as much as $2.00 to $3.00 a barrel. This sent the North African countries into a spin, since their oil is sold in competition with North Sea crude; another British price drop would completely undersell them. Pinned down by the British, the African producers refused to accept export quotas, the setting of which was to have been the subject of the emergency ministries' meeting in the first place.

Saudi Arabia, oil industry insiders say, will now have to lower its price about $2 per barrel in order to match the British price change. But the African producers will immediately lose a disastrously large portion of their market share. Nigeria's economic development program is premised on oil exports of 2 million barrels per day; even with price-shaving, Nigeria has been able to sell no more than 900,000 barrels per day in the last two months. The inevitable fall in Nigerian output will produce chaos in that country and most of West Africa.

In the case of Mexico, State Department sources close to Secretary Shultz report, a drop in the oil price will push Mexico into a renegotiation of their recent deal with the International Monetary Fund—a deal which has already thrown that country into an economic disaster. With Mexico weakened even further, State Department officials hope, the IMF will be in the position to gain even greater control over the internal Mexican economy, especially over the Federal budget.

Saudia Arabia's Sheikh Zaki Yamani thinks that he has thrown the smaller OPEC producers to the wolves in order to hold the cartel together, with a marginal drop in the oil price. However, London and New York oil analysts insist, this "deal"—brutal as it is—cannot hold past the beginning of March, when production will take another major turn for the worse. OPEC combined output is barely 16 million barrels a day, only half of the group's combined oil production in 1979, before the world depression began. The effect of the spring slump in oil demand will be to throw the oil price into a free fall, and the banking system into an uncontrollable crash.

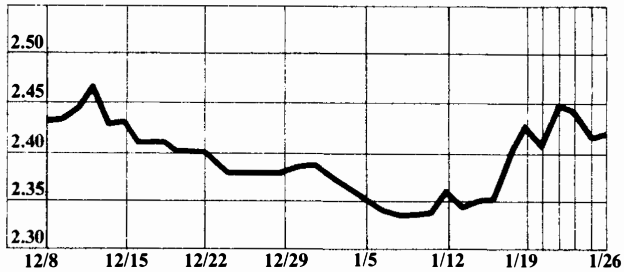
According to a senior London investment banker, Saudi production is now only 3.5 million barrels per day, a level so low that the Saudis would have to withdraw deposits from the banking system or liquidate Treasury securities in order to meet their import needs, i.e. spend their capital. However, the London banker commented, "There is no technical reason why the price of oil should bottom out after the $2 to $3 drop we expect during the next few days. It is possible that the price will be $15 per barrel. That makes international repudiation of debt very, very likely."

At this point, whatever the heads of state imagine they will be able to do at Williamsburg will be pre-empted by a crisis that shakes the foundations of their governments. If it reaches that point, they are expected to sign whatever paper is presented to them by IMF Managing Director Jacques de Larosière.

# Currency Rates

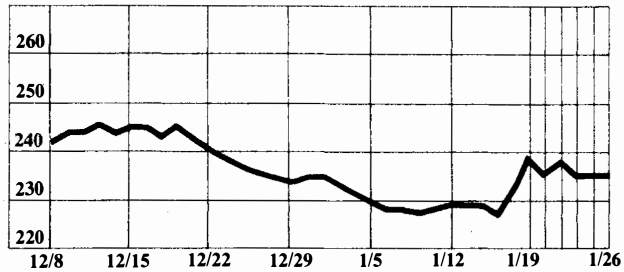
## The dollar in deutschemarks

New York late afternoon fixing



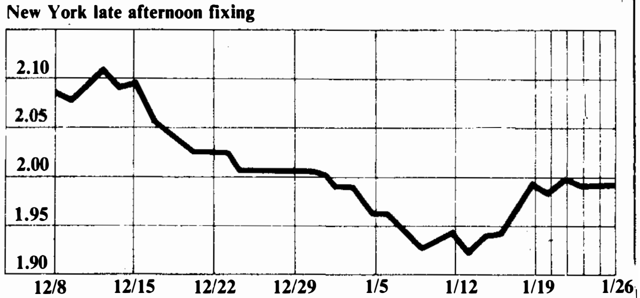

## The dollar in yen

New York late afternoon fixing




## The dollar in Swiss francs

New York late afternoon fixing




## The British pound in dollars

New York late afternoon fixing