

Energy policy: what they are saying

The following are excerpts of the statement made by Foreign Affairs Minister Jean François-Poncet to the Ministerial meeting of the Organization for Economic Cooperation and Development in Paris, June 13:

... We must not try and escape the [energy] problem by searching for palliatives, applying stopgap measures to inducing deflation.... What we have to do is to find a voluntary response—and thereby a political one, in the highest sense of the word—enabling us to arrive at a lasting solution to a lasting phenomenon....

... It is up to the industrialized countries to take the initiative by adopting three series of measures:

1) To act so that on the oil spot markets free trading does not lead to economically absurd prices which might then be adopted as terms of reference for normal trading in a market that is worldwide due to its nature and dimensions.

2) To agree to binding energy-saving restrictions and oil import controls....

3) To organize the redeployment of energy. This might be anything from better use of traditional sources, the very necessary development of nuclear energy ... to accelerated research into new sources of energy.

The implementation of these measures should give new meaning, credibility and thereby a decent chance to the necessary dialogue with the producing countries, which is to the advantage of both sides....

The triangular relationship between the industrialized countries, the oil producers and the other developing countries ... must ultimately provide the foundation for the peace and dignity of the world. Therefore it must be organized....

Oil: France and the producing countries

Paul Marie de la Gorce, in Le Figaro June 20, 1979, wrote:

... [The French authorities] are going back to the idea

Britain: Confrontation and "austerity decade"

British press coverage has focused on the need for energy austerity. The Financial Times highlighted the issue June 20:

European economies face a decade of massive, brutal structural change, during which governments will be condemned to policies of austerity. In addition, personal consumption will take second place to increased investment, if the EEC is to weather the difficulties posed by diminished oil supply.

This is the gloomy prognosis offered by M. Francois Ortolì, the EEC Economics Commissioner, in a paper which seeks to chart the development of economic policies in the EEC over the next ten years....

Central to M. Ortolì's argument is the assumption that energy supplies will remain scarce for years to come. ... It is unlikely that needed oil supplies will be forthcoming. Europe must therefore seek new ways of promoting growth—stable economic growth—which are less energy dependent....

Prices will have to go up

Michael Pocock, chairman of Shell Transport and Trading, told the American Chamber of Commerce in London,

June 21, that high oil prices were necessary to cut consumption, the June 22 Financial Times reported.

Oil consuming countries would "have no alternative but to accept increased oil prices.... Ideas are now being floated thick and fast for imposing consumer discipline—country volume quotas, maximum import prices, control of the spot market and so on. Some of these measures might work within a single country with an array of regulations, but internationally they cannot work unless they are imposed by all the major importing countries together with an efficient policing system and we see absolutely no chance of that.... So price is going to have to do its regulating job—acting on both consumer demand and on the general level of economic activity....

"From now and forever we must expect either real stringency in oil or the constant threat of stringency. We can lessen the impact by getting demand down and keeping it down."

It is time the West stood up

Lionel Bloch wrote in an op-ed in the June 27 Daily Telegraph:

We can only hope that the Western Summit in Tokyo will not limit itself to the recommendation of measures

of cooperation with the oil producers that France had put forward in 1973-74. The government had then undertaken to bring about a convergence of interest between itself and its suppliers: long term oil deals at stable prices were one of its instruments while all possibilities for equipment deals with the producing countries were examined.

The President of the Republic wishes to go back to that idea. But the circumstances have changed and he is thinking, it seems, about a new approach. For him it must first of all be political.... President Giscard d'Estaing has chosen to concretize his new political design by launching the idea of cooperation between Europe and Arab—African countries ... It is doubtful that the United States will be favorable to it, and hence France's European partners.... For surely, organized cooperation with the oil producers is the most rational way to get out of the present crisis. But it won't be easy.

designed to mitigate the effects of further price increases in the price of oil. What is needed is a radical reversal of its oil policies and an adoption of a harder stance vis à vis OPEC.

On the political plane, this involves a condemnation of OPEC's price rises and a clear demand for their stabilization and even eventual reduction.... These political pressures will make a deeper impact on OPEC if the West is prepared to implement economic counter measures, should reason not prevail. Thus, the United States, Canada and some of the principal grain producers of the free world could increase the price of all food and grain exported to OPEC by fixing quotas....

Finally there remains the military option which, according to the United States Defense Secretary has been under consideration in the event of America's vital interest being threatened. It is doubtful that the West will have to go so far.... However, in extremis, the direct seizure of the oil fields cannot be ruled out.

As for the danger of Soviet intervention in such circumstances, it is tacitly recognized that most OPEC oil fields are well within the Western sphere of interest and Russia is not expected to risk nuclear war unless the Western move would jeopardize its own security. On the other hand, should Russia decide to force our hand, whether we like it or not, safeguarding the Gulf's oil fields would become a strategic inevitability.

OPEC: support Strasbourg

The moderate leaders of the Organization of Petroleum Exporting Countries (OPEC) have gone on record as supporting the European Community heads of states' recommendations on energy worked out last week in Strasbourg.

Kuwaiti Oil Minister Ali al Khalifa al Sabah speaking from this week's OPEC price setting meeting told the press that the European Community's position on energy to be taken to the Tokyo summit had his support. At the same time, Saudi Crown Prince Fahd, in an unprecedented statement endorsed nuclear energy as the best alternative on a global scale to petroleum—also a key feature of the EC energy proposal.

Such statements from two leading nations within OPEC reflect growing Europe-Arab consensus on how to solve current petroleum supply shortage and skyrocketing oil prices, and the first priority of that consensus is to impose discipline on international oil spot markets, most notably Rotterdam, to hold prices down.

The statements furthermore underscore the agreement reached between European and oil producing governments that Giscard d'Estaing's proposed dialogue between OPEC, the Third World, and Europe, known as the Trialogue, is the best means of achieving producer-consumer cooperation. The Kuwaiti oil minister this week publicly endorsed the Trialogue proposal.

OPEC members on the need for pricing moderation

Venezuela's Oil Minister Humberto Calderon-Berti told the press during the OPEC meeting:

We have to end speculation on oil and the surcharges, because OPEC must be able to control the market ... We will try to sell more and more of our oil directly to clients.

A founding member of OPEC, Abdullah Tariki, current advisor to many OPEC nations told OP on May 25:

Further oil price hikes will only cause a disintegration of the cartel—since continued increases would not benefit the producers and will only create fears among the consumers. I call for a producer-consumer meeting before deciding on a new increase.... The current shortage of oil is virtually artificially created.

Dr. Fadelal-Chalabi, Deputy Secretary General of OPEC and a member of OPEC's long range planning committee, told the press on June 25:

The petroleum producing countries do not benefit from the high prices which are currently being paid on the free [spot—ed.] market. OPEC wants to use its petroleum revenues only for economic and social development....