Big Producers Line Up For A Slim Price Increase

Saudi Arabian Oil Minister Sheikh Ahmed Zaki Yamani made surprise visits to both the United Arab Emirates (UAE) and Kuwait last week in an effort to line up support for a freeze on the price of oil during 1978. Yamani's trip preceeds the Organization of Petroleum Exporting Countries (OPEC) Dec. 20 meeting in Caracas, Venezuela to decide on a new price of crude oil.

OPEC

While various authoritative sources indicate that the Saudi call for a price freeze will probably not be accepted, a compromise of a 5 to 8 percent increase is seen as probable. Intense negotiations between the leading members of OPEC is designed to prevent a replay of the memorable December 1976 Doha OPEC meeting, where the 13-member cartel split over pricing policy for the first time. In this connection, Venezuelan Minister of Mines and Energy Hernandez Acosta has just completed a tour of all Persian Gulf OPEC states.

Venezuela has traditionally mediated the differences of the so-called price "hawks" and the moderates. According to the Venezuelan daily *El Nacional*, Acosta had "more success than expected," in trying to achieve an agreement on a unified price. "There are positive signs," says *El Nacional*, "that a concensus may be reached in which Venezuela and other countries would be willing to sacrifice a greater increase in order to assume a total accord on the basis of a really moderate increase."

Shortly after Acosta's departure from Iran, the Shah of Iran sent a message to the Carter Administration assuring Washington that Iran would support only a moderate rise in the price of oil. Iran has broken with its traditional hawkish role within OPEC, leaving such countries as Iraq, Algeria, and Libya in a much weaker position in enforcing a drastic price hike.

Iraq and Algeria are on record as calling for a 23 percent and 15 percent increase respectively; the reason given it their desire to align the price of crude with the rate of inflation of the dollar. At the time of the July 1977 OPEC meeting the Shah's Prime Minister and former Oil Minister Jamshid Amouzegar announced a sudden change in Iran's pricing policy — one which was for the first time harmonious with that of Saudi Arabia.

Another indication that a moderate and unified pricing agreement has been reached appeared late last week when Acosta issued a statement from the United Arab Emirates that OPEC had reached a consensus that its buying power had not been seriously affected by the drop in the dollar. Acosta emphasized that OPEC would not discuss adopting an alternative to the dollar for pricing oil, dispelling rumors from the City of London.

A Fifth Column in OPEC

An unidentified official of Venezuela's state-owned oil company Petroven told the Mexican daily *Excelsior* this week that "a fifth column" within OPEC was responsible for pressing for a large price increase. The official identified a tendency within the U.S. that hoped to make non-OPEC oil, such as the Alaskan North Slope oil, more profitable, as well as to take advantage of Japan and Europe, which lack the kind of domestic oil reserves the U.S. has.

That assessment, however, is only partially true. Only part of the present Carter Administration has been prodding OPEC to raise prices — namely Energy Secretary James Schlesinger. Only through drastic economic measures like inflated oil prices, will his zero-growth energy plan be saleable to the U.S. population.