on the Kissinger Associates board of directors, was doing big business in Iraq, and it was the beneficiary of BNL loans. BNL was also the largest participant in the $5.5 billion CCC [Commodity Credit Corporation of the US Department of Agriculture-w.e.] program for Iraq. 14*

***CIA ties to Saddam***

Saddam Hussein was no stranger to the CIA or Pentagon circles. He had worked with them secretly since 1959 when the CIA had recruited a thentwenty year -old Saddam as part of an Iraqi hit-team to assassinate an ‘uncooperative’ Iraqi Prime Minister, General Abd al-Karim Qasim.[15]

Since that time the CIA had covertly cultivated Saddam Hussein as an ‘asset,’ giving him housing, funds and training. The CIA and Pentagon’s Defense Intelligence Agency intensified their relations with Saddam Hussein after the instigation of the Iran-Iraq war in September of 1980.

The architect of the US support to Saddam Hussein’s Iraq in the final months of the Jimmy Carter Presidency was David Rockefeller’s old friend and Carter’s National Security Adviser, Zbigniew Brzezinski.

Howard Teicher, at that time a senior member of Brzezinski’s National Security Council, noted:

*Brzezinski maintained that with the right combination of blandishments, Iraq could be weaned away from Moscow. Encouraged by the suppression of the Iraqi Communist party, and perhaps believing that Iraq could, like Egypt after the October 1973 War, also be convinced to turn toward Washington, Brzezinski concluded that Iraq was poised to succeed Iran as the principle pillar of stability in the Persian Gulf. Although this notion remained very* *discreet for nearly a year, by the spring of 1980 Brzezinski and others in government and the media began to suggest publicly that Iraq was the logical successor to Iran as the dominant military power in the Persian Gulf. ... Indeed, in April, Brzezinski stated on national television that he saw no fundamental incompatibility of interests between the United States and Iraq. 16*

The US made certain that Saddam Hussein understood that an attack on Khomeini would be welcomed by Washington and supported by its allies in the Gulf, remarked author Barry Lando. As proof, he notes that, "when Iraqi forces swept into Iran on September 22, 1980, there were no indignant speeches from Western leaders or calls for a US embargo, as there were when Saddam invaded Kuwait ten years later."[17]

Ronald Reagan's newly-appointed Secretary of State, Alexander Haig, visited Egyptian leader Anwar Sadat and King Fahd of Saudi Arabia in one of his first missions in 1981. Summing up the trip, Haig wrote to the President confidentially: "Both Sadat and Fahd provided other bits of useful intelligence (e.g. Iran is receiving military spares for US equipment from Israel). It was also interesting to confirm that President Carter gave the Iraqis a green light to launch the war against Iran through Fahd." [18] It was a Washington war by proxy.

During the war, the CIA regularly sent a team to Saddam to deliver battlefield intelligence obtained from Saudi AWACS surveillance aircraft to aid Iraq's armed forces, according to a former DIA official who told an interviewer that he personally had signed off on a document that shared US satellite intelligence with both Iraq and Iran in an attempt to produce a military stalemate. "When I signed it, I thought I was losing my mind," the former official stated. [19]

Washington was secretly arming both sides to insure a prolonged war of attrition whose only winners would be those who controlled global oil flows and the huge volumes of cash tied to them.[20] The American people were lied to by two Presidents and had little idea of the United

States' covert role in instigating, fanning and prolonging the eight year Iran-Iraq War. The strategy was backing Iraq to weaken Iran and, when Iran appeared too weak, backing the Khomeini regime to prevent a clear victory of either of the combatants. It was about global oil geopolitics and about global power.

In an ABC television *Nightline* broadcast several years after the end of the war, American journalist Ted Koppel stated, "It is becoming increasingly clear that George Bush, operating largely behind the scenes throughout the 1980s, initiated and supported much of the financing, intelligence, and military help that built Saddam's Iraq into the power it became."[21]

At the time of the Koppel statement George Herbert Walker Bush, whose family emerged after the First World War in the circles tied to the emerging Rockefeller oil and banking empire, had succeeded Ronald Reagan to become President. During eight years, from January 1981 until January 1989, as Reagan's Vice President, Bush reportedly used his old CIA networks to run secret operations behind the scenes including, by informed accounts, the secret deals to arm Iran. Bush and his intellience networks, directly and indirectly using Israeli channels, was arming and supplying Iran with war materiel after 1980 – operations that would later expand to what became known as the 'Iran-Contra' networks.

### *October Surprises*

In the months leading up to the 1980 US Presidential elections, as Jimmy Carter was fighting for re-election amidst ongoing negotiations to resolve the US Embassy hostage crisis in Tehran, secret negotiations between the Iranian government and key people around Republican candidate Reagan had taken place, as well. These were later dubbed the "October Surprise" – a term used by the Republicans to refer to their fear that Carter would succeed in releasing the hostages in October, a 'surprise' that would ensure Carter's re-election.

Years later, on Jan. 11, 1993, Russia ‘s Parliament reportedly sent a secret cable to the US Congress, claiming on the basis of Soviet-era intelligence and security file archives that two US Presidents, Reagan and George H.W. Bush, and two CIA directors, Bill Casey and Robert Gates, had committed acts of treason with Iran’s radical Islamic government in 1980. [22]

The Russian memo, which was apparently promptly buried in official Washington, was referring to Ronald Reagan’s 1980 covert interference with President Carter’s negotiations to free the fifty two Americans still being held hostage in Iran – in effect, deliberately sabotaging Carter’s negotiated settlement of the hostage crisis. This would be the final twist of the screw sealing the fate of Carter’s Presidency — brought down by Rockefeller’s schemes to benefit Chase Manhattan Bank by bringing the Shah into the US and triggering the Embassy seizure, to justify freezing Iran’s assets at Rockefeller’s bank.

The intractable hostage drama weighed on the Carter Presidency like an Albatross around the neck, as the Republicans charged the President with being ineffective. What they didn’t say was that Reagan emissaries were at the time in secret negotiations with the Iranian government, promising Iran US military spare parts and financial support if the Iranians would wait until after the election to release the hostages.[23] It was presumed that by doing so, Reagan’s election would be assured.

Despite its explosive potential, the Russian document was kept from the American people. It was buried on Capitol Hill on the eve of the Presidential inauguration of Bill Clinton.

The Russian memo had been a response to an official request of US Representative Lee Hamilton, then heading a US Congressional Task Force to investigate precisely this issue – the allegations of Reagan-Bush secret talks with Iran in 1980 to tilt the election to the Republicans. Hamilton had sent a formal request on Oct. 21, 1992 to

Sergey Vadimovich Stepashin, then chairman of the Supreme Soviet's Committee on Defense and Security Issues, comparable to Chairman of the US Senate Intelligence Committee, asking what, if any, information the Russian government had about the socalled "October Surprise" charges. The Russian response, delivered to the US Embassy in Moscow, was translated by the US Embassy and forwarded to Hamilton.[24]

The six-page Russian report stated that Reagan campaign director and later CIA chief Bill Casey, George Bush and other Republicans had met secretly with Iranian officials and arms dealers in Europe during the 1980 presidential campaign. The Russians also said that there was a two-way contest between Carter and Reagan emissaries secretly with the Iranians to outbid one another for Iran's cooperation on the hostages.

The Russians claimed that the Democratic Carter administration had offered Iran arms and unfreezing of Iran's frozen overseas assets in exchange for a pre-election release of the hostages. During one meeting in Athens in July 1980 between Pentagon representatives and key Iranian officials, Carter people agreed "in principle to deliver a significant quantity of spare parts for F-4 and F-5 aircraft and also M-60 tanks ... via Turkey." The Iranians "discussed a possible step-by-step normalization of Iranian-American relations [and] the provision of support for President Carter in the election campaign via the release of American hostages." [25]

But according to the report, the Republicans were also making their own separate, secret approaches to the Iranians: "William Casey, in 1980, met three times with representatives of the Iranian leadership. The meetings took place in Madrid and Paris."

The report added that at the October 1980 Paris meeting, "R[obert] Gates, at that time a staffer of the National Security Council in the administration of Jimmy Carter, and former CIA director George Bush also took part. In Madrid and Paris, the representatives of Ronald

Reagan and the Iranian leadership discussed the question of possibly delaying the release of 52 hostages from the staff of the U.S. Embassy in Teheran.” [26] Gates, who built his career earlier at the CIA under Director George Bush, would later become Secretary of Defense for Bush’s son George W., and for Barrack Obama.

Whether the classified Russian report was true in every detail or not, it was a curious fact that the US hostages were not released until the day of Reagan’s inauguration. Carter’s failure to free the hostages in the end sealed his political doom and boosted Reagan from a neck-and-neck race to a resounding electoral victory. The hostages’ release was timed to the minute, on January 20, 1981, just as the newly-elected President Reagan was completing his Inaugural Address. The resulting flood of American patriotic fervor made Reagan a hero.

The Russian memo concluded, “After the victory of R. Reagan in the election, the U.S. continued to supply arms, spares and military supplies for the Iranian army.” The deliveries were carried out by Israel, often through private arms dealers, the Russians said. Spare parts for F-14 jet fighters and other military equipment went to Iran from Israel beginning March 1981. The arms pipeline to Iran sanctioned secretly by US intelligence kept flowing into the mid-1980s when a Lebanese newspaper in November 1986 leaked what became known as the Iran-Contra Affair.[27]

Secret sales of arms to Iran, in direct violation of existing United States laws, were reported widely. The Iran-Contra Affair, as it became known, was a complex deal in which the profits from illegal arms sales to Iran, overseen by a secret team under the White House National Security Council, were used to finance Nicaraguan mercenaries — the anti-government Contras — in a bloody effort to topple the elected Nicaraguan government. The Contras were also involved in illegal drug operations. The White House ‘secret team’ organized by Reagan had been working covertly with the Israeli government, providing weapons to Iran in violation of numerous US laws and of official US ‘neutrality’ in the Iran-Iraq War.

Israel for its part at the time was apparently alarmed at the prospect of an aggressive Iraq under Saddam Hussein threatening Israel’s existence and opted to try to cultivate Iran as a counterweight to Iraq. At the same time Israeli intelligence secretly backed the Iraqi Kurdish leader Mustapha Barzani in northern Iraq against the Iraqi regime. For the Israelis, Iran in the early 1980s was clearly the “lesser of two evils.” Tel Aviv’s government saw Iran in the early 1980s as a state that could neutralize the threat from Iraq by turning Iraq’s military force to the east, against Iran. [28]

Meanwhile, deliberately inflated profits on arms sales to Iran were being illegally funneled by Lieutenant Colonel Oliver North and his secret unit of US intelligence operatives to arm the Nicaraguan Contras, a CIA-trained group of mercenaries paid to fight the elected Government of Daniel Ortega and the Sandinistas. The Congressional hearings into this operation briefly threatened to pull Reagan and Presidential hopeful George H.W. Bush down. The same Contras were later reported to be raising more funds by selling huge amounts of cocaine on the streets of Los Angeles and other US cities. The CIA claimed it turned a blind eye to the Contra drug business because its “priority” was defeating Ortega’s duly-elected government of the Nicaraguan Sandinista party. Some investigative journalists claimed the CIA helped organize the drug traffic. It was not unlike what the CIA had done in controlling heroin trade in Southeast Asia during and after the Vietnam War, and later managing the drug trafficking through the Golden Triangle of Eurasia by working with the Ayatollahs who had inherited the lucrative drug business from the Shah.[29]

### *Washington’s ‘reverse’ oil shock*

In 1985 Reagan’s Secretary of State George Shultz, who had ties to a vast CIA-linked construction company called Bechtel Inc., held an unpublicized meeting in his State Deparement offices. With him at the meeting were Vice President George H. W. Bush and other top Reagan officials. The aim of the meeting was to discuss how to persuade Saudi Arabia, then the world's largest oil producer, to engineer a "reverse oil shock."

Instead of manipulating political events to push world oil prices higher as they did in 1973, the circles controlling State Department policy in 1986 decided on a strategy of temporarily collapsing world oil prices. The strategy had several goals. One was to inject a short-term stimulus to the US economy and stock market to create a better economic situation for the planned 1988 election campaign of George Bush, Sr.

The second, more strategic, goal of the 1986 oil price collapse was to bankrupt the Soviet Union, and thereby put the world's second largest oil producer after Saudi Arabia into a state of permanent chaos. Saudi Arabia, for reasons of its own, went along with the US policy.

Storm clouds had begun to gather on the US economic horizon during 1985, threatening the future Presidential ambitions of Vice President George H. W. Bush. Once again, oil would come to the rescue. Washington apparently reasoned, "if we can run the price up, why can't we run it down?" This time, however, the tactic of manipulating global oil prices was carried out very differently from the Bilderberg oil shocks of the 1970s.

Saudi King Fahd came to Washington on February 11, 1985 to meet with President Reagan to discuss "oil and economic relations." During the trip of the Saudi King, his oil minister, Sheikh Zaki Yamani, met with Vice President George H.W. Bush, Treasury Secretary James Baker and Energy Secretary John Herrington. They all told Yamani the same new Washington mantra that "the market," not OPEC, should be allowed to set prices.

In March 1985, Secretary of State Shultz sent a classified internal telegram to the US Embassy in London which read in part, "The

Secretary is extremely interested in the Department producing quickly a study of the impact of a precipitous drop in the price of oil." [30]

Shultz, a friend of David Rockefeller who had taught economics at the Rockefeller-founded University of Chicago, had been one of the key voices, along with Paul Volcker in August 1971, to convince Nixon to abandon the dollar tie to gold, a key prelude to the 1973 400% oil price rise. Years later, Shultz was named by Rockefeller to Chase Manhattan Bank's International Advisory Committee.[31]

By September 1985 Washington put pressure on Saudi Arabia to raise its production output at a time when already high oil inventory stocks were beginning to push world oil prices down. Assistant Secretary of State Morton Abramowitz wrote in a memo to his boss, Shultz, "By raising production and offering market related pricing...the Saudis seek to reform OPEC...If a price war were to occur oil prices could well plunge to the $20 a barrel range." They were at $35 when the action began. Abramowitz continued, "Most of the world, including the US, would benefit..." [32]

A top secret US Treasury Department study in October 1985, later declassified, concluded, "lower oil prices would be good for the world economy...Our policy should be...to discourage OPEC and other producers from artificially propping up prices...."[33] In fact, as speeches and public statements from US Energy Secretary Donald Hodel and others made clear — over the loud protest of Saudi Oil Minister Sheikh Zaki Yamani — Washington was engaged in a covert operation to bring down oil prices while publicly talking as if the opposite was their policy.

Vice President George Bush personally traveled to Riyadh in April 1986. According to a declassified State Department account of his talks, Bush also told the Saudi King that "market forces could best set oil price and production levels" — code for having the Saudis collapse world prices by turning on the oil spigots full throttle. Washington also held out a promise to the Saudi King of sales of the most advanced

US weaponry to the Kingdom, something the King was quite delighted to hear. [34]

### *Bringing the Soviets to their knees*

Significantly, in addition to a turbo boost to the US economy that would kick in, conveniently enough, in time for the anticipated Presidential campaign of George Bush in 1988, Abramowitz noted that as a result of a sharp drop in oil prices, "the Soviet Union would suffer a net unfavorable impact in the near term since it relies heavily on oil exports for hard currency earnings." [35]

At the same time he was involved in the Saudi reverse oil price shock that impacted Soviet hard currency earnings, Abramowitz was also involved in secret negotiations to provide highly effective Stinger missiles to CIAtrained Afghan Mujahideen guerillas — whose numbers included a young Saudi named Osama bin Laden.[36] The Stinger missiles and the Mujahieen guerillas were credited with dealing a significant blow to the Soviet Air Force in Afghanistan.

The CIA-financed Mujahideen guerilla war in Afghanistan was part of a major strategy of Reagan's CIA Director Bill Casey and a circle of littleknown hawkish zealots in Washington known as 'neo-conservatives' to deploy economic and financial warfare in order to collapse the Soviet Union.

William C. Casey was one of the most powerful CIA directors in US history, owing to his close rapport with the President. He convinced Reagan that the Soviet Union was in a state of economic collapse, reading the President daily reports of factories with no spare parts, food lines, and hard currency shortages. They needed only a significant push and collapse would come, Casey argued.[37]

Washington convinced Saudi Arabia's King Fahd, over the objections of his Oil Minister, Yamani, to run the "reverse oil shock" and flood the already glutted world oil market with its abundant supplies of oil.[38]

The price of OPEC oil dropped like a stone, from nearly $26 a barrel in the winter of 1985, to a low of $9.86 per barrel by July of 1986. Oil prices stabilized at a comfortably low level of around $15 per barrel by 1987, in time to ensure a nice boost to the US economy as another American Presidential election neared.

Saudi Oil Minister Sheikh Zaki Yamani, who had openly opposed what he called a US oil price conspiracy, was made the scapegoat for an oil policy authored in Washington, and was fired by King Fahd.

The collapsed oil prices delivered a final, crippling blow to the Soviet Union's war economy, as Moscow lost the dollar revenues urgently needed to fight the war in Afghanistan against Casey's CIA-trained Mujahideen guerillas. At the same time, Ronald Reagan's huge new military technology project for an airborne ballistic missile defense — dubbed "Star Wars" – forced the Soviets to massively increase spending on military research and development. Casey's strategy was to pressure the Soviet Union on all fronts simultaneously until they cracked. The oil price collapse played a central strategic role in wrecking the Soviet Union — although no one discussed it, for obvious reasons.

The Soviet Union since the early 1970s had allowed itself to become dependent on oil and gas exports to the West for more than 60% of all hard currency dollar earnings. This created a huge strategic vulnerability and was directly contrary to a self-sufficiency policy mandated from the onset of the Cold War by Josef Stalin.

When world oil prices soared through the roof after 1973, the Soviet military industry got a huge windfall in oil dollars to buy advanced Western technology and equipment. The CIA had calculated that Moscow gained $1 billion in scarce dollar revenues for every $1 rise in the global oil price. Conversely, when oil prices plunged beginning early 1986, Moscow saw its oil riches evaporate before its eyes. [39]

Within two years, Soviet leader Mikhail Gorbachev admitted the failure of his Glasnost and Perestroika efforts to revive the collapsing

Soviet economy. He raised the red flag of surrender and negotiated the return of East Germany to West Germany in November 1989 after four decades of Soviet control.

Oil had been the weapon ultimately used by Washington to defeat the Soviets.

The added consequence of Reagan's 1986 'reverse oil shock' strategy was to bring to a halt numerous domestic oil drilling projects that had become financially attractive since the higher prices of the early 1970s. Texas, Oklahoma, California and other US oil-producing states were severely hit by the price collapse. Many high-cost wells, which became productive after the deliberate upward oil shocks of 1978-1980, became unprofitable in 1986 and were shut down. Domestic US crude oil production began dropping in early 1986. After the world price fell more than 50% between January and March 1986, US drilling plummeted.

The net effect of the decline in domestic US oil production beginning in 1986 was an increase in crude oil imports, which climbed from 3.2 million barrels a day in 1985 to 9.1 million barrels per day by 2000. Most of this increase was met by OPEC, especially that part of OPEC most friendly to Washington — including Saudi Arabia and Kuwait. OPEC's share of total US crude oil imports rose from 41% in 1985 to 60% in 1990, as the Soviet Union was in its final death agony and the Warsaw Pact alliance was dissolving.[40]

In January 1989, George Herbert Walker Bush had been sworn in as the forty first President of the United States after eight years as Ronald Reagan's Vice President. The Soviet Union was well on its way to collapsing and fragmenting into numerous chaotic constituent nations, ending more than four decades of Cold War conflict. The Soviet leader, Mikhail Gorbachev, had ordered Soviet troops to leave Afghanistan in a defeat often compared to the US defeat in Vietnam. In reality, Afghanistan was far more devastating; it marked the end of the Soviet Union. The last Red Army troops left Kabul on February

15, 1989. Nine months later, on November 9, 1989 the Berlin Wall, sealing East Germany off from West Berlin, fell.

Although the Iran-Iraq War had ended in a cease fire in August 1988, newly-elected President Bush made the decision in 1989 to continue US arms aid to Saddam Hussein. It was the opening of the next fateful chapter of deliberate US-instigated wars for the control of Middle East oil and America's bid for global empire or, as the Pentagon preferred to call it, 'Full Spectrum Dominance,' and as President George H. W. Bush in an address to Congress termed it, the 'New World Order.' [41]

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[35] Ibid.

[36] Diana Johnstone, *Fool's Crusade* (London: Pluto Press, 2002), p. 9.

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## *chapter 8*

# CONTROLLING ALL OIL, EVERYWHERE

### *Luring Saddam into a Honey Trap...again*

With the Saudi-brokered cease fire in 1988 after an eight-year war between Iran and Iraq, there was presumably little necessity for continued US government military support to Iraq's Saddam Hussein. At least, that was what some people thought. George Herbert Walker Bush, now finally President, thought otherwise. He signed a National Security Directive (NSD 26) in October 1989 which authorized a further $1 billion in US Government "food credits" to Iraq, despite vigorous objections from senior members of his Administration. Secretary of State James A. Baker III personally intervened with Agriculture Secretary Clayton K. Yeutter to drop the Department of Agriculture's opposition to the $1 billion in food credits. The first half of the $1 billion was made available to Iraq at the beginning of 1990.[1]

Bush and Baker had big plans for Saddam Hussein.
The Bush NSD 26 decision was no humanitarian impulse, nor a reaction of pity for the financially-strapped Saddam, a man whom Bush, Sr. had dealt with when the President had been CIA Director in the 1970s.
The decision to covertly arm Saddam Hussein after the end of its war with Iran was part of a longer-term strategic project of the Pentagon and of US elite circles controlling the Rockefeller oil companies (e.g. Mobil, Chevron, Exxon) and the military industry, including defense and oilinfrastructure firms like Halliburton, Bechtel and Kellogg, Brown & Root, later a part of Halliburton.
Re-arming Saddam was at the heart of their geopolitical calculus of global power: the long-term US strategic policy to directly control the world's most abundant and cheapest reserves of petroleum—the Middle East oil reserves located in a triangle cutting across Iran, Iraq, Saudi Arabia, Kuwait and the Emirates. The military build-up of Saddam in 1989 was to prepare for the next phase of realizing direct

Pentagon control of Middle East oil reserves.
So long as the various OPEC states had the possibility to enter into separate agreements such as Iraq had with the Soviet Union in 1972 (signing a Soviet-Iraqi Treaty of Friendship and cultivating close economic and military ties), or the earlier attempts by Mossadeq's Iran to exercise sovereign control over its oil affairs, Washington and Wall Street could never be certain of their control over world oil markets. The stakes were simply too high to leave such a strategic issue to chance. [2]
The first major step to secure direct American military control over Gulf oil came with the announcement of the Carter Doctrine, first revealed in Jimmy Carter's State of the Union Address to Congress in January 1980, just days after CIA-trained Afghan mercenaries had provoked Soviet troops to invade and take control of Afghanistan — a deliberate ploy later admitted by Carter's hawkish National Security Adviser, Zbigniew Brzezinski.[3]
Referring specifically to the Soviet invasion of Afghanistan days before — an invasion precipitated by Carter's authorization of secret military aid to Afghan Mujahideen guerillas being trained by the CIA [4] — Carter declared that "an attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force." It was a message directly aimed at the Soviet Union at a time when Carter was trapped by the US Embassy seizure and the Tehran hostage crisis.
Afghanistan, which borders Iran, was the proximate excuse to declare a kind of US Monroe Doctrine unilaterally over the entire Persian Gulf. The policy was dubbed in the media by the *New York Times* as 'the Carter Doctrine.' Few in the West bothered to question the logic – or legality — of a unilateral declaration of American control over the sovereign nations of the oil-rich Persian Gulf. [5]

### *Getting Kuwait on board*

The Carter Doctrine was itself mere propaganda. After Carter asserted that any foreign incursion into the Gulf would be considered an attack on US strategic interests, Iraq did precisely that, with tacit US approval, invading Iran's oilfields. Instead of responding as if its own interests had been directly attacked, Washington responded by arming both sides.

Eight years later, Bush, Sr. cleared the way for directly funding Saddam, allowing him to re-arm. The next step was to insure that Saddam Hussein did what Washington wanted: launch a military attack on neighboring Kuwait, a tiny country the size of New Jersey, but strategically positioned on the Shatt al Arab waterway, the key oil transport route to the Gulf and hence to Europe and Japan.

Bush and Washington prepared the stage by covertly encouraging USally Kuwait to flood the market with its oil, thereby driving the price of OPEC oil down and financially devastating war-and-debt-wracked Iraq. At the end of the war with Iran in early 1989, Iraq had more than $40 billion of international debt, excluding interest, mostly to Western governments. It was estimated that on top of these significant war debts, the 1989-1990 Kuwait violation of OPEC production quotas cost Iraq some $14 billion in desperately needed oil revenues. The situation was becoming predictably explosive. That was the intent. [6]

In June 1989, as Bush was extending the carrot of more needed credit to Saddam Hussein, American businessmen from a high-powered group known as the US-Iraq Business Forum made a little-publicized visit to Baghdad. The delegation included Kissinger Associates' Alan Stoga and senior executives of Mobil Oil, Occidental Petroleum, Bankers' Trust, and other large US multinationals close to the usual Rockefeller circles. The Iraqis had a five-year $40 billion plan to complete the large Badush Dam irrigation project, which would have enabled her to become self-sufficient in food production. In addition, Iraq proposed that the US group undertake major investments in building up Iraq's petrochemicals industry, agriculture fertilizer plants, an iron and steel plant, and an auto assembly plant, as part of an effort to develop the country.

The American businessmen told Saddam he must first restructure his foreign debts, and agree to privatize Iraq's national oil resources, or a major portion of it. [7] According to British and American geophysical calculations, Iraq was perhaps the largest unexplored oil region in the world at that point, with the possible exception of the Soviet Union.

By the end of 1989 the Berlin Wall had crumbled and Washington was proclaiming its new role as "sole superpower" in a "new world order." As George H.W. Bush told the US Congress on the eve of invading Iraq:

*A new partnership of nations has begun, and we stand today at a unique and extraordinary moment. The crisis in the Persian Gulf, as grave as it is, also offers a rare opportunity to move toward an historic period of cooperation. Out of these troubled times, our fifth objective —a new world order—can emerge. 8*

Predictably, Saddam refused the American offer to surrender sovereignty over Iraqi petroleum in exchange for vague assurances on future loans. By late 1989, some $2.3 billion in Bush administration-authorized credits for Iraq — channeled through the Atlanta, Georgia, subsidiary of the Italian Banco Nationale del Lavoro (BNL) – had been abruptly cut off after an FBI raid on the BNL's Atlanta headquarters.

The combined effect of the Stoga/Mobil Oil talks in Baghdad and the BNL exposes was a total cutoff of Western bank credit to Iraq by early 1990. At that critical juncture, the Emir of Kuwait was told to flood OPEC markets with oil – to punish Iraq, in effect — in violation of OPEC production ceilings which had been agreed upon in order to stabilize world oil prices following the debacle of 1986–87.

By the summer of 1990, Kuwait had drawn oil prices from their precarious level at $19 per barrel down to little more than $13 per barrel, a fall of one-third the price. The move on the surface appeared to work against Kuwait's self-interest. There were other forces at play, however. The Kuwaiti al-Sabah monarchy was tied to both Britain and the US. Its British ties dated back to a deal in 1899 that made England the exclusive Western oil partner of the Sheikh of Kuwait, Mubarak al-Sabah. Kuwait's ties to Washington were more recent, having emerged when the British role in the region was pushed aside during the 1960s. By 1990, Kuwait's monarchy was utterly dependent on the good graces of Washington for its survival. [9] Like the former Pahlavis of Iran, the Kuwaiti royal family was not exactly loved among its people; nor was it admired in Iraq.

Iraq and other OPEC members made repeated diplomatic efforts to persuade the Emir of Kuwait, Sheikh al-Sabah, and his Oil Minister Ali Khalifa al-Sabah to stop the deliberate economic pressure on Iraq and the other OPEC producers, to stop flooding the market and to stabilize prices. The appeal fell on deaf ears. By July 1990 oil traders were predicting a repeat of 1986, with price levels of less than $10 per barrel in sight. Iraq was not even able to service its old debt or finance much-needed food imports, much less re-supply itself with US arms.

The previous February, in Amman, Jordan, Iraqi President Saddam Hussein had told fellow members of the Arab Cooperation Council that the strategic implications of the collapse of the old communist order in eastern Europe, and the apparent emergence of the United States as the only military 'superpower,' presented the Arab world with special dangers. He was right.

Saddam pointed with concern to the fact that despite the cessation of the Iran–Iraq War one year earlier, US military forces and warships in the Gulf had not shown any signs of pulling back. Rather, he noted with foreboding, "the United States makes many statements that it is staying." He noted the increasing preoccupation of the Soviet Union with its internal problems:

*When the Soviet Union is involved with its own internal affairs, the [Iran–Iraq] war has ended, no direct threat exists, and the United States especially at this time is still repeating that it will stay, then this is something that warrants attention. 10*

Saddam concluded these February remarks by suggesting that oilwealthy Arab countries should join forces and make use of their “possession of an energy source unparalleled in the world...I think we should forge relationships with Europe, Japan, and the Soviet Union in a manner that will make us benefit from this element as soon as possible.” [11]

Those words did not go down well in the Bush White House or on Wall Street or in Mobil Oil headquarters.

***April’s fateful chat with Saddam***

On July 27, 1990, with tensions between Iraq and Kuwait over oil prices at a peak, the US Ambassador to Baghdad, April Glaspie, asked for a meeting with Saddam Hussein in Baghdad to discuss the volatile situation. According to official Iraqi transcripts of the exchange, later released by the Baghdad government and confirmed by the US Congress almost a year later, Glaspie told Saddam that Washington would not take a position on the dispute between Iraq and Kuwait.

During the course of the Iran-Iraq War, Washington had pressured Kuwait to lend Iraq $14 billion. After the war ended, however, Iraq and
Kuwait to lend Iraq $14 billion. After the war ended, however, Iraq and
mile) common border, access to transportation waterways – including the invaluable Shatt al-Arab that had been an issue in the Iran-Iraq War — the price at which Kuwaiti oil was being sold, and oil-drilling in border areas.

It was in that context that Glaspie had her meeting with Saddam Hussein on July 25, 1990 – her first meeting with Iraq’s head of state in her two years as Ambassador to Iraq. It would also be her last. Glaspie had requested the meeting, saying she had an urgent message for the Iraqi president from US President George H.W. Bush. A partial transcript of the meeting follows:

***US Ambassador Glaspie:*** *"I have direct instructions from President Bush to improve our relations with Iraq...We can see that you have deployed massive numbers of troops in the south. Normally that would be none of our business, but when this happens in the context of your other threats against Kuwait, then it would be reasonable for us to be concerned. For this reason, I have received an instruction to ask you, in the spirit of friendship - not confrontation - regarding your intentions. Why are your troops massed so very close to Kuwait's borders?"*

***President Saddam Hussein:*** *"As you know, for years now I have made every effort to reach a settlement on our dispute with Kuwait. There is to be a meeting in two days; I am prepared to give negotiations only one more brief chance. (pause) When we (the Iraqis) meet (with the Kuwaitis) and we see there is hope, then nothing will happen. But if we are unable to find a solution, then it will be natural that Iraq will not accept death."*

***US Ambassador Glaspie:*** *"What solution would be acceptable?"*

***President Saddam Hussein:*** *"If we could keep the whole of the Shatt al Arab - our strategic goal in our war with Iran - we will make concessions (to the Kuwaitis). But if we are forced to choose between keeping half of the Shatt and the whole of Iraq [which, in Iraq's view, includes Kuwait], then we will give up all of the Shatt to defend our claims on Kuwait to keep the whole of Iraq in the shape we wish it to be. (pause) What is the United States' opinion on this?"*

***US Ambassador Glaspie:*** *"We have no opinion on your Arab-Arab conflicts, such as your dispute with Kuwait. Secretary (of State James) Baker has directed me to emphasise the instruction, first given to Iraq in the 1960s, that the Kuwait issue is not associated with America." (Saddam smiles). 12*

At a Washington press conference the next day, July 26, 1990, US State Department spokesperson Margaret Tutweiler was asked by journalists, "Has the United States sent any type of diplomatic message to the Iraqis about putting 30,000 troops on the border with Kuwait? Has there been any type of protest communicated from the United States government?" Tutweiler responded, "I'm entirely unaware of any such protest." [13]

Saddam had fallen for Washington's Honey Trap once more; the consequences would be fateful.

Washington Ambassador to Baghdad April Glaspie (left) delivers message to a desperate Saddam Hussein (right) in Iraq that led him to invade Kuwait in 1990.

Less than one week later, on August 2, 1990 Iraqi forces occupied Kuwait City. The Kuwaiti al-Sabah royal family had fled well in advance, able to escape with their Rolls-Royces and their gold and other valuables because, according to one bitter former Kuwaiti government official in exile in Europe, “the CIA informed the royal family in good time to get out, but the Al-Sabahs ‘conveniently’ forgot to inform the country’s military of their information that Kuwait was about to be invaded.” [14]

The Iraqi occupation of Kuwait caused crude oil prices to rise suddenly and sharply for the third time since 1973, again in circumstances covertly instigated by the Rockefeller oil majors in collaboration with US intelligence agencies. After the United Nations approved an embargo on all crude oil and oil products originating from either country, fears of shortfalls similar to the magnitude of those in 1979 caused the price to soar from $16 a barrel to $28 by the end of August 1990, and to $36 by September that year. The Seven Sisters and their bankers had once again secured high oil prices by manipulating scarcity, again using a deliberately incited proxy war to do it.

Within hours of the Kuwait occupation, the Bank of England and the US government acted to freeze all Kuwaiti assets, held in what is believed to be the world’s largest single investment fund, the Kuwait Investment Office, based in London. Its total asset portfolio was not made public, but was reported to be well beyond $100–150 billion in value.

On August 8, 1990 the United States, immediately backed by Thatcher’s British government, announced it would be sending US military forces to defend Saudi Arabia against an allegedly threatened invasion by Iraq. The Bush administration, however, was lying about its “strictly defensive” troop deployment supposedly requested by Saudi Arabia to protect it from Iraq’s imminent invasion.

King Hussein of Jordan reported that US troops were being deployed to Saudi Arabia days before Saudi Arabia “invited” US intervention. Hussein said that in the first days of the crisis Saudi King Fahd himself had expressed support for an Arab diplomatic solution. Fahd had also told Jordan’s Hussein that there was no evidence of a hostile Iraqi build-up on the Saudi border, and that despite American assertions, there was no truth at all to reports that Iraq planned to invade Saudi Arabia.

This threat was thus revealed to have been fabricated in Washington. Bush, who had been together with Thatcher during the hours of decision in early August at Aspen, Colorado, soon proclaimed his ‘New World Order.’ [15]

The Saudis, only after a long meeting between King Fahd and thenSecretary of Defense Richard Cheney, bowed to US demands that they “invite” US troops to defend them. The real substance of that discussion remains classified.[16]

The Bush Administration was never interested in avoiding a war with Iraq in 1991. Bush rejected diplomacy and negotiations, even refusing to send Secretary of State Baker to meet Saddam Hussein before the January 15, 1991 deadline as he had promised months earlier.

On February 13, 1991 US planes incinerated hundreds of women and children sleeping in the al-Arneriyah bomb shelter. On February 15, Iraq offerred to withdraw; Bush rejected Iraq’s offer. On February 18, the Iraqis immediately agreed to a Soviet proposal that required Iraq to abide by all UN resolutions, but to no avail.[17] Four hours later, the massive ground war – a US invasion — was launched.
The US ground war against Iraq resulted in the greatest number of casualties in the conflict, in which as many as 100,000 Iraqi soldiers

may have died – despite the Iraqi government having fully capitulated to all US and UN demands. The Bush Administration did not fight the war to secure Iraq's eviction from Kuwait, as claimed, but for other foreign policy objectives. Those objectives were never defined for the public but only referred to euphemistically under the rubric of the 'New World Order.'

With the collapse of the Soviet Union, Washington had decided it was now time to move into parts of the developing world previously unreachable. The Bush Administration quickly saw an opportunity in Soviet ally Iraq: if the Soviets were willing to abandon Iraq and their other traditional allies in the Third World, then the US could fill that vacuum.

Beginning in the summer of 1989, the US Joint Chiefs of Staff had revamped US military doctrine in the Middle East away from direct USSoviet conflict and instead targetting regional powers. By June 1990, two months before the Iraqi invasion of Kuwait, General Norman Schwarzkopf was conducting sophisticated 'war games' pitting hundreds of thousands of US troops against Iraqi armored divisions, clearly not by chance. [18]

US plans for militarization of the oil riches of the Persian Gulf had taken a giant step forward under cover of rolling back the alleged Iraqi threat to Saudi oilfields.[19]

Bush's New World Order had a very strong military tone and an increasingly clear imperial agenda. By the beginning of the 1990s Washington had made a major advance in extending its web of military bases directly into the oilfields of the Middle East. In Saudi Arabia, much to the discomfort of the more rigorous Muslims, the "infidel" American military was for the first time able to position its troops and aircraft at Prince Sultan Air Base in Al Kharj in Saudi Arabia, within easy reach of the vast Ghawar oil fields.

It also was able to establish permanent military installations in Kuwait and in Qatar, and the Emirates. The US Central Command — which had military responsibility for the entire Middle East, as well as Afghanistan and Central Asia — was becoming the primary military focus of the United States Armed Forces in ways that were to become clearer only a decade later in September 2001.

Against Iraq meanwhile, Washington imposed a savage air embargo in April 1991. Operation Provide Comfort, implemented allegedly to provide “humanitarian assistance” to the Iraqi Kurds who lived in the midst of the richest oilfields of Iraq, created a “no-fly” zone north of Iraq’s 36th parallel. In August 1992, Operation Southern Watch declared a “no-fly” zone south of the 32nd parallel. Iraq was thus made a captive state of the Pentagon’s Central Command.

Over the next few years, the Soviet Union and nations allied to it were to be dismantled or coopted into NATO one by one. By 1991 the US and its major oil companies had begun to move into the oil domains of the former Soviet Union, with Chevron grabbing major control over the rich Kazakhstan Tengiz oilfield and a consortium led by BP capturing the Azerbaijan oilfields offshore from Baku—the oil of the Caspian Sea Basin, one of the largest oil regions outside the Persian Gulf.

For Washington, the Cold War with the USSR may technically have ended with the dissolution of the Soviet Union in 1991. However, their real war for total domination of the planet, ‘Full Spectrum Dominance’ as the Pentagon preferred to call it, had only just begun. Again, control of oil — all oil everywhere — was to form the heart of the new domination strategy. The next phase was to target China and Russia and the nations of the Eurasian Heartland, Halford Mackinder’s geopolitical strategy.

***Endnotes:***

[1] Douglas Frantz, Murray Waas, *Bush Secret Effort Helped Saddam Build his War Machine*, The Los Angeles Times, February 23, 1992.
[2] Soviet Union, Iran and Iraq, accessed in http://www.country-data.com/cgibin/query/r-12686.html

[3] Zbigniew Brzezinski, *The CIA's Intervention in Afghanistan: Interview with Zbigniew Brzezinski, President Jimmy Carter's National Security Adviser*, Le Nouvel Observateur, Paris, 15-21 January 1998, Posted at globalresearch.ca, 15 October 2001. In the interview, eight years after the collapse of the Soviet Union, a boastful Brzezinski stated: "**Question:** The former director of the CIA, Robert Gates, stated in his memoirs ["From the Shadows"], that American intelligence services began to aid the Mujahadeen in Afghanistan 6 months before the Soviet intervention. In this period you were the national security adviser to President Carter. You therefore played a role in this affair. Is that correct? **Brzezinski:** Yes. According to the official version of history, CIA aid to the Mujahadeen began during 1980, that is to say, after the Soviet army invaded Afghanistan, 24 Dec 1979. But the reality, secretly guarded until now, is completely otherwise. Indeed, it was July 3, 1979 that President Carter signed the first directive for

secret aid to the opponents of the pro-Soviet regime in Kabul. And that very day, I wrote a note to the president in which I explained to him that in my opinion this aid was going to induce a Soviet military intervention... We didn't push the Russians to intervene, but we knowingly increased the probability that they would. Q: You don't regret anything today? **Brzezinski:** Regret what? That secret operation was an excellent idea. It had the effect of drawing the Russians into the Afghan trap and you want me to regret it? The day that the Soviets officially crossed the border, I wrote to President Carter. We now have the opportunity of giving to the USSR its Vietnam war." [4] Ibid.

[5] President Jimmy Carter, *State of the Union Address, 23 January 1980*, as cited by Secretary of State Cyrus Vance, "US Foreign Policy: Our Broader Strategy," 27 March 1980, Department of State, Current Policy No. 153, as reprinted in *Case Study: National Security Policy under Carter,* Department of National Security Affairs, Air War College, AY 1980-81, p. 98.

[6] *New York Times*, September 3, 1990.

[7] U.S.–Iraq Business Forum, *Bulletin*, New York, August, 1989.

[8] George H.W. Bush, *Address Before a Joint Session of the Congress on the Persian Gulf Crisis and the Federal Budget Deficit*, Washington D.C. on September 11, 1990.[9] F. William Engdahl, *A Century of War: Anglo-American Oil Politics and the New World Order*, 2004, Pluto Press, London, pp. 24-26.

[10] Engdahl, op. cit., pp. 215-216.

[11] Ibid.

[12] Transcript of July 25, 1990 meeting between US Ambassador April Glaspie and Saddam Hussein, reproduced in Kaleem Omar, *Is the US State Department still keeping April Glaspie under wraps?* December 25, 2005, The News International, Pakistan, reprinted in Information Clearing House, accessed in http://www.informationclearinghouse.info/ article11376.htm. Omar writes: "After Glaspie left Baghdad in late August 1990 and returned to Washington, she was kept under wraps by the State Department for eight months, not allowed to talk to the media, and did not surface until just before the official end of the Gulf war (April 11, 1991), when she was called to testify informally before the Senate Foreign Relations Committee about her meeting with Saddam Hussein....The veteran diplomat awaited her next assignment, later taking a low-profile job at the United Nations in New York. She was later shunted off to Cape Town, South Africa, as US Consul General. Nothing has been heard of her since her retirement from the diplomatic service in 2002."

[13] Ibid.

[14] In a private conversation with the author, June 1991.

[15] Ibid.

[16] *New York Times*, October 16, 1990.

[17] Brian Becker, *U.S. Conspiracy to Initiate the War Against Iraq*, 1992, The Commission of Inquiry for the International War Crimes Tribunal, accessed in http://deoxy.org/wc/wc-consp.htm

[18] *Newsweek*, January 28, 1990; for more information on the revamping of Pentagon strategy in early 1990 see Michael T. Klare, "Policing the Gulf - And the World," *The Nation*, October 15, 1990.

[19] In a private telephone discussion in November 1990, the late CIA

Middle East specialist, Miles Copeland, told the author that Bush's claims of an imminent threat to Saudi Arabia was fabricated and a dangerous pretext.

## *chapter 9*

# GRABBING SOVIET OIL RESOURCES

### *Control of oil, everywhere...*

The US-initiated Saudi oil production glut in 1986 had dealt a devastating blow to the Soviet economy as world oil prices plunged by some 70% within a matter of months (see Chapter 8). The Soviets were producing an estimated 12.6 million barrels of oil a day by 1987, significantly higher than even Saudi Arabia.[1]

By 1988, on the eve of its collapse, the Soviet Union was the world's largest oil producer. Soviet oil and gas exports to the West made up almost 70% of all Soviet hard currency earnings — dollars desperately needed to buy Western technology for both millitary and oil production purposes. After the fall of the Berlin Wall in November 1989, direct control of Soviet area oil and gas flows was high on the priority list of Washington.

A US embargo on all technology to the Soviets during the 1980s compounded the problems Moscow faced as they were unable to import urgently needed Western turbo-drill equipment to maintain their oil production levels. A declassified 1977 CIA report on Soviet oil had anticipated the impact this would have:

*To forestall a slowdown in the growth of oil output, the Soviets adopted the practice of massive water injection within and along the edges of each field....In this case, however...special high-capacity submersible pumps are needed...and the Soviets recognize that the only pumps adequate to deal with their lifting problem are made in the United States....1,000 pumps from the United States have a higher total lifting capacity than 11,000 pumps of domestic origin. 2*

As Soviet oil output began to fall after 1988 the state oil industry engaged in over-exploitation of existing oil fields. Tengiz, a large oil and gas field in Kazakhstan discovered in 1979, had been planned as a major boost to troubled Soviet oil output. Until, that is, US pressure and Chevron enticements led to the breakup of the USSR in 1991, and the independence of Kazakhstan, Azerbaijan and numerous other former republics of the USSR.

***Washington targets Russia***

As American historian James Petras noted,

*After 1991, the CIA gave the highest priority to fomenting the break up of the Soviet Union by financing and arming local separatist movements. The first wave of break-ups took place in Kazakhstan, Uzbekistan and Georgia. Washington and London were not at all concerned about whether the new leaders were Islamic fundamentalists, exStalinist autocrats, or Mafia gangsters—the important issue was to destroy the USSR, and undermine Russian influence throughout the Caucasus and South Asia. 3*

Oil — US control of Soviet oil — as a geopolitical strategy was the reason. In 1992, a Pentagon document titled "Defense Planning Guidance" was leaked to the *New York Times*. The document described a strategy for the United States in the "new world order" — the term used by President

George H.W. Bush for the situation after the collapse of the Soviet Union. The Pentagon document was drafted by then-Secretary of Defense Dick Cheney and his assistant Paul Wolfowitz, both of whom would be key figures in the 8-year administration of Bush's son George W. Bush, beginning in 2001.

The Pentagon strategy paper stated that, "America's political and military mission in the post-cold-war era will be to ensure that no rival superpower is allowed to emerge in Western Europe, Asia or the territories of the former Soviet Union." The *New York Times* added that, "The classified document makes the case for a world dominated by one superpower whose position can be perpetuated by constructive behavior and sufficient military might to deter any nation or group of nations from challenging American primacy.” [4]

Referring to the necessity for the US to maintain a strong military and an even stronger nuclear strike capability despite the disintegration of the Soviet Union, the paper stated that Russia would remain “the only power in the world with the capability of destroying the United States.” With regard to the countries of Western Europe, the Pentagon document stated that US policy “must seek to prevent the emergence of European-only security arrangements which would undermine NATO.” [5]

As the nations of Western Europe moved ahead with their Maastricht Treaty for eventual European Union – a United States of Europe, as some referred to it – they explicitly planned to create, as part of that EU, a European ‘common defense space’ independent of NATO entirely.

The Pentagon document presented a vision of a US-run “Sole Superpower” world, what the Pentagon later called ‘Full Spectrum Dominance’— US control of the world’s seas, land, and even its air – including outer space and even cyberspace.

According to the Pentagon document, “This Defense Planning Guidance addresses the fundamentally new situation which has been created by the collapse of the Soviet Union, the disintegration of the internal as well as the external empire, and the discrediting of Communism as an ideology with global pretensions and influence. The new international environment has also been shaped by the victory of the United States and its coalition allies over Iraqi aggression—the first post-cold-war conflict and a defining event in US global leadership. In addition to these two victories, there has been a less visible one, the integration of Germany and Japan into a US-led system of collective security and the creation of a democratic ‘zone of peace.’“ [6]

The latter comment about the “victory” of integration of Germany and Japan into a “US-led system of collective security,” made almost half a century after the defeat of those two powers in World War II, suggests that some in Washington were not at all certain they could keep the two defeated powers forever under their control.

The Pentagon document continued to define specific US interests: “...we will retain the pre-eminent responsibility for addressing selectively those wrongs which threaten not only our interests, but those of our allies and friends....US interests may be involved in such instances: access to vital raw materials, primarily Persian Gulf oil; proliferation of weapons of mass destruction and ballistic missiles....”[7]

The Cheney document gave a foretaste of what would become explicit US strategic doctrine following the September 11, 2001 attacks on the World Trade Center and Pentagon, codified in the September 2002 Bush Doctrine, much of which was but a re-worded adaptation of the 1992 policy paper.

The 1992 Wolfowitz-Cheney paper deliberately ignored the role of the United Nations in sanctioning possible future US military actions. It stated instead that what was most important was, “the sense that the world order is ultimately backed by the US and the United States should be postured to act independently when collective action cannot be orchestrated.” [8]

That was Washington’s vision of the post-Cold War world in 1992, where the USA — and only the USA — decides whether to launch a preemptive war or not. That strategic policy was intended to remain inviolate into the next decade and beyond, into the new millennium.

### *Grabbing the oil treasure*

Washington’s immediate agenda was to break up the former Soviet Union into Balkanized and disconnected pieces in order to secure control over its vast oil wealth. With this goal in mind, Kazakhstan and Central Asia were priority targets for ‘restructuring.’

Washington used the International Monetary Fund (IMF), which it effectively controlled and which it had previously used to plunder the nations of Latin America during the Debt Crisis of the 1980s. The IMF's restructuring, or "shock therapy" policies, required privatization of state enterprises. This would prove to be more than a little difficult in what had been the Soviet Republics' centrally-planned economies.

At a July 1990 meeting of the Group of Seven industrial country leaders in Houston Texas, the Bush Administration insisted that all economic restructuring of the former Warsaw Pact countries and Soviet Republics, including Russia, must be controlled by the IMF. It was Washington's preferred institution to bring weaker economies into the US orbit by demanding wholesale privatization of their economies and devaluation of currencies, making foreign takeover extremely cheap and opening the east to a massive looting binge that lasted most of the 1990s. One of the highest priorities was the IMF's demand for privatization of the huge Soviet-era oil and gas conglomerates. In this, the IMF only partially succeeded.

In 1991, just weeks before the final disintegration of the Soviet Union, Moscow officials, desperate for Western capital and technology to develop their vast oil reserves, began talks with Standard Oil of California. Standard of California had just swallowed one of the Seven Sisters, Gulf Oil of Pittsburg and had renamed the new giant company Chevron. Soviet officials awarded Chevron drilling rights to the oil-rich Tengiz field in Kazakhstan on the shores of the Caspian Sea in 1991. They were scrambling for whatever crumbs or political payoffs they could get before the entire edifice collapsed. Dollars, in return for giving away prized assets for the bureaucrats, were worth more than gold at that time.

Preliminary Soviet-era geophysical studies suggested that Tengiz held 25 billion barrels of oil, more than twice as much as Alaska's Prudhoe Bay. Soviet geologists had discovered Tengiz in 1979 on the northeast shore of the Caspian, a field where the oil was unusually deep, some three miles below a 900 meter-thick salt dome. Cash-strapped Soviet engineers had spent more than $1 billion drilling dozens of wells before concluding that foreign technology was needed. [9]

A little over a decade later, the tentative terms of the Soviet-Chevron deal came under heated attack in the Soviet Union; critics blamed government officials for entering into a sweetheart arrangement with Chevron. The implication was that Chevron had bribed its way into Kazakhstan for a mere fistful of dollars. A story in the *Moscow News* called the agreement “a dirty deal designed to turn a huge Soviet oil reserve into a black hole without yielding a profit” to the Soviet Union.[10] They were right.

The Soviet-Chevron Tengiz deal collapsed when the Soviet Union collapsed. The rights to Tengiz were transferred to the newly-declared Republic of Kazakhstan. By 1993 Chevron had become the first and the largest foreign investor in Kazakhstan, forming the Tengizchevroil (TCO) partnership with ExxonMobil and the Kazakh state oil company. Chevron was the first major Western oil firm to enter the former Soviet region. The Tengiz and Korolev fields within the TCO partnership were huge, containing – by conservative estimates — six billion to nine billion barrels of recoverable oil, and likely far more. Chevron had a 50% share in TCO and ExxonMobil 25%.[11] Thus, two Rockefeller companies were holding the lion’s share – a 75% stake.

Chevron managed to negotiate a shrewd deal with the newlyindependent Kazakh government of Nursultan Nazarbayev. The company convinced a cash-starved Kazakhstan to sign what US oil majors normally imposed on Third World countries such as Bolivia or Indonesia — a ‘Production Sharing Agreement.’

In the case of the PSA with Kazakhstan, Chevron pledged to invest $20 billion in Tengiz, but over a period of 40 years. Moreover, to Chevron’s advantage, Chevron would not even pay a first installment of $420 million until oil production reached 250,000 barrels a day. That, in effect, allowed Chevron to keep a substantial portion of its obligated payment until a pipeline had been built to transport Tengiz oil to Western markets. Chevron now possessed what one of its executives called the equivalent of the Hope diamond. [12] Chevron thought it could turn a windswept corner of Kazakhstan, site of the largest oil strike in 20 years, into the next Houston. [13]

Their goal was to keep that Hope diamond out of the hands of Russia and other potential opponents, and not to use it until needed.

***Chechen oil wars***

The next target of Washington and the big Anglo-American oil multinationals, after locking up Kazakhstan on the northeastern rim of the Caspian Sea, was to capture one of the world's oldest oil-producing regions near Baku, the Azerbaijan capital on the western shore of the Caspian, bordering Iran. Baku's huge offshore oil and gas resources presented a special challenge to US interests.

The oil from Baku would flow to potential markets through an existing Soviet-era pipeline that went through the Russian province of Chechnya, a landlocked region inhabited by less than half a million predominantly Muslim inhabitants. Preliminary estimates suggested that offshore Caspian oil fields altogether could equal a "new Saudi Arabia," as one geologist put it.[14] The powers that controlled that oil clearly could shape the future map of Eurasia, for better or for worse. Conveniently for Washington's geopolitical goals in the region, Chechnya soon exploded in violence, putting into serious doubt the viability of exporting oil from Baku or the Caspian via Russia. Some other route would have to be found.

Major Western media portrayed the bloody outbreak of fighting between Russian Federation troops and the self-declared independent Republic of Chechnya either as a battle between Muslim Chechens seeking their own state and the Greek Orthodox or athiest Russians, or simply a battle of long-standing ethnic hatreds. It was, however, essentially a battle for control of potential and existing oil pipeline routes – whether they would be Russian or US controlled.

Washington policy for the Baku region was largely the product of highpowered lobbying from a group called the US-Azerbaijan Chamber of Commerce. The geopolitical importance for Washington of controlling this region was evident in the roster of the Chamber.

The Honorary Council of Advisors included the most powerful persons in Washington aside from the President of the United States: Henry Kissinger, former Security Adviser and former head of David Rockefeller's Trilateral Commission; Zbigniew Brzezinski, whose Mujahideen strategy in Afghanistan in the early 1980s had played a major role in the fall of the Soviet Union; James Baker III, former Secretary of State; Brent Scowcroft, former US National Security Adviser; and Dick Cheney, then-CEO of the oilfield services and military giant Halliburton Corp. The US-Azerbaijani Chamber advisors also included top representatives from ExxonMobil, BP and other Anglo-American oil majors. Founded in 1995 as the fight for control of Central Asia heated up, the Chamber was called by the *Washington Post*, "the most forceful advocate in Washington for US investment" in Azerbaijan.[15]

Amid the chaos of the collapsing Soviet empire in Central Asia and the Caucasus, US intelligence began recruiting more Mujahideen forces and Islamic fundamentalists, often reportedly financed with Saudi money, and re-routing them into Chechnya and neighboring Dagestan — precisely along the route of the existing Russian pipeline.

Chechnya declared itself independent from Russia in 1991, a political act that Moscow feared would snowball far beyond Grozny if not opposed vigorously.

The Chechen leadership declared a 'jihad' or holy war against Russia, with fighters referring to themselves as 'Mujahideen,' the same name used by the CIA-trained forces in Afghanistan that had fought the Soviet troops ten years earlier. Foreign funds, arms and fundamentalist Islamic ‘volunteers’ desperate for dollars streamed into Chechnya, many from Middle East oil countries.[16]

The Saudi Royal House had been intimately dependent on American largesse and military support since the 1940s when, with the help of US President Franklin Roosevelt, the Rockefeller Standard Oil companies formed the Arab-American Oil Company, ARAMCO, to control what were then the world’s largest known oil reserves.

The Saudi Ambassador to Washington since 1983 had been Prince Bandar bin Sultan, son of the Saudi Defense Minister, Crown Prince Sultan. Ambassador Prince Bandar became an intimate of the Bush family, and was closely tied to US and British military industries where he procured billions of dollars of Pentagon weapons, including sophisticated AWACS reconnaissance planes for the Kingdom. [17] Saudi money and Washington geopolitics had been joined at the hip ever since.

When the Soviet Union fell, leading Saudis presumably saw the potential advantage of spreading their brand of fundamentalist Islam into the former Soviet Union and in the process weakening their oil-producing competitor by spreading an anti-Moscow ideology of separatism. During the US-sponsored Islamic uprising and invasion against Afghanistan in 1989, Washington teamed up with Saudi Arabia, Pakistan and other Muslim states to recruit, finance and arm tens of thousands of Muslim fundamentalists from all over the Middle East, North Africa, Southern Caucasus and Southern Asia. As James Petras noted,

*Numerous ‘volunteers’ from Chechnya fought in Afghanistan against the Afghan government and its supporters. The US achieved a pyrrhic victory in Afghanistan: it severely weakened the decaying Soviet state, but created tens of thousands of well-armed and trained fundamentalist network. While one sector of the Islamic forces went into opposition to the US in Saudi Arabia and elsewhere, another* *group lent itself to US imperial strategy in the dismemberment of Yugoslavia and Russia.18*

Saudi forms of radical Wahhabist Islam replaced the traditional Sufi forms in Chechnya and across the region. It was a reactionary fundamentalism ideally suited to fomenting new wars of religious fanaticism against the secular Russian state.[19] Moscow was more than alarmed.

***Washington's alternative pipeline***

The US-Azerbaijan Chamber of Commerce had another pipeline route in mind, other than Moscow — a vastly expensive pipeline from Baku through Tblisi, capital of Georgia, and ultimately into Ceyhan, Turkey — NATO member and then-reliable ally of Washington geopolitics. [20] Their argument for the costly Baku-Tbilisi-Ceyhan route was that Chechnya was politically 'unstable.' They omitted to mention the role US intelligence assets had played in making it unstable.

The Russian pipeline ran through Dagestan and Chechnya – the regions which the US and its surrogates or proxies — former CIA-trained Mujahideen guerilla fighters smuggled into Muslim Chechnya — chose as targets for Islamic 'radicalisation.'

***Washington's proxy wars***

Foreign Mujahideen mercenaries under local Chechen warlord Shamil Salmanovich Basayev's command were used by Washington in a proxy war that would be replayed numerous times across Central Asia over the coming years.

As major US and British oil companies swarmed over the states of the former Soviet Union, grabbing oil assets on sweetheart terms, the CIAtrained Mujahideen fighters left over from the US-led guerilla war in Afghanistan were covertly brought into Chechnya. Conveniently, Chechnya was located along the only existing oil pipeline from

Kazakhstan and Azerbaijan on the Caspian Sea into Russia via the Black Sea port of Novorossiysk – and from there to world oil markets.

The CIA brought Afghan-trained Mujahadeen terrorists into Russian Chechnya in the 1990's to disrupt oil pipeline flows. Basayev was one, named "Lions of Chech"

Using the CIA-trained Afghan Mujahideen, Basayev led savage guerrilla campaigns against Russian troops, launching mass-hostage kidnapping of civilians, and demanding the withdrawal of Russian soldiers from Chechnya.

Basayev used the *nom de guerre* of Emir Abdallah Shamil Abu-Idris and was responsible for terrorist attacks on civilians, most notoriously an attack on a school in Beslan in North Ossetia, which led to the deaths of more than 385 people, most of them children.

Washington backed Chechen ‘independence’ was part of its overall strategy for the balkanization of Russia.[21] In 1995, Chechen opposition leaders welcomed ‘Islamic’ Mujahideen calling themselves Jama’at Islami (Islamic Assembly), led by a Jordanian Chechen Ash-Shashani.

With Jordanian money they set up a “Caucasian Center of the Islamic Mission” to spread their revolt against Moscow. Hundreds of Chechens were ‘educated’ in this camp with an assortment of Wahhabi doctrines. Emphasis was placed on developing skills in executing diversionary and terrorist tactics. The center received generous financial support from a Saudi-based organization called “International Islamic Support” reportedly backed by members of the Royal family. [22]

In 1999 leading foreign policy hawks of the US government-funded Freedom House created something called the *American Committee for Peace in Chechnya* which disingenuously blamed Russian President Vladimir Putin for the ongoing insurgency in Chechnya.

The so-called peace committee contained some of the most prominent war mongers in the US, including former CIA head James Woolsey, and former National Security Adviser and the US Azerbaijan Chamber’s Zbigniew Brzezinski. It included also the most radical neoconservatives who would soon lead the warhawk faction under George W. Bush and Don Rumsfeld — including Richard Perle, Elliott Abrams, Michael Ledeen and William Kristol. Perle was also part of the US Azerbaijan chamber with Brzezinski. It even added Hollywood actor Richard Gere to give it a more attractive public face.

When he had to flee Chechnya, Chechnya’s separatist leader Ilyas Akhadov was granted US asylum largely through the efforts of

Brzezinski's *American Committee for Peace in Chechnya.* And in England, the British government gave asylum to a major Chechen terrorist leader sought by Russian authorities.[23] There was a clear Anglo-American agenda for Russia — and it was not peace and friendship.

Ironically, the same people who would lead the war call against Al Qaeda were cheering on Muslim terrorists who opposed Moscow's Putin regime. [24] So the same Washington voices clammering for a new pipeline to bypass Russian Chechnya were also demanding that Moscow recognize the legitimacy of the Wahhabite insurrection in Chechnya that the US neoconservatives had covertly supported.

Oil — US and British control of Central Asian oil — was the real agenda behind US proxy wars in Chechnya and across Central Asia during the years after the collapse of the Soviet Union. In addition to the fact that Russia's main pipeline from Baku to the Ukraine transits Chechnya, the largest city in Chechnya, Grozny, was the site of a major Soviet era oil refinery. Moscow regarded sovereign control over Chechnya as vital to Russia's role in the future oil flows from the Caspian Sea and Baku. Washington agreed, and for that reason covertly backed the radical 'Islamic' insurgency against Moscow, in part using Saudi money.

The goals of the Chechnya wars fomented by the West — to destabilize Russia – were largely achieved in the turmoil of the Yeltsin years. As soon as the chaos in Chechnya had necessitated the construction of an alternative oil pipeline through a pro-US Georgia and Turkey, the money and 'volunteers' for the Chechen cause abruptly dried up. The goal had been accomplished—weakening Moscow's control over Caucasus oil flows.[25]

### *1994 A Turning Point*

After the collapse of the Soviet Union in 1990, Washington's strategy towards the areas of the world with the greatest known oil reserves was to expand into the vacuum left by a distracted Russia – namely, into the newlyindependent countries of the former Warsaw Pact and Soviet Union. The covert fomenting of so-called 'Islamic unrest' in Chechnya, the grab by Chevron and Exxon of the oil fields of Kazakhstan and by US oil company ARCO in Azerbaijan were the focus of US policy in the first months after the fall of the Berlin Wall.

The role of the IMF in the former Soviet Union was to demand privatization of state assets. Above all, the state oil and gas concerns were auctioned to private foreign interests. Companies like Yukos of neuvobillionaire Mikhail Khodokovsky was indicative of the process. Khodokovsky's principal western shareholder was Lord Rothschild, heir to the London banking dynasty and one of the most powerful figures in Anglo-American finance.

The aim of Chevron, Exxon, ARCO, BP and the other AngloAmerican oil giants, as well as of the banks and political circles behind them, was not to secure future oil for America's great consumption demands. That was never a consideration.

Their aim was nothing less than *to control the major known oil areas of the entire planet*.

It was a geopolitical agenda of the highest strategic priority for the future power of the United States – to be able not to *use* the oil, but to *deny use* of that oil to potential political challengers. It was an integral part of the Pentagon's 1992 strategy.

However, two events, seemingly unrelated, took place in 1994 that shook both Washington and the corporate boardrooms from Rockefeller's Chase Manhattan Bank to Exxon, Chevron and the other British and American oil majors. One was publication of an obscure scientific paper from a conference in Santa Fe, New Mexico. The second was the shift of the Peoples' Republic of China, the world's most populous nation, from an oil exporting country to an oil *importer* for the first time in China's history. The geopolitical implication of those two events did not go unnoticed in Washington.

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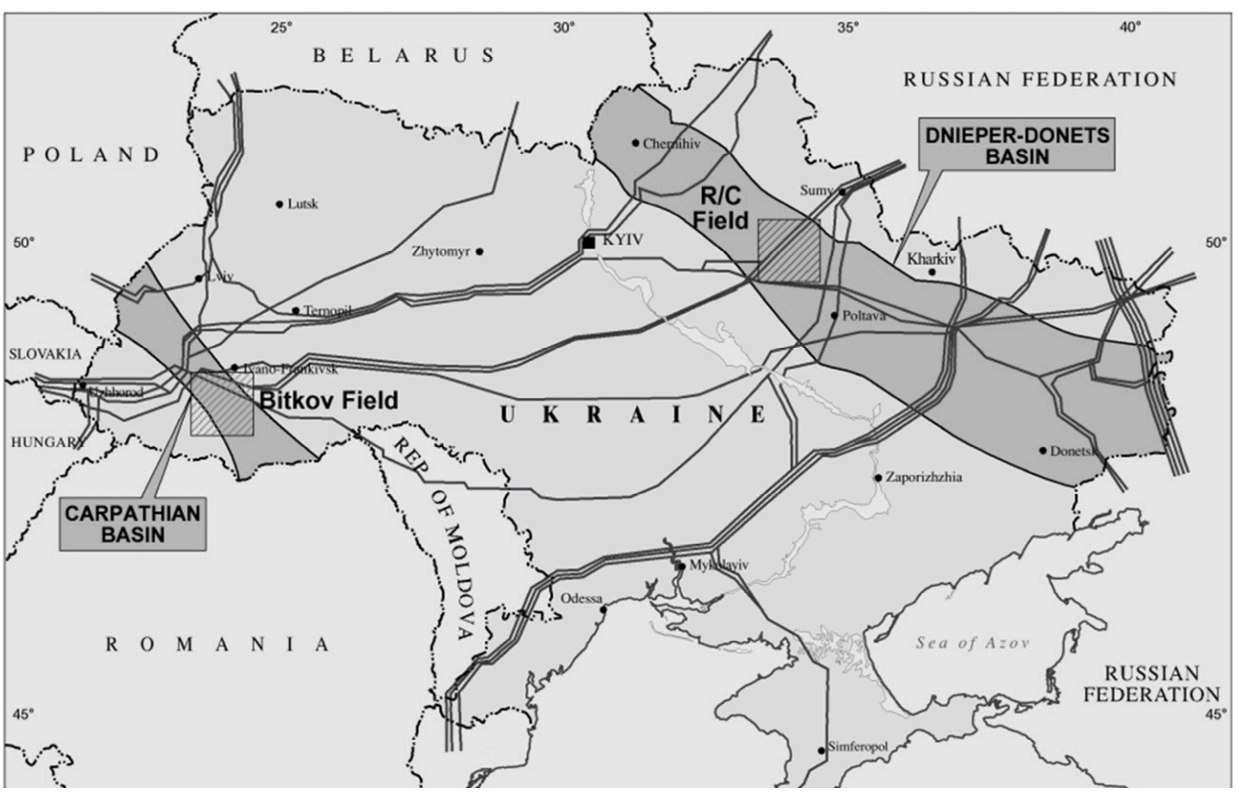
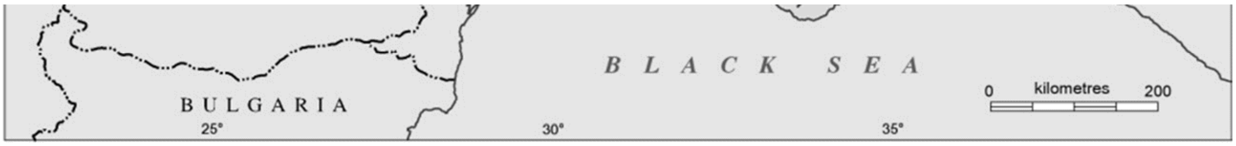
# chapter 10

## A NEW RUSSIAN REVOLUTION

### *A Russian revolution in petroleum science*

In the immediate post-Cold War environment of 1994, a select conference in Santa Fe, New Mexico was the setting for a scientific bombshell that was dropped on certain knowledgeable Western observers. Russian and Ukrainian geophysicists and geochemists came to the United States at that time, eager to present a revolution in petroleum science — a scientific achievement of the sort that comes along perhaps once in a century. They came to share with their American scientific colleagues their discoveries of hydrocarbons —oil and gas—in a part of Ukraine where conventional Western geology had claimed no oil would ever be found.[1] If true, it was the scientific equivalent of discovering the relationship of matter and energy.






The vast Dneiper-Donets Basin in Ukraine contains oil deposits where western geology says it should not. Russian-Ukrainian abiotic methodology accurately predicted oil and gas there.

The conference had been organized by an American entity with the improbably complex name DOSECC (Drilling, Observation and Sampling of the Earth's Continental Crust). DOSECC described itself as a non-profit corporation "whose mission is to provide leadership and technical support in subsurface sampling and monitoring technology for addressing topics of scientific and societal importance." [2] DOSECC members were comprised of some 57 American research organizations, including some of the world's leading geologists and geophysical engineers from the top US university science departments.

The attending scientists heard a presentation by Professor V.A. Krayushkin, head of the Department of Petroleum Exploration in the Institute of Geological Sciences of the Ukrainian Academy of Sciences in Kiev. He also headed up the exploration project in the Dnieper-Donets region of Ukraine. His message to the American scientists at Santa Fe upended everything that most of them had learned in their petroleum geology training.

Professor Krayushkin explained a project his team had successfully undertaken to search for oil and gas in the Dnieper-Donets Basin in eastern Ukraine, close to the Russian border. Krayushkin related the fact that for over 45 years of geological study of the basin, the area had been condemned as possessing no potential for petroleum production because of the complete absence of any 'source rock' — the special geological formations which, according to Western geological theory, were the unique rocks from which hydrocarbons were generated or were capable of being generated – presumably, the only places where oil could be found, hence the term ‘source.’

The oil and gas discoveries in the Ukraine basin came from what geologists called ‘crystalline basement’ — deep rocks where Western geological theory claimed oil and gas (which they termed ‘fossil fuels,’) could not be found. The Russians apparently had found oil and gas there, something tantamount to Galileo Galilei telling the Holy Inquisition that the Sun — and not the Earth — was the center of our universe. According to one participant, the audience was not at all amused by the implications of Russian geophysics.

The speaker from Kiev went on to tell the scientists at Santa Fe that the Ukrainian team’s efforts to look for oil where conventional theory insisted no oil could be found had, in fact, yielded a bonanza in commercial oil and gas fields. He said this discovery confirmed, after years of intensive study, that oil and gas are *not* generated by decayed biological remains — so-called fossil origin — but have a non-biological origin; they are abiotic or ‘abiogenic’ as they termed it, using the Latin prefix “a” to denote “not.”

Krayushkin carefully explained that their exploration techniques had been specially designed according to their hypothesis that abiogenic hydrocarbons are present in crystalline environments. He described in detail the scientific tests they had conducted on the discovered petroleum to evaluate their theory that oil and gas originate not near the surface – as conventional fossil fuel theory assumes – but rather at great depth in the Earth, some two hundred kilometers deep. The tests confirmed that the oil and gas had indeed originated from great depth.

The speaker clearly explained that the Russian and Ukrainian scientists’ understanding of the origin of oil and gas was as different from what the Western geologists had been taught as was day from night.

More shocking to the audience was Krayushkin's report that during the first five years of exploration of the northern part of the Dneiper-Donets Basin in the early 1990s, a total of 61 wells had been drilled, of which 37 were commercially productive, a success rate of more than 60%. For an oil industry where a 30% success rate was typical, 60% was an impressive result. He described, well-by-well, the depths, oil flows and other details.

Several of the wells were at a depth of more than four kilometers — roughly 13,000 feet — into the Earth, and some produced as much as 2,600 barrels of crude oil a day, worth almost $3 million per day at 2011 oil prices.[3] By contrast, oil from the West Texas Permian Basin field, some 250 miles wide and 300 miles long — a huge field which had produced over five billion barrels of oil since its discovery in the 1920s — was found at depths of between 2,400 and 8,500 feet. Oil from Alaska's Prudhoe Bay field, the largest oil field in North America, came from an average depth of some 9,000 feet.

According to Prof. Vladimir Kutcherov, one of the leading members of the group of Russian abiotic scientists, in the oil fields at Romashkino in Tatarstan in the Urals-Volga region, one of the biggest oil fields in Russia outside West Siberia, the oil reservoir exists at a depth of as much as 49,000 feet, or almost *five miles* under the surface, not exactly the expected depth to find dinosauer detritus.[4]

Krayushkin's presentation detailed at length the tests they had made of the oil to determine its origin, how they confirmed through analysis of trace elements that "the oil at all levels shared a common, deep source, characterized by diffusive separation, regardless of the age, type or circumstance of the particular reservoir rocks." He patiently explained tests proving that the oil in upper layers at shallower depths demonstrated presence of sporepollen and other material, proving it had migrated upwards from greater depths.[5]

Then Krayushkin dropped the final geophysical bomb into the room of assembled American Earth scientists. He described his research team's bacteriological analysis of the oil, specifically the examination for so-called "biological marker" molecules that would prove or disprove their theory:

*The oil produced from the reservoirs in the crystalline basement rock of the Dnieper-Donets Basin has been examined particularly closely for the presence of either porphyrin molecules or 'biological marker' molecules, the presence of which used to be misconstrued as 'evidence' of a supposed biological origin for petroleum. None of the oil contains any such molecules, even at the ppm (part per million) level. 6*

In other words, the oil found there was not a 'fossil' fuel — did *not* originate from biological fossilized detritus of animals or plants.
What the Russian and Ukrainian scientists had determined was that hydrocarbons—various molecules of hydrogen and carbon that form the basis of oil, gas, coal and even diamonds—have their genesis some 200 kilometers below the surface of the Earth where methane or a mixture of methane is generated. That mixture at high pressure and temperature is then forced upwards — vertically towards the surface — in what they call migration channels. These migration channels are described as deep faults located 70-100 kilometers down. They tend to be vertical and seek the shortest route towards the surface.[7]
During the migration towards the surface the hydrocarbons can pass through what are called catalytic zones where, under the influence of nickel or ferrum at a depth of around 10-15 kilometers, they are catalytically transformed.
A form of spontaneous generation of oil or gas thus takes place in the upper mantle of the Earth, approximately 200 kilometers from the surface. The oil or gas is then forced upwards towards the surface until it is trapped or accumulates in porous — or what conventional geologists call sedimentary — rock with cap rocks which block its further upward flow. That is where oil and gas deposits form.[8]
Russian abiotic geophysicists and Western fossil fuel geologists both find the oil fields in the same sedimentary rocks. But like the fable of

the blind man grabbing the elephant's tail believing he has a snake in hand, the Western geologist is convinced he has fossil accumulations of algae, plankton or dinosaur detritus that were *forced down* from the surface over several hundred millions of years. The abiotic scientists argue, "No. You have a trap of accumulating oil that is constantly being formed deep down and *pushed upward* until the sedimentary basin is filled."

The leading scientists involved in the Ukrainian project, all working at the Kiev Institute of Geological Sciences, had just been awarded the Ukraine's State Prize in the field of Science and Technology for their oil and gas discoveries. [9]

The implications of that alternative view were staggering. It implied that with a different geophysical understanding of the Earth and its inner dynamics, oil and gas could be found in abundance all over the planet. That was certainly not what the powerful Anglo-American oil giants and their Wall Street bankers wanted to hear.

The idea that oil and natural gas were not produced through a process of biological decomposition and subsequent compression, but instead originated from deep in the mantle of the Earth, was as revolutionary as it was destabilizing to the American earth scientists gathered in Santa Fe.

The American scientists had, in effect, just been told that their life's scientific and professional work had been based on faulty scientific assumptions or even perhaps an outright scientific fraud. Their reaction to the idea was akin to the reaction of the Vatican Inquisition to Galileo's new scientific theories.

### *Deep oil origins*

The Ukrainian scientist insisted that oil was not derived from fossilized remains of. Oil, Krayushkin claimed, according to the evidence of more than four decades of Soviet-era research — largely unavailable to the West during the Cold War — originated deep inside the mantle of the Earth itself and pushed gradually *up* towards the surface – exactly the opposite of American geological orthodoxy. If petroleum was indeed being created deep in the earth's mantle – far,

far deeper than any biological remains could ever have existed, even 500 million years ago — it implied that oil and natural gas, with the proper understanding of the earth's physics and structures, could be found in abundance and even in regions where no oil or gas had been expected.

The effect of Krayushkin's abiotic analysis of oil was as if a large skunk had just walked into the midst of the august scientific gathering. One had the impression from the deafening silence following his presentation that the audience wished to pretend not to have heard what he'd said. What should have sparked a lively debate and fundamental scientific inquiry as to the true origins of the world's most essential energy source instead resulted in a *de facto* professional shunning of Krayushkin by the American scientists.

The response from the Anglo-American oil powers was to come later, partly in the form of a massive propaganda campaign called the "Peak Oil" danger. They would support various industry geologists with access to proprietary oil company data proving major wells around the world had peaked or were about to peak and decline and that the petroleum era was about to end. They insured that serious scientific discussion of the implications of the Russian and Ukrainian scientific evidence regarding the origins of petroleum would be greeted either with silence or ridicule. At the same time they launched a dramatic scale-up of US military actions to secure known oil resources globally, dramatizing even more loudly the idea of 'scarcity.'

### *Oil 'in all the wrong places'*

The Donets Basin discoveries were far from the only ones confirming that oil and gas were to be found in deep crystalline basement rocks, contrary to every precept of Western, especially American and British, petroleum geology. The Russians were finding oil in 'all the wrong places.'

In a published exchange with an American journalism professor in January 1990, Krayushkin had noted the "existence of 80 oil and gas fields which occur partly or completely in crystalline basement rock in the west Siberian basin, including the Yelley-Igai and Malo-Itchskoye fields from which all of the production of oil and gas occurs entirely and solely in the aforesaid rock from depths between 800-1,500 meters below the roof of the crystalline basement, respectively.”[10] He added that,

*In Tatarstan, (A.S.S.R.), the well 20009-Novoyelkhovskaya is now being drilled, having been begun November 1989. Its target depth for oil and gas is 7,000 meters in the Precambrian basement rock of the southern Tatarian arch (the maximum height of the basement). The well is currently drilling at a depth of approximately 4,700 meters, and the roof of the crystalline basement rock has been observed at the depth of 1,845 meters. Significant petroleum shows in that well have been observed in the basement granite at depths of 4,500 meters and below.11*

To find oil in granite rock or the crystalline basement, equivalent to granite, at almost five kilometers depth — let alone seven kilometers — defied every precept of Western petroleum theory. It was not supposed to happen. But it had, and not just once apparently.

Some two decades after the Krayushkin letter was written to the inquiring American journalist, the official Tatarstan government website noted that the oilfield at Novoyelkhovskaya was one of the most productive of its oilfields and that crude oil had become the “main wealth of Tatarstan.”[12]

### ***Russian geophysics comes to Vietnam***

In 1975 the last US soldier left Vietnam after the most humiliating defeat in US military history. Soon after, Soviet petroleum scientists offered a prospect of helping Vietnam develop its oil resources in the newly liberated offshore White Tiger Basin, called Bach Ho in Vietnamese. Bach Ho was located in the South China Sea in a region off shore from Vungtau Province where Mobil Oil had been trying to find oil in the days before the fall of Saigon.

In May 1987, a Soviet-Vietnamese joint venture oil exploration company called Vietsovpetro discovered oil flowing from the granite basement in Bach Ho, opening a new economic prospect for Vietnam that also dramatically changed the traditional oil and gas exploration objective in Vietnam's continental shelf. Vietsovpetro had drilled down deep — some 5,000 meters, or a little over 3 miles — into solid granite basement rocks and found petroleum, lots of it, as it turned out.[13]

The White Tiger field was the first and, until this day, the largest commercial oilfield producing in Vietnam.[14] As late as 2003 the White Tiger oil field, also more than three miles deep, along with other nearby offshore Vietnamese fields developed by the Russian geophysicists, were still producing an impressive 338,000 barrels of oil daily.

According to conventional assumptions, oil was not supposed to be found in 'basement' rock, a stratum that never rose near the surface of the earth where ancient plants grew and dinosaurs walked. Yet the oil was clearly there in the 'basement' rock.[15] Western geologists, in order to kill the impact of the embarrassing discovery, quickly proposed a curious theory, with no convincing proof, that the oil had somehow simply "leaked" into the granite from adjacent sedimentary basins.[16]

How had the Russian geophysicists arrived at their certainty regarding oil's abiotic origins?

### ***Stalin's Mandate – self-sufficiency in oil***

For several decades prior to the 1994 Santa Fe meeting, Russian and Ukrainian scientists had been publishing serious scientific papers about their revolutionary discovery that oil originated from deep in the mantle of the Earth and not higher in so-called sedimentary basins and 'source rocks.'

In 1949 US President Harry Truman, a devout foe of the Soviet Union despite the US-USSR wartime alliance against Germany, created NATO, the North Atlantic Treaty Organization. US military moves were clearly escalating with the onset of the Korean War in 1950, a war that Washington propaganda blamed on Moscow. The Western military encirclement of the USSR, amid what Winston Churchill called an “Iron Curtain” descending in Europe, led to a Soviet decision during the Stalin era that Soviet scientists must make the USSR and its allies free from Western controlled oil.

Stalin had learned from the role of petroleum in the ultimate defeat of Germany that control of oil was integral to waging modern, mechanized warfare. Stalin had appreciated what the German General Staff had failed to appreciate until it was too late.

Seeing the possibility of increasingly hostile relations with the West — especially after Winston Churchill’s April 1946 “Iron Curtain” speech at Fulton Missouri — Stalin, a man whose decisions were not taken lightly in the Soviet Union, launched a massive scientific undertaking comparable in its scale to the US Manhattan Project. The goal of the Soviet project was to study every aspect of petroleum, including how it was created, how reserves were generated, and how to best pursue petroleum exploration and extraction.

By the early 1950s when the Cold War was in high gear, an interdisciplinary team of Soviet scientists and geologists began to study the problem of finding adequate oil and gas to make the Soviet Union self-sufficient. Oil security was a state priority and so the team included some of the most respected names — N.A. Kudryavstev, V.B. Porfir’yev, P.N. Kropotkin and numerous other physicists, geochemists and geologists. The first work actually had begun in 1946, after the end of World War II.

By 1951 Professor Nikolai Kudryavtsev, the de facto group spokesman, went public with a bold scientific paper. The paper was written exclusively in Russian and security was high. The article, titled

*Against the organic hypothesis of petroleum origins*, was published in the Soviet journal Petroleum Economy. [17] It was a major piece.

With that paper was born the "Modern Russian-Ukrainian Theory of Deep, Abiotic Petroleum Origins," as the Russian scientists termed it. The paper launched years of vigorous scientific debate inside the Soviet Union. Over the next twenty years, the abiotic theory was repeatedly validated by physical data, by chemists, physicists and thermodynamicists. During the forty years after Kudryavtsev's paper, Russian and Ukrainian scientists published over one thousand scientific articles in Russian journals and books, validating the hypothesis that oil was not biological or fossil but was in fact abiotic. [18]

Following Kudryavtsev's 1951 publication, scientific conferences were organized in the USSR to debate the new theory, to subject it to rigorous scentific analysis and the requirement for physical proof. All-Union Conferences in Petroleum and Petroleum Geology dealt intensively with the abiotic thesis annually, up to 1965. While the revolutionary new abiotic theory was being subjected to rigorous debate and tests in the Soviet Union, a number of the scientists pointed out that there had never been any similar critical review or testing of the traditional biologic hypothesis — that petroleum might somehow have evolved spontaneously from biological detritus.

Like any serious scientists, the group began by re-examining the fundamental hypotheses dominating Western geology, by asking in a scientifically neutral way the most basic questions, starting with "how does petroleum originate?" This was something rarely if ever mentioned in Western petroleum geology studies, even at elite universities such as Princeton. To answer that basic question, they reviewed the source – ironically, a Russian — of the biological or fossil theory of oil creation.

In 1757 a Russian scientist named Mikhail Lomonosov had told the St. Petersburg Academy of Sciences that, "Rock oil originates as tiny bodies of animals buried in the sediments which, under the influence of increased temperature and pressure acting during an unimaginably long period of time, transform into rock oil [petroleum, or crude oil].” [19]

What the Soviet scientists around Kudryavtsev soon realized in the 1950s was that Lomonosov’s hypothesis had never been rigorously tested. It was merely an assertion made almost two centuries earlier. Lomonosov had been notorious for suggesting ideas that he never took time to investigate seriously; biologic origins of petroleum or ‘rock’ oil, as it was known, was one. The notion that petroleum might be a fossil fuel had been picked up in the West decades later as a convenient explanation for why oil was a “finite resource” and hence should be expensive.

Furthermore, Lomonosov’s fossil hypothesis, as the Russian and Ukrainian scientists noted, could in no way account for the huge volumes of extracted hydrocarbons from places such as Saudi Arabia’s Ghawar field. As one abiotic scientist calculated, “were the dead dinosaur detritus theoretically somehow transformed into an equivalent volume of hydrocarbons, it would require a compressed dinosaur cube nineteen miles wide, deep and high to account only for the oil in Ghawar. And there are more giant fields around the world.”

L. Fletcher Prouty, an American who had served as liaison between the US Air Force and the CIA during the Vietnam War and who was the reallife “Mr.X” portrayed in Oliver Stone’s film, *JFK*, was deeply engaged in the energy issues in the United States during the energy crisis of the 1970s. Prouty later remarked, “if all the plants, insects and animals that ever lived were all squeezed into a massive ooze, there is no way they could have amounted to the volume of oil that has been found to date. They just would not make that much juice.” [20]

The fossil theory of oil origin was being exposed with scientific rigor as one of the most colossal frauds in the history of science. Only the containment of information flows during the Cold War prevented a wider debate about the origins of oil in the West. [21]

By the 1960s, Soviet researchers had established that the creation of reduced hydrocarbon molecules required pressures of magnitudes encountered only at depths found in the mantle of the Earth — which begins at approximately 22 miles or 35 kilometers from the surface. In 1967 Soviet scientist E.B. Chekaliuk published a major contribution to confirming their theory that oil was actually being continually created deep in the Earth's mantle and forced upwards through faults or 'migration channels,' as they termed them. Chekaliuk wrote,

*In a process of the deep seated synthesis of oil (from methane), the volume of mantle material decreases, and this transformation generates the favorable conditions for the sinking of the crust of the Earth and the formation of deep basins the sizes of which correspond to the scale and size of zones of petroleum reservoir formation. The accumulation and filling of such basins with water and later with sediments increases the geostatic loading in the zones of synthesis stimulating the condensation of oil and the enlargement of molecules and thereby additional sinking of those areas of the Earth's crust.22*

As Ukrainian scientific researcher V.I.Sozansky summarized it:

*Hydrocarbon compounds of natural petroleum are generated spontaneously only at the very high pressures found in the deep crust or upper mantle of the Earth. Natural petroleum is a primordial, abiotic fluid which has penetrated the upper parts of the crust from great depth, usually along deep faults. 23*

If they had proved that petroleum existed at the depths of the Earth's upper mantle, it was a damning condemnation of the Western fossil fuel hypothesis. Oil being lighter than water, it could not migrate downwards into the mantle, the Soviet scientists concluded. Rather the opposite occurred—oil was continuously seeking faults in the Earth through which, driven by intense pressures of the mantle, it was being forced upward, near to the surface.

***Oil Fields that refill?***

One of the most fascinating findings of the Russian researchers, over decades of testing and observation, was the conclusion that oil fields did not die. They constantly renewed themselves. As one example, Russian scientist Vladimir Kutcherov, Professor of Geochemistry at the Russian State University of Oil and Gas and at the Swedish Royal Institute of Technology, in a discussion with the author cited the case of the Romashkino field in Tatarstan in today's Russia.

The Romashkino field, one of the biggest in Russia outside Western Siberia, had been partly shut down shortly after the collapse of the Soviet Union in 1991 because, after fifty years of production, the field had been primed with water to the point where it was now yielding 99% water.

"In 2007," Kutcherov explained, "we went and reopened some of the closed wells. There we had oil. In terms of viscosity and density the oil was lighter than had previously been there. The tests showed that the fresh oil could only have come from depths of several kilometers or more, and not from sedimentary rocks. It had come from fundament, from basement rock which meant a reservoir at a depth of some 10 to 15 kilometers."

Kutcherov went on to state, "all the world's giant oil fields are in deep fault zones without exception. If you were able to estimate the flow rate of refill from the migration channel into the field reservoir, you could exploit the field at the right flow rate virtually forever. That means another technology, another economics, another philosophy." 24

Kutcherov added that the tragic oil explosion in the Gulf of Mexico in April 2010 at British Petroleum's Deepwater Horizon offshore platform was clearly due to the fact that BP geologists had perhaps unwittingly drilled directly into a huge migration channel and were overwhelmed by the explosive force of hydrocarbons including methane gas at a pressure of between perhaps one and three thousand atmospheres. Two years earlier, in a consortium with Brazil's Petrobras and ConocoPhillips, BP had made the most successful discovery in its history — the Tiber well, some 50 kilometers from the site of the Deepwater Horizon disaster.[25]

Clearly BP's appetite was more than whetted and they decided to go it alone in the same region with the Deepwater Horizon platform, with no risk-sharing partners. On a sunny April day in 2010 a gigantic explosion erupted from the well that had been drilled at the Macondo Prospect to a water depth of almost one mile. The previous Tiber discovery had been in a similar water depth and a drilling depth in the Earth of more than 35,000 feet, an astonishing engineering feat. "Clearly from the evidence" Kutcherov related, "it looks as if the entire Gulf of Mexico is a new Saudi Arabia from Cuba to Haiti and well beyond." [26]

If Kutcherov's estimation was right, it had huge implications not only for global energy economics, but also for Wall Street banks trading on a myth of scarcity. It had particularly devastating implications for Washington's geopolitical strategy. To rephrase the earlier cited statement of Henry Kissinger, "If you *can't* control the oil, you *can't* control entire nations...."

Ukrainian Academy of Sciences Prof. V. I. Sozansky put it, "study of oil and gas fields shows that most oil and gas reservoirs are recharging systems. In many regions data have been obtained which establish that oil and gas constantly are being replenished to producing fields." [27]

That was definitely an idea that neither Exxon nor BP nor the Pentagon wanted to get out to the public, given the official frenzy about 'peak' oil.
Sozansky cited numerous examples of documented replenishing of oil wells believed exhausted and then reopened after years only to flow once more after refilling their reservoir. He cited numerous shallow wells in Chechnya and also in the USA. This would explain the otherwise inexplicable case of Pennzoil's Eugene Island Block 330, a field discovered in 1971, whose flow dropped dramatically by

the early 1980s to 4,000 barrels a day. Shortly thereafter, flow soared again to 13,000 barrels a day and estimated reserves were raised from 60 to 400 million barrels. Sozansky noted that the Lamont Doherty Geophysical Observatory had studied similar recharging of dynamic reservoirs in the Gulf of Mexico, as well.

Based on the fact that oil was continuously and spontaneously being generated at the depth of the Earth's mantle and pushed upwards, Sozansky calculated that the amount of oil and gas potential was conservatively at least some "8 million times greater" than estimated under assumptions of finite, fossil-origin oil and gas. He concluded, "there exist tremendous quantities of petroleum, sufficient for the needs of humanity for thousands of years." [28]

Respected oil analyst Peter Odell, then Professor at Erasmus University in Rotterdam observed: "Finally, a word of caution on the essential fragility of a study on the very long-term future for the world's energy supply which accepts without question the validity of the original 18th century hypothesis that all oil and gas resources have been generated from biological matter in the chemical and thermodynamic environments of the earth's crust."

In 2002 Odell declared:

*There is an alternative theory - already 50 years old - which suggests an inorganic origin for additional oil and gas. This alternative view is widely accepted in the countries of the former Soviet Union...Recent applications of the inorganic theory have...also led to claims for the possibility of the Middle East fields being able to produce oil 'forever' and to the concept of repleting oil and gas fields in the Gulf of Mexico. More generally, it is argued, 'all giant fields are most logically explained by inorganic theory because simple calculations of potential hydrocarbon contents in sediments shows that organic materials are too few to supply the volumes of petroleum involved.' 29*

Professor Odell, who knew some of the leading Russian oil scientists, went on to remark that oil could actually be considered a "renewable energy resource." As he stated:

*Instead of having to consider a stock reserve already accumulated in a finite number of so-called oil and gas plays, the possibility emerges of evaluating hydrocarbons as essentially renewable resources in the context of whatever demand developments may emerge. If fields do replete because the oil and gas extracted from them is abyssal and abiotic (based on chemical reactions under specific thermodynamic conditions deep in the earth's mantle), then extraction costs should not rise as production from such fields continues for an indefinite period. Neither do estimates of reserves, reserves-to-production ratios, and annual rates of discovery and additions to reserves have any of the importance...attributed to them in evaluating the future supply prospects under the organic theory of oil and gas' derivation. In essence, the 'ball park' in which consideration of the issues relating to the future of oil and gas has hitherto been made would no longer remain relevant. 30*

Not only can and do oil fields refill, but also, according to Professor Kutcherov, deep water reserves do, as well. The same Russian and Ukrainian scientists have confirmed — using their unique methodology to map active geological areas — that at depths of up to one kilometer, or 1,000 meters down, it is also possible to locate underwater fresh water reservoirs. These reservoirs, if tapped at the refill rate, could provide pure well water essentially forever — an interesting prospect for lands in the Middle East, China and elsewhere whose known ground water sources are diminishing. He cited an example of one well that was drilled using the Russian methods, but modified to find water not hydrocarbons. "One well drilled near Cadiz in Spain, costing €60000, is serving twenty cubic meters of pure water continuously." The use of the methodolgy to locate new water resources involves special modifications and applications, however, and is a subject for an entire new discussion, Kutcherov pointed out in an aside to the author.[31]

Given even the possibility that the Russian and Ukrainian abiotic scientists are right, little wonder that the established powers behind the development of the post World War II Anglo-American oil monopoly were alarmed at the implications of the Russian theory. If it were really the case, Washington would lose one of its main levers of geopolitical control, as nations such as China, Brazil, India, Pakistan or Turkey could begin to develop independent sources for the basic energy of their modern economy. A radical response was needed. There would follow more than a decade of American wars over oil across the globe, beginning with Iraq and Afghanistan.

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[17] Nikolai A. Kudryavstev, 1951, *Against the organic hypothesis of petroleum origins, Petroleum Economy*, No. 9, Moscow, 1951. (In Russian), noted by V. A. Krayushkin, op. cit.
[18] V. A. Krayushkin, op. cit.
[19] Boris N. Menshutkin, *Russia's Lomonosov: Chemist Courtier, Physicist Poet,* Princeton University Press, Princeton, 1952 discusses the petroleum origin theories of Lomonosov and the citation from Lomonosov is reprinted in translation in *Special Edition on The Future of Petroleum*, Energy World, British Institute of Petroleum, London, June 1996, pp. 16-18.
[20] L. Fletcher Prouty, *Greasing the Palms of the Oil Barons*, in The Fletcher Prouty Commentary – undated, provided privately to the author from the papers of the late Col. Prouty.
[21] Interesting to note, the one most prominent Western scientist espousing what seemed to be a theory similar to that of the Russians, was the late Cornell astrophysicist, Thomas Gold. While giving nominal passing reference to one of the Russian abiotic scientists, Peter Kropotkin, Gold claimed the deep origins of hydrocarbon thesis

had been uniquely his. However, according to Prof. Kudryavstev, a visitor to Gold's study, it was filled with Russian language copies of the Russian and Ukrainian research papers on abiotic oil. Gold reportedly plagiarized some essential aspects of the Russian theory without giving credit, while modifying the essence of the ideas in key respects to claim his own unique theory. Unfortunately, Gold apparently had little knowledge of hydrocarbon geochemistry and claimed, among other things, that there existed large quantities of natural gas (methane) in the Earth at depths of the mantle, whereas at the pressures of the mantle, as Russian research had proven, methane is unstable. As one of the Russian research papers demonstrated, contrary to Gold's claim, "Methane at pressures of the mantle of the Earth will decompose to evolve octane, diesel oil, heavy lubricating oils, alkylbenzenes, and the compounds found in natural petroleum." (J. F. Kenney, V. G. Kutcherov, N. A. Bendeliani and V. A. Alekseev, *The evolution of multicomponent systems at high pressures: VI. The genesis of hydrocarbons and the origins of petroleum,* Proc. Natl. Acad. Sci. U.S.A., 2002, 99, 10976-10981). The Gold thesis is often cited today by opponents of the non-fossil origins of oil as "proof" of the invalidity of the Russian view, which it clearly was not.

[22] E.B. Chekaliuk*, Petroleum in the upper mantle of the Earth*, Scientific Thought Press, Kiev, 1967, p. 256 (In Russian), cited in English translation by V. A. Krayushkin, op.cit.

[23] V.I.Sozansky, et al, *On the Spontaneous Renewal of Oil and Gas Fields*, accessed in http://www.gasresources.net/

[24] Vladimir Kutcherov, op. cit.

[25] BP Press Release, *BP Announces Giant Oil Discovery in Gulf of Mexico*, September 9, 2009.

[26] Vladimir Kutcherov, op. cit.

[27] Ibid.

[28] Ibid.

[29] Peter Odell, *The Global Energy Outlook for the 21st Century*, lecture delivered on May 21, 2003 by Peter R. Odell, Professor Emeritus at Erasmus University in Rotterdam, and Director of the

Center for International Energy Studies.
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# chapter 11

## BIG OIL COUNTERATTACKS— HUBBERT'S PEAK REVIVED

### *An unscientific Scientific American*

The US and British Big Oil cartel wasted no time in organizing a counterattack to the public emergence of the dramatic Russian and Ukrainian scientific revolution regarding the origin of oil and gas. They promoted two of their own scientists: Irish oil geologist Colin Campbell, and French oil company geologist Jean Laherrere. The two men had made their professional careers working for two of the world's largest oil companies—Campbell for Texaco and Laherrere for the French giant, Total.

The two oil company geologists had both subsequently worked for a private Swiss oil industry consultancy called Petroconsultants. While there, they authored an article for the popular US science magazine *Scientific American*, March 1998, under the provocative title, *The End of Cheap Oil*. [1]

The two oil geologists painted a dramatic and a gloomy picture of world oil prospects: "The next oil crunch will not be so temporary. Our analysis of the discovery and production of oil fields around the world suggests that within the next decade, the supply of conventional oil will be unable to keep up with demand." In other words, they were predicting an imminent global oil scarcity crisis. [2]

The authors admitted they had used a proprietary data base of world oilfield statistics held by a private Geneva-based oil consulting company named Petroconsultants to make their dire predictions. Since they had used proprietary oil field data in their study, there was little likelihood others could cross-check their calculations. Moreover, the data was published in a report sold to oil companies for $32,000 a copy, a sum few independent researchers could afford. Therefore, when they made assertions about the reserves of oil, their prediction was unassailable scientifically because of the absence and inaccessibility of their source data.

Campbell and Laherrere simply asserted as indisputable fact that, "There is only so much crude oil in the world, and the industry has found about 90 percent of it." [3] The authors presented no proof of how they arrived at such a figure.

To give their calculations the patina of some kind of scientific methodology, the authors declared they had adopted a modification of the "technique first published in 1956 by M. King Hubbert" which, as noted in an earlier chapter, had little to do with science and much to do with politicallymotivated science fiction. [4] In fact the controversial and secretive Hubbert was the *only* source cited as having claimed to have made any 'scientific' demonstration of Peak Oil — a man who, as noted earlier, was equally mum on how he had arrived at his dire predictions.

The two geologists further asserted that by 2002 North Sea, Alaska, Mexico and other oil provinces would be in terminal "post-peak" decline. At that point, they stated, "the world will rely on Middle East nations, particularly the five near the Persian Gulf (Iran, Iraq, Kuwait, Saudi Arabia and the United Arab Emirates) to fill in the gap between dwindling supply and growing demand."

Campbell and Laherrere went on to boldly predict that, "world production of oil will peak during the first decade of the 21st Century," i.e., before the end of 2010.

The two oil geologists concluded with a dire warning that, "global demand for oil is currently rising at more than 2 percent a year...worldwide demand for oil will increase 60 percent by 2020. The switch from growth to decline in oil production will thus almost certainly create economic and political tension." [5]

Few readers were aware that Campbell had previously announced several world oil "peaks" only to see the dates pass and global oil production levels actually rise. In 1989 Campbell claimed that there would be a shortage towards the late 1990s. In 1990 he claimed that 1998 would represent a "depletion midpoint." [6] Later he claimed it would come in 2005 or in 2010.

The earlier "peak" assessments were, however, according to Campbell himself, "based on public domain data, before the degree of misreporting by industry and governments was appreciated." [7] What Campbell left unsaid was the fact that Campbell himself had only the same data from "industry and governments" to work from, despite the claim that he "appreciated" the degree of alleged misreporting. There simply was no data other than what the oil industry worldwide chose to make public.

During 2002, Campbell delivered a speech at a German university in which he predicted global oil peak in 2005, and warned that it could be the reason for major wars or US military actions to secure supplies preemptively:

*The market is now perceiving that OPEC has lost control. It is a devastating realisation because it means there is no supply-based ceiling on price. Accordingly, prices are set to soar...The poor countries of the world will bear most of the burden. But the United States will be in serious difficulties. There is, I think, a strong danger of some ill-considered military intervention to try to secure oil. 8*

Campbell's prediction was to become reality a few months later when the Bush-Cheney Administration launched Operation Shock and Awe, its 2003 military invasion of Iraq. The invasion however had nothing to do with oil scarcity. It had to do with maintaining America's global supremacy as rival powers were beginning to emerge in China, Russia, Western Europe and elsewhere. But oil was as good a cover as anything else.

***Cheney echoes Hubbert's friends***

In September 1999, a year following the *Scientific American* piece, at a meeting of the London Institute of Petroleum, Dick Cheney — then CEO of the world's largest oil services company, Halliburton Corporation — gave the keynote address to the assembled heads of the world's largest oil and gas companies.

In his remarks Cheney echoed the alarming words of Colin Campbell from the *Scientific American* article. He asserted that oil was a "depleting resource" and declared, "By some estimates there will be an average of two per cent annual growth in global oil demand over the years ahead along with conservatively a three per cent natural decline in production from existing reserves. That means by 2010 we will need on the order of an additional fifty million barrels a day. So where is the oil going to come from? " [9]

Then Cheney made the following interesting observation,

*Governments and the national oil companies are obviously controlling about ninety per cent of the assets. Oil remains fundamentally a government business. While many regions of the world offer great oil opportunities, the Middle East with two thirds of the world's oil and the lowest cost, is still where the prize ultimately lies. Even though companies are anxious for greater access there, progress continues to be slow. 10*

Cheney did not say so, but he clearly had in mind his cronies from American and British oil companies. While Cheney also did not say so openly, the assembled oilmen knew that the governments Cheney complained about — that owned 90% of remaining oil — were all states in which Islam was the dominant religion, and most were on the Persian Gulf.

Cheney further noted in his London remarks that, "Producing oil is obviously a self-depleting activity. Every year you've got to find and develop reserves equal to your output just to stand still, just to stay even. This is true for companies as well, in the broader economic sense, as it is for the world." As Defense Secretary under President

George H.W. Bush, Cheney had, after all, led Operation Desert Storm, the 1991 war against Saddam Hussein's Iraq. In concluding his 1999 remarks in London, he noted:

*Oil is unique in that it is so strategic in nature. We are not talking about soapflakes or leisurewear here. Energy is truly fundamental to the world's economy. The Gulf War was a reflection of that reality. The degree of government involvement also makes oil a unique commodity. This is true in both the overwhelming control of oil resources by national oil companies and governments...It is the basic, fundamental building block of the world's economy. It is unlike any other commodity.11*

Dick Cheney was a part of a faction in the US political establishment that was soon to use oil depletion and the Hubbert-Campbell 'peak oil' arguments to justify US military intervention into the oilfields of the Middle East where, as Cheney had noted, "Oil remains fundamentally a government business." [12]

Less than two years after his London remarks, Cheney would show that he had a strategy for getting that Middle East oil out of government hands and into the private hands of British and especially American oil giants. It was called war.

### *Washington's 'clash of civilizations'*

Just two years before his London speech warning about a coming oil depletion crisis and the need to militarily go after Middle East oil reserves, Cheney and his longtime Republican political crony Don Rumsfeld had cofounded a right-wing think-tank calling itself the Project for the New American Century or PNAC. Its first public act had been an Open Letter to President Bill Clinton in January 1998, arguing for a US policy of forced regime change against Iraq's Saddam Hussein.[13]

Cheney, Rumsfeld and other members of PNAC wanted the direct control of Iraq's vast oil reserves to come into US hands. Their aim, as events in Iraq after 2003 showed, was not to *use* Iraqi oil – especially at a time when the world's supply was excessive — but to *control* who would get that oil.

Prior to the US occupation of Iraq, Saddam Hussein had signed exploration contracts for Iraqi oilfields with Russian, French and Chinese oil companies, an interesting fact rarely, if ever, mentioned in US or UK mainstream media in the runup to the March 2003 US war. The US and British oil companies had been left out in the cold, banned by Saddam. Washington invaded Iraq to preempt the loss — perhaps to the Chinese or Russians or French, or all three — of the world's second largest conventional oil reserves.[14]

In September 2000, during the run-up to that year's US Presidential elections, Cheney released a PNAC White Paper — a strategic military blueprint for the next US President. The document was titled *Rebuilding America's Defenses*. It pulled no punches. The document was an outline for declaring a permanent state of war against any and every potential rival.

The PNAC report declared that in the Persian Gulf, American military forces represented "the long-term commitment of the United States and its major allies to a region of vital importance. Indeed, the United States has for decades sought to play a more permanent role in Gulf regional security...the need for a substantial American force presence in the Gulf transcends the issue of the regime of Saddam Hussein." [15]

The Cheney PNAC group continued that, "even should US-Iranian relations improve, retaining forward-based forces in the region would still be an essential element in US security strategy given the longstanding American interests in the region."[16] Those "longstanding interests" were of course US control of Middle East oil.

The members of PNAC who signed the September 2000 document were almost all Republican Party warhawks. Many of them like Cheney and Rumsfeld and Paul Wolfowitz were about to become key members of the Bush Administration, where they would implement the PNAC recommendation for an aggressive US foreign policy that would, among other things, secure permanent US military bases in the Middle East. All high-ranking members of the Bush-Cheney Administration's military and foreign policy team were tied to PNAC, a fact enormously significant and almost entirely blacked out of major mainstream US news media. [17]

The events of September 11 would be used as the pretext by the BushCheney-Rumsfeld trio to unilaterally initiate long term wars, first against Afghanistan and then against Saddam Hussein's Iraq. The Iraq War was carried out on a fabricated charge that Saddam was involved in producing atomic weapons and other so-called "Weapons of Mass Destruction" or WMD as the Pentagon press office preferred to call it. The war was condemned by respected experts on international law as a brazen US violation of the UN Charter and of international law. Bush and Cheney and their PNAC associates clearly did not care in the least for the norms of civilized law when it came to oil. [18]

It was clear that the hysteria and propaganda campaign about an alleged WMD threat from Saddam's Iraq was also an attempt to hide the fact that the main motive was grabbing the huge Iraqi oil reserves from potential rivals like China, a motive that hardly would stir Americans to volunteer to die in battle.

### *Cheney's Energy Task Force*

Bush's first act as President was to order creation of a task force called the National Energy Policy Development Group. He appointed Vice President Cheney in January 2001 to head the task force, officially mandated to draw up a national US energy strategy.

In fulfilling this mandate, as reports later confirmed, Cheney consulted regularly with the leading executives of Big Oil, including

ExxonMobil, BP, Shell, Chevron, Enron and the American Petroleum Institute.[19]

It turned out that Cheney had also ordered detailed maps of the precise locations of Iraqi oilfields. [20] The deliberations of the Cheney task force were, curiously enough, largely kept secret by Cheney even in defiance of Court disclosure orders.

Aside from customary lip-service to solar, wind and other insignificant forms of alternative energy, the Cheney Task Force focused on US “energy security,” a euphemism for justifying a US military push into the Middle East, the region holding an estimated two-thirds of known world oil reserves, the region, as Cheney had stated in his 1999 London speech, “where the prize ultimately lies.”

The Cheney report declared, “In 2000, nearly 55 percent of US gross oil imports came from four countries: 15 percent from Canada, 14 percent each from Saudi Arabia and Venezuela, and 12 percent from Mexico.” In other words, it was not US oil needs *per se* that were the target, but the oil needs of the rest of the world. As the report noted, “By 2020, (Persian) Gulf oil producers are projected to supply between 54 and 67 percent of the world’s oil. Thus, the global economy will almost certainly continue to depend on the supply of oil from Organization of Petroleum Exporting Countries (OPEC) members, particularly in the Gulf. This region will remain vital to US interests.” [21]

Cheney’s report ended on a foreboding note which was later recalled as Washington began to bomb Iraq in 2003: “By any estimation, Middle East oil producers will remain central to world oil security. The Gulf will be a primary focus of US international energy policy, but our engagement will be global, spotlighting existing and emerging regions that will have a major impact on the global energy balance.” [22]

In short, the Cheney energy strategy envisioned control of *all* major sources of the world’s oil, everywhere, using the astonishing argument of US ‘national’ security to do it. That was to become the hallmark of the BushCheney Administration—a relentless series of oil wars spanning the planet. The wars were not, as some naively believed, to secure US oil supplies. They were waged to secure future *US global hegemony*. As Kissinger had stated decades earlier, “Control the oil and you control entire nations.” Cheney’s aim was less modest—control the oil and control the entire world.

### ***Cheney’s Peak Oil Friend***

One of the members of Cheney’s Energy Task Force was a Houston-based investment banker and Cheney friend named Matt Simmons. Simmons, CEO of a Houston, Texas energy investment firm, Simmons & Co., had made a fortune financing oil projects around the world. He was also a member of the board of directors of the large US oil multinational KerrMcGee Company, engaged in oil projects from China to Kazakhstan to the Gulf of Mexico.[23] Simmons donated $100,000 of his private money to the Bush campaign in 2004, well after he had become the best known voice of Peak Oil. [24]
Matt Simmons had long been an establishment insider, a member of

David Rockefeller’s Council on Foreign Relations and also of the oil industry’s National Petroleum Council, a powerful lobby organization dominated by Big Oil. Simmons also served as a director of the Atlantic Council, a NATO lobbying organization whose members included the creme de la creme of the US military and foreign policy elite.[25] Among Simmons’ peers at the Atlantic Council were members of Cheney’s PNAC, including Zalmay Khalilzad, Paula Dobriansky and Dov Zakheim, as well as Henry Kissinger, Colin Powell, Condi Rice, former National Security Advisors Brent Scowcroft, and Stephen Hadley.[26]

Matt Simmons was a banker and clearly no geophysicist. As the wellpromoted public voice warning of the imminent Peak Oil catastrophe during the runup to the war against Saddam Hussein’s regime, Simmons had made remarks about technical aspects of oil and oil reserves that made serious oil geophysicists blush. [27]

As the poster man for Peak Oil, in 2000 he wrote a long discourse on how the Club of Rome's *Limits to Growth* report of the 1970s had actually been quite accurate.[28] He was the ideal spokesman for the Malthusian notion that the world stood on the brink of an energy calamity of unprecedented dimensions.

Simmons began giving interviews to iconoclastic Internet websites such as Michael Ruppert's *From the Wilderness*, a site run by a former Los Angeles Police Department narcotics detective who became a peak oil advocate apparently after being convinced by Simmons. In August 2003, as the Pentagon's bombs were still dropping over US-occupied Iraq, Simmons gave an exclusive interview to the Ruppert website. In it he made sensational claims about running out of oil and gas, declaring that,

*All the big deposits have been found and exploited. There aren't going to be any dramatic new discoveries and the discovery trends have made this abundantly clear. We are now in a box we should never have gotten into and it has very serious implications. We also see the inevitable issues that follow a major blackout: no water, no sewage, no gasoline. The gasoline issue is very important. Our gasoline stocks are at near all time lows. 29*

### *'Twilight' in the Saudi Desert?*

Simmons then amplified his oil supply horror story with alleged facts. He claimed to be an expert authority on the closely-guarded status of Saudi Arabian oil reserves. Ever since Franklin Roosevelt won the Saudi oil monopoly for the American Rockefeller oil giants at the end of World War II, Saudi Arabia's oil company, ARAMCO, had been the world's largest oil producer, a fact that gave the Saudi Kingdom a strategic role in the geopolitics of oil and in US military calculations. After the deliberately provoked oil shock of 1973, Washington made certain that Saudi oil would come under Washington's sway by selling the Saudis major Pentagon weapons systems and, in effect, making the Saudi Royal Family dependent on Washington for its protection.

In 1948 the Rockefeller ARAMCO group had discovered what became the world's largest producing conventional oil field, Ghawar, in the eastern part of Saudi Arabia. Measuring 280 by 30 kilometers, it was by far the largest conventional oil field in the world. Some 65% of all Saudi oil produced between 1948 and 2000 came from Ghawar, and the field had produced a staggering total of 65 billion barrels as of early 2010, at a rate of more than five million barrels a day, more than six decades after its initial production.

After the 1973 Yom Kippur war, the Saudis negotiated the state buyback of ARAMCO, renaming it Saudi Aramco. From then on, the Saudi Oil Ministry declined to disclose field performances and production details.

Despite that clear barrier, Simmons claimed to have gone to Saudi Arabia himself to find the truth about what he said was declining Saudi production. In a 2003 interview, Simmons claimed, "I have obtained and closely examined more than 100 very technical production reports from Saudi Arabia." [30]

The Texas banker did not bother to explain whether he had stolen the guarded reports or whether he had sweet-talked Saudi officials into allowing him to see them — or why they would let him see such sensitive data at all, given that he was a well-known Peak Oil oil alarmist. Simmons stated,

*What I glean from examining the data is that it is very likely that Saudi Arabia, already a debtor nation, has very likely gone over its Peak. If that is true, then it is a certainty that planet earth has passed its peak of production. What that means, in the starkest possible terms, is that we are no longer going to be able to grow. It's like with a human being who passes a certain age in life. Getting older does not mean the same thing as death. It means progressively diminishing capacity, a rapid decline, followed by a long tail. 31*

Simmons later expanded his claims about Saudi Arabian oil production being in decline in a book that was widely promoted under the provocative title, *Twilight in the Desert*. In the book, published in 2005, he expanded the number of classified Saudi technical oil field production reports to which he claimed access from 100 to 200. Simmons argued dramatically that the entire Saudi Aramco oil system was “old and fraying” and that a sudden and sharp oil production decline could happen at any time. [32]

The Simmons-Campbell Peak Oil story was now being retailed widely by mainstream media as the true reason that world oil prices were soaring after the US bombing of Iraq in 2003. No mention was made that it might have been because Washington had deliberately removed Iraqi oil from world markets by force.

Simmons and his Peak Oil friends ignored the fact that oil demand from energy-hungry China was exploding, and that Wall Street banks and firms like Goldman Sachs had legalized the manipulation of oil prices via sophisticated energy futures and other derivatives. For Simmons & friends, rising oil prices were *de facto* proof of their Peak Oil thesis. It was simple lack of supply confronting growing demand all over the world, they said.

Matt Simmons and Colin Campbell were both associated with an organization called the Association for the Study of Peak Oil and Gas (ASPO). ASPO was created around that same time to further promote the myth of Peak Oil. ASPO was reportedly backed by oil companies, including the world’s two largest oilfield services companies — Dick Cheney’s Halliburton and Schlumberger. [33]

To encourage the impression of looming oil scaricity and hence justify soaring oil prices — which rapidly climbed from $18 a barrel in 2000 to a record $50, then $60, $65, $80 and well beyond after 2007 — the major oil companies and Wall Street also did their part.

British oil giant, BP, subtly launched a worldwide media image campaign, announcing a new orientation, stating than in the future the letters BP would stand for "Beyond Petroleum." The logo became a sunflower and the company gave millions to finance lucrative biofuels research to convert sunflowers and corn into government-subsidized fuel for cars, creating the impression that they were ready for the "post peak" era.

Goldman Sachs in 1999, citing Campbell's *Scientific American* peak oil prediction, wrote a grim assessment of the world oil situation using Campbell's numbers for the percent of oil already found, one that conveniently helped push up the price of the very oil futures they profited from. Goldman Sachs had developed the GSCI, a commodity index used by hedge funds and speculators worldwide to predict future oil prices. They wrote, "The rig count over the last 12 years has reached bottom. This is not because of low oil price. The oil companies are not going to keep rigs employed to drill dry holes. They know it but are unable and unwilling to admit it. The great merger mania is nothing more than a scaling down of a dying industry in recognition of the fact that 90% of global conventional oil has already been found." [34]

At the same time, Royal Dutch Shell, original home to M. King Hubbert, put out an advertisement stating simply, "There was a time when oil and gas reserves seemed endless..." [35]

If oil prices were rising because supply was running out, so went the argument, then the oil-consuming world public could hardly get angry at oil company greed, as they had during the manipulated oil crises of the 1970s. After all, we cannot blame dead dinosaurs for not producing more offspring five hundred million years ago to make more fossils to produce more fossil fuel now, can we?

As Lewis Lapham, editor of *Harper's* magazine and scion of the family that helped found Mobil Oil, admitted to a journalist, "It's true that there's only twenty years' supply left—and that's been true for the last hundred years...Why in the world would oil companies, or any company, announce that there's lots of its product out there? You'd bust your own market. It's better to say the cupboard's bare." [36]

Lapham continued, stating that the world has been "running out of oil since the days we drained it from whales. OPEC's big headache before the war shut down Iraq's fields was that there was way too much oil. We were swimming in it and oil prices stayed low. The last thing oil companies want is more oil from Iraq."[37]

The big Anglo-American oil giants and their bankers loved watching the myth of an absolute global oil "peak" steadily working its way from Internet conspiracy stories into mainstream media such as the *Wall Street Journal*.

As with the dire *Scientific American* report from Colin Campbell in 1998 — a report using costly data sources available only to those willing to pay thousands of dollars to scrutinize them – so too with Simmons' declaration that classified Saudi data revealed that the world's largest oil producer was running out.

In the book version, Simmons cited reports from technical papers done by the US Society of Petroleum Engineers. He claimed to have read the papers in combination with Saudi Aramco technical brochures in order to crack the secret that the Saudis were hiding the depletion of their oil. The Saudi-authored brochures, Simmons claimed, "undoubtedly confirm the growing difficulties Saudi Aramco officials face in trying to maintain high production rates throughout the Saudi oil and gas complex."[38] No one except the Saudi official authorities could confirm or deny the alarming report.

### ***The Saudi surprise***

And deny was just what the Saudi government did. On April 29, 2004 at a prominent conference in Washington attended by, among others, thenFederal Reserve chairman Alan Greenspan, the Saudi Minister of Petroleum Ali Al-Naimi announced that the world's largest oil producer had revised *upwards* its estimate of recoverable reserves of oil. Al-Naimi declared to the audience of the Conference on US-Saudi Energy Relations, co-sponsored by the US-Saudi Arabian Business Council and the Center for Strategic and International Studies, that his ministry had revised the figure for Saudi oil by almost five-fold. An earlier oil reserve estimate of 260 billion barrels had been revised to an impressive 1200 billion barrels. He added that the Kingdom could quickly double output and sustain it for at least fifty years.

Al-Naimi told the startled audience, “This estimate is very conservative. Our analysis gives us reason to be very optimistic. We are continuing to discover new resources, and we are using new technologies to extract even more oil from existing reserves.” [39]

While the Saudis were declaring to the world that they were literally swimming on a sea of oil, that there wasn’t “twilight” but rather a very bright “sunrise” in their desert, Cheney and his circle nonetheless continued to expand their wars for control of oil, wars to control — as Cheney had so eloquently put it in his 1999 London speech — the oil of the Middle East, “where the prize ultimately lies.”

Soon those oil wars were to expand, both overtly and covertly, to Russia, Africa, Myanmar, and Xinjiang in China, to Georgia and across Eurasia. The War on “Terror” against a faceless enemy was used as the pretext for the global war to control all oil everywhere, just as the war on “Godless Communism” had been used earlier to justify creation of a permanent US national security state.

***Endnotes:***

[1] Colin J. Campbell and Jean H. Laherrere, *The End of Cheap Oil*, Scientific American, March 1998, Vol. 278, no. 1, pp. 60-65.
[2] Ibid., p. 60.
[3] Ibid., p. 63.
[4] See Engdahl, Chapter 3 for details of the lack of scientific rigor of King Hubbert.
[5] Colin J. Campbell, et al, op cit., p. 63.

[6] Colin J. Campbell, *Evolution of Oil Assessments*, accessed in http://www.hubbertpeak.com/Campbell/assessments.htm
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[8] Colin Campbell, *Presentation at the Technical University of Clausthal*, December 2000, accessed in http://www.oilcrisis.com/de/lecture.html
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[10] Ibid.
[11] Ibid.
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[15] Project for the New American Century, *Rebuilding America's Defenses: Strategy, Forces, Resources for a New Century*, September 2000, p.26, accessed in http://www.newamericancentury.org/publicationsreports.htm
[16] Ibid., p. 29.
[17] The list of top-ranking Bush Administration members associated with the PNAC was notable. In addition to Cheney, Rumsfeld and Wolfowitz, it included Elliot Abrams of the National Security Council; Kenneth Adelman and Richard V. Allen of the Pentagon's Defense Policy Board; John R. Bolton, Bush's ambassador to the United

Nations, who also served as Under Secretary of State; Stephen Cambone, Under Secretary of Defense for Intelligence; Paula Dobriansky, Under Secretary of State for Global Affairs; Aaron Friedberg, Vice President Cheney's Deputy National Security Advisor; and Fred C. Ikle of the Defense Policy Board. It included Zalmay Khalilzad who was Bush's Special Envoy to Iraq and later Ambassador to Afghanistan; John F. Lehman of the National Commission to Investigate Attacks on the U.S. (9-11 Commission); Cheney's scandal-ridden Chief of Staff, I. Lewis 'Scooter' Libby; Richard N. Perle, head of the Defense Policy Board of the Pentagon; Peter W. Rodman, Assistant Defense Secretary for International Security Affairs; Abram Shulsky, Director of the Pentagon's Office of Special Plans; Dov S. Zakheim, Comptroller of the Defense Department; and US Trade Representative, Robert B. Zoellick.

[18] Richard Falk, *The Iraq War and the Future of International Law*, a presentation to The American Society of International Law's 98th Annual Meeting, Mapping New Boundaries: Shifting Norms in International Law. March 31-April 3, 2004. Falk, a Professor Emeritus of International Law at Princeton, wrote, *"Recourse to war against Iraq in March 2003 on the facts and allegations that existed at the time is regarded around the world as so flagrantly at odds with international law and the UN Charter as generally understood to have little or no weight as a legal precedent. It is better understood as a prominent instance of a violation of the core obligation of the UN Charter, as embodied in Article 2(4), and as such qualifies as a potential Crime Against Peace in the Nuremberg sense... Given the failure to find weapons of mass destruction of any variety in Iraq and considering the intense resistance to the occupation, there is also no way to maintain convincingly that either a condition of defensive necessity or humanitarian emergency existed in Iraq as of 2003. If there was such an emergency it was not attributable to the Baghdad regime, however dictatorial its record, but as a result of UN sanctions and numerous uses of force against Iraq."*

[19] Michael Abramowitz and Stephen Mufson, *Papers Detail Industry's Role in Cheney's Energy Report*, Washington Post, July 18, 2007.

[20] Paul Sperry, *White House energy task force papers reveal Iraqi oil*

*maps: Judicial Watch lawsuit also uncovers list of 'foreign suitors' for contracts,* WorldNetDaily.com, July 18, 2003, accessed in http://www.wnd.com/?pageId=19844

[21] Dick Cheney, et al, *Reliable, Affordable, and Environmentally Sound Energy for America's Future: Report of the National Energy Policy Development Group*, US Government Printing Office, May 16, 2001, p. 130. http://wtrg.com/EnergyReport/NationalEnergy-Policy.pdf.
[22] Ibid.
[23] Walt Contreras Sheasby, *The Coming Panic over the End of Oil - Coming to a Ballot Box Near You*, December 4, 2003, accessed in http://www.davesweb.cnchost.com/nwsltr55.html
[24] George Washington University, *Preparing for the Inauguration: Finances: Presidential Inaugural Committee*, accessed in http://www.gwu.edu/~action/2004/inaug2004/inaugfin.html
[25] Rose Ragsdale, *Saudi Oil Shock: Simmons pokes holes in image of unlimited Middle East oil*, Petroleum News, September 11, 2005.
[26] The Atlantic Council of the United States, *Board of Directors*, accessed in http://www.acus.org/people/board
[27] Robert Rapier, *Debunking Matt Simmons*, January 14, 2008, accessed in http://www.consumerenergyreport.com/2008/01/14/debunking-matt-simmons/. Simmons was notorious for making preposterous claims, such as that heavy gravity crude oil was "not worth very much," something the Saudi Oil Ministry might dispute. Shortly before his death in 2010 he openly called for detonating a nuclear device to contain the BP Gulf of Mexico oil spill, advice that fortunately was ignored. [28] Matt Simmons, *Revisiting The Limits to Growth: Could The Club of Rome Have Been Correct, After All? (Part One)*, September 30, 2000, published by GreatChange.org, accessed in http://greatchange.org/ov-simmons,club_of_rome_revisted.html [29] Matt Simmons, *Interview with Matt Simmons by Mike Ruppert of Fromthewildnerness.com*, August 18, 2003, accessed in http://www.oilcrash.com/articles/blackout.htm [30] Ibid.

[31] Ibid.
[32] Matt Simmons, *Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy*, 2005, John Wiley & Sons, Hoboken.
[33] Walt Contreras Sheasby, op. cit.
[34] Quoted in C.J. Campbell, *Presentation at the Technical University...,* op. cit. [35] Ibid.
[36] Lewis Lapham, cited in Greg Palast, *No Peaking: The Hubbert Humbug*, May 23, 2006, accessed in http://www.gregpalast.com/madhouse/index.php/32
[37] Ibid.
[38] Matt Simmons, *Twilight...*, op cit., p. 92.
[39] Tim Kennedy, *Saudi Oil Is Secure and Plentiful, Say Officials*, Arab News, 29 April 2004, accessed in http://archive.arabnews.com/?page=6&section=0&article=44011&d=29&m=4&y=2004

## *chapter 12*

# RUSSIA AND CHENEY'S OIL WARS

### *Going 'where the oil is'*

"You've got to go where the oil is. I don't think about it [political volatility] very much," Cheney told a meeting of Texas oilmen in 1998 when he was still CEO of Halliburton, the world's largest oil services company.[1]

The Bush-Cheney Administration, which held power in Washington from early 2001 to 2009, had one clear strategic mission—to engineer control of the vast, mineral-rich Eurasian continent by dividing Russia from China, by militarizing the region from the Middle East to Georgia to Afghanistan, and controlling oil and energy pipelines across the entire Eurasian landmass.

The Pentagon called it Full Spectrum Dominance—control of all land, sea and air space, as well as outer space and even cyberspace. To accomplish such a grandiose plan, they used all available tactics — from outright military invasion to more subtle Color Revolutions — to create Washington-friendly regime changes, even in places such as Georgia and Ukraine.[2]

### *Iraq and the China danger*

Months before the events of September 11, 2001 – which conveniently provided the pretext for a war against Saddam Hussein's Iraq — Vice President Dick Cheney had been giving a lot of thought to going 'where the oil was.' The Bush Administration's primary agenda was to implement the PNAC plan for Iraqi regime change through war; Dick Cheney was its leading advocate inside the Bush Cabinet.

On January 23, 2001, just three days after George W. Bush's inauguration, newly appointed Secretary of State Colin Powell was advised that US policy was to topple Saddam Hussein. [3]

The situation was becoming critical for Washington's hawks and for the major US and British oil companies. UN economic sanctions had been imposed in 1990 initially to force Saddam Hussein's troops to leave Kuwait, where Washington had manipulated the Iraqi invasion to force Kuwait to allow permanent US bases and to push the oil price up. Now, more than a decade after the end of the first Iraq war, as Cheney himself admitted, those sanctions were being seriously undermined, both by Saddam Hussein and by oil-hungry countries eager to secure a chunk of Iraq's vast undeveloped oil riches.

Washington was facing rising international pressure through the UN and across the world to lift the Iraqi sanctions. Ending the sanctions that had kept Iraqi oil controlled since 1991 was a major reason for the timing of the war, as Cheney himself implied after the US invasion was a *fait accompli*. [4]

On the eve of the invasion, Cheney also confirmed that Iraq held the world's second largest oil reserves after Saudi Arabia. Some oil experts believed it could even be larger than Saudi Arabia's. Moreover, Iraqi oil was extraordinarily cheap to extract, at a cost of less than $1 a barrel.[5]

By the end of the 1990s most of Iraq's unexploited oil had been contracted out to select foreign oil companies by a cash-strapped Saddam Hussein. The major prospects went to three foreign oil companies—Russia's Lukoil, France's Total and China's National Petroleum Company. The three companies had all signed major exploration contracts with Saddam Hussein's government, including production-sharing in some of Iraq's biggest and most lucrative fields. Lukoil reached an agreement for West Qurna, Total got Majnoun, while China National was granted North Rumaila, near the Kuwaiti border.[6]

Not surprisingly, France, Russia and China, as Permanent Members of the UN Security Council, and with support from an increasing number of other countries, pressed for an easing of US-led sanctions. Since Iraq had first nationalized its oil company in 1972, privately owned British and American oil companies had been prohibited by Iraqi law from doing business in Iraq – a primary reason Cheney and company clearly wanted Saddam Hussein out. A sanction-free Iraq able to do major oil business on its own with China, Russia and France was clearly not part of Washington's blueprint for sole global superpower hegemony.

***'It was about oil...'***

In October 2002 — some five months before the Bush Administration launched its near-unilateral invasion of Iraq — *The New York Times* revealed that Halliburton had prepared a confidential 500-page document on how to handle Iraq's oil industry after an invasion and occupation of Iraq. This, said the *Times* writer, was "a plan [Halliburton] wrote several months before the invasion of Iraq, and before it got a no-bid contract to implement the plan." [7]

As Washington well knew, the minute the stringent US-imposed economic sanctions against Iraq would be lifted by the UN, France, Russia, and above all, China stood to gain enormous oil provinces in the country. The US and UK had been able to keep those contracts inoperable so long as sanctions were in place, but as pressure grew to lift sanctions for humanitarian and other reasons, Washington clearly decided the risk of losing Iraqi oil to China and Russia and France was far too great strategically.[8] War was the only option they saw.

The Iraq 'regime change' policy, which became active after the collapse of the World Trade towers, had nothing to do with Osama bin Laden or September 11 events, though Defense Secretary Rumsfeld and other hawks in the Bush national security team argued that a false propaganda campaign linking Saddam Hussein to Osama bin

Laden should be invented to justify to the American people the forced invasion of Iraq. [9]

Deputy Defense Secretary Paul Wolfowitz admitted only weeks after the collapse of Iraq in 2003 that the invasion of Iraq was not about terrorism. It was about oil.[10]

The Iraqi war in 2003 was about creating a permanent chain of US military bases in Iraq from which to control and police the entire oil-rich Persian Gulf, as Cheney so poetically put it, “where the oil is.” [11]

In June 2003, Wolfowitz told a conference in Singapore, “The most important difference between North Korea and Iraq is that economically, we just had no choice in Iraq. The country swims on a sea of oil.” [12]

By 2009, six years after the initial US invasion – now an occupation — Iraqi oil production had not yet reached its pre-invasion output levels.[13] Washington and the US and British Big Oil majors were not interested in a flood of Iraqi oil depressing the oil prices that had just begun rising after the US invasion. Exxon and Chevron had been among the strongest voices pressing the Bush Administration for a military occupation of Iraq and its oilfields.[14] They wanted to cut Iraqi oil flows for a considerable period and to control it as well. It was the implementation of Cheney’s 1999 London remarks about the need to, in effect, bring control into private—read Anglo-American oil giants’—hands and out of the control of Middle East governments.

### *War on Terror or War on Oil?*

The 2001 invasion of Afghanistan and the 2003 invasion of Iraq were centerpieces of a new, long-term US strategy to militarize the entire Eurasian land space.

Back in 1997 Zbigniew Brzezinski, former US National Security Adviser and former executive director of David Rockefeller’s Trilateral Commission, revealed the new US global strategy: following the collapse of the Soviet Union, the US goal was to prevent, *at all costs,* the emergence of a Eurasian economic rival to American hegemony. Formulating this strategy at a time when Russia was struggling to survive, and well before the emergence of China as an economic giant, Brzezinski stated it in the boldest possible terms:

*Eurasia is home to most of the world's politically assertive and dynamic states. All the historical pretenders to global power originated in Eurasia. The world's most populous aspirants to regional hegemony, China and India, are in Eurasia, as are all the potential political or economic challengers to American primacy. After the United States, the next six largest economies and military spenders are there, as are all but one of the world's overt nuclear powers, and all but one of the covert ones. Eurasia accounts for 75 percent of the world's population, 60 percent of its GNP, and 75 percent of its energy resources. Collectively, Eurasia's potential power overshadows even America's.*

*Eurasia is the world's axial super-continent. A power that dominated Eurasia would exercise decisive influence over two of the world's three most economically productive regions, Western Europe and East Asia. A glance at the map also suggests that a country dominant in Eurasia would almost automatically control the Middle East and Africa. With Eurasia now serving as the decisive geopolitical chessboard, it no longer suffices to fashion one policy for Europe and another for Asia. What happens with the distribution of power on the Eurasian landmass will be of decisive importance to America's global primacy.…15*

Brzezinski was revealing that US foreign policy was, in fact, based on the axioms of British geopolitics founder, Sir Halford Mackinder, who had long ago figured out the central geopolitical importance of Eurasia for empire builders. Brzezinski even mentioned Mackinder by name in the book version of his essay.[16]

As Brzezinski clearly stated, US foreign policy — defending "America's global primacy" — left no room for rival power blocs, above all not in Eurasia where a strategic partnership between China and Russia could deal a major blow to Washington's agenda of *total* geopolitical control. He stressed, "it is on the globe's most important playing field —Eurasia—that a potential rival to America might at some point arise."[17]

***The new energy wars***

The wars in Afghanistan in 2001-2002 and in Iraq after 2003 — wars which ultimately cost US taxpayers more than $1,000,000,000,000 (one trillion dollars) by 2010 [18] — were but the opening shots of a series of geopolitical oil and energy 'pipeline wars' — undeclared wars, but wars in every sense of the word. They were wars, covert and overt, spanning territory that stretched from the Caspian Sea in Central Asia to the South China Sea, from the Indian Ocean on down to the Persian Gulf and deep into Africa.

The energy wars were fought with bombs, with terror tactics and with devastating new remote-controlled pilotless drones. They were often also fought with sophisticated new methods of political destabilization of uncooperative regimes through what were called Color Revolutions.

The goal was simple: Pentagon control of all significant global oil deposits in order to be able in the future to control the emerging Eurasian economic colossus, especially China and Russia. The goal would be achieved by any means necessary.

By 2003, the most urgent strategic priority for Washington — now that Iraq had been militarily occupied by US and (mainly) British forces — was the control of Russian oil and gas and Russian energy pipelines.

A major oil pipeline that could take the vast oil reserves of Azerbaijan's Baku region to Western markets, independent of Russian pipelines, was a Washington priority. For that to happen, a coup in the tiny Republic of Georgia was deemed essential, as well as a similar coup in Ukraine.

If pro-US regimes could be installed in both countries, not only would the military security of Russia itself be mortally threatened, but also Russia’s ability to control the export of its natural gas and oil to Western Europe would be severely hampered.

### ***Brzezinski’s pipeline***

Zbigniew Brzezinski, no mere ivory tower academic, acted as a semi-official representative of the geopolitics he espoused, even though he was no longer a government official. He became, in effect, an oil lobbyist.

In 2005 Brzezinski showed up to celebrate the opening of the very costly — and politically motivated — alternative pipeline that would pump Caspian Sea oil from offshore Baku in Azerbaijan, formerly part of the Soviet Union, to Western Europe. Azerbaijan, as noted earlier, was a priority focus of Washington after the breakup of the Soviet Union. Strategically located in the South Caucasus region at the crossroads of Eastern Europe and Western Asia, it was in the heart of Eurasia.

Azerbaijan was bordered by Russia to the north, Georgia to the northwest, Armenia to the west, and Iran to the south. It also sat on huge reserves of oil, as Dick Cheney knew from his days as CEO of Halliburton. In 1998 the US State Department had officially estimated that the Caspian region had reserves of oil and gas of 178 billion barrels or more, potentially making it one of the largest untapped oil regions then known. Such numbers were significantly higher than previous estimates during the Soviet era, as new data had been collected using advanced 3D seismic survey technology.

By comparison, the United States had known reserves of some 21 billion barrels, while the North Sea oil fields held an estimated 16 billion barrels. [19]

The world’s largest oil reserves were in Saudi Arabia, at that time estimated officially at 261 billion barrels. In short, Caspian Sea oil, like the oil in Iraq, was yet another “prize” worth grabbing, to use Cheney’s term.[20]

Soon after the first public euphoria about Caspian Sea oil riches, the US State Department began to dramatically downplay the significance of Caspian oil. In a May 1998 broadcast, the US Government’s Radio Free Europe/Radio Liberty began a campaign to discredit talk of the Caspian Sea being a new Saudi Arabia in order to discourage investment in the region. [21] The less people realized the importance of oil in the region the better, thought Washington.

Meanwhile, British and American oil majors moved quietly and swiftly to take control of Caspian oil and gas resources. Along the northeastern shore of the Caspian Sea in Kazakhstan, Condi Rice’s old company Chevron took the major share of the huge Tenghiz field, while BP-Amoco, the British-US oil giant, dominated development in Azerbaijan’s part of the Caspian Sea around Baku.

By 2001 the Caspian Sea, the largest enclosed body of water on Earth, was rapidly becoming an Anglo-American lake in terms of oil control. Only Iran remained beyond their grasp and they were working on changing that, as well.

The problem in controlling the Caspian oil was building a secure pipeline from the Caspian oil fields that would bypass Russia and further weaken their former Cold War rival as a re-emerging Eurasian power.

Here Brzezinski stepped in to lobby hard for Washington investment in a major US pipeline running from Baku overland through the new Republic of Georgia, and from Tbilisi in Georgia over to NATO member Turkey and its Mediterranean port of Ceyhan. This would become known as the ‘BTC pipeline.’

### *Washington’s Rose Revolution*

Now serving as the chief paid lobbyist for BP, Brzezinski used his impressive Washington connections to push the Baku-Tbilisi-Ceyhan oil pipeline even though costs were vastly more than would have been the case if the pipeline had been laid along existing Russian routes, including through Chechnya.

Brzezinski had been a consultant to BP since the late 1990s, during the Clinton era, when he first urged Washington to back BP's Baku pipeline project, even acting as Clinton's unofficial envoy to Azerbaijan to push the deal. He was on the board of the US-Azerbaijan Chamber of Commerce (USACC), whose chairman was also President of ExxonMobil Exploration.

Other USACC Board members included Henry Kissinger, and James Baker III, who in 2003 went to Tbilisi to tell the President, Edouard Shevardnadze that Washington wanted him to step aside in favor of the US-trained Mikheil Saakashvili. Brent Scowcroft, former National Security Adviser to George H.W. Bush, also was on the board of USACC. Dick Cheney was also a board member before he became Vice President. A more high-powered Washington team of geopolitical fixers would be hard to imagine. Caspian Sea oil control was clearly high on the Washington agenda.

In November 2003, Brzezinski's geopolitical oil agenda moved forward as the US State Department and a group of Non-Governmental Organizations it influenced — including the National Endowment for Democracy, the Freedom House and several others — orchestrated a bloodless coup in Georgia.

In January 2004, the so-called Rose Revolution put into power Washington's candidate for President of Georgia, Mikheil Saakashvili. He had been clearly groomed for the job while studying at Columbia Law School. Saakashvili's first call as President was for Georgia to join NATO, a demand that did not go down well in Moscow. [22]

With the pro-NATO Saakashvili firmly installed as their man in Tbilisi — euphemistically called a democratic revolution — BP and the

AngloAmerican oil consortium moved swiftly to complete an 1800 kilometer pipeline from Baku via Tbilisi to Ceyhan in Turkey's Mediterranean, at a cost of some $3.6 billion, making the BTC pipeline one of the most expensive oil projects in history. BP's controversial chairman, Lord Browne, a close adviser to Britain's Tony Blair, played a key role in wooing Azerbaijan to the British oil company.[23]

With construction of the Baku-Tbilisi-Ceyhan pipeline for BP's Baku/Caspian oil, a major part in the weakening of Russia's oil and energy independence appeared in place.

### ***Tbilisi to Kiev: Ukraine's Orange Revolution***

Within weeks, Washington moved even closer to Moscow's doorstep by financing what CNN and other western media called the "Orange Revolution." In November 2004, eight months after the Georgia coup, Viktor Yushchenko—whose wife was an American citizen who had served in the Reagan Administration—became Ukraine's controversial new President. The US State Department reportedly spent more than $20 million to get their man in as President.[24] Another 'democratic' revolution.

Ukraine, far more even than Georgia, was of utmost strategic importance for Russia's national security. To begin with, Russia and Ukraine shared centuries of interwoven history, culture and language, with *Kievan Rus* being considered the birthplace of modern Russia. Political control of Ukraine could potentially give Washington control of most of Russia's Soviet-era natural gas pipelines. Ukraine's pipelines brought Russian natural gas from Siberia to Germany and other parts of Western Europe — in return for desperately needed dollars or euros for the government of Vladimir Putin. Moreover, because of the nature of Soviet economic integration during the Cold War, the state economies of Ukraine and Russia were organized as virtually one large entity. To cut that at the Ukrainian border dealt a devastating blow to Russia at a time when it could ill afford such a loss.

With Poland already in NATO, a NATO membership for Ukraine and Georgia would almost completely encircle Russia with potentially hostile neighbors, creating an existential threat to the very survival of Russia itself.

Putin knew this, but his options were limited. Washington knew what the stakes were, and it was doing everything short of open war against a nuclear opponent to push the agenda.

As of 2004, the very heartland of Eurasia was under threat of becoming swallowed up by NATO in a new, if undeclared, Cold War — this one being fought over energy pipelines rather than over ICBMs.

US and British oil companies had gained control over most of the vast oil of the Caspian Sea from Kazakhstan to Azerbaijan. The British oil giant BP had wrangled a strategic joint venture with a major privatized Russian oil company, Lukoil, Russia's second largest and in 2003 created TNK-BP, a joint venture with Russian partners and creating one of the ten largest private oil companies in the world. ExxonMobil and Royal Dutch Shell had secured major rights to develop vast oil and gas reserves in the Russian Far East on Sakhalin Island, where they began drilling in 2003. Those deals had been secured during the chaotic, ultra-corrupt Yeltsin days just after the collapse of the Soviet Union when American dollars could literally buy anything for a song.

The Bush-Cheney strategy of controlling "all oil everywhere" seemed well within reach as Russia, the world's second largest oil producer and by far the largest natural gas producer and exporter, appeared to have become encircled by a web of hostile regimes.

While Moscow tried to counter the Washington energy strategy with its own energy initiatives, in most strategic respects Moscow appeared significantly under ‘containment’ by 2004.

Meanwhile, what began to preoccupy Washington increasingly at that point was the other major, rapidly growing Eurasian power—The Peoples’ Republic of China — fast emerging as the world’s economic colossus. Oil would be used as a weapon of control there, as well, but in an entirely different manner than with Russia.

***Endnotes:***

[1] Dick Cheney, as cited in Kenny Bruno and Jim Valette, *Cheney & Halliburton: Go Where the Oil Is*, Multinational Monitor magazine, May 2001, accessed in http://www.thirdworldtraveler.com/Oil_watch/Cheney_Halliburton.html

[2] For a detailed description of the Pentagon’s military agenda following the collapse of the Soviet Union, see F. William Engdahl, *Full Spectrum Dominance: Totalitarian Democracy in the New World Order*, Wiesbaden, edition.engdahl, 2009.

[3] Edward S. Walter Jr, *Information Memorandum to Secretary Colin Powell on Origins of the Iraqi Regime Change Policy*, January 23, 2001, reprinted in National Security Archives, *The Iraq War — Part I: The US Prepares for Conflict, 2001*, accessed in http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB326/index.htm

[4] Dick Cheney, *Vice President and Mrs. Cheney’s Remarks in Wilmington, Ohio*, October 26, 2004, accessed in http://georgewbush whitehouse.archives.gov/news/releases/2004/10/20041026-7.html

[5] Tim Russert, *Interview with Vice-President Dick Cheney, NBC ‘Meet the Press,’* Transcript for March 16, 2003, accessed in http://www.mtholyoke.edu/acad/intrel/bush/cheneymeetthepress.htm

[6] James A. Paul, *Oil Companies in Iraq*, Global Policy Forum, November 2003, accessed in http://www.globalpolicy.org/component/content/article/185/40586.html

[7] Maureen Dowd, cited in Dilip Hiro, *Greenspan's Oil Claim in Context*, TomDispatch, September 25, 2007, accessed in http://www.globalpolicy.org/component/content/article/185/40693.html

[8] Global Policy Forum, *Oil in Iraq*, accessed in http://www.globalpolicy.org/iraq/political-issues-in-iraq/oil-in-iraq.html

[9] Dan de Luce, *Bush Officials Intent Early on Iraq Invasion Papers Suggest*, AFP, September 23, 2010.

[10] In a September 6, 2003 interview with the London *Guardian*, the just-fired UK Environment Secretary Michael Meacher declared that the reason for Tony Blair's unflinching backing of Bush and the Iraq war was pressure from BP to get a major piece of the oilfields of southern Iraq. See Michael Meacher, *Oil: The Great Unmentionable*, July 15, 2010, accessed in http://www.michaelmeacher.info/weblog/2010/07/oil-the-great unmentionable/#more-1159.

[11] US General Jay Garner who headed the first Iraq occupation administration after 2003, openly admitted that establishing a permanent network across Iraq of US military bases was a prime reason for the war. See Jim Lobe, *Chalabi, Garner Provide New Clues to War*, February 21, 2004, Inter Press Service, accessed in http://www.globalpolicy.org/component/content/article/168/36459.html

[12] George Wright, *Wolfowitz: Iraq war was about oil*, The Guardian, London, June 4, 2003. Some years after retiring as chairman of the Federal Reserve, Alan Greenspan also admitted that oil had been the reason for invading Iraq. Greenspan stated in his memoirs, *The Age of Turbulence*, "I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil." (see Dilip Hiro, op. cit.).

[13] Gina Chon, *Iraq's Oil Minister on Defense*, The Wall Street Journal, June 4, 2009, accessed in http://online.wsj.com/article/SB124403446631581149.html

[14] James A. Paul, op. cit.

[15] Zbigniew Brzezinski, *The Grand Chessboard: American Primacy*

*And Its Geostrategic Imperatives*, New York, Basic Books, 1998, p.31.

[16] Ibid, p. 38.

[17] Ibid, p. 39.

[18] National Priorities Project, *Total Cost of Wars Since 2001*, accessed in http://costofwar.com/

[19] Adil Baguirov, *Caspian Oil Reserves*, Azerbaijan International, Summer 1998 (6.2), p. 58, accessed in http://azer.com/aiweb/categories/magazine/62_folder/62_articles/62_mediawatch.html [20] Ibid.

[21] Ibid.

[22] F. William Engdahl, *Full Spectrum Dominance: Totalitarian Democracy in the New World Order*, 2009, edition.engdahl, Wiesbaden, pp. 41-43.

[23] Indicative of how the British Blair government and BP got the lucrative Baku oil rights, Les Abrahams, a former BP executive who admitted being hired also to work for British MI-6 intelligence, told the British media in 2007 that he spent £45 million over just four months of negotiations with Azerbaijan's state oil company. In a revealing article, the UK *Daily Mail* recounted Abrahams' story: "Armed with a no-limit company credit card, he ordered supplies of champagne and caviar to be flown on company jets into the boomtown capital, Baku, to be consumed at the 'sex parties.' The hospitality continued in London, where prostitutes were hired on the BP credit card to entertain visiting Azerbaijanis. Mr Abrahams, an engineer by training, joined BP in 1991, just as the disintegration of the Soviet Union had triggered a 'new gold rush' by oil multi-nationals seeking a share of the 200 billion barrels of oil reserves beneath the Caspian Sea. While employed by BP, Mr Abrahams says he was persuaded to work for MI6 by John Scarlett, now head of the service but then its head of station in Moscow. He says he was passing information to Scarlett in faxes and at one-to-one meetings in the Russian capital. He also claims that BP was working closely with MI6 at the highest levels to help it to win business in the region and influence the political complexion of governments." (Glen Owen, *Hookers, spies, cases full*

*of dollars...how BP spent £45m to win 'Wild East' oil rights*, UK Daily Mail, May 13, 2007, accessed in http://www.prisonplanet.com/articles/may2007/130507Hookers.htm). Lord Browne himself ended his career as head of BP abruptly in 2007 when a UK judge issued a court ruling upholding testimony of Browne's jilted boy lover, a young Canadian named Jeff Chevalier, that gave details of Browne's secret extravagant gay life. (London Evening Standard, *Damning judgement that finished Lord Browne's career*, 2 May 2007, accessed in http://www.thisislondon.co.uk/news/article-23394667-damningjudgement-that-finished-lord-brownes-career.do).

[24] F. William Engdahl, op. cit., p. 46.

# *chapter 13*

# CHINA BECOMES THE NEW TARGET

## *Emerging rival China*

In its strenuous efforts to maintain an iron grip on world oil flows and thereby to maintain control over other nations, Washington deployed its forces in the manner of classic British 19$^{th}$ Century Balance of Power rules. Whenever a Continental European power such as Spain or France would potentially threaten to upset the British-orchestrated political or military "balance," British diplomacy would craft an alliance with the weaker of two adversaries against the stronger. Examples include its alliance in the early 18$^{th}$ Century War of the Spanish Succession with a weaker Portugal against a far stronger Spain, or the alliance of Prime Minister Neville Chamberlain during the 1930s with Hitler's Germany against a then more formidable foe, France. It had proven devastatingly effective for the British.

After the end of the Cold War, the two most formidable future geopolitical rivals to American hegemony were Russia and China; any alliance of those two great Eurasian powers would threaten US domination globally. After the fall of the Soviet Union in 1991, Washington's priority was to encircle, dismantle and otherwise permanently cripple its only serious nuclear rival, Russia. China had been gradually modernizing its economy along the western lines initially approved by Communist Party General Secretary Deng Xiaoping, architect of China's "market socialism."

China at that time did not pose any strategic threat to Washington's overwhelming naval and air power, and so long as Chinese leaders could be convinced to hitch their economic wagon to an American-made star, Washington strategists calculated that they could keep China and Russia from moving closer to each other. The old Roman imperial dictum of divide and rule was Washington's strategy for dealing with Russia and China.

Years earlier, the 1978 opening of a Coca-Cola bottling plant in Shanghai symbolized the US strategy of binding China by outsourcing US manufacturing jobs – not to mention an array of capitalist products — to China, a haven of cheap labor. At that time, Deng's foreign policy continued to regard the Soviet Union and later Russia as an adversary to be resisted or defended against as much as the United States, perhaps even more so at times.

Washington was content to let China boom during the 1990s, especially as she was eager to join the World Trade Organization and play by American-made economic rules.

By 2000 and the dawn of a new century, however, US policy circles began to look more at China as a potential threat and less at Russia which, after the 1998 sovereign debt default, was struggling to survive and appeared to be under US and NATO containment.

***Beijing's 9/11 shock***

Following the events of September 11, 2001, the Bush Administration's declaration of a vaguely defined 'War on Terror,' a war with an open-ended "enemies" list and a clear focus on the oil rich Islamic world, created tectonic shock waves in Beijing. China was already invested in some of that oil.

Chinese strategy for development of its economy was predicated on the view that China had perhaps another decade or more to quietly prepare for what it expected to be an ultimate confrontation with the United States. As they quickly saw, the events of 9/11 and Washington's declaration of a War on Terror meant that the peaceful days were drawing rapidly to a close.

Commenting just days after the United States launched Operation Shock and Awe — the massive bombing, invasion and occupation of Iraq in March 2003 — China's official newspaper, *People's Daily* wrote that US moves in the Middle East "have served the goal of seeking world-wide domination." China's Government State Council think-tank saw the Iraqi invasion, an invasion counter to UN Security Council resolutions and in violation of every tenet of international law, as the first salvo in Washington's bid to "build a new world order under U.S. domination."[1]

Not surprisingly, one of the first acts of the US military occupation of Iraq was to cancel contracts between the Iraqi government and Chinese state oil companies for development of the vast oil resources of the country. Beijing's suspicions were confirmed. Removing the Chinese oil presence in Iraq was a major focus of the Iraqi occupation, not Osama bin Laden or Iraqi weapons of mass destruction. Kissinger's dictum, "Control the oil and you control entire nations," applied even to one as large as China.

The prime aim of the US occupation of Iraq was not to secure the flow of that country's huge untapped reserve of cheap oil for the US economy. The real aim, unspoken of course, was to be able to directly control and to potentially deny that sea of oil to emerging rivals, most especially China. It was a preemptive war to keep China from gaining a deep foothold in the Anglo-American sphere of control — the oil rich Middle East.

Dick Cheney had said so openly in a little-noted remark in his Energy Task Force Report of June 2001, three months before September 11 and almost two years before the US invasion of Iraq:

*Asia holds less than 5 percent of world proven oil reserves, but accounts for more than 10 percent of oil production and about 30 percent of world oil consumption. The developing countries of the Pacific Rim are expected to increase their total petroleum imports by almost 43 percent between 1997 and 2020. The developing countries of Asia are expected to remain heavily dependent on Middle East imports. 2*

*China is a critical player in global energy security issues, since its net oil imports are expected to rise from approximately 1 million barrels of oil per day at present to possibly 5 to 8 million barrels of oil per day* *by 2020, with a predominant (over 70 percent) dependence on Middle East imports. China moved in the mid-1990s from being a net oil exporter to a net oil importer. 3*

One of the pillars of post World War II American hegemony had been its ability to rapidly project its military power to control global oil at its source. The move to preempt China's future economic role by being in direct military control of that country's prime energy sources was of paramount military and geopolitical importance for that faction in the US power establishment tied to oil and the military industrial complex. That faction was typified by the Rockefellers, the Bush oil interests, and by Dick Cheney's Halliburton, the world's largest oil services company and at the same time the world's largest builder of US military installations around the world, then numbering over 700 outside the US as the late Chalmers Johnson documented.[4]

In the year 2000, the US Air Force asked the RAND Corporation, the strategic policy think tank, to look at the future energy needs of China through the year 2020. Around the same time, Cheney's PNAC was vigorously advocating forced removal of Saddam Hussein in Iraq. The RAND study project leader was Dr. Zalmay Khalilzad.

The Khalilzad-RAND report concluded,

*China's energy security activities are a response to the country's growing need for foreign sources of energy. China's recent shift from a net oil exporter to a net oil importer is a matter of great concern to the Chinese leadership, who regard oil imports as a strategic vulnerability that could be exploited by foreign powers. The United States is currently the most powerful country in the world and is perceived by many in China as uncomfortable with China's rising power. As a result, the Chinese government views the United States as the primary threat to China's energy security. China's energy security activities reflect this concern; they are largely defensive and are designed to minimize the vulnerability of China's oil supply to American power. 5*

Zalmay Khalilzad was no stranger to US oil wars. He was, in fact, a prime strategist of the US wars in both Afghanistan and Iraq. Khalilzad, an Afghan-born naturalized American, was intimately linked to the hawkish neo-conservatives and was a founding member of PNAC. He had worked with Zbigniew Brzezinski at Columbia University and later, during the Carter and Reagan administrations, Khalilzad was a prime architect of the CIA-backed Mujahideen guerrilla war in Afghanistan against the Soviet government during the 1980s. At that time a radical young Saudi named Osama bin Laden was being trained in unconventional warfare in Afghanistan by the US CIA.

Prior to joining the Bush administration, Khalilzad had worked in Afghanistan with a CIA asset named Karzai, on behalf of the US oil company, Unocal, to negotiate with the Taliban regime for construction of a huge oil and gas pipeline through Afghanistan. During the Bush-Cheney Administration Khalilzad was the prime strategist of the war in Afghanistan to topple the Taliban regime and was named to be Bush's Ambassador to Afghanistan, and then to Iraq. [6]

As Khalilzad and the Pentagon well understood already in 2000, China would be forced increasingly to seek foreign sources for its strategic oil needs as domestic oil proved inadequate to feed the explosive economic growth and modernization of the world's most populous country. The Pentagon began to prepare to meet the challenge.

### ***Beijing moves to secure its energy***

In 2003 as the US launched its war to control Iraq's prized oil fields, it sought especially to deny China access to Iraqi oil. China had meanwhile surpassed Japan to become the world's second largest consumer of crude oil, after the United States – thanks in large part to twenty years of aggressive marketing by Detroit auto makers to persuade the Chinese to replace their ubiquitous bicycles with gasguzzling US-made cars. In 2004, China passed Japan to become the world's second largest *importer* of crude oil.[7]

Imports of oil in China were rising at an annual rate of between 10 to 15 percent with no end in sight as China's growing middle class was opting for private cars for the first time in China's history, and the market for petrochemical products was exploding across the country. The International Energy Agency (IEA) forecast a five-fold increase in China's oil imports from around 2 million barrels per day (BPD) in 2002 to almost 11 million bpd by 2030. That would mean that China would have to import some 80% of its oil supplies, making its economy highly vulnerable should future relations with Washington go sour.[8]

Following the US invasion and occupation of Iraq, Beijing was swift to react to its own alarming strategic vulnerability. China's leadership had recognized that their growing dependence on imported oil and gas was the nation's economic and strategic Achilles heel. As the German military had experienced in two world wars, the inability to secure adequate supplies of oil could be fatal, not only to the economy in the era of petroleum but also to the military.

China's Premier Wen Jiabao was by training a professional geological engineer who clearly had a grasp of the strategic importance of oil to China's future, as well as the challenges of securing it. As one strategic analyst in an Asian defense journal put it, "the predominantly American 'War on Terror,' as well as the military interventions in Afghanistan and Iraq, have all combined to heighten China's sense of insecurity and vulnerability." [9]

The defense analyst put the Chinese dilemma after the US Iraqi occupation succinctly:

*The reality that the Persian Gulf, a region of strategic importance for the world's oil supplies, is under US sway is a view widely shared also outside China. The sea-lanes through the Indian Ocean to*

*Northeast Asia, the main supply route for China's oil, are under the control of the US Navy. It is hardly surprising that Beijing is concerned, not only about how this affects its own strategic leverage, but also concerning the implications of this situation for China's economy, let alone the social and political stability, ultimately, of the entire country. One of its greatest fears is that, in the event of a conflict over Taiwan, the United States might disrupt China's oil supplies. 10*

The Beijing government acted to implement a national energy security strategy that included sending its state oil companies to scour the world for possible direct oil exploration agreements, and to secure oil and gas pipelines from Central Asia and Russia to provide long-term overland supplies. And China launched a diplomatic charm offensive across the poorest African countries in defiance of traditional US and British domination. In short, oil had become a national security issue of paramount priority for China.

By 2005 China was clearly on track and moving with breath-taking speed to catch up to the West in its level of industrialization. David Hale, a prominent US economist noted the situation in a report in 2005:

*The rise of China as a great economic power is one of the defining events of the early 21st century. After 25 years of economic reform, that country enjoys robust growth momentum and is rapidly emerging as one of the world's leading trading nations...China's manufacturing output now exceeds US$1 trillion and could be larger than America's within five years. As a result, China has emerged as a huge importer of raw materials. Its share of global base metal consumption now exceeds US levels, while its fuel consumption is second only to that of the United States.11*

To secure that fuel, Chinese oil companies moved to establish their presence in the Persian Gulf, especially Iran and Saudi Arabia. Indeed, by 2009 more Saudi oil went to China than to the United States, something that suggested the oil-rich Arab kingdom was looking more east than west for its business, a shift that sent some shivers up the spines in Washington, no doubt.

The Chinese built influence in Central Asia, including Kazakhstan, as well as in Russia, and across Latin America from Venezuela to Brazil. Nowhere was China more active in securing oil and other mineral rights than across Africa. And nowhere in Africa was it more welcomed than in isolated Sudan where the regime had suffered under years of a Washington economic embargo for allegedly sponsoring terrorism.

### *Wooing Africa*

In the face of what Beijing correctly assessed was growing US pressure to contain the emerging Asian economic colossus, Chinese diplomacy moved with impressive energy to woo select African countries, many of whom had been financially and economically devastated during the 1980s and 1990s by foreign debt and the International Monetary Fund's economic 'conditionalities.'

In 1999 annual trade between China and Africa was approximately $6 billion. After establishment of a China-Africa Cooperation Forum (CACF) in 2000, mutual trade began to boom, reaching almost $30 billion by 2004 compared with a US-Africa trade of $59 billion. Chinese trade with Africa was growing at a far faster rate than that of the US, more than 50 percent annually, putting it on track to soon overtake US trade with the African continent.[12]

By making interest-free loans or offering to build urgently needed water and highway infrastructure, or schools and hospitals, Beijing began to secure major trade alliances throughout Africa. By ignoring the restrictions of IMF agreements, China found doors in Africa opened to it.

The Heritage Foundation, an ultra-conservative Republican think-tank close to the Bush Administration, sounded the alarm in Washington over the Chinese energy pursuit. They noted, *An estimated 25 percent of China's total oil imports currently comes from Africa, and Beijing has placed a high priority on maintaining strong ties with its African energy suppliers through investment, high-level visits, and a strict policy of 'noninterference in internal affairs' that Africa's dictators find comforting.13*

Beginning in 2004 China made a dazzling array of deals with different resource rich African states. While US and British leaders largely ignored Africa, in 2004, China undertook an unprecedented diplomatic offensive, with more than a dozen exchange visits of high-level party and government officials between China and African countries. Chinese President Hu Jintao visited Algeria, Gabon, and Nigeria—the three African oil giants—to consolidate the security of energy supplies.

Beijing extended a $2 billion loan to Angola for a contract to supply 10,000 barrels of crude oil per day, while the loan would be reinvested in infrastructure construction, with 70% of the loan going to Chinese companies and the remaining 30% to local subcontractors. In 2005, PetroChina concluded an $800 million deal with the Nigerian National Petroleum Corporation to buy 30,000 barrels of oil a day for one year. Nigeria had been considered in Washington to be an asset of the Anglo-American oil majors, ExxonMobil, Shell and Chevron. No longer, it seemed.

China National Offshore Oil Corporation (CNOOC), after being blocked by the US Government and Chevron Oil from buying the USbased Unocal oil company, bought a 45% stake in a Nigerian offshore oil and gas field for $2.27 billion and promised to invest an additional $2.25 billion in field development. China National Petrochemical Corporation (SINOPEC) made agreements to explore Gabon's onshore and offshore oil reserves.[14]

Then in November 2006, the Beijing government hosted an historic China-Africa summit for 48 African countries and 43 heads of state. Nothing like that kind of literal red carpet treatment had ever before been experienced by African leaders. Shortly after the summit, Chinese Foreign Minister Li Zhaoxing made a seven-nation tour in Africa, including Benin, Equatorial Guinea, Guinea-Bissau, Chad, the Central African Republic, Eritrea, and Botswana. His theme was always the same: China's common ground with Africa and its desire for economic cooperation, human resources development, public health, education, and agribusiness. It found very receptive ears as the Chinese focused on long-neglected areas such as railway construction, road rehabilitation, and telecommunications.

Princeton Lyman, a former US Ambassador to Nigeria and South Africa, and a member of the board of the US Government-funded National Endowment for Democracy and of the Council on Foreign Relations, noted that China's expanding Africa role was no mere quest for resources. Lyman noted that although resources had been a significant feature of China's engagement, China was engaged in something far more strategic in Africa. It was, he claimed, a strategic, multi-dimensional initiative that saw Africa as "a growing market and possibly a source over the long run for food, manufacturing, and industrial goods." [15]

In short, China was threatening to derail decades of Washington policies of treating Africa as a *de facto* colonial preserve to be pressured via the IMF and to be looted at will for its raw materials, little else.

China's oil-related diplomacy in Africa led to the bizarre accusation from Washington that Beijing was trying to 'secure oil at the sources,' something Washington foreign policy had itself been preoccupied with for at least a century. No source of oil was more the focus of the China-US oil conflict than Sudan, home of Darfur's vast oil reserves.

### *Darfur: 'It's about oil, Stupid'*

In no other African country had China invested more and gained more in terms of energy supplies than in Sudan. The China National Petroleum Corporation (CNPC) became the single largest shareholder, 40%, in the Greater Nile Petroleum Operating Company, which controls Sudan's oil fields and had invested billions of dollars in refinery and pipeline construction in Sudan since 1999.

China National Petroleum Company (CNPC) was Sudan's largest foreign investor, with some $5 billion in oil field development. Since 1999 China had invested at least $15 billion overall in Sudan. It owned 50% of an oil refinery near Khartoum in partnership with the Sudanese government. The oil fields were concentrated in the south, the site of a long-simmering civil war—a civil war covertly financed, in part, by the United States in order to divide the oil-rich south from the Islamic Khartoum-centered north.

CNPC built an oil pipeline from southern Sudan to a new terminal at Port Sudan on the Red Sea where the oil was loaded on tankers bound for China. By 2006, Sudan had become China's fourth largest foreign oil source; by 2007, 8% of China's oil came from southern Sudan. China took as much as 80% of Sudan's 500,000 barrels of daily oil production.[16]

Washington responded aggressively to the growing Chinese oil presence in Sudan and especially in Sudan's Darfur where the Chinese had found a vast new oil region that promised to tap into a giant oilfield, perhaps extending across Chad into Cameroon. In February 2003, just as China signed an agreement with the Sudanese Government for oil exploration rights in a major block in Darfur, guerilla warfare exploded across the region. Coincidence?

Sudan's Information Minister Abdel Sabdarat told the *Los Angeles Times* in a 2005 interview that Washington had pushed his government to limit its ties with Chinese oil companies. "But we refuse such pressures," he said. "Our partnership with China is strategic. We can't just disband them because the Americans asked us to do so."[17]

Secretary of State Colin Powell at that point denounced Sudan with the patently false allegation of genocide in Darfur.[18] He called for NATO troops to “enforce peace.” At the same time, reportedly the US intelligence services were covertly fanning the violence in Darfur from across the unmarked border in neighboring Chad, funneling secret arms and other aid to Chad dictator Idriss Deby. Washington, it turned out, had substantial oil-related interests in Chad via Chevron. [19]

### *AFRICOM*

Meanwhile, the US backed and armed the so-called Sudanese Liberation Army, headed by John Garang until his death in 2005. Garang had been trained by the US military at the infamous Special Forces School of the Americas at Fort Benning, Georgia — where many of the US-backed Latin American military juntas and death squad leaders were trained.[20]

Soon the Bush Administration and Pentagon decided to deal more seriously with the growing Chinese economic presence in Africa. Within weeks of the grand Beijing reception for more than forty African heads of state in 2006, George W. Bush signed a Presidential Order creating AFRICOM, the United States Africa Command, a new dedicated military command to deal with Africa.

The official mission of AFRICOM encompassed “military operations as directed to promote a stable and secure African environment in support of US foreign policy.” [21] For the first time in its history, the United States government had extended the Monroe Doctrine and the Carter Doctrine (pledging military force to defend US national interests in the Persian Gulf, meaning Middle East oil) now to a Bush Doctrine declaring Africa’s oil a “national security” priority of the US Government. China was the reason.

A journal of the US Navy Center on Contemporary Conflict reviewed US and Chinese policies towards Africa. Noting that US policy since the end of the Cold War, and until quite recently, had been one of neglect and declining aid, and that China was doubling its Africa trade almost yearly, the Navy Africa specialist Letitia Lawson stated:

*The most significant challenge to US policy in Africa in the coming years may be China. The immediate topic of most strategic discussions regarding China and Africa is oil competition.…Just as the US is recognizing the importance of African oil to its interests, China is actively seeking to expand its own market share. But China's economic and thus political engagement of Africa since the turn of the century goes far beyond the hunt for energy. China's overall trade with Africa doubled from 2002 to 2003, and then doubled again between 2003 and 2005...and there is no end in sight. China is now Africa's third largest trading partner, behind the US and France, and ahead of former colonial power Britain. 22*

J. Peter Pham, a Washington adviser to the Defense and State Departments bluntly asserted that the aim of AFRICOM was,

*...protecting access to hydrocarbons and other strategic resources which Africa has in abundance...a task which includes ensuring against the vulnerability of those natural riches and ensuring that no other interested third parties such as China, India, Japan or Russia obtain monopolies or preferential treatment....Africa...will increasingly become a theatre for strategic competition between the United States and its only real nearpeer competition on the global stage, China....23*

By the end of the Bush Administration, Washington was counterattacking Chinese oil and gas supply initiatives across the globe. From Myanmar — where the US instigated a Buddhist monk rebellion to try to derail a China-Myanmar pipeline and energy cooperation as well as port construction — to China's own Xinjiang Province – the US pushed back. In Xinjiang, the US-funded National Endowment for Democracy was discovered fomenting riots against Han Chinese residents in the region, home to China's major oil and pipeline routes from Kazakhstan to China.

To drive home its point, Washington created a military alliance with India directed against China, and President Obama dramatically escalated the US military actions in Afghanistan, and increasingly in Pakistan after 2009. The goal was clear: to control China's access to Eurasian resources, above all oil and gas.

As the collapse of the US and UK real estate boondoggle pushed America into the deepest depression since the 1930s and America's domination around the world was being increasingly tested by nations and groups of nations from Europe to China to Russia and across the oil-rich Muslim world of North Africa and the Middle East, Washington decided it was time for desperate measures.

In late 2010 they launched what were to be the most concerted attempts at multiple regime change ever — starting with a little-noted food protest in Tunisia and spreading rapidly to one of the political pillars of Middle Eastern stability, Egypt.

After 2007, with America's economic and financial structure in its worst crisis since the Great Depression, US policy circles clearly and urgently needed a new strategy to control the breathtakingly rapid economic growth of China and other emerging economies such as Russia and Brazil. A Pentagon strategy paper written for the secretive Office of Net Assessments in 2003 had prepared the launch of a new weapon to control world energy growth. It was called 'the danger of manmade global warming from fossil fuel emissions, above all oil and coal.' A new global propaganda campaign was being readied to trump the failing Peak Oil argument and keep the world under Washingto

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# *chapter 14*

## WASHINGTON'S GREATER MIDDLE EAST WAR

### *A Prairie Fire Begins in Tunisia*

Shortly after the turn of the century, as the Clinton Presidency was drawing to a close, it became increasingly clear to the global strategists in and around Washington that in the future their only potential rival for global hegemony was in Eurasia, specifically in a potential cohesion of the major powers of Eurasia—China and Russia, along with key countries in the oil-rich Middle East and Africa.

Pentagon planners were well aware of China's potential as a global economic colossus—and also its vulnerability in the area of national energy security, especially its dependence on imported oil and gas.

In October 2010, US intelligence agencies, operating covertly through various Non Governmental Organizations (NGOs), began one of the boldest and riskiest operations since the British launched the First World War in order to carve up the oil riches of the Persian Gulf. Anglo-American establishment media such as CNN, BBC and the *New York Times* were in on the operation, praising the emergence of what they deceptively called "peoples' democracies" across North Africa and the Middle East.

What few realized was that the protests erupting from Tunisia to Darfur to Algeria and Yemen had been planned years before in various Pentagon think tanks. While they appeared to be aimed at local tyrants, they were primarily aimed at future control of the colossal economic giant that China was becoming.

The new uprisings across North Africa and the oil-rich countries of the Middle East were anything but "spontaneous" democratic uprisings of idealistic youth, although they may have drawn such followers into their vortex. They were all a part of what the Pentagon termed in its special jargon, "Full Spectrum Dominance." The upheavals were merely the next major move to bring a strategic part of Eurasia directly under US and NATO military control and to prevent the nations of Asia — from Japan to China to India — from ever implementing a truly independent foreign policy. Some US policy architects, such as David Rockefeller, called it their New World Order. What kind of a world order it would be for hundreds of millions of citizens across the Islamic world was in considerable doubt by the summer of 2011.

On December 7, 2010 a twenty-seven-year old Tunisian street peddler set himself afire in protest at being harassed by local police trying to confiscate his wares. The event would become the symbol of what was called the Jasmine Revolution. Within weeks, thousands of trade union and youth protestors, co-ordinated and manipulated by Twitter and using modern techniques of non-violence, had ousted the long-standing President Zine El Abidine Ben Ali from his post as *de facto* dictator. It was the first successful "Twitter" regime change in the Middle East.[1]

Highly-suspect *Wikileaks* cables played a pivotal role as well. In late October 2010, just days prior to the time the young street-peddler was dousing himself with gasoline to become the first martyr of the Jasmine Revolution, the *New York Times* leaked one of hundreds of thousands of pages of allegedly "illegally downloaded" US diplomatic emails. No less an authority on US intelligence practices than Zbigniew Brzezinski suggested the purported leaks would provide an ideal cover for inserting planted cables.[2]

The leaked cable purported to be from the US Ambassador to Tripoli reporting to Washington on his dinner with the wealthy son-in-law of Tunisian President Ben Ali.[3] The cable to Washington was conveniently leaked over the Internet. It was immediately picked up by Tunisian bloggers who took it as a sign that Washington would be friendly to their opposition to the Ben Ali regime. *Wikileaks* was believed by many serious political analysts to be a sophisticated US intelligence dis-information channel. In the Tunisian case it indeed helped push a Washington agenda of regime change across the entire Islamic world from Morocco to Pakistan and points between.

In Tunisia, IMF demands had just forced the Ben Ali regime to remove government subsidies on food just as Wall Street speculators were driving grain prices dramatically higher. The economic background boosted the call for genuine regime change among ordinary citizens. [4]

Washington was involved intimately in fostering the “spontaneous” Tunisian street protests that toppled Ben Ali. Six months before the well-timed Wikileaks cable, in May 2010 General William E. Ward, commander of the US Africa Command (AFRICOM), visited Tunisia and met Tunisian Minister of Defense Ridha Grira. Grira had just recently returned from “very positive talks in Washington with US Secretary of Defense Robert Gates,” according to a posting from AFRICOM.[5] After the fall of Ben Ali, the Pentagon-backed military remained in power controlling events from behind the scenes. “Democracy” in Tunisia as elsewhere across the region was but a cynical media facade to hide the reality of new military dictatorships loyal to and dependent on Washington. It was a game the Pentagon played well.

The success of the Jasmine Revolution would trigger similar USsponsored upheavals across the Islamic world from North Africa to the Middle East to Central Asia. China and Western Europe as well as Russia and the nations of Eurasia were very much the ultimate target of the destabilizations. In January 2011 *The New York Times* reported, with obvious approval, that within China itself, there were calls for a Jasmine Revolution. [6]

***Washington’s Greater Middle East Project***

The decision by the Bush-Cheney administration to invade Iraq in early 2003 had nothing whatsoever to do with Osama bin Laden or the alleged terrorists behind the events of Septembr 11, 2001 in the United States, as later became clear. Rather, the invasion was part of a grand geopolitical strategy whose ultimate goal was to achieve total US military control over the oil riches of the entire Islamic world: from Algeria through North Africa to Libya, on to the Persian Gulf and across Iran to Afghanistan on China's doorstep.[7]

What, precisely, was this US grand strategy?
In a speech in May 2003, President Bush described the goal of the US military conquest of Iraq as "the establishment of a US-Middle East free trade area within a decade."[8] In a Washington paper delivered to the G8 summit in June 2004 at Sea Island Georgia, Washington called for "an economic transformation similar in magnitude to that undertaken by the formerly communist countries of Central and Eastern Europe."
For those in Eastern Europe who had managed to survive the International Monetary Fund economic "shock therapy" that was imposed on them — the former countries of the Soviet Union, including Russia, Poland, Ukraine and others — the 'Greater Middle East Project' was clearly a blueprint for a US-led plunder of the invaluable state assets of the oil-rich Persian Gulf. To lock eastern Europe into the new US sphere of control, Washington had induced country after country to become members of NATO, a military alliance whose *raison d'etre* ought to have ended when Moscow dissolved its Warsaw Pact alliance in 1991, along with the dissolution of the Soviet Union itself. Clearly, the same NATO strategy was about to be unleashed in the Middle East.
Washington's Iraq strategy sank quickly into a quagmire for the US amid strong resistance from the entrenched regimes of the region, notably from the Saudi monarchy. Such resistance led the Bush Administration to postpone their Greater Middle East Project.

Washington's Greater Middle East Project envisions US domination of the entire Islamic world from Sudan and Morocco across to Libya, Egypt, the Persian Gulf on to Pakistan and Afghanistan

Washington's Greater Middle East Project was intended to encompass the oil-rich and predominantly Arab countries of the Middle East and North Africa, as well as Afghanistan, Iran, Pakistan, Turkey and Israel. Such an ambitious plan appeared to fit Washington's grand strategy quite nicely. Plunging the entire arc of countries from Morocco to Afghanistan and Pakistan into a state of permanent crisis and tension would provide a convenient excuse for NATO to "protect vital oil supply lines."

### *Project for a 'Greater Middle East'*

The spreading regime change movements from Tunisia to Sudan, from Yemen to Egypt to Syria were best viewed in the context of a long-standing Pentagon and State Department strategy for the entire Islamic world from Kabul in Afghanistan to Rabat in Morocco. Washington's cynical strategy was to fan longstanding aspirations among the protesters for genuine democracy and fairness, an impulse that was shared by most. Behind that, a few key trained operatives boosted by the international controlled media such as CNN or BBC could steer events in predetermined directions.

The rough outlines of the Washington strategy was based in part on its successful regime change operations in the former Warsaw Pact communist bloc of Eastern Europe. The basic strategy had been drawn up by former Pentagon consultant and neo-conservative Richard Perle, and subsequent Bush administration official Douglas Feith, in a white paper for the Israeli Likud regime of Benjamin Netanyahu in 1996.

The neo-conservative policy recommendation was titled *A Clean Break: A New Strategy for Securing the Realm*. It was the first Washington thinktank paper to openly call for removing Iraq's Saddam Hussein, and for an aggressive military assault on the Palestinians, striking Syria and targeting Syrian military units on the border of Lebanon.[9] Reportedly, the Netanyahu government at that time buried the Perle-Feith report, considering it far too risky.

By September 11, 2001, however, and the return to Washington of the arch-warhawk neoconservatives around Perle and others, the Bush Administration put its highest priority on an expanded version of the Perle-Feith paper. They called it their 'Greater Middle East Project.' Bush named Feith his Under Secretary of Defense.

Behind the facade of proclaiming ‘democratic’ reforms of autocratic regimes in the entire region, the Greater Middle East Project was a blueprint to extend US military control across the Middle East and Eurasia, breaking open the statist economies in the entire span of states from Morocco to the borders of China and Russia.

In May 2005, before the rubble from the US bombing of Baghdad had cleared, George W. Bush, a President not remembered as a great friend of democracy, proclaimed a policy of “spreading democracy” to the entire region, explicitly noting that that meant “the establishment of a USMiddle East free trade area within a decade.” [10] What Washington meant by the term free trade was but a disguise for forcing open national economies in order to be taken over by US and allied multinational corporations, promoting unregulated markets where they could tap into underpaid workers to produce.

Prior to the June 2004 G8 Summit on Sea Island, Georgia, Washington issued a working paper called, “G8-Greater Middle East Partnership.” Under the section titled “Economic Opportunities” was Washington’s dramatic call for “an economic transformation similar in magnitude to that undertaken by the formerly communist countries of Central and Eastern Europe.”

The US paper said that the key to this would be the strengthening of the private sector as the way to ‘prosperity’ and ‘democracy.’ It misleadingly claimed it would be done via the miracle of microfinance where, as the paper put it, “a mere $100 million a year for five years will lift 1.2 million entrepreneurs (750,000 of them women) out of poverty, through $400 loans to each.” [11]

The US plan envisioned takeover of regional banking and financial affairs by new institutions ostensibly international but, like the World Bank, WTO and IMF, controlled by Washington. The goal of Washington’s long-term project was to completely privatize control of oil by putting it into American hands, to completely control the oil revenue flows, and thus to completely control all the economies of the region — from Morocco to the borders of China and everything in between. It was a project as bold as it was desperate.

Once the G8 US paper was leaked in 2004 in the Arabic *Al-Hayat*, opposition to it spread quickly and widely across the region, with a major protest over the US definition of the 'Greater Middle East.' As an article in the French *Le Monde Diplomatique* in April 2004 noted, "besides the Arab countries, it covers Afghanistan, Iran, Pakistan, Turkey and Israel..." [12]

In 2004, vehement opposition from two Middle East leaders—Hosni Mubarak of Egypt and the King of Saudi Arabia—forced the ideological zealots of the Bush Administration to temporarily put their Greater Middle East Project on a back burner. Clearly one reason Mubarak was later the target of Washington hostility had to do with his strong opposition to US Middle East policies.

Six years later, beginning in 2010, America's strategic position was becoming far weaker while that of China, in particular, was becoming stronger at a rate alarming to Washington's long-term strategists. The US strategists decided to risk massive regime changes under the banner of supporting democracy across the entire Islamic world.

With the fate of Tunisia rapidly decided in early 2011, the Pentagon strategists moved against an apparent long-term ally, Hosni Mubarak.

***Washington's 'soft' revolutions***

The protests that led to the toppling of Egyptian President Hosni Mubarak on the heels of the panicked flight of Tunisia's Ben Ali into a Saudi exile were not at all as "spontaneous" as the Obama White House, Clinton State Department or CNN, BBC and other major media in the West made them out to be.

They were organized on the model of the "Orange Revolution," the Ukrainian uprising: high-tech electronic communications linking networks of youth — in this case, tied to former IAEA figure Mohammed ElBaradei. There was some evidence of links to the banned and secretive Muslim Brotherhood, as well. The Brotherhood's connections to British and American intelligence and freemasonry were widely suspected across the region.[13]

The Tunisian "Jasmine Revolution" and Egyptian regime changes had all the footprints of a US-backed regime change along the model of the 2003-2004 Color Revolutions in Georgia and Ukraine, and the Green Movement against Iran's Ahmedinejad in 2009.

The call for an Egyptian general strike and the January 25, 2011 "Day of Anger" that sparked the mass protests demanding Mubarak's resignation was issued by a Facebook-based organization calling itself "the April 6 Movement." The protests were so substantial and well-organized that it forced Mubarak to ask his cabinet to resign and appoint a new vice president, Gen. Omar Suleiman, former Minister of Intelligence.

"April 6" was headed by Ahmed Maher Ibrahim, a 29-year-old civil engineer, who set up the Facebook site to support a workers' call for a strike on April 6, 2008.

According to a *New York Times* account from 2009, some 800,000 Egyptians, mostly youths, were already then Facebook or Twitter members. In an interview with the Washington-based Carnegie Endowment, "April 6 Movement" head Maher stated, "Being the first youth movement in Egypt to use internet-based modes of communication like Facebook and Twitter, we aim to promote democracy by encouraging public involvement in the political process."[14]

Behind the vague and amorphous April 6 Movement stood another far more sophisticated group, Kefaya, a core organization trained by the RAND Corporation. RAND, a Pentagon-tied think-tank, had developed various ways to use mobs or crowds of protesting youth to destabilize regimes hostile to the Washington agenda as early as the 1989 Tiananmen Square student protests.[15]

### *Kefaya—Pentagon 'non-violent warfare'*

Kefaya was at the heart of mobilizing the Egyptian protest demonstrations that forced Mubarak out after 42 years in office. The word Kefaya translates to "enough!"

Curiously, the planners at the Washington National Endowment for Democracy (NED) [16] and related color revolution NGOs apparently had been bereft of creative new catchy names for their Egyptian Color Revolution. In their November 2003 Rose Revolution in Georgia, the US-financed NGOs chose the catch word, Kmara! In order to identify the youth-based regime change movement. Kmara in Georgian also meant "enough!"

Like Kefaya, Kmara in Georgia had also been built by the Washingtonfinanced trainers from the NED and other groups, including Gene Sharp's misleadingly-named Albert Einstein Institute which used what Sharp once identified as "non-violence as a method of warfare."[17] Leading members of the Albert Einstein Institute, significantly, were also in Tiananmen Square in the days just before the outbreak of the student protest.[18]

The various youth networks in Georgia as in Kefaya were carefully and secretly trained as a loose, decentralized network of cells, deliberately avoiding a central organization that could be broken and could have brought the movement to a halt. Training of activists in techniques of non-violent resistance was done at sports facilities, making it appear innocuous. Activists were also given training in political marketing, media relations, mobilization and recruiting skills.

The formal name of Kefaya was "Egyptian Movement for Change." It was founded in 2004 by a group of Egyptian intellectuals at the home of Abu 'l-Ala Madi, leader of the al-Wasat party, a party reportedly created by the Muslim Brotherhood. [19] Kefaya was created as a coalition movement united only by the call for an end to Mubarak's rule.

As part of the amorphous April 6 Movement Kefaya capitalized on new social media and digital technology as its main means of mobilization. Political blogging, posting uncensored YouTube film shorts, and skillful use of photographic images proved extremely effective. Earlier, at a rally in December 2009, Kefaya had announced support for the candidacy of Mohammed El Baradei for the 2011 Egyptian elections. [20]

***RAND and Kefaya***

The US think-tank RAND Corporation had made a detailed study of Kefaya, titled *The Kefaya Movement: A Case Study of a Grassroots Reform Initiative*. It was "sponsored by the Office of the Secretary of Defense, the Joint Staff, the Unified Combatant Commands, the Department of the Navy, the Marine Corps, the defense agencies, and the defense Intelligence Community." [21]

In its 2008 *Case Study,* the RAND researchers noted the following, in relation to Egypt's Kefaya:

*The United States has professed an interest in greater democratization in the Arab world, particularly since the September 2001 attacks by terrorists from Saudi Arabia, the United Arab Emirates, Egypt, and Lebanon. This interest has been part of an effort to reduce destabilizing political violence and terrorism. As President George W. Bush noted in a 2003 address to the National Endowment for Democracy, "As long as the Middle East remains a place where freedom does not flourish, it will remain a place of stagnation, resentment, and violence ready for export" (The White House, 2003). The United States has used varying means to pursue democratization, including a military intervention that, though launched for other reasons, had the installation of a democratic government as one of its end goals. However, indigenous reform movements are best positioned to advance democratization in their own country. 22*

RAND researchers spent years perfecting techniques of unconventional regime change under the name "swarming," the method of deploying mass mobs of digitally-linked youth in hit-and-run protest formations moving like swarms of bees.[23]

Washington — and the stable of alleged "human rights" and "democracy" and "non-violence" NGOs it oversaw — increasingly relied on sophisticated "spontaneous" nurturing of local indigenous protest movements to create pro-Washington regime change and to advance the Pentagon agenda of global Full Spectrum Dominance. As the RAND study of Kefaya stated in its concluding recommendations to the Pentagon:

*The US government already supports reform efforts through organizations such as the US Agency for International Development and the United Nations Development Programme. Given the current negative popular standing of the United States in the region, US support for reform initiatives is best carried out through nongovernmental and nonprofit institutions. 24*

The RAND 2008 study was even more concrete about future US Government support for "reform" movements:

*The US government should encourage nongovernmental organizations to offer training to reformers, including guidance on coalition building and how to deal with internal differences in pursuit of democratic reform. Academic institutions (or even nongovernmental organizations associated with US political parties, such as the International Republican Institute or the National Democratic Institute for International Affairs) could carry out such training, which would equip reform leaders to reconcile their differences peacefully and democratically.*

*Fourth, the United States should help reformers obtain and use information technology, perhaps by offering incentives for US companies to invest in the region's communications infrastructure and information technology. US information technology companies* *could also help ensure that the Web sites of reformers can remain in operation and could invest in technologies such as anonymizers that could offer some shelter from government scrutiny. This could also be accomplished by employing technological safegaurds to prevent regimes from sabotaging the Web sites of reformers. 25*

The Alternative Strategy Initiative included "research on creative use of the media, radicalization of youth, civic involvement to stem sectarian violence, the provision of social services to mobilize aggrieved sectors of indigenous populations, and the topic of this volume, alternative movements." [26]

In May 2009 just before President Obama's tript to Cairo to meet Mubarak, US Secretary of State Hillary Clinton hosted a number of the recruited young Egyptian activists in Washington under the auspices of Freedom House, another "human rights" Washington-based NGO with a long history of involvement in US-sponsored regime change — the Color Revolutions from Serbia to Georgia to Ukraine and elsewhere. Clinton and Acting Assistant Secretary of State for Near Eastern Affairs Jeffrey Feltman met the sixteen activists at the end of a two-month "fellowship" organized by Freedom House's New Generation program.[27]

Freedom House and Washington's government-funded regime-change NGO, the National Endowment for Democracy (NED), were thus at the heart of the uprisings that swept across the Islamic world beginning in 2010.

As the architect and first head of the NED, Allen Weinstein told the *Washington Post* in 1991 that, "a lot of what we do today was done covertly 25 years ago by the CIA." [28]

The NED Board of Directors included at one time or another: former Defense Secretary and CIA Deputy head, Frank Carlucci of the Carlyle Group; retired General Wesley Clark of NATO; neo-conservative warhawk Zalmay Khalilzad who was architect of George

W. Bush's Afghan invasion and later ambassador to Afghanistan as well as to occupied Iraq. Another NED board member, Vin Weber, was also on the NED Board. Weber cochaired a major independent task force on *US Policy toward Reform in the Arab World* with former US Secretary of State Madeleine Albright, and was a founding member of the ultra-hawkish Project for a New American Century think-tank with Dick Cheney and Don Rumsfeld – which, as noted previously, advocated forced regime change in Iraq as early as 1998. [29]

### *Libya: A NATO war is necessary*

As regimes across the band of Islamic states from Algeria to Yemen to Bahrain began to wobble or fall, one regime appeared firmly entrenched. Libya's Muhammar Gaddafi was not about to abandon his seat to a Washington-sponsored coup in any form.

Unlike Tunisia or Egypt — where a credible argument could be made that the population was suffering from exploding food prices and a vast wealth gap — Gaddafi's Libya, officially called Libyan Arab Jamahiriya, was very different.

Libyans enjoyed the highest living standard on the Continent. Gaddafi did not stay on top for 42 years without ensuring that his population had little room to complain. Most health services, education and fuel was state-subsidized.

Gaddafi's Libya had the lowest infant mortality rate and highest life expectancy of all Africa. When he seized power from ailing King Idris four decades ago, literacy was below 10% of the population. Today it is above 90%, hardly the footprint of your typical tyrant. Less than 5% of the population is undernourished, a figure lower than in the United States. In response to the rising food prices of recent months, Gaddafi took care to abolish all taxes on food. And a lower percentage of the population was living below the poverty line in Libya than in the Netherlands. Gaddafi calls his model a form of

Islamic socialism. It is a secular state, and not a theocracy, despite its overwhelmingly Sunni population. [30]

Above all, under Gaddafi, Libya had avoided turning its oil riches fully over to Western oil majors, keeping the vast majority of Africa's largest oil reserves firmly in Libyan hands, making long-term concession agreements with select foreign companies. China was a major partner with Libya's state oil company.

Unlike in Tunisia or Egypt, Washington could not hide behind a facade of non-violent youth protesters in Libya. It was forced to resort to arming mercenaries and training an indigenous Libyan opposition in what became a full civil war insurgency.

The US had covertly supported Egyptian Arab League President Amr Moussa's ambition to succeed Mubarak as President in return for Moussa's delivery of a credible Arab League pretext for armed intervention against Gaddafi. They alleged unsubstantiated claims that Gaddafi had ordered aerial shootings of unarmed civilians. A behind-the-scenes deal between Washington and Saudi Arabia over Bahrain helped seal the Arab League betrayal of Qaddafi's Libya. [31]

Armed with the Arab League's formal call for armed action, the US immediately pressured the UN Security Council to authorize intervention, a resolution passed — with China and Russia abstaining, among permanent members of the Security Council. France's Sarkozy led the call for military intervention into Libya, apparently enticed by, among other things, illusions of capturing a major chunk of Libya's vast oil riches for French oil companies.

The most remarkable facet of NATO's war against Libya was the fact that "world opinion" accepted without question an act of overt military aggression against a sovereign country that was guilty of no violation whatsoever of the UN Charter. Instead, it viewed the US war against Libya — an act of de facto neo-colonialism in violation of basic precepts of the laws of nations — as a 'humanitarian' war. The world accepted it without realizing the implications if the war against

Gaddafi's Libya were allowed to succeed in forcing a regime change. At issue was not whether or not Gaddafi was good or evil. At issue was the very concept of the civilized law of nations and of just or unjust wars. With Libya the most remarkable facet was the swiftness of the decision to move NATO airstrikes against a sovereign nation without so much as a peep of debate in the United Nations. Even Russia and China merely abstained rather than exercising their veto right to block a UN resolution on Libya that gave NATO protective fig-leaf cover to go to war.

The Libya campaign represented an attempt to force application of a dangerous new concept into the norms of accepted international law. That concept was what was termed by its creators, "Responsibility to Protect." US President Barack Obama cited the vague, undefined notion of "responsibility to protect" to justify US military aggression in Libya. UN Secretary General Ban Ki-Moon stated that the justification for the use of force in Libya was based on humanitarian grounds, and referred to "Responsibility to Protect" as "*a new international security and human rights norm to address the international community's failure to prevent and stop genocides, war crimes, ethnic cleansing and crimes against humanity*." [32]

The steering organization for embedding the nebulous and hypocritical notion of "responsibility to protect" was another of the ever-present NonGovernmental Organizations, coincidentally called the Global Centre for the Responsibility to Protect. Like the famous nesting Russian dolls, it was created by other 'human rights' NGOs, including the International Crisis Group, Human Rights Watch, Oxfam International, Refugees International — all typically financed by the same small network of donors. [33]

Via the instrument of a controlled NATO propaganda barrage, the US government — with no verifiable proof — had claimed Gaddafi's air force slaughtered innocent civilians. That, in turn, was the basis on which Amr Moussa and members of the Arab League bowed down before heavy US pressure to give Washington and London the quasilegal fig leaf it needed. The unproven slaughter of innocent civilians was why a “humanitarian” war was allegedly necessary. On that basis, one might ask why not put a no-fly NATO bombardment operation on Bahrain, or Yemen, or Syria, as well? Is it not also possible in the future to imagine the CIA stirring new unrest in Tibet or Xianyiang and declaring NATO’s “responsibility to protect” Tibetans against the central government?

Who decided the criteria in the new terrain of Responsibility to Protect? There had been no serious effort on the side of Washington or London or Paris to negotiate a ceasefire inside Libya, no effort to find a compromise as in other countries. Such was the marvellous flexibility of the new doctrine of Responsibility to Protect. Washington got to define who was responsible for what. National sovereignty became a relic.

Back in 2004, George Soros authored a little-noted article in *Foreign Policy* magazine on the notion of national sovereignty. He wrote,

*Sovereignty is an anachronistic concept originating in bygone times when society consisted of rulers and subjects, not citizens. It became the cornerstone of international relations with the Treaty of Westphalia in 1648...Today, though not all nation-states are democratically accountable to their citizens, the principle of sovereignty stands in the way of outside intervention in the internal affairs of nation-states. But true sovereignty belongs to the people, who in turn delegate it to their governments. If governments abuse the authority entrusted to them and citizens have no opportunity to correct such abuses, outside interference is justified. 34*

***The strategic goal***

The Middle East and African uprisings of 2010-2011 fit the geographic context of George W. Bush’s Greater Middle East Project to bring “democracy” and “liberal free market” economic reform to the Islamic countries from Afghanistan to Morocco. It also fit the Pentagon’s agenda of Full Spectrum Dominance—Totalitarian

Democracy in their New World Order, with 'democracy' an Orwellian euphemism for unfettered US access to local markets and resources.

The ultimate aim was, of course, to firmly control the most vital strategic resource, oil, and to potentially be able to use that control to blackmail China, Japan and any Eurasian nations that might eventually break from the domination of Washington and force a new Eurasian economic space. It was part of more than a century-long Anglo-American strategy of "controlling oil to control entire nations."

How the Anglo-American establishment exercised their control over oil, its supply, its price and its availability constituted what was, in effect, a "secret war" whose ultimate goal was to create a global regime of control unlike any in history. For more than a century that control had been built on a foundation made up of myths, lies and oil wars. The myth of oil scarcity was at the heart of their power and they clearly would not surrender that power easily.

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