

An EMS-OPEC partnership?

Both sides are studying a link-up on energy questions

A recent statement by Iraqi Oil Minister Tayih 'Abd al-Karim on the current supply and pricing disruption of world oil markets sheds some light on the policy stance being taken by members of the Organization of Petroleum Exporting Countries (OPEC). The policy question deals with cooperation between the cartel and the governments of the oil-consuming nations to establish a global energy policy.

Karim targeted the international oil industry as a key feature of the "inequities" in the current economic system. Underlying Karim's statement is what appears to be a determined collaborative effort between the members of the European Monetary System (EMS) and moderate elements within OPEC, notably Saudi Arabia and Iraq, to take control of world oil markets out of the hands of a few powerful oil companies and traders. For both the EMS founding partners — West Germany and France — and their allies in OPEC, petroleum must power a new generation of large-scale economic growth, and must not be used as a tool of economic warfare or quick profit.

The recent pricing spiral has been attributed by numerous public sources, including the head of the International Energy Agency as the work of Royal Dutch Shell and British Petroleum. In turn, the secretive cartel arrangement between these two companies and the five largest U.S. multinationals has prompted a complex arrangement whereby these U.S. companies are now sharing the shortfall which BP and Shell were hit with as a result of the Iranian oil nationalization. This has led to artificial global shortages and higher prices.

A number of prominent OPEC figures have resoundingly condemned this action by the so-called Seven Sisters as profiteering with OPEC oil and taking advantage of the tight supply of oil prompted by the Dec. 26 shutdown of Iran's export.

Within the cartel there are two tendencies vying to shape future OPEC pricing and production policy. On the one hand, there are the producers who want to take short-term advantage of the current tight market situation for monetary gain and to launch a militant policy to push the official OPEC price higher. Such a policy stance will play directly into efforts by London and U.S.

Energy Secretary James Schlesinger to force energy prices up and impose a no-growth economic perspective on the U.S. and the other advanced sector nations. On the other hand, a grouping around the Saudis is working to use oil and the petrodollar to back up the EMS as the germ of a new world economic order.

Behind the press propaganda

Underlying daily television and newspaper reports of increasing oil prices and looming rationing measures is a new orientation toward OPEC's current pricing and production actions. If this orientation were known, Schlesinger's energy austerity drive would be destroyed.

Inside sources in the oil industry indicate that numerous OPEC producers are moving toward selling increasing amounts of their oil on a direct government-to-government basis, bypassing the large oil companies. The aggressiveness with which the National Iranian Oil Company moves to conclude contracts on direct oil sales is seen as a vector for the entire cartel. On March 5, the anniversary of the death of Mohammed Mossadegh, the former premier who first nationalized Iran's oil away from BP, the first cargo of Iranian crude since the change in government left the docks. A few days later NIOC signed long-term contracts to supply 400,000 barrels a day of oil to Japan.

New York sources privately consider reports of a reduction of production by Algeria, Indonesia, and Libya to be misleading. What is suspected to be the case is that these producers are cancelling contracts to oil companies and redirecting their oil to purchasers on a state-to-state basis. That type of action brings into question whether the various pricing surcharges which a number of producing nations have attached to their crude sales are not geared to hitting the oil companies solely. A Washington source confirmed that the Saudis are not attaching any additional charge to oil sold through the state-owned company Petromin to the Third World.

Long-term producer-consumer cooperation

The first Arab Energy Conference concluded last week and with it came a strong commitment on the part of the

producers to halt speculation and market manipulation by elements within the oil industry. At the meeting, two members of the newly formed OPEC Long Range Planning Committee presented papers calling for a complete revision of OPEC's pricing and production policy. The proposals of the committee, which were the result of months of planning overseen by Saudi Oil Minister Sheikh Zaki Yamani, called for a long-term pricing and production schedule for the cartel. Such an orientation demands close collaboration with the consuming nations, which is precisely what Yamani and his allies in France and West Germany are working toward.

In this connection, the European Community heads of state summit in Paris concluded this week with a communiqué endorsing the Saudi call for an oil exporting nations importing nations conference. Riyadh views such a conference as a continuation of the Conference on International Economic Cooperation (North-South) linking the energy issue to raw materials and the development of the Third World. the *Petroleum Intelligence Weekly*, reported March 12 that both government and private agencies within the oil-producing sector and the European Community are carefully studying a long-term, producer-consumer link on energy questions.

A critical element in such deliberations is the production of alternative energy — most emphatically nuclear energy — to replace petroleum in the coming years, thus enabling the OPEC nations to use their crude as an industrial base for petrochemicals.

To date, very few of the OPEC producers have taken an aggressive public stand favoring nuclear energy as the only viable replacement for oil in power generation. Earlier this month, however, Libyan President Muammar Qaddafi broke the silence on this issue. In an interview with *Al Kifa al Arabi*, Qaddafi stated: "The whole world is looking for an alternative to petroleum which is found in the atom. I believe that striving for this alternative is legal and the whole world (should) do the same. I should think that the right to possess science and progress cannot be objected to."

— Judith Wyer

Iraq Oil Minister: cooperate to promote prosperity

Iraqi Oil Minister Tayih 'Abd al-Karim, in a statement to the Iraq News Service on Feb. 27 excerpted below, discussed the current world oil situation.

The circumstances facing the international oil industry at present make one recall what happened in 1973, although the direct causes of the developments which took place in 1973 are different from today's. Nevertheless, the crux of the problem is the same as it was five years ago. Iraq then officially announced its stand and views regarding the conditions of the international markets on the basis of its historic and objective outlook regarding the unequal relations between the industrial and developing countries, including the oil-producing countries.

The crux of the problem was and still is the loopholes in the international economic system, which it inherited from the imperialist system, and the failure of this economic system to respond to international political developments, particularly the struggle by the Third World peoples to achieve political independence and freedom from economic subservience. Furthermore, the international economic system allowed the monopolies to make enormous profits at the expense of the producers and consumers....

Iraq called in 1973 for the need to work to place economic relations between the oil producing and oil-consuming countries on a fair and equitable basis so as to guarantee the stability and sound development of these relations and achieve the legitimate and equitable interests of everyone....

This cannot be achieved without providing the necessary and essential conditions, the most important of which is respect for the rights of people to independence and freedom from economic subservience as well as their right to develop their oil and other natural resources so as to promote their development and progress and to simultaneously contribute to achieving prosperity for all mankind. There is also the need to review the international distribution system in such a way that will guarantee for the developing countries their right to exercise full sovereignty over their natural resources and to receive fair prices for their exports of oil and other raw materials.