

THE DYING DOLLAR EMPIRE AND THE U.S. IMPERIALIST CONSPIRACIES



**Organization of Mojahedeen
of the People of Iran**

THE DYING DOLLAR EMPIRE AND THE U.S. IMPERIALIST CONSPIRACIES

THE REAL REASONS BEHIND:

THE ENERGY CRISIS

THE ARAB OIL BOYCOTT

SHAH'S PROPOSAL FOR
THE CREATION OF A FUND TO
ASSIST UNDEVELOPED COUNTRIES



**Organization of Mojahedeen
of the People of Iran**

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INTRODUCTION

Since the Second World War, the fascist regime of the Shah has developed from being a mere pawn in the cold war into the major watch-dog of U.S. interest in the Persian Gulf area. Armed with well over \$10 billion worth of U.S. weapons, a several-hundred-thousand man strong army, a ruthless secret police(SAVAK), and equipped with counter-revolutionary experiences of U.S. Imperialism, the Shah aims at suppressing any anti-U.S. move, particularly all national liberation movements, in the area and thus defend the economic, political and strategic interests of U.S. Imperialism.

During this period the Iranian people's movement has undergone changes and developments also. The CIA coup d'etat of 1953 and the brutal suppression of the June, 1963 uprising (in which at least 6,000 people were massacred) not only showed the reactionary and repressive nature of imperialism and its puppet regime, but also demonstrated the weaknesses of the movement. The most conscious elements felt the need for a critical reappraisal of the past to find solutions for future. The new revolutionary movement of the Iranian people was launched on the basis of this reappraisal: the reformist slogans and policies of the past were set aside.

This movement, which is best represented by its organizations such as " Organization of Mojahedeen of the People of Iran " and " organization of People's Fedaii Guerillas ", contends that since the puppet regime of the Shah suppresses any democratic move by counter-revolutionary violence, armed struggle is the main form of political struggle in Iran. The revolutionary organizations have, in the past five years, established armed struggle as a most important factor in the political life of Iranian society, and are moving in the direction of mobilizing the toiling masses as the only force capable of overthrowing the Shah's regime and the imperialist rule. The heroic resistance of Iranian revolutionaries under torture and the martyrdom of more than 400 revolutionaries by firing squads, under torture and in battles with the Shah's army and police

testifies to their dedication to the cause of freedom and independence of Iran.

We are convinced that there is a need for the American anti-imperialist movement to become more familiar with the revolutionary movement of the Iranian people. Our translation and distribution of this pamphlet is a modest step in this direction.

This pamphlet is also a contribution to the discussion about the Energy Crisis. The complexity of the issues involved in the Energy Crisis and the extensive propaganda of U.S. Imperialism and reactionary governments, such as the Shah's, make correct analysis of the subject difficult. But unfortunately we see that incorrect analysis is sometimes extended to the point of taking a reactionary position. "The October League (M-L)" has taken the reactionary stand of praising the Iranian government's "struggle against domination and hegemonism" in OPEC and its "important strides forward in defense of...national rights and resources and...(its) opposition to bullying and control of, not only the old-line imperialists, but especially against Soviet social-imperialism..." (the Call, Oct. '74). This stand is diametrically opposed to the stand of Iranian people who are oppressed and exploited by U.S. Imperialism and its puppet regime, and that of Iranian revolutionaries who are tortured by U.S.-trained SAVAK agents and are killed by U.S.-made bullets.

We hope that this pamphlet is helpful in clarifying the role of the Shah's regime in the Energy Crisis, which is also the best way of exposing OL's reactionary stand.

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Since the publication of this pamphlet (summer, '74), the Organization of Mojahedeen of the People of Iran has adopted Marxism-Leninism as its ideology. " This manifesto shows how we have risen up to struggle against the roots of wrong ideas and incorrect methods of work in our organization; how we succeeded in establishing sincerity and a deeper ideological unity in the organization, and in reaching the truth of Marxism-Leninism in the process of uncompromising struggle against the ruling puppet regime and in the course of the most sincere efforts for solving the most essential problems of revolution." (" Manifesto of the

Ideological Positions of the Organization of Mojahedeen of the People of Iran"; Nov. 1975; pp. 11-12). After adopting Marxism-Leninism, the Organization changed its emblem. The emblem on the cover is the new one.

As regards the Soviet Union, presently, the position of the Organization is : " The position of the militant Chinese against international revisionism, headed by the revisionist chieftains of the Soviet government, and setting it as the main contradiction at this stage, was especially a necessary defense of communist ideals and thought. It was a defense of the interests of the toiling classes, and foremost, of the interests and ideology of the proletariat, on a world scale. Thus the new demarcation in the 60's between Marxism-Leninism on the one side and revisionism and social-imperialism on the other, made a great service to the continuation and development of proletarian revolution and to restoration of the revolutionary elements of proletarian ideology and cleansing of Marxism-Leninism from revisionist germs." ("Manifesto..." ; p. 212).

DOWN WITH THE FASCIST REGIME OF THE SHAH!

DOWN WITH U.S. IMPERIALISM!

VICTORY TO THE NEW REVOLUTIONARY MOVEMENT OF THE IRANIAN PEOPLE!

LONG LIVE THE ANTI-IMPERIALIST SOLIDARITY OF THE PEOPLES OF THE WORLD!

Iranian Students Association in Sacramento
March, 1976

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Some time ago, with a lot of fanfare, the Shah proposed a plan for creation of an organization or an international fund to assist the undeveloped countries. He volunteered to allot a one billion dollar credit as the initial step towards the creation of this fund.

The euphoric propaganda machine of the regime lavishly praised the Shah's "philanthropic" act which would now embrace the suffering nations and the backward Asian and African countries. It aims at presenting Iran as a rich country, thanks to the new billions of dollars of oil revenue, having no problem except helping the wretched people of those countries. But the truth is divulged when we learn that this proposal was announced right after the Shah had met with McNamara-Chairperson of the World Bank- and Witteveen- Chairperson of the International Monetary Fund. Both organizations- namely the World Bank and the International Monetary Fund- are the first rate agents of world capitalism, now expected to implement this philanthropic ! decision.

In fact, as we shall see, the Shah's plan for creation of an "impartial organization to aid the undeveloped countries" is but one link in a series of world-scale remedies the U.S. imperialism contemplates against its ever-increasing economic and monetary crises.

In order to correctly analyze the problem, we should:

- 1- explain the nature of the recent monetary crisis of the United States and the causes of the decline of the dollar empire.
- 2- Briefly discuss the recent developments in the Middle East- particularly developments in oil- and examine the nature of the Arab oil boycott and the price increases of oil(such added revenues being the basis for the Shah's proposal).

3- realize the connection between this proposal and the foremost interests of the U.S. imperialism by examining the basic nature of the Shah's plan and the various measures adopted by the U.S. to counter its economic and monetary crises.

Keep in mind that this pamphlet must be amplified in different aspects. Due to lack of time and considering the need to understand and expose the imperialist schemes-both present and past-and because the issue would lose freshness timewise, we are publishing this pamphlet as it is . We shall publish this pamphlet in its complete form in the future.

A BRIEF DISCUSSION OF THE RECENT MONETARY CRISIS OF THE U.S. AND THE CAUSES OF THE DECLINE OF THE DOLLAR EMPIRE

World War II which was accompanied by the destruction of Europe and the terrible bankruptcy of the British Empire, resulted in the economic-political superiority of the United States. The United States, unaffected by the ruinous effects of the war, and by virtue of having a much more self-relying economy than Europe(up to that time), was in a position to devour almost all the victories of the Allies(except the Soviet block).

Most countries, even the industrially advanced nations of Europe, now had to import tremendous amounts of commodities from the U.S. , much more than they exported to it. The 12 billion dollar Marshall Plan by the United States for the reconstruction of Europe, and the pursuant outflow of U.S. capital flooding Europe and Japan, created very favorable conditions for the political dependence of Europe on the United States. Thus, concurrent with the decline of the British Empire and the replacement of its position by the expansionist capitalism of the United States, the dollar, too, became the dominant currency of the capitalist world. This was the currency that all non-socialist countries, one way or another, needed to repay their debts on imports or to repay loans given by the U.S. And, in fact, a huge bulk of world transactions had to be carried out in dollars(because of superior U.S. economy). Thus, the dollar superseded the Sterling Pound.

The Breton Woods conference(1) (1944-1946) which was trying to

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- 1- The International Monetary Fund to which almost all the capitalist countries and their satellites belong, acts as the central bank among these countries. This means that just as the central bank in each country is a mother bank that controls other banks and controls the country's monetary system and with which all

determine a sound basis for the monetary system of the capitalist world, accepted the dollar as the unit for international accounts and as a currency that could always be used to clear trade accounts by any country. This was due to what was discussed above and due to the fact that the United States, by virtue of holding over 60% of the world's reserve of monetary gold, was ready to exchange every thirty five dollars for an ounce of gold, as well as the United States' political influence in capitalist nations and most of their satellites.

banks have to secure credit, every country- according to agreed upon formulas- has a deposit with the International Monetary Fund 25% of which is paid in gold and foreign exchange, and the remaining 75% in its normal currency(The total deposits by the countries at the founding of the Fund was declared as 8.7 billion dollars), and has to regulate its monetary transactions on a world scale observing the rules of the Fund. The regulations of the Fund became unpracticable after ten years because the principles and assumptions which the Fund started with were based on classic economic theories, and obviously could not cope with and respond to all the disharmony and crises in which the major capitalist countries were constantly getting entangled. For instance, the currencies of all countries are internationally needed according to the Fund. Thus, the Fund can loan any country up to 125% of that country's quota out of the accumulated deposits. In practice however, the loan receiving countries would only accept the currencies of the U.S., England, France, Germany and Japan due to the superior economic position of these countries(strong currencies). Practically then, over 50% of the reserves of the Fund remain unusable. According to the Fund again, the balance of payments of nations could show deficits for only a short period of time. Hence, logically these countries should be able to repay their loans in a maximum of 2 or 3 years, that is within a complete economic cycle. This thesis is logically correct and apparently the debits and credits of world trade should correspond to each other over a given period of time. Again, in practice, due to the internal contradictions of the capitalist mode of production, the Fund has faced such continuous deficits, or increases more continuous than the payments of certain big countries, that even changing their exchange rates the way the Fund has agreed on(1% change- increase or decrease- without consulting

But if the British Emire plunged into its downfall and decadence after about one century of unchallenged political, economic and social domination over more than half the population of the world, only 20 years were enough for the U.S. imperialism to collapse from the pinnacle of political and economic dominance of the post-war years to the perigee of weakness and crisis.

The cyclical crises of capitalism that are intrinsic and result from its improper nature(the contradiction between social mode of production and private ownership of the means of production, in which context the struggle of the toiling classes can as well be explained), are speeding, this time with yet fiercer intensity and dazzling tempo, towards the hub of the capitalist system. Symptoms of crisis are now highly manifest. On Aug 15, 1971, only 25 years after the position of the dollar was consolidated as the dominant currency of the world, Nixon had to repeal the convertibility of the dollar to gold, and by officially changing the value of gold from \$35 an ounce to \$38, officially devalued the dollar by 7.895% in the face of the very unfavorable balance of payments of the U.S. This retreat, however, was of little effect against the oncoming storm. Therefore, in Feb 73, less than 14 months later, he devalued the dollar again by another 10%. The shaky and insecure position of the dollar, however, did not recover. Therefore, this time the United States appealed to Japan and her European allies for help while, at the same time, threatening them with certain political and military pressures.

the Fund, 10% change with consulting the Fund, and anything more than that by the prior permission of the Fund), would not solve the problem. For instance, the United States has constantly faced a deficit in its balance of payments while Japan and Germany recorded constant increases in their balance of payments. For these reasons, the Fund has, in the past few years, made certain revisions in its rules such as increasing the deposits and accepting new members that increase the amount of the deposits from 8 billion dollars to 29 billion dollars, and creating special withdrawal rights(paper gold) that act as reciprocal credits among different countries thru the Fund as the catalyst. But due to sharpening capitalist crises, it still confronts new obstacles and more complicated problems day after day because any reform or innovation in the system of world transactions based on the capitalist mode of production, would be a sedative and a temporary measure; if sickness quiets at one section, it will emerge elsewhere with greater intensity and force.

These measures, coupled with the fear Japan and the European countries felt from a total collapse of the system which would be damaging to themselves in the final analysis(1), made them reluctantly agree to floating and raising the exchange rates of their currencies against the dollar. Thus, after its downfall from the position of world dominance, the dollar fell prey to the profiteering of international speculators. This was the prevailing situation exactly till the middle of 1973. The above mentioned countermeasures and other monetary and customs remedies could not prevent the downward trend of the dollar. However, the financial balance of the 2nd half of 73 shows a relatively drastic change in favor of the dollar. Its value keeps rising against the strong European currencies in this period, and most important of all, the trade balance of the U.S. increased in the 2nd half of 73.

Is the crisis over altogether? Will the U.S. capitalism, for a long time to come if not forever, continue its growing and dominant position?

Scientific experiences and unfailing laws governing capitalist economy, those same laws that have so far correctly predicted the course of development and emergence of recurring capitalist crises and its internal and intrinsic problems, once more give a negative answer.

To have a better picture, we should analyze the fundamental causes of this sudden development in the U.S. economy. but before we deal with the reasons of this drastic change in favor of the monetary and economic position of the U.S., let's briefly discuss the causes of the downward position of the U.S. economy.

The growing U.S. economy shooting upward during the pre and post war years and enjoying a trend of constant improvement in the balance of payments from 1893 to late 50's that resulted in its dominance on a world scale during 40's and 50's,

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- 1- Note that while capitalism embodies acute internal contradictions, it is an inseparably single system. Any part of it that falls will cause irreparable damages in that single system and will, in course of time and by repetition in other parts, lead to its total destruction.

gradually started its downward trend since early 60's. In the 60's, due to extreme accumulation of capital inside the U.S.(1) and since internal investments could not quench the capitalist thirst for profits because of satiation(the law of falling rate of return) internally(arising inflation and...that inescapably cause economic recession and... note the 1929 crisis), the tremendous outflow of U.S. capital had to further increase. A development that naturally leads to reduced rate of internal production growth over a longer period of time.

On the other hand, the expenses the United States had to incur as the gendarme of the world in the face of the heightening struggles of the people and the commitments thus undertaken, such as the erection of many military bases around the world, maintaining military presence in Europe, as well as burdening its economy with skyrocketing expenditures in its counter-revolutionary wars - particularly in Vietnam, although chiefly benefited a certain section of the U.S. war capitalists and filled their pockets with gold, were nevertheless bound to have deadly long term effects on the U.S. economy.

What were those long-term dreadful effects?

The U.S. military system that functions to preserve and perpetuate the interests of the capitalist system as a whole and, in the first place, that of the United States in the whole world, is compelled to increasingly equip, mobilize and expand itself in the face of the ever-increasing revolutionary struggles and the expanding consciousness of the suffering peoples of the world. U.S. militarism, with its gigantic proportions, now constitutes an important or probably the major portion of the U.S. ruling capitalism. To become better informed on the significance of the role of the U.S. military system in the economy and politics of the United States, it would suffice to glance at the latest statistics by the Institute of Strategic Studies of London extracted from a book titled "Military Balance" 73-74, quoted here from the World Problems magazine.

According to these statistics, the U.S. military expenditures

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- 1- Because of the dominant position of the U.S. economy in world trade, the balance of payments always showed an increase in favor of the U.S. and this inescapably contributed to large amounts of internal capital accumulation.

in 73 amounted to 85 billion dollars. Firstly, considering the total U.S. budget of 250 billion dollars (1), the military expenses constitute over 30% of the general U.S. budget (the role of militarism in the economy and politics of the U.S.), secondly, comparing it with the military expenditures of the five other countries ranking immediately next to the U.S. (the U.S. tops the list), that is; \$23.5 billion of the Soviet Union, \$ 11 billion of West Germany, \$8.6 billion of England, \$ 8.4 billion of France and \$ 2.5 billion of Japan, it becomes evident that there is a huge gap between the military expenditures of the largest socialist country as well as the strongest capitalist country in Europe and that of the United States. This gap is equal to \$ 61.5 billion for the Soviet Union, and \$ 74 billion for West Germany.

In the capitalist system however, the internal contradictions will intensify at the same or a multiplied ratio of any increase in the production of military commodities and its related services as against non-military commodities(2) because production of military commodities and its related services are, by nature, anti-production and inflationary and therefore, contribute to the development of crises to a much higher degree than do the

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- 1- This is an estimated figure and is based on the budget figures of previous years. The figure stood at \$ 198.68 billion for 1970.
 - 2- Does military production create crises only in a capitalist system? Are socialist countries not prone to such a danger? In your analysis of this question chiefly look at the base structural differences of these two systems, that is capitalism and socialism, and point out the direct effects of sociopolitical goals in the production and economic base structure. Also, with the results you will come up with from your analysis of this question, try to explain the basic structural reasons that compelled the capitalist system of the United States to embark upon such massive plans as the Apollo project, and thus, expose other dimensions of the general contradictions of capitalism.

production of other commodities. (1) and (2)

Thus, the militarization of U.S. capitalism during 20 years by tremendous and inflationary expenditures which were spent to maintain the U.S. imperialist position in the whole world (particularly spent on U.S. forces in Vietnam fighting the Indochinese revolutionaries), as well as conditioning the huge industries to a state of dependence on war industries (even changing certain types of commodity production into war production in some factories), coupled with other factors the most important of which were mentioned above (foreign investments), confronted the U.S. economy with two very important, yet interdependent problems in their totality. These two problems were:

I- Monetary crisis stemming from chronic deficits in the balance of payments of the United States. This deficit reached an alarming figure of \$ 30.5 billion in 72. A deficit that didn't sink below \$ 10.8 billion even after the dollar was devalued twice and new customs regulations were adopted in 72 and 73. The instability and decadence of the dollar as well as the strong

- 1 - In the beginning, ofcourse, investments in war production might bring a boom to the economy (an increase in the employment and income levels and....), however, it will plunge the country into crises after a while because of the nature of this type of production and the resulting consequences.
- 2 - Imperialism always tries to transfer the burden of its contradictions on the toiling peoples of the whole world so as to be immune from its dreadful consequences for a while. By various means such as delegating other countries themselves the task of regional defense (Nixon's Asian policy), equipping the armies of satellite countries, requiring them to foot the bill themselves, selling them substantial amounts of arms, concluding military pacts and...., the U.S. imperialism tries to firstly maintain its arrogant and aggressive dominance, and secondly take care of a portion of its military expenses this way and keep its war economy going. For instance, the United States has ranked first among the arms selling countries by selling over 53 billion dollars of arms since 1950's. According to official Pentagon figures, the arm sales for 1974 amounted to \$ 8 billion, half of which has found its way to Iran.

distrust of the monetary-industrial circles of the world flow from this crisis.

II- A second problem the above mentioned factors pose against the U.S. economy is the extraordinary growth and expansion of the industrial European countries on the world economic scene. During these years (since 50's), Europe and Japan have not only succeeded in occupying most of the consumer markets on a world scale, but they also have gained a strong foothold inside the U.S. in the recent years. To examine these two problems more closely as well as illustrate the declining position of the U.S. economy since 1950, we can refer to certain monetary and economic statistics which are recognized by official economic circles.

a- The gold reserve of the U.S. in 1950 constituted 42% of the gold and foreign exchange reserves of the world. This amounted to \$ 24 billion in 1950. This figure dropped to \$ 10 billion in 72, that is; to 8% of the foreign exchange and gold reserves of the world. It is interesting to note that when this same \$ 10 billion is coupled with the \$ 40 billion in the European central banks which, in reality, represents the official debts of the United States to those countries, it turns into a \$ 30 billion reserve deficit.

Another interesting point to note is that the decline of the United States' share in the international reserves of gold and foreign exchange, has been accompanied by a steady growth in the shares of France, Holland, West Germany, Italy and Japan. The following table offering some international financial statistics extracted from an International Monetary Fund publication, and quoted here from the World Problems magazine of June/July 73, shows the gold and foreign exchange reserves of 8 European countries, Canada, the United States and Japan.

Gold and foreign exchange reserves of
11 industrial countries (capitalist block)
(in million dollars)

	Gold			Foreign exchange		
	<u>1953</u>	<u>1964</u>	<u>1970</u>	<u>1953</u>	<u>1964</u>	<u>1970</u>
U.S.	22091	15471	11072	—	432	629
England	2263	2136	1349	283	179	1212
France	677	3729	2532	212	1376	1257
Belgium	776	1451	1470	312	540	780
Holland	737	1688	1787	426	396	764
Switzerland	1418	2725	2732	310	398	2401
Germany	325	4248	3980	1411	2721	8451
Italy	346	2107	2887	422	1571	2113
Sweden	219	189	200	315	688	398
Canada	986	1026	791	841	1658	3037
Japan	18	304	532	874	1495	3188

The above table "shows the gold and foreign exchange reserves of the 10-country group and Switzerland between which major gold transfers is important. It can be easily noted that the gold reserves of the U.S. which exceeded \$ 22 billion in 1953, dropped to 15.5 billion in 1964 and to about \$ 11 billion in 1970. Thus the United States lost \$ 11 billion of its gold during this period. England was in a similar position and lost about half of its gold reserves during this period.(1) Instead, the gold reserves of France, Belgium, Switzerland, West Germany, Italy and Japan increased substantially. During this period, the United States and England lost respectively \$11019 million and \$ 914 million which adds up to \$ 11933 million. An interesting point to note is that the total gold thus lost was ob-

- 1- With a view to the analysis offered for the financial and industrial crisis of the U.S., explain the reasons for the disarray in England's economy in the face of the thriving economies of its other European new allies in the common market; and discuss the common and interrelated aspects of England's economic crisis with the present crisis of U.S. capitalism, as well as its particularities.

tained respectively by France, Belgium, Holland, Switzerland, Germany, Italy and Japan...". The above is quoted from an article by Parviz Parsa on the role of gold in the international monetary system published by World Problems magazine.

To evaluate the growth and the weakening of the financial strength of these countries thru a more accurate process, it would have been better to determine the growth rate (positive and negative) of the gold and foreign exchange reserves of each of these countries and draw their corresponding curves over time. Drawing curves of the growth rate variations in the reserves of the common market countries over time would have been particularly elucidating. However, due to time restrictions, we won't deal with them at this point and shall leave it to comrades who desire a closer examination of the subject.

The declining economic position of the United States and its financial instability, however, does not solely lead to a decrease in its gold and foreign exchange reserves. Rather, because of its ever-increasing involvements stemming from its world scale aggressive policies(already discussed), its commitments as the international police of the capitalist world and their satellites, by capitalizing on the initial confidence in the dollar(resting upon its world dominant role), its political-economic hegemony, and by spending enormous amounts(over \$ 130 billion) (1) in foreign markets, the United States has touched off the biggest international capitalist monetary crisis. If at the beginning, that is to say at a time when U.S. economy was still thriving, this solidi-

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- 1- It would be worthwhile here to point out a ponderable interrelation and an appreciable economic connection between the Vietnam war expenses and the U.S. monetary crisis(without forgetting other factors already mentioned). According to statistics and figures published by official American sources, the Vietnam war has cost the United States \$ 137 billion. If we compare this with the enormously high figure of \$ 130 billion in foreign markets, the impact of the Vietnam war and U.S. expenses on her monetary crisis would become readily visible. The actual expenses of the Vietnam war are, of course, much higher than \$ 130 billion. This figure only refers to official and direct U.S. expenditures in Vietnam.

fied the influence and the economic-political position of the United States(and world capitalism as a whole), now it has intensely transformed itself into its opposite, that is, into a factor of non-confidence in the dollar, instability of the U.S. economic position, and crisis in the capitalist world. Huge amounts of these dollars- called " unwanted dollars"- have fallen prey to international speculators whose profiteering transactions (the phenomenon of running away from the dollar and...) have also strongly threatened the dollar.

For example, \$ 80 billion out of the mentioned \$ 130 billion lies in Europe and has created a market that is known as " Eurodollar". In case the European central banks refrain from supporting the dollar, the United States will face a devastating disaster (1).

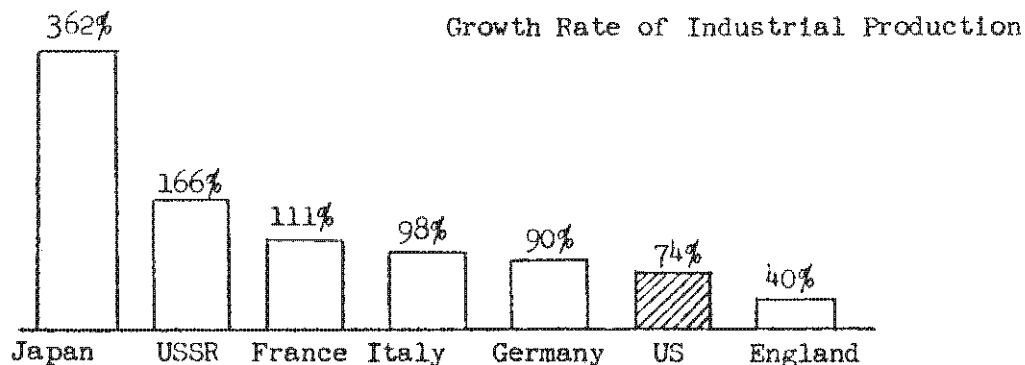
b- The decline in the monetary position of the United States is chiefly due to the sharp decline of the economic growth rate of the United States(industrial production and its share of world trade) as against those of the advanced industrial European countries and Japan. This makes the United States lose its dominant position in world trade in favor of the mentioned countries, and disturbs her trade balance in favor of rival countries. As stated before, it is the conspicuous

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- 1- Why do the European countries support the dollar by such various means as countering the profiteering actions of speculators, revaluing and floating their currencies, giving in to the U.S. tariff increases, and refraining from taking countermeasures while it seems that all these actions actually hurt them? For example, countering the profiteering actions of the speculators causes large amounts of their currencies(specially strong European currencies like Mark, or the Japanese Yen) to enter the money markets and thus bring about tremendous inflationary results(explain how?). Or increasing the exchange rates of their currencies against the dollar or gold leads to increased prices for their exports(as against U.S. exports). As such, they forgo portions of their world consumer markets. The same is true with customs tariffs which lead to increased U.S. exports to these countries and prevents their imports from the U.S.

With a view to the above examples, discuss Europe's contradictions in supporting the dollar.

particularity of the U.S. among the industrial countries of the world, as well as the strong and especial dependence of her economy on war industry with its cancerous growth in the overall U.S. economy, that produces, on top of the general capitalist crises, a special unfavorable situation for the United States. (1)

Statistics extracted from American sources show that during 60's, the growth rate of the industrial production of Japan, France, Italy and West Germany have been respectively 5, 1.5, 1.2, and 1.1 times greater than that of the United States. (the growth rate of the industrial production of the Soviet Union during the same period was 2.25 times higher than that of the United States). The following chart shows the industrial production growth rates of the above mentioned countries during the years 60-70 (from World Problems magazine- April/May issue).



Statistics concerning world trade are likewise noteworthy. In 1950, the U.S. enjoyed 18% of the transactions in industrial and agricultural commodities in the world, thus ranking first in world trade. Today, with 13% of world transactions, the United States ranks second after West Germany.

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- 1- What are some other particularities of the U.S. economy in comparison with the economies of the industrial European countries?

The following chart, extracted from " LeMonde Diplomatique"- an authoritative French paper- and quoted here from World Problems magazine(April/May issue), clearly depicts the declining position of the United States in world trade.

	<u>GNP increase</u>			<u>export growth</u>		
	<u>1950</u>	<u>1960</u>	<u>1973</u> <u>(est.)</u>	<u>1950</u>	<u>1960</u>	<u>1973</u> <u>(est.)</u>
U.S.	288	511	1266	15	21	53
Japan	12	43	422	1	4	38
Germany	23	71	319	2	11	55
France	29	61	248	3	7	32
England	37	72	145	7	11	27
Italy	16	35	140	2	4	19

Unit: Billion dollars

" A comparison of the above figures shows that: firstly, the United States has lost the first position in world trade to West Germany, secondly, the growth rate of U.S. exports since 1950 has been about 3.5 times while Japan's exports during the same period has increased 38 times and that of West Germany 27 times. Thirdly, the increase in the Gross National Product of the U.S. since 1950 has been slightly over 4 times, while the GNP of Japan during the same period has increased 35 times, West Germany about 13 times and France more than 8 times." (from LeMonde Diplomatique). Another very interesting point among the reasons noticeable for the decline in the economic position of the United States- a point which the economic analysts of capitalist societies don't pay proper attention to for certain reasons-, is the role of the socialist countries. These countries, with their thriving and growing economies, have taken in their hands many of the world's economic scenes, including those of their own. For example, the growth rate of steel production which is one of the definite indicators of industrial and economic power according to one economic analyst, has been steadily falling in the U.S. compared to big industrial countries of the world- particularly the Soviet Union.

According to available figures (from World Problems magazine- April/May issue), in 1950, with a steel production of 97 million tons, the United States supplied 47% of the total steel of the world while the steel production of the Soviet Union didn't even come close to 1/3 of that of the U.S. According to the latest available figures, however, the Soviet Union ranked first in 1971 with a production of 132 million tons of steel while the U.S. ranked second with a production of 122 million tons. Thus, considering the post-war economic growth of socialist countries, the share of the United State in the production of steel for the world has dropped from 47% in 1950 to only 19% in 1970.

We can conclude from what we have briefly discussed that the basic reasons for the decline and decadence of the dollar empire and the monetary crisis of the United States is its decline from the economic and industrial position of the U.S. as a No. 1 producer and a No. 1 possessor of world consumer markets, to the position of an industrial country that not only has lost its dominant position in many fields, but now, due to different and increasingly expandable reasons, has become vulnerable not only to its enemies, but to its yesterday's allies and today's arch rivals. The reasons for this, apart from the effects of the general crises and internal contradictions of capitalism that will eventually drag it to its decay, were briefly the following:

- 1- The specific role the United States has assumed as the international gendarme and as the foremost and chief protector of the capitalist block (military pacts, counter-revolutionary wars and....) with its grave political-economic effects and consequences (discussed in detail).
- 2- The internal social crises of U.S. (strikes and demands for wage increases and...) that lead to higher prices and lower competitiveness of American commodities (internal inflation).
- 3- The economic growth and expansion of the European countries and Japan, and adoption of protective policies by commercial syndicates (common market and....).
- 4- Chronic and continuous deficit in the balance of payments of the United States that result from the above reasons and has caused the accumulation of \$ 130 billion outside the U.S.
- 5- Capital exports and enormous foreign investments by American firms (after a period of post-war economic boom).

THE ENERGY CRISIS AND ITS INTERCONNECTION WITH THE MONETARY CRISIS OF THE U.S.

As we have already discussed, the adverse economic and specially monetary situation of the United States did not improve despite all the monetary and customs remedies, and despite the protective policies adopted by the U.S. during 70's. The deficit in the balance of payments of the United States was still on the upsurge and hovered around \$11 billion in 1972 in spite of the devaluation of the dollar twice. This means that over a one-year period, the total U.S. imports were greater than its total exports. This situation, for sure, could not go on the way it was. But around the same time, that is, since early 73, when certain high-ranking political and economic authorities trumpeted a new problem called "energy crisis", there was hardly anybody who realized the connection between this newborn problem and the long term plans the United States was contemplating for countering its prevailing "monetary crisis". By unleashing a most extravagant propaganda campaign, by engaging all the possible mass communication media, and by even employing such diversionary measures as temporarily reducing the internal production of oil, by....., the United States managed to drag this crisis from the realm of notion to the realm of reality in less than few months, and convince the world that this was going to be the most dangerous and calamitous crisis to eminently strike the human race- victimizing the industrial countries and the United States first.

Numerous stormy articles and countless fiery speeches on the causes and consequences of this crisis, cooked up by the theoreticians of the imperialist policies of the U.S., sprouted out in the press, or were delivered over the largest broadcasting networks. On April 18, 1973 Nixon delivered a message to the Congress that, while confirming the "actuality" of the crisis, offered short term as well as long term solutions. Nixon and U.S. rulers were apparently worried only about the U.S., but it was no secret that the oil frenzy would stir up more commotion in Europe and Japan, and that the United States had terrified its Western competitors.

Concurrent with the skillful dissemination of the seeds of crisis by the propaganda, political and economic circles throughout the world, we can hear another tone, with a harmonious tune with Washington, coming from the oil wells in the East- from the green palaces of Arab sheiks and the Shah's White Palace.

In his famous speech of Jan 26, 1973, the Shah played the first scenes of the scenario while Faisal (this second pillar of reaction in the region next to the Shah, that is, the arch flunky of the dirty imperialist interests who is absolutely under ARAMCO's influence and rule) threatens the United States with oil as a weapon in terms of the possible suspension of its supply. Thus, the United States succeeds in creating the preliminary conditions to carry and extend the oil crisis from the far off ocean coasts to the hot and flammable oil wells in the Middle East. It's no surprise, then, that this time it's not the progressive ruling strata of such Arab countries as Libya, Iraq and Algeria that talk about inflation of the dollar, low prices of oil, oil boycott and political measures against Israel. Actually it's Rogers- U.S. foreign secretary- himself, that by advertizing the "energy crisis" and the jeopardized U.S. oil interests in the Middle East- hence the importance of Arab-American relations- in his famous speech of Jan 73, that furnishes the necessary excuse to the reaction of the region (actually to oil possessing reaction) and lays out the groundwork for the Arab Sheiks and the Shah to act out their roles. Thus, it is no surprise again that Standard Oil of California reacts to King Faisal's threat by issuing an immediate warning- further fueling the crisis- to its stockholders and the American people frightening them with the continuing Arab-American hostilities! Thus, the Arab countries and almost all political circles in these countries (actually the ruling cliques and circles related to them) became convinced that oil was the most effective and powerful weapon Arabs could employ in their struggle against Israel and in compelling the United States into a reconsideration of its Middle East policies in favor of the Arabs!

HOW THE ENERGY CRISIS LINKS THE U.S. MONETARY CRISIS TO THE MIDDLE EAST CRISIS

Another simultaneous development that effectively escalates the the Mid-East crisis and naturally the oil crisis, and in fact makes the situation much more favorable for an oil boycott by

the Arabs, is the United States' explicit and open (yet thoroughly calculated) move in its total and absolute support of Israel- manifested in the vetoing of a Security Council resolution. This resolution that was passed by the overwhelming majority of the Security Council members(around June or July) actually didn't contain anything more than what the resolution 242 of Nov 22, 1967 did. Thus, rejecting this resolution meant backing down from supporting the Security Council resolution of Nov. 22 which had called for an evacuation of occupied Arab territories. Such a move in such a situation on the part of the United States is particularly surprising in that, contrary to its normal practice, the United States doesn't even pretend-not even verbally and orally- to observe the interests of the Arabs in securing their just rights. The United States' sweet-sour diplomacy in the Arabian Middle East and its certain equivocal methods in the past enabled her to instate a "no war, no peace" situation- something that was definitely to Israel's advantage- right after the 67 war in the region. But now, the United States' new position and its absolute support of Israel, without leaving the slightest loophole for the puppet Arab rulers and their collaborationist regimes, would undo all what had been achieved. Right then, political papers and bourgeois circles noted that "...the recent abortive debates in the Security Council that is the clearest and most audacious manifestation of the United States' support of Israel, has created deep disappointment and anxiety in the Arab world. It is this same disappointment and anxiety that adds to the gravity of the Middle East situation and to the danger of a new war breaking out in the region...". Thus, even the shrewdest western diplomats were not able to explain this new position of the United States as something other than being a collusion between the U.S.S.R. and the United States in the region, or a reaction to the Watergate scandal manifesting itself in foreign policy showdowns, or an attempt to win over the American Jews, or...

The Shah's visit to the U.S. in July 73 erects another pillar to the policies of U.S. imperialism. During his interviews in the United States, the Shah, who has assumed a special role, acts as the spokesperson for the new policies of the United States in the Gulf area and the Middle East, and explains the role assigned to him in this orchestration of events. In a T.V. interview with the representatives of the American press, he points out to some delicate questions including oil and the possibility of

a renewed Arab-Israeli war. By stating that "Iran will never use its oil as a political weapon(1) , however, it won't rule out such an option for the Arabs", he firstly explains his position and his special role in the region(2) and secondly, he further fans the oil fever.

Shah's mention of the possibility of a renewed Arab-Israeli war in the interview, on the one hand shows that the United States has even allowed for such a confrontation in its new political calculations, and on the other hand it hopes to be able to halt this weapon on the outset of the war. Shah says "the possibility exists for a new war to break out between the Arabs and Israel. Therefore, Iran recommends the necessity for prompt and solid actions to remedy the present Middle East crisis, and it considers the execution of the Security Council's resolution of Nov. 22. 1967 as the only solution to this problem...."

Thus, only after two months after Rogers' warning speech and three months after Nixon's message to the Congress on the energy crisis, we notice that alertness shifts from inside the U.S. and its energy crisis to the Middle East, to the Arab oil boycott crisis and to the possibility of a war breaking out in the region. Some liberals and bourgeois political analysts and experts who found the Arabs not to possess the necessary military power to undo the existing complete deadlock, recommended to the Arabs, quite "patronizingly", that they should carry their struggle against Israel by adopting one united policy utilizing all their capabilities and, foremost, their oil(not war). They promulgate the idea that " the capabilities of the Arabs in this struggle are more of an economic nature than a military one".

On the other hand, immediately after his return from the U.S., the Shah adds new dimensions to the crisis and gives it a fresh tempo by declaring a reassessment of oil prices in his numerous and highly publicized interviews and speeches.

The United States has successfully arranged for the Shah to fish in the troubled waters of the Middle East.

1 and 2- Analyze Iran's position on the oil crisis. Why does Iran consider an oil boycott- something that benefits the US- permissible for Arabs, but she herself won't employ it?

HOW DOES THE POLICY OF OIL CRISIS - AN OFFSHOOT OF THE
INTERNAL CONTRADICTIONS OF CAPITALISM - DRIVE THE
INTERNAL CONTRADICTIONS OF THE MIDDLE EAST TO AN
EXPLOSIVE PITCH AS IT GROWS ?

This policy however, that is, the policy of "fishing in troubled water" has already disturbed all tranquility(tranquility laden with contradictions).

Contradictions that had compulsorily assumed an unstable balance under the imposed conditions of "no war, no peace", now suddenly find very favorable conditions for development and transformation. Now not only the fever of oil, but also the "fever of war" is raging about.

Some people interested in a political analysis of events, incorrectly think that the Middle East October war was solely the result of an imperialist conspiracy(1), a war imposed on Israel and the Arabs by the United States, though it benefited her most.

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- 1- This kind of thinking can lead us to a point where we might think nothing of the Arab victory in the October war and deny its positive effects(either short term or, with a broader scope, its long term effects in terms of raising the people's consciousness, bringing into the open and sharpening certain internal contradictions of the Arab countries). Apparently some of our comrades, too, thought that way. They went so far as to consider the war a staged show agreed upon by the United States and the Soviet Union. As such, they were critical about our organization sending a congratulatory cable to P.L.O., or upholding the October war, or about the commendation its victories drew from Arafat, or... As we shall discuss later, however, the foremost benefits of the war and the resultant victories went to the ruling Arab bourgeoisie. However, it is not true that an anti-colonial struggle, even if led by petty bourgeois elements or by the bourgeoisie which is under pressure, cannot have any gains for the masses. Explaining this point would require a separate discussion in view of the political-economic conditions of the Arab countries. At any rate, with a view to the above analysis, there exists, now, a good nucleus for a thorough analysis of the October war and the ensuing problems.

We think this kind of approach that disregards the internal and dialectical development of social phenomena is not correct.

Washington's policy of "fishing dollars in troubled oil" could indeed produce favorable conditions for the eruption of a war - something that had not escaped the predictions of the first rate spokespersons of U.S. imperialism.

But the basis on which the results of this policy could be carried to and materialized into a war, and what provided the internal and favorable causes of the war, was the contradiction between the growing Arab bourgeoisie, spearheaded by the Egyptian bourgeoisie with all its profit seeking aspirations on the one hand, and the colonial and expansionist policy of Israeli zionism which had created the strongest barriers against the growth of the Arab bourgeoisie, on the other. This was the chief and most principal contradiction that, strengthened by the favorable conditions of the oil crisis, raged into an explosion.

Sadat's visit to Arabia and Kuwait exactly one month before the outbreak of the war and the assurances he got on their positions on oil boycott can also be explained in the context of the same analysis. Otherwise, in view of the existing indications, it might be safely said that the United States did not want a war, though she could have gained something out of it by, say, selling arms.

The United States had allowed for such an outbreak of war in what would follow its oil crisis policy or probably as an inescapable and logical conclusion, a point we have already mentioned. But in view of its incorrect assessment of the political, military and psychological position of the Arabs, the United States considered such a culmination basically very improbable. Specially it was impossible for the United States to entertain the notion of predicting a victory for the Arabs in another war.

At any rate, the United States hoped to maintain the crisis at a desired level thanks to its regional influence and collaboration of the conservative segments of the Arab countries (either directly or thru the deterrent pressure of the Soviet Union), and specially relying on her absolute rule over the Arab and regional reaction. But this decision to go to war

by the Arab bourgeoisie, chiefly that of Egypt, who had become impatient with the severe internal and external restrictions, and its alliance with the Arab petty bourgeoisie(Syria), not only did not drastically change the more short term plans of the United States for the Middle East and for her oil goals, but as we shall see later, it brought about more favorable conditions for U.S. penetration in the region while at the same time presenting her with new questions which will certainly cause her more serious problems in the long run(severe split between U.S. and Europe, intensification of internal contradictions of the Arab countries of the region, an uplift in the level of the political-economic demands of the masses, and the revelation of the collaborationist nature of the seemingly progressive countries of the region, and...).

Ofcourse Egypt's lightning attack on Israel did not pursue any revolutionary goal in terms of aiming for the most basic interests of the masses. Firstly because this attack couldn't but cater to the interests, demands and the limited objectives of the ruling classes of these countries (first Egypt, then Syria) due to the collaborationist nature of Egypt's ruling capitalism and the divergence of its basic interests from the interests of the toiling masses. The orders given to Egypt's military forces to halt the advance in the midst of the war despite the eagerness of soldiers and the vast masses to go ahead, as well as Sadat's immediate compromise with Israel to the displeasure of the people, vividly demonstrates such a nature(with a little more doggedness, ofcourse, Syria too, will compromise). Secondly, the restrictions and the invisible as well as visible ties that link the ruling classes of these countries to the two big powers, would never allow them to transcend the limits of the higher interests and general compromises of those powers(1).

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- 1- It should be noted that next to Israel, Egypt is the second highest country in the world in the ratio of military expenditure compared to its national income. The figure amounts to 21.7% of Egypt's national income(the highest ratio of military expenditure to national income in the world is that of Israel with 23.9% , and the lowest is that of Japan with .7%). Considering the growth of capitalism and its rule over Egypt's economy after Nasser, the figure can point to the importance of the dependence of Egypt's ruling capitalism on war production and services. In the special social conditions

For these reasons, such a decision by the present Egyptian regime could not have the nature of an offensive detrimental to the immediate and vital interests of U.S. imperialism. The new con-

of Egypt which is constantly faced with Israel's military assault, this has generated a privileged stratum in Egypt's societal make-up, who possess ruling power and in fact have appropriated the administration. This stratum is generally composed of technocrats- high level engineers and military experts-, generals and high ranking bureaucrats connected with war economy, who all have substantial shares in the war industry, or by different means, expropriate huge profits from foreign agreements for the supply of sophisticated weaponry (radars, electronic weapons and...).

Egypt's military strategy too, is not planned outside the limits of the interests of this stratum. It is no surprise that so far the advice of most of the experts of revolutionary warfare who have suggested adoption of a war of attrition strategy(long run) and using commando methods against Israel, have gone unheeded by Egyptian strategists.

Classic war which has recently been referred to as electronic warfare, has for years, constituted the backbone of Egypt's military strategy. This kind of war that chiefly rests on modern weapons and sophisticated electronic equipment, is just what satisfies the interests of the owners of the local war industry and the privileged ruling stratum of Egypt. Otherwise, when the enemy enjoys technical and industrial superiority, and when relying on such equipment will, because of internal economic weakness, strengthen the fetters of dependence on a powerful foreign country, this strategy not only doesn't in any way benefit the toiling Arab people, but rather, it will plunge them deeper into poverty and bondage by bringing increasing economic pressure on them thru heavy tax burdens, and by strengthening the shackles of exploitation. Therefore, with the compromise now reached between ruling Arab regimes and Israel, the rage and indignation of the Arab people which so far have been directed against the colonial and aggressive policies of Israel and which has been blindly fomented by ruling Arab regimes to solidify their political position, will now aim at local collaborationists and exploiters. Thus, we should expect a heightening of internal contradictions and class struggles in these countries.

ditions brought about by the war could even potentially help the immediate interests of the United States in certain ways. The swelling of oil profits, the arms sales, and most importantly, the aggravation of the oil crisis and improvement of the U.S. monetary position, all fit into the category of these short term interests. Specially if the war could lead to a compromise between Arab countries and Israel, the United States could even secure its political and naturally its long run economic interests in the Middle East in addition to the short run economic gains.

The factors that made the prospects of such a compromise promising to the United States were:

I- The collaborationist nature of the ruling Egyptian bourgeoisie in first place and particularly contradictions that were also closing in from within (1). In the meantime, the United States had not given up hopes for a compromise with Syria for she already had had similar experiences with other Arabs with left inclinations.

II- The diplomatic inadequacy of the Soviet Union in the region (despite her relatively strong influence) (2).

1- What are these contradictions ?

2- What are the internal factors in the political-economic system of the Soviet Union that are responsible for the inadequacy of her diplomacy in the region and, generally speaking, in relation to third world countries- particularly countries where the contradictions between the people and imperialism are more developed ? Why was the Soviet Union finally forced to retreat in the face of the United States' political offensive despite all her apparently wide embracing political, economic, and to certain degree, ideological influence in Arab countries ? And why are her best political footholds in the region (in Egypt and Syria) crumbling one after another ? Note that at the last moment when the Soviet Union had lost all hopes for Egypt, she tried hard (militarily as well as politically) to prevent Syria from accepting Kissinger's plan for a compromise. But she was frustrated in this attempt too. We believe the attempt was doomed to fail right from the beginning. Why ? Discuss the main features and the principal foundations

III- The trump card the United States held against the Arabs. The trump card was Israel that swayed above the Arabs' head like a sword, and could provide the United States with that position of strength she needed in negotiations and for compromises.

IV - The United States' strong influence in the Arab reactionary ruling factions could provide favorable conditions and indirect pressures for effecting this compromise thru these factions. That is why (namely, the substantial results that a compromise in the Middle East could have for the U.S.), immediately after the outbreak of the war and the creation of new conditions which had made the compromise potentially feasible, we witness a sudden attention, or in fact, an intense political offensive by the United States in the Middle East region. The United States immediately comes up with a peace proposal, and plans extensive and concerted short term and long term measures at such a pitch that the whole State Department gets relocated to Middle East! and Kissinger, as the highest representative of the United States' foreign policy, channels, with special tenacity and persistence, all his efforts towards striking a compromise between the contending parties. The United States' Middle Eastern policy, at this stage, becomes the most decisive element in her foreign policy while her relations with Europe, the Soviet Union and the countries of the region all become overshadowed by her new policy in the region (1).

It is interesting to note that after the Paris peace agreement (Vietnam), at a time when it was difficult for Kissinger to predict the new conditions brought about by the war, he had

of the Soviet Union's future foreign policy in the Gulf on the basis of your analysis of the above question having also in view the Soviet Union's sum up of its policy in the Arabian Middle East as well as the fact that the contradictions between the United States and the Soviet Union in the Gulf - hence, the contradictions between their respective allies and factions in the Arabian region of the Middle East- have taken a more critical form.

- 1- Analyze the effects of the October war and the oil crisis on the relations among the U.S., Europe and the Soviet Union.

said "Just as the Vietnam peace required long years of negotiations, discussions and...., a peace in the Middle East will likewise call for as many or more years" (the content of Kissinger's statements in our words).

It was all clear. The United States that had not yet been able to achieve promising political penetration in the developed Arab countries due to her support of Israel and the state of war between the Arabs and Israel, (and that had even increasingly lost its position due to Israel's excessively aggressive policy)(1), could only rely on her traditional footholds in the reactionary Arab countries of the region that generally had a feudal-colonial societal make up. Whereas now, it can obtain new footholds among the growing Arab bourgeoisie after this compromise between the advance Arab regimes and Israel, and above all, between Egypt and Israel. That is, the United States can, over a longer period of time, secure the largest and at the same time the most dependable and solid bridgehead for penetration in the Arabian Middle East as compared to such rotten regimes as Arabia, and secure its interests of more of a long term nature by making the economies of these countries dependent on the United States - something welcomed by the big Arab bourgeoisie (who had not so far been able to completely consort with the United States for the same reasons). The realization of such goals, by no means in fact, could have been an immediate task for the United States' policy in the region before the outbreak of the war. Kissinger's statements as to the protractedness of peace prospects in the Middle East when signing the Vietnam peace accords, as well as the United States' harsher policy towards the Arabs up until the outbreak of the war, can support this view. That's why, to correct its monetary and economic position, and to bring its European and Japanese rivals to their knees, the United States engineered the energy crisis, and in a short span of time, succeeded in stretching it over the oceans to the dry desserts of the Middle East. The United States eagerly waited for alluring uproars from the oil lords to follow, but suddenly confronted another uproar: the thunder of guns and the rattle of machine guns. This time it is the

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- 1- The contradictions between the U.S. and Israel can be analyzed in this perspective as well as in the light of the pressures exerted by U.S. satellites in the region such as Iran to avoid a crisis situation in the region.

Arabs who started the war. However, the U.S. foreign policy makers did not lose their composure in the face of this seemingly very strange and unexpected development. This could well have been a predictable future development, anyhow. Therefore, with extraordinary flexibility and a sudden turnaround in its Middle Eastern policy, U.S. diplomacy was now able to fully (properly and in the direction of its interests) discern the new conditions brought about by the war.

What were these conditions ?

I- The Arab bourgeoisie, with the Egyptian bourgeoisie at its forefront, that had succeeded in somewhat quieting its historical complexes thanks to its phased and preliminary victory over Israel, was now, more than ever, getting ready for a compromise. So far, it had suffered painful blows from the expansionist policy of the Israeli zionism that had torn to pieces the Arab homeland- the sacred property of the Arab bourgeoisie (as seen by them). Israel had blocked their necessary growth and expansion and had been constantly threatening their vital sources of nourishment and growth. At the same time, the successive defeats Israel had inflicted upon the Arab bourgeoisie since 1948, had enveloped them in an aura of impotence, helplessness and defeat. particularly the six day war of June 67 was to deal the most painful blow to the Arab motherland as well as to the quite appreciable interests of its growing bourgeoisie (1). Therefore, the bourgeoisie decided, thereafter, to mobilize all its capabilities to return such blows. To compensate or not to compensate these defeats, no matter how, was now a matter of life or death for the bourgeoisie. The predictions of objective political and military analysts who right then saw the 1967 war as a prelude to another war which had to break out anyway, could be analyzed on this basis (no matter if Israel would start the war- an offensive strategy instead of a defensive one- or if the Arabs would). Thus, the nucleus of the October war was shaped in the June war.

But the October product, this immature infant (of June to Oct.), was a deformed war. Why ?

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- 1- What are these interests ? Discuss it clearly and factually (a numerical analysis of the question).

Because the Arab bourgeoisie, in mobilizing its capabilities and in rallying its most important forces, has always failed to mobilize the most fundamental and decisive forces, that is; the toiling Arab masses. In fact the Arab bourgeoisie(Egypt), particularly after Nasser, increasingly alienates itself from the Arab masses and increasingly divorces its interests from those of the masses. there is no longer any of Nasser's petty bourgeois socialism that had at one time somewhat pieced together the wretched Egyptian society, and had become the beacon for the progressive Arab circles, petty bourgeois intellectuals and the lower middle classes by virtue of what it had been able to accomplish. The Arab masses are now more than ever being put under the yoke of capital and its crumb seekers, that is, the bureaucrats, technocrats and high level militarists. The invisible links of economic dependence are shackling them in subjection to capital instead of colonialism. For this very simple reason the bourgeoisie cannot depend on the masses. Its biggest weapon is capital, technique and sophisticated military equipment. These weapons obviously look so sluggish against the most powerful technical and financial might of the world.

However, by purging the left political factions, undoing the Nasserian socialism, and achieving desirable economic liberalism, the ruling Egyptian bourgeoisie has established stronger ties with world capitalism and now perceives their interests better and thus, within the context of such interests, is willing to accommodate concessions in its goals and demands. Concessions that are by no means small when judged in the light of the very lofty demands of the militant Arab petty bourgeoisie. In fact, the bourgeoisie neither can nor wishes to be a total protector of the betrayed rights of the masses of the Arab people, and particularly the Palestinians. For the Arab bourgeoisie, therefore, the war is not a strategic goal and will not be fought till the total defeat of the enemy, but rather, it is a tactical means with limited scope and transitory effects(and basically couldn't be otherwise for the same reasons) (1) for it is quite obvious that Israel will

- 1- The hesitation of Egypt's army command to keep up a planned and persistent offensive against the disrupted Israeli army demonstrates the lack of self confidence of the ruling Egyptian bourgeoisie, and its essentially collaborationist position.

never make any concessions when at an absolute position. Therefore, the road to a general compromise has to pass thru the trauma of a war, a victory, even if it is a temporary one. Egypt seeks to force Israel into making a minimum concession, at least at a certain stage or with a certain dimension, by enjoying a superior position. This is the very position the United States realizes very well. That is why the Arabs are never condemned in this war by the U.S. as aggressors. Nixon even praises the courage of Egyptian soldiers, and on Oct. 25, when the blazes of war had not yet died down, tells Michel Jobert "The circumstances that have caused the war were clearly not dispensable for the Arabs, and it is necessary for Israel to make some concessions in future negotiations."

The war did not contain any threatening element for the crisis stricken U.S. capitalism, provided they behaved with some political sagacity. Thus, even the dumbest of American politician could afford a satisfied smile at such developments!! According to them, the Middle East tangle had been undone.

II- The second aspect of the problem was Israel. The American calculations on this front were more clear-cut but proceeded more slowly. The stubborn Israeli leaders would not so easily give in to considerations directly associated with the United State's(not Israel's) interests. They even considered the compromise between the United States and the Arab bourgeoisie to their disadvantage, for essentially the very foundations of Israel's existence that always and everywhere posed Israel as rightful, always advertized her as invincible, and considered her constant aggressions and expansionism as an elemental component of her existence, could not agree with considerations that required of her concessions and retreats. This was in contradiction with the dogmas and ideals of zionism.

According to Goldman "Israel's unfortunate problem is that for over twenty years its leaders have imposed on their people views and ideals(illusory and unreal) that are totally divorced from the constantly unfolding realities." (1) That's why we witness political instability, sharpening of Israel's internal contradictions and a so-called national disruption immediately after

1- Refer to Goldman's recent series of articles in early May issues of Kayhan.

the October war. Of course, the American leaders are more realistic than those of Israel, for they entertain more long term multi-dimensional interests. If, therefore, there is no dispute as to the existence of dissension between the United States and the Arabs on the Middle East problem, it should be likewise noted that the position of the United States on the solutions for the problems of the region, specially after the 67 war, has been totally different from that of Israel despite the United States' political, economic and military assistance to Israel.

As we have already discussed, Israel could not realize all the considerations stemming from the strategic interests of imperialism in the region, while the U.S. had reciprocally burdened Israel as the basic pillar of its imperialist structure in the Middle East. This was the very contradiction that had stripped the United States' diplomacy in the region of any directness and penetration capabilities during the years after the 67 war, and had forced her into adopting a sweet-sour policy against the Arabs. And it was again this very approach of Israel that was necessarily driving the Arabs towards the Soviet Union, according to the United States. That's why when Kissinger was asked about the Middle East after signing the Vietnam peace accord, he portrayed a vague, distant and disturbed prospect with chances of tranquility and peace far away.

But now, the war had changed the situation. Specially the military victories of the Arab armies had threatened much of Israel's political, military and ideological dogmas at its base. Eric Rouleau- a commentator for LeMonde- writes in one of his articles: "Since the United States' dominance over Israel is more prevailing, her capabilities of pressuring Israel is likewise more difficult."

Eric Rouleau offers a very interesting comment on the United States' position in regard to Israel. As we have discussed, however, the war had created the conditions for the United States to bring pressure on Israel too. That's why, when after the end of April, Nixon sent some urgent messages to Golda Meyer, each time demanding a more moderated approach, Israel realized that it was all over now. According to Westerners, the October war made Israelis wake up to the objective realities !!, and this was precisely not only what the collaborationist Arab bourgeoisie expected, but also what

the United States waited for.

Thus, the United States launched into structuring a new diplomacy in the region with a fresh scope and enjoying a new foothold- the collaborationist Arab bourgeoisie and an Israel which has now become more realistic.

THE INTERCONNECTION BETWEEN THE ARAB OIL BOYCOTT AND THE MONETARY CRISIS OF THE U.S.

In previous chapters we discussed some fundamental questions, that is, the nature of the monetary crisis and the reasons for the decline of the U.S. monetary position, as well as the objectives the United States sought by engineering the energy crisis, and its close connection with the Arab oil boycott, as well as the causes and conditions that developed into the October war. As to the October war, we even went out of our way to offer a brief analysis of the political repercussions of the war, particularly its print on the U.S. diplomacy in the region. Though this was a digression from the basic theme of our discussion, nevertheless, in view of the close interconnection of the problems of the region, it could as well throw light on other aspects of the fundamental questions we have been discussing. In this article, we will now try to briefly discuss the mechanism of the connection between the energy crisis - in fact the oil boycott crisis -, then, the price increases of the Middle East oil, and the monetary crisis of the United States.

The question is this: What tangible, direct and evident effects does the Arab oil boycott, that led to a reduction of oil supply to the West and to an increase in the Middle East oil prices, have on the United States' economy? How is the energy crisis transformed into the Arab oil boycott and increased oil prices and how does it serve to remedy the monetary and economic problems of the United States? Why a lessening in the economic and monetary crises of the United States depends on an intensified energy or oil crisis?

It is in the context of the answers to these questions that Shah's position against the oil companies and the true nature of his recent monetary proposal (the International Fund to Assist Undeveloped Countries) will become apparent. In an article in early 73, William Casey - the under secretary for economic affairs of the U.S. State Department - writes:

"Last week in Tokyo 101 nations embarked on a broad cooperative effort to expand world trade by scaling down barriers.

Next week at Nairobi 126 nations will review and set the future course of a broad cooperative effort to reform the world monetary system.

Today, at international meetings of this type, a great deal of discussion in the corridors and before and after plenary sessions turns to energy and how to assure an adequate supply to meet the worlds growing needs at prices which will not prove damaging to trade, monetary stability, and consumer living standards.

In the discussion on all three of these vital subjects, trade, money, and energy, (everywhere the emphasis is ours) there is a common need to arrive at an agreed system which would distribute burdens among nations and avoid the kind of heavy pressure which can disrupt the system.

In the trade negotiations, we look for a safeguard system to provide time for firms to adjust to sharp breakthroughs in technology or other forces suddenly altering patterns of trade.

In a monetary system, we need an adjustment process which will provide assurances that both surplus and deficit nations will alter their exchange rates or economic policies promptly enough to bring their reserves and currencies into line and avoid distortions in trade. The adjustment process must also operate gradually enough and with enough predictability as to time and unpredictability as to method to make speculation on exchange rate changes less attractive in the future than it has been in the past.

The structure of international cooperation is not as well developed in energy matters as it is in trade and monetary matters!! But the need has become manifest to most nations, both consumers and producers! Work has begun to define how international cooperation can reduce the risk of disruption and provide the basis for diversifying and expanding our sources of energy."

This article, written in early 1973, that is exactly at

a time when the United States had started a new policy to remedy its terrible and very unfavorable monetary and economic situation, discusses the United States' economic line regarding three basic areas, namely, the question of money, world trade, and oil which, according to this official economic authority, are inseparable from one another in the confines of U.S. economy and tremendously affect it.

Casey tenaciously proposes that an agreed system in what he calls the three vital areas of trade, money, and energy should be worked out that would distribute burdens among nations and avoid the kind of heavy pressure in one part that can disrupt the whole system. One can clearly see thru this proposal (and more delicately, thru this article) the intentions of the writer when he talks about distributing burdens and avoiding the kind of heavy pressure, as nothing but requiring the United States' European and Japanese rivals and the undeveloped countries of the third world to absorb the monetary and trade crises of the United States. Particularly, when it comes to the oil problem, he finds the structure of international cooperation not adequate by any means. This shows that Mr. Casey obviously has interesting and very fresh ideas about planning a new structure to secure international cooperation on energy.

After reminding Europe, somewhere else in the article, of American generosity (American oil aid) during the years 1956 thru the months the Suez Canal was closed in 1967 around the six day war, actually trying to find some justification for future Japanese and European concessions and reciprocity, Mr. Casey then goes on to elaborate on this new structure:

"The economies of the major energy consumers- Europe, the United States, and Japan- have become so interdependent that a sharp reduction in energy supply inflicted on any one of them would automatically inflict damage by disrupting the trade, the supply sources, and the markets of the others! So we can view an equitable emergency sharing arrangement as a safeguard in the energy trade which can build confidence and lead to cooperation in other areas!"

If we strip Mr. Casey's profound statements of its diplomatic jargon and unveil the metaphoric language, necessitated by international protocol, we can then find that, as the United States sees it, unless her monetary, customs, and trade measures of 73

and 74 are coupled with her complete dominance over the economy and world oil trade the lifeline of which lies in the Middle East, that is: unless the United States can exercise total hegemony over world oil trade, she cannot be very hopeful to solve her monetary-economic problems.

So far, she has succeeded in convincing, or actually forcing, Europe and Japan to assume a certain burden off the United States as to her monetary and economic crises. (1) (Refer to the first part of the article)

But, in fact, it is oil that is the Achilles heel of Europe and Japan. The United States knows very well that the oil that floods off the seething wells of the Middle East deserts, has so greatly contributed to the speedy advances of the European and Japanese economies at those much higher rates. According to available official statistics, Europe's and Japan's oil imports exceed 600 million and 200 million tons respectively, while the United States with its daily need of 16 million barrels, or 800 million tons a year, imports only about 17% or approximately 136 million tons. If we note that only 6% of this 17%, that is, less than 10 million tons is imported from the Arab countries of the Middle East, then we can realize the tremendous importance of Europe's and Japan's economic dependence on the Middle East oil as compared with the United States' very insignificant dependence on the same oil. After all, the United States can easily manage to save the 10 million tons of oil, or it can provide it by increased internal production, or from other sources, or by importing it from Venezuela, and thus, counter any kind or form of crisis and disturbance. But what is there that

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- 1.- To appreciate the significance of the impact the United States' new trade and monetary policies have had on the economies of the European industrial countries and Japan, it would suffice to note that for the first time since 1965, Japan recorded a deficit (a small amount) in her balance of payments in Aug. 1972. Of course this deficit cannot indicate a trend towards a chronic deficit, but, at any rate, it can show that Japan's economy has been forced to move towards less exports and more imports by the United States' economic pressure. The available statistics show that this new trend is visible more in Japan's trade with the U.S., otherwise, Japan's trade balance with 9 members of the Common Market still enjoys a surplus.

Europe and Japan can do with their 800 million ton needs ?

Now if we take into account the fact that almost over half of the shares of the Middle East oil are owned by American companies, then we can further realize the magnitude of pressure the United States can bring upon its economic rivals of Europe and Japan on many sides. No wonder Mr. Casey starts off his pompous article by declaring the three problems - money, trade, and oil - inseparable from one another, and confidently warns that a disturbance in any of these three issues will influence the economies of all European countries and Japan, plausibly including the United States in the list. Or he warns that if pressure is brought upon one segment (that is, if the U.S. is to suffer any pressure in monetary and trade areas) then you, too, will face disturbance and disorder in other areas such as oil. (1)

However, the European and Japanese allies of the United States, that is, the chiefs in Paris, Bonn and Tokyo, are not prepared to listen to Mr. Casey's and his colleagues' advice. They have already given much more concessions and no longer want to, or in fact can, take such a warning on the part of the United States serious. And that's when the chiefs of the United States' imperialist policies roll up their sleeves. In previous chapters we discussed this area of the United States' measures, that is, what leads to the structure of international cooperation according to Mr. Casey!! As we discussed before, its preparatory stage begins with William Rogers' important speech in Jan 73 wherein he introduces the energy crisis for the first time. In April of the same year, Nixon sends a message to Congress and formalizes it. Standard Oil of California warns its shareholders and the people, and scares them about a continuation of cold relations between the United States and the Arabs. But the U.S. policy against the Arabs takes such an increasingly hostile course that, according to Western analysts, it leaves the Arabs with no other recourse but to use the oil as a weapon. The energy crisis transpires into the oil boycott crisis. On the one hand, King Faisal issues an ultimatum to the United States, Europe and..., and threatens them to cut the oil flow, and on the other hand, the Shah trumpets grievances about inflation, low oil prices, and the need to determine oil prices on the basis of supply and demand. Thus, the two principal pillars of reaction in the region are set into

1- Our interpretation is confirmed elsewhere in the aforementioned article.

motion in pursuit of the imperialist goals of the United States.

An interesting point that can clear up any ambiguity as to the questions arising from the United States' new policy in the region, is the strongly diverging and varying positions taken by the Shah on the oil problem that change in tune with changes in the United States' oil policies. While this can indicate the extent to which Shah and his traitor regime are dependent on and act as a puppet of the United States, it can also tell us more about the functioning mechanism of this policy in the region.

The most important point that demonstrates the Shah's diverging positions in the oil problem in a space of less than two months, is the period between signing the new agreement on the purchase and sales of oil in July 73 and the Kuwait negotiations in Sept 73 where the representatives of the oil exporting countries unilaterally increased the oil prices in complete support of the reactionary front of OPEC, namely, Shah and Faisal.

In Aug 73, following Shah's ultimatum on Jan 26, 73 that left the oil companies with two options(his speech on Jan 26, 73), the previous agreement between Iran and the Consortium -concluded since 1954(after Aug, 1953 coup)- was revoked and a new agreement was concluded with those companies. At that time, the Shah didn't say anything about the announced increases of the oil prices on the basis of supply and demand. The ink had hardly dried on the agreement when the Shah made a turnaround after only 30 or 40 days and considered raising the price of oil by the unilateral discretion and decision of oil-rich countries, even without the oil companies having any say in it. So, on Oct 16, 73, oil prices and the share of the oil companies from the sale of each barrel were declared unilaterally for the first time in a conference of the representatives of the oil exporting countries of the Persian Gulf area in Kuwait. These prices were approximately twice as high as the previous ones, but the articles of the common communique allowed for still further price increases. According to a couple of the articles in the communique, firstly, prices in the future would be determined on the basis of supply and demand, and secondly, they would be subject to revision every three months(to allow for inflation and....). The October war and the further aggravation of the situation in the region produced favorable conditions to further fan the flames of oil and the wealth of the oil exporting countries. Thus, the prices declared for the Persian Gulf oil in October

were roughly doubled again in December of the same year (roughly three months after October) in another conference attended by the oil finance ministers of the oil exporting countries in Tehran. Thus, the price of the Persian Gulf oil increased more than threefold during the last three months of 73 (Oct, Nov, Dec.). Thru numerous interviews, conferences, lengthy and pompous speeches, the Shah all along posed himself as the protector of the hitherto denied rights of the oil-rich countries, and emphasizes the need for increasing oil prices, even the right of determining oil prices by these countries.

But the question still remains that why the Shah didn't talk about any such thing when signing the new oil agreement in August 73.

The answer is clear. It should only be noted that the set of reasons and conditions that led to the revocation of the previous agreement with Consortium and to the conclusion of a new 20 year contract for the purchase and sales of oil between Iran and the oil companies, were quite different from the set of reasons and conditions that necessitated the raising of oil prices to levels three times as high in a space of less than three months, and that they originate from distinctly different objectives. As far as the revocation of the old agreement between Iran and Consortium is concerned, the long term interests of the oil companies who are apprehensive about the unstable situation in the region and world inflation, and the interests of the growing Iranian bourgeoisie have, foremost, been taken into account. In addition, the expiration of the old agreement was only 5 or 6 years away (the agreement with Consortium was to expire in 1979), and according to a colonial tradition, companies always impose their colonial terms, of course with some fanfare and propaganda, with a new agreement for a much longer period of time before the expiration of any agreement by revoking the old ones. Some of the clear examples of this colonial tradition are: the revocation of D'Arcy agreement in 1933 immediately followed by the colonial agreement that added 30 years to D'Arcy agreement, or the draft agreement of Gos-Golshaian that was presented to the 14th national assembly but was dropped thanks to Dr. Mossadegh's efforts, or the 1954 Consortium agreement that guarantees, by conclusion of a new agreement, oil supply for 20 more years.

In the new agreement, the main emphasis lies on the means and the

tonnage of oil supply to the companies, not on oil prices. This agreement does not deal with oil prices at all, thus keeping them at their previous levels. But the tonnage of oil supply has been worked out on the basis of internal needs that will be steadily increasing over the next 20 years. For example: while in 1973 over 95% of Iran's output of 5,316,000 barrels a day was exported to foreign countries, in 10 years time, that is, in 1983, about 90% of Iran's production of 7,600,000 barrels will be exported. In 1983 the internal consumption will amount to 710,000 barrels a day which shows a very intensive planning for the growth of a comprador bourgeois economy in Iran. (1) But the sudden and dramatic price hikes of oil is more the logical extension of the very policies the United States carries out in the region in pursuit of that very new structure for cooperation which is in trouble as to energy as compared with the other two areas according to Mr. Casey, rather than being the result of the needs of the bourgeoisie of such countries as Iran, or the pressure exerted by the ruling Arab petty bourgeoisie, or generally the result of the rage and indignation on the part of different factions of the oil-rich Arab countries against the western friends of Israel (2).

Faisal and Shah, these two pillars of reaction in the region, are taking complementary missions in furtherance of the United State's crisis-bringing policies in the region.

Faisal converts the U.S. engineered energy crisis into the Arab oil

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- 1- The above figures are taken from a table in Etelaat paper in July 1973 where the oil production reaches its peak of 7.6 million barrels a day in 1984, and then, drops to the small figure of 1.505 million by 1993.
 - 2- It should be noted, of course, that increases in oil prices, as we shall see later, will have important effects on the economies of the region. In Iran, for example, it will further the growth of the comprador bourgeoisie and lead to its expanded political and economic power. Analyze these effects as to both their positive (strengthened Iranian bourgeoisie and its results on the internal and foreign policies) and negative (the resulting inflation, the growing dependence of other areas of economy and production on oil, and the increasing dependence of Iran on a single product economy) aspects.

crisis, naturally resulting in reduced oil supply to the West (1), and the Shah acts to forward the crisis by jacking up the oil prices to levels as high as three times over what they were before. These actions, of course, meet with strong opposition from the European countries. For example, when the first speculations about raising oil prices were aired, the European countries, by various means, voiced their bitter dissatisfaction at possible price hikes of oil(following the reduction in exports) and some of them even threatened to counteract by raising the prices of their industrial products. Thus, when the oil companies, or in fact the European oil companies(which are chiefly state supervised contrary to those of America) refused negotiations with oil-rich countries for revising the declared prices for the Gulf oil in late September 73, Shah voiced the right to unilaterally fix the oil prices and determine the shares of the companies, thus putting Europe in a fait accompli position(the Oct 73 Kuwait conference and the decisions reached there) (2) enjoying the full support of the United States.

Of course, the United States stands to lose certain things in this game the most important of which are:

I- Transfer of the price control system from the companies to the oil-rich countries of the region. It is true that otherwise the European companies would resist measures that intensified the crisis, especially the price hikes, but the old system, at any rate, preserved the solid position of the companies including the American ones against those countries, specially the extremist Arab countries (according to Western authorities). This will not be so easily possible now with the newly introduced practice of unilaterally fixing the prices by these countries.

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- 1- The Soviet Union announces its support of the European countries against the United State's oil encirclement, although, in general, it stands to also substantially gain from the crisis of the Arab oil boycott and the oil price hikes, by itself being an oil exporting country.
 - 2- Capitalizing on such a special situation, Shah naturally embarked on extensive propaganda to portray his ideals as anti-colonial, thus making it difficult for even many politically enlightened people to see thru his real position.

II- By the help of the most reactionary oil-rich countries and thanks to the contradictions between the U.S and other capitalist blocks, the progressive Arab countries, foremost Algeria and Lybia, managed to reap some gains out of all this. Gains they could never imagine to realize so easily before.

III- Probably the most important negative result the new oil policy of the United States has brought to her is the intensification of the contradictions between Europe and the United States. In fact, the process of intensification of all the disputes and contradictions between Europe and the United States at this stage, that makes Robert - the French foreign minister - to confront Kissinger in the most serious manner as a symbol of an independent Europe, starts right from the time the oil becomes the issue. In other words, the United States fails in one of her most important goals, that is, appropriating for herself the control of world oil trade and using it to exert pressure (other than using the other two means of money and industrial trade) the substance of which was extracted from William Casey's statement which was dealt with at the begining of this article. The European countries strongly react to the tremendous increases of oil prices and to the encirclement by the above mentioned policies of the United States concerning the oil question. The numerous protests and verbal threats are not the only outcome of such reactions. By concluding a series of bilateral agreements and contracts with some oil-rich countries, in practice they launch countermeasures against the United States' oil encirclement. The bilateral oil agreement between Japan and Iraq that provides for a billion dollar aid for Iraq, or the bilateral agreements between the European countries and Kuwait and.... that generally invoked great political and economic indignation in American circles, are good examples of these practical countermeasures by Europe against the United States(A thorough analysis of this area requires a close examination of the contradictions between Europe and the United States which cannot be dealt with here in our present discussion). The United States that finds the situation out of hand, naturally tries to reestablish its control over the situation by various means. For example, it hastily calls a conference of the big European oil consuming countries in Washington to adopt a single energy policy.

In fact the United States was planning to bring the capitalist countries under its economic reign again by threatening and

appeasing the big industrial Western countries, but was confronted by the furious French foreign minister, and thus the conference generally failed by not being able to issue a common communique. These were the negative and disappointing aspects.

However, the United States had gained so many other things that could keep her quite satisfied in the deal.

What was it that satisfied the United States ?

a- During the Arab oil boycott, the oil supply to the United States not only didn't stop (despite all the propaganda and the fuss), but during the war there was practically more inflow of oil. In addition to the implicit admission of the official American economic sources as to the above fact, and the statements of informed sources in other countries, later investigations showed that on Oct 5 - one day before the Middle East war broke out - the internal oil production of the United States was 9.39 million barrels a day which dropped to 9.31 million barrels the following month (these figures were taken from April/May issues of Kayhan). This downward trend of internal oil production can have two interconnected reasons. Firstly, to show that the crisis was a real one and bring pressure on local small consumers and consequently pave the way for increasing oil prices which entirely benefited the Companies. To make the crisis look natural, the reduction in internal oil production was concealed from the American as well as foreign public. Secondly, thanks to its political influence and its extensive dominance over the oil-rich countries of the region (Iran, Arabia), the United States indeed had such enormous possibilities, even in the most critical situation like a war - which it properly utilized -, that its oil imports not only did not slow down (contrary to Japan and the European countries), but it actually increased. That's why, despite all the fuss and the clamor about the Arab oil boycott - that logically had to bring about increased domestic production -, instead we find a decreased domestic production.

b- Subsequent studies revealed that the profits the six big American companies (Standard Oil, Gulf, Texaco, Standard Oil of California, Mobil and Occidental) which have the monopoly of production and sales of oil , including that of Iran and the Middle East, pocketed during the three months of the oil boycott, that is, since the outbreak of the war and the beginning of the frantic price multiplications, have been 60% to 120% higher than the corresponding three month period of the previous year for each

of these companies (figures taken from Kayhan). The net profit (note that net profit) figure for the five major American companies during the first three months of 1974 can demonstrate the enormous profits of these companies during and after the war. According to official figures, the net profits of these companies during those three months have been 2.136 billion dollars which is nine times greater than the average income of these companies during the first three months from 1958 to 1972. In other words, if the announced prices increase threefold during the last three months of 1973, the share of the American companies too, immediately increases, ninefold!! due to reasons related to the market mechanism as well as to the increased sales. Revelations and disclosures made by certain liberal Western circles, including American liberal circles, about bribes and Zaki Yamani's collusion with the oil cartels, further reveals the colossal profits the American cartels pocketed during the oil boycott and the period of price hikes. Those same circles have called the profits of the cartels shameful.

c- We have already stated that Japan and the European countries are the main importers of the Middle East oil (800 million tons a year). It is obvious that these price increases bring very heavy pressure on the economies of these countries in that they push up the prices of their export products. Considering the United States' meager dependence, or actually its non-dependence, on the Middle East oil, American commodities regain competitiveness as to European and Japanese commodities due to the increased prices for the production goods of Europe and Japan, thus, affecting world trade transactions in a direction favorable to the U.S. Remembering the continuous and downward trend of the United State's balance of payments deficit (discussed in the first chapter of this book), the economic and particularly the monetary results of such a shift in world trade is so significant and vital for the United States that it influences all her political considerations on a global scale as well as her plans and the economic-monetary calculations on the domestic scene.

d- One of the most positive results of the energy crisis for the United State's economy is the refunneling of the dollars back to U.S. for investment in other areas of energy. This was one of the important problems on which Nixon's well known message to the U.S. Congress on April 18, 73 about the energy crisis was based. In that message he says:

" long term solutions include enlarging research funds to discover new sources of energy, using atomic and solar energy, thermonuclear fusion, and shale oil..."

Covering the same subject, William Casey writes in his famous report :

" I also want to say a few words about alternatives to conventional gas and oil. The recent sharp increase in the price of oil does have positive aspects! One of these (1) is its effect as a stimulant to the development of domestic substitutes for conventional fuels..."

In fact, the increase in oil prices prepares the favorable economic conditions for the development of those industries and production lines that can be engaged when oil is substituted, and now makes it economical what was hitherto completely uneconomical. It should be noted that even in spite of the creation of all the favorable conditions, investment in this field (substitution of oil) is still not possible for Europe and other industrial countries, and it is chiefly the United States that, due to certain reasons, can utilize these conditions and benefit from investment in this field. Briefly, these are the reasons:

Firstly - engagement in such fields of energy production requires a very advanced level of technology. Only the United States' tremendous technological power can respond to its requirements.

Secondly - except for England which has relatively vast sources of coal, the United States is the only country among the industrial Western nations that by virtue of possessing about half the coal deposits of the world and other very rich sources of solid hydrocarbons(shale oil), is able to operate in this field.

Thirdly- The United States has vast domestic sources of oil and gas(underground as well as offshore and deep sea), and the increases of oil prices now makes it economically feasible to invest in the exploration of these new sources and their exploitation.

1- We explained the other aspects in previous paragraphs. Note that this report was written even a few months before the sudden price hikes.

An important point that should be discussed is that the tendency towards industrial substitution for crude oil is not simply a logical response to the simple and natural needs of industry and the daily needs of the people. Rather, it constitutes a goal for the U.S. economy which has to be constantly reinforced by gigantic projects. The globally gluttonous U.S. economy that has so far fed on heavy and gigantic projects such as the industrial and military needs of the "Vietnam war", or the massive expenditures for atomic weapons such as the expenditures for producing multi-warhead missiles and huge atomic submarines and..., or the mammoth Apollo project (and that these very economic needs have reciprocally necessitated the planning and execution of such projects or wars and...), has now found itself in a vacuum of nourishment sources!

The political-military defeat of the United States in Indochina and the expulsion of its half a million-strong army from Vietnam, the dwindling of delusive and illusory emotions of the American people about the competition to conquer the space, and the realization of its vanity and uselessness (these delusive emotions were first instilled in American people by Kennedy), or the new agreements taking shape concerning the strategic arms limitation (atomic) between the U.S. and USSR under various international and domestic pressures, create the conditions that slow down or altogether stop investments in these fields and make the future of industries in these fields bleak and hazy. So, the insatiable dragon of the U.S. capitalism sets itself to motion to devour new preys. Such mammoth projects as "energy substitution" can as well supply such preys. To understand the enormity of these projects, something that should please American industrialists, it would suffice to mention that just to enter these industries would require an investment of \$300 billion (300,000 million dollars) over the next 10 to 12 years. So far, thru his famous message to U.S. Congress, Mr. Nixon has secured \$10 billion earmarked as research and development for coal energy.

As a result:

I- The increase in oil prices has made investments in other areas of energy production economical. However, as we have already discussed, these investments will be channeled to the domestic scene.

2- For this reason (the increase in oil prices), the U.S. economy which was verging on collapse and recession can find new lucrative areas which make its reactivation possible after having been deadlocked in such projects as Apollo, atomic arms and... This will lead to economic bloom for the United States, and will contribute to its better and superior position in world trade. For example, by "exporting new energy technology", the United States can contain its rivals under its domination and thereby regain its superior trade position.

Once more note the deep meaning of what William Casey considered the three interconnected problems of money, world trade, and energy. (1)

e- Concurrent with all these problems and the significant results mentioned above, yet another problem confronts the West, particularly the United States. It is that very accumulation of substantial amounts of foreign exchange - specially dollars - in the hands of oil producing countries the amount of which will highly increase as the oil prices go up. But what kind of singularity does this problem have for the United States, and why is it the United States that confronts it in particular, while we have already discussed the much greater dependence of Europe on the Middle East oil ?

The reason is clear. Firstly, the system of world trade transactions is still based on the dollar. Secondly, enormous quantities of dollars amounting to \$100 billion lie in the European central banks and the private accounts of individuals and corporations that, in first place, will definitely be used to pay for the European oil imports. Thus, the stranded Euro-dollars will be, after some time, pipelined to the vaults of the oil-rich countries of the region. To the United States,

1- It should be noted that exporting technology is one other particularity of the U.S. as against Europe (refer to the first chapter and the questions about the particularities of U.S. economy). For example, by exporting all-automatic electronic factories, atomic reactors, or computers, the U.S. exports its sophisticated technology - which is only sophisticated and mysterious to other countries, specially third world countries - at very high prices and thus makes much higher profits than those countries which only export simple industrial products.

however, this phenomenon, that is the transfer of the center of gravity of the dollar from Europe to the Middle East, not only is not a harmful phenomenon, but rather, if it is dealt with according to American methods, it can be even very profitable! But what are the American methods here?

I- Most of the oil-rich countries of the region are under the political-economic, hence, military domination of the United States. Firstly, with the better position it has attained with respect to the export of its industrial and consumer commodities thanks to the oil crisis, the United States can absorb a larger amount of these dollars.

Secondly, all these countries procure most of their arms needs (plus delusive needs) from the United States. The export of U.S. war commodities and services to these countries constitutes large figures (for example, note how Iran's military budget and arms expenditures have been multiplying parallel to and concurrent with the increases of its oil revenue), thereby providing the United States with yet added foreign exchange.

Thirdly, because of the vast U.S. investments in these countries on the one hand, and the strong political-economic dependence of these countries on the United States on the other, any increase of revenue in these countries will directly end up in the hands of their big bourgeoisie; and because of the dependence of this bourgeoisie on the American capital, it will naturally increase the profitability of the U.S. capital. Thus, at the same time that the economic (and naturally political) capabilities and the position of the bourgeoisie in these countries suddenly increase with broad dimensions (specially note the position of the Iranian regime which has the most suitable background for the development of capitalism among the countries of the region), nevertheless, such an increase of capabilities for the development of the economic position of such regimes (contrary to Europe) will not cause a destabilization of the United States' superior economic-political position in these countries. (why?)

II- Engineering such plans and remedies as "International Fund to Assist Undeveloped Countries" or offering assistance and loans to "International Monetary Fund" the implementation of which has been chiefly delegated to the Shah. The purpose of such plans is to absorb the excess dollars of these countries, specially

those oil-rich countries that the United States cannot directly impose its views on them such as Algeria, Lybia, and to a certain extent, Kuwait, and..., and that was the reason why this suggestion was put forth in the conference of the Islamic heads of States by the Shah. To this end, Iran takes the initiative and deposits one billion dollars in the Fund.(1)

Hoveyda deals with it this way: "Iran will directly give loans to International Monetary Fund with prevalent commercial terms to ease the problem of the balance of payments of the world."

And Witteveen - chairperson of the Fund - says: "At present, we are facing changes in the balance of payments that can seriously change the world economy. The solution to this problem(improvement of the balance of payments of the industrial and developing countries) was to receive the excess revenues of the oil producing countries in order to help those countries which face deficits in their balance of payments." (Kayhan)

The above explanations that have been quoted from the most responsible representatives of world capitalism and its domestic puppets in Iran, clearly show the basic purpose of this so-called philanthropic! plan of the criminal Shah. As we discussed before, the purpose is to encourage and mobilize the countries of the region into correcting the monetary position of the United States and the deficit of its balance of payments thru returning the oil revenues to American banks and institutions under such titles as "creating a fund" etc. The interest on these loans which are generally long term and run for 25 to 30 years is very small and

1- To understand the "philanthropic and benevolent" nature of Shah's plan for creation of a fund to assist the undeveloped countries, it would be better to take a look at how these one billion dollars are to be allocated to the three areas - purchasing World Bank bonds, helping the International Monetary Fund, and assisting the undeveloped countries. At first, it was not known how much would be allocated to each of these three areas. Even Amuzegar remained tight-lipped about it with reporters until Hoveyda outlined the amounts in his reply to Willy Brandt in Germany(Kayhan): Slightly over \$700 million to the International Monetary Fund, somewhere between 125 to 175 million dollars to developing countries, and about 150 million dollars towards the purchase of the World Bank bonds.

stands at less than 2 to 3 percent (the interest on the money Iran gives to the International Monetary Fund is the same amount according to Shah) while the interest rate of loans extended by the Fund itself to other countries is about 12%. It is interesting to note that with the money the regime gets for the oil, it has practically rendered more help, about \$ 3 billion, to the U.S. economy. According to Amuzegar - Iran's minister of finance- Iran will be additionally helping the international liquidity by a total of \$ 2 billion in 74 by paying off about \$ 1 billion of its previous debts before maturity dates, and by not using the World bank facilities as well as other loans. So, it is \$ 1 billion for Shah's proposal, \$ 1 billion for repaying the principal and the interest on the previous loans before maturity, and finally not using a one billion dollar loan by the World Bank included in the 5-year development plan, a total of \$3 billion.

Another interesting point here is the lack of the necessary capacity on the part of the oil-rich countries of the region to accept and absorb such quantities of dollars. Since these countries have a very low level of production, contrary to the industrially advanced European countries and Japan, they will easily face inflation arising from careless and unchecked inflow of foreign exchange (earned by exporting a single product) (1). This phenomenon, per se, not only is not to the disadvantage of the United States (or any other country with a higher economy having a certain influence in these countries), but because of the serious questions it lays before these countries and the solutions they are compelled to adopt to rid themselves of such pressures, actually it turns out entirely and directly to the benefit of the United States (or the dominant economy). Increased imports, giving credits and long term foreign loans with easy terms, investment in other countries, and... are among the solutions imperialism lays out for them. Of course, some of these countries are even unable to go for such solutions because of their decrepit societal structure and lack of proper human and geographic capabilities (like

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- 1- Explain the mechanism. How does the foreign exchange earned by exporting a single commodity, as the most principal part of the exports of a country (like oil in case of Iran, and copper in case of Chile), generate inflation ?

Analyze Mossadegh's thesis of "economy without oil" in this perspective.

Arabia), and, of necessity, deposit a major portion of their money in foreign banks and get the interest!! whereas countries like Iran that have favorable conditions for capitalist development, while they can opt for such solutions within certain limits, they are nonetheless going to be finally victimized by the ominous inflation (1). Thus, this action of the Shah, together with Iran's recent investments in the African countries of Sudan, Congo, Zaire, and a \$ 300 million credit to India, flow from that very dual necessity (disburdening the strangulating pressure of the inflation, and the needs of the comprador and growing capitalism of Iran(2), and at any rate, will be to the advantage of the United States.

III- The third and perhaps the most important long term solution the United States has worked out to absorb the dollars of the oil-rich countries is the solution that has been introduced under the title of "partnership of oil-rich countries of the Gulf area in the capital of oil companies." This is the same plan that Shah, barking like a loyal dog of imperialism, has reiterated over and again under the guise of "partnership in the investments of the companies even down to the gas stations of Europe". This way, actually, the United States secures the enormous expenditures of its domestic investments in the energy field over the next 10 or 12 years thru so-called allowing partnership of the oil-rich countries of the region in the capital of the companies (actually no such capital has any objective existence, rather, because of the imperialist domination, the monopoly of production and sales of oil in the world are in the hands of a few oil cartels).

With special delicacy, William Casey touches upon this question in his aforementioned article and writes: "... one major task we face is to see that these projects and our capital markets are developed in a way which makes them attractive to oil-producing states! seeking long-term assets to replace the wealth they take out of the ground. They have farsighted leaders!!/who see that

1- As we can witness now, Iran tries to counter the inflation by exporting capital, giving foreign loans or buying foreign shares, and similiar actions (actions that, in any case, are inspired by capitalistic methods).

2- What is meant by the needs of the comprador and growing capitalism of Iran ?

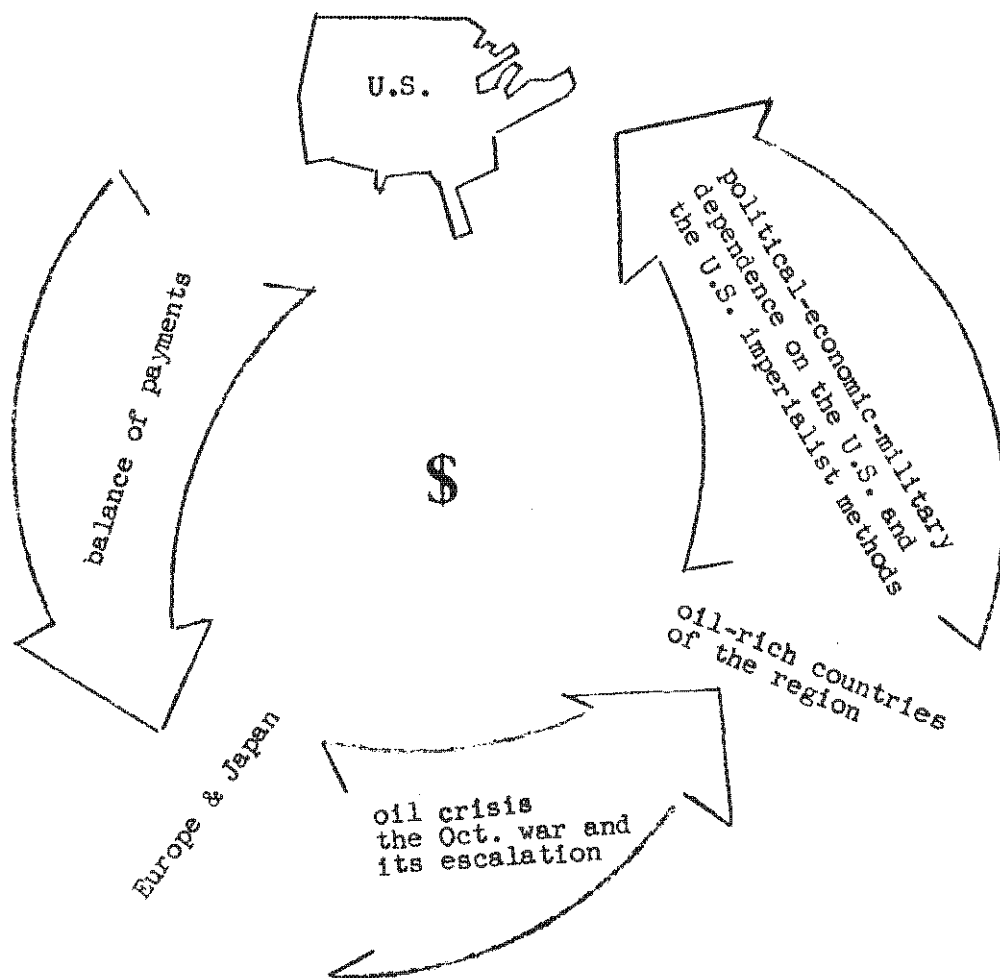
their young people will live in a world in which oil will share the burden of meeting the world's needs with other sources of energy."

Thus, the oil companies and the American economic architects, with much alertness and delicacy, planted the question of the partnership of the oil-rich countries in the illusory capital of the companies! in the mouths of those same farsighted leaders (according to Mr. Casey, of course). What this American plan means is that these shares will be valid in energy investments in the U.S. Additionally, of course, these countries can also directly participate in the energy investments in the United States with their remaining revenues!!

So far, four oil exporting states: Arabia, Kuwait, Abu Dhabi, and Qatar have participated in the shares of the oil companies to a level of 25% to 51% over a 10 year period from 73 to 83. The shares initially start at 20% to 30% but will be increased each year by another 2% or 3% till they reach 51%. It is clear that the United States, firstly, secures its future energy requirements with the money of the countries of the region so cleverly, and secondly, its unfavorable economic situation and the chronic deficits of its balance of payments will be improving thanks to the deluge of dollars thus pouring into the United States.

CONCLUSION

The dollar, thru crisis and expensive oil acting as the catalyst, now fully completes the U.S. - Europe cycle which was uncompleted due to the declining economic growth of the United States compared to those of Europe and Japan (refer to the first chapter).



As a result, the monetary and trade balance of the United States in the first half of 1973 shows:

I- An increase in the U.S. balance of payments in the first half of 1973 after the continuous and chronic deficits of the preceding years.

II- Strengthened U.S. dollar and the gradual increase in its value against other European currencies, specially after two devaluations and the uncertainty and suspicion it had to go thru several times.

Thus, the dollar crisis calms down at the cost of the energy and oil crisis. But has the storm calmed down ? , and is it the last crisis of the capitalist world ?

Listen to this one : The economic crisis of Italy.....

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