

OPEC meeting stresses dialogue, Third World development

The process that took place before and during the June 26 price setting meeting of the oil cartel, OPEC, has predictably escaped the pages of the major U.S. press—which instead blasted the “greedy sheikhs” for the oil pricing boost agreed upon at Geneva.

Both the contents of the OPEC communiqué and numerous public statements by leaders of the oil producing nations confirm that the moderate producers, most importantly Saudi Arabia, are against high prices and that the price hike—from a benchmark of \$14.55 to an \$18.50 minimum and \$23.50 ceiling—was the

result of political and market manipulation of the multinational oil companies which want higher world oil costs. The most important aspect of the OPEC communiqué is the cartel's commitment to aiding Third World development and cooperation with France, Germany, and Italy to achieve this goal. As this element of the communiqué indicates, Western leaders at Tokyo sacrificed an important chance to gain price and supply stability when they allowed Britain and the U.S. to quash French President Giscard's “dialogue” proposal.

The cartel not only voted to double the OPEC Fund

The OPEC communiqué

The following is an excerpted text of the communiqué issued by the Organization of Petroleum Exporting Countries at the conclusion of its ministerial-level meeting in Geneva, June 28.

The conference expressed concern for the problems being faced by developing countries, especially in the light of the continued lack of readiness on the part of the industrialized countries to face up to their responsibilities toward the problems of the Third World. For their part, OPEC member countries have in the past proved their strong solidarity with the Third World and have contributed in many ways to alleviate the problems of other developing countries. The member countries of the Organization of Petroleum Exporting countries once again act in accordance with their invariable solidarity toward the other Third World countries by agreeing to step up their aid to them. It was agreed to recommend to the governments of member countries that they approve the further replenishment of the resources of the OPEC special fund by an additional amount of \$800 million. Within the same context, the conference also looked into another proposal for a long-term fund to be set up jointly by the industrialized countries and OPEC member countries to compensate developing countries for imported inflation, on the one hand, and any increases in crude oil prices on the other, and has decided to refer this subject for further

study by the ministerial committee for long-term strategies.

The conference takes this opportunity to invite the industrialized countries to take a more positive stand toward the problems of the Third World countries, whether in regard to grants, aid and other forms of financial support, as well as the restructuring of the international economic order so as to give developing countries a better chance of solving their problems.

The conference expressed its continued willingness to discuss energy matters along with other problems of concern for developing countries of which OPEC is an integral part. It took note of proposals for a dialogue between OPEC and industrialized countries. Some of these proposals, however, seem to suggest that a meaningful dialogue can be carried out only on energy matters in isolation from other global, economical and structural problems. The conference wants to take this opportunity to restate its categorical rejection of any dialogue which does not look into the various problems faced by the world community and especially the developing countries taking into account the problems of development, the acquisition of advanced technology, the financial and monetary reforms, world trade and raw materials, along with the various aspects of the energy problem.

The conference, conscious of the efforts under-

for the least developed countries from \$800 million to \$1.6 billion, but the cartel's economic committee continued meeting in Geneva to study proposals from Algeria and Iraq to establish new funds for the developing nations for their burgeoning balance of payments and for the development of their petroleum resources.

The OPEC Fund and potential new funds of course represent a commitment on the part of the oil-rich producers to other developing sector nations, but, as one New York Arab investor put it, the vast amount of soft loans and even grants to the developing nations has occurred through a proliferation of private funds set up by the producers of the Persian Gulf. The source stated that since the fourfold price increase of crude oil in 1974, the OPEC nations "have done so much more than the industrial nations in terms of financial aid to the Third World. What OPEC is still looking for is the cooperation from the West to expedite Third World development."

The triologue

It is with this goal in mind that a number of OPEC countries are backing a proposal put forth by French President Giscard d'Estaing to establish a three-way dialogue to replace the Conference on International Economic Cooperation (North-South) between OPEC, the Third World, and the industrial nations. Just prior to the OPEC meeting, Kuwaiti Oil Minister Ali Khalifa al Sabah told the press that his country supported the triologue concept. Similarly, Saudi Oil Minister Zaki Yamani has repeatedly stated that producer-consumer cooperation on energy could only occur in the context of solving North-South relations.

Since late 1973, OPEC has viewed its ongoing economic and political dialogue with Europe, known as the Euro-Arab dialogue, as the foundation for creating a new world economic order. The key to the dialogue is gaining European support for an overall Mideast peace and support for OPEC industrialization.

taken individually and collectively by the member countries in cooperating with other developing countries and of the need to inform other countries of the world of the true scope and magnitude of such efforts, as well as of other news of general interest regarding the organization and the member countries, and in order to counteract the manipulation of information by some of OPEC's detractors, has given general support to the idea of establishing an international news agency—OPECNEWS. For this purpose, it has been decided to refer this matter to a committee of experts of the member countries to study the most effective means of implementing this idea, and to submit its report to the conference, through the board of governors.

The conference expressed its great concern over the continuation of abnormal conditions prevailing in the international oil market. Demand has continued to be a source of pressure on the price structure, resulting in several phenomena which generated difficulty for both producers and consumers, especially the developing countries. The conference once again calls upon the major industrialized consuming countries to control their total demand, whether for consumption or stock build-up, so that the adverse effects of the present market situation can be avoided. The conference also takes this opportunity to warn the oil companies of the irresponsible practice of taking advantage of the present situation to reap unwarranted profits and call upon them to play a more constructive role in connection with guarantee-

ing supplies to developing countries, and to prevent price speculation.

In an endeavor to bring some stability to the market, the conference decided on the following:

1. Adjust the market crude price from the present level to \$18 a barrel.
2. Allow member countries to add to the prices of their crude a maximum market premium or \$2 a barrel over and above their normal differential, if and when such a market premium was necessitated by market conditions.
3. The maximum price that can be charged by member countries shall not exceed \$23.50 a barrel, whether on account of quality and location advantage or market premia.

It was also agreed that member countries would take steps to limit transactions in the spot market in a collective effort to stop the present price spiral.

The conference expressed concern on the movement of the U.S. dollar vis-à-vis the international major currencies with respect to eroding the real price of oil, and further reducing the purchasing power of the OPEC barrel, and has decided that should such movement indicate a further erosion in the real value of OPEC revenues, an extraordinary meeting of the conference shall be called upon to decide on shifting to a basket of currencies as a means of compensating OPEC countries from resulting losses and further protecting the purchasing power of those revenues....

Since then, recognition that the multinational oil companies and the financial establishment allied to the companies is the common enemy of Europe and the oil producers has become increasingly public. Like today, in December 1976 both Yamani and the European Economic Community introduced a scheme to achieve "market transparency" and thereby expose the profiteering of the multinational oil companies.

Both the OPEC states and the Europeans—particularly the French and Italians—recognize that unless the stranglehold over world petroleum is broken the goals of the Euro-Arab dialogue cannot be achieved. This is the significance of a recent EEC condemnation of the cartelization of tankers. The OPEC nations of the Gulf have stated that unless they are able to build their own tanker fleet, state-to-state oil sales will continue to be jeopardized by the interests that control the international tanker industry. Similarly, a key component of the Euro-Arab dialogue has been cooperation to build a refinery infrastructure in the Mideast. In so doing the consuming nations could bypass the multinational controlled refineries in purchasing petroleum products. But in both instances success has been slow due to British subversion of the Euro-Arab dialogue from within the EEC, and subversion of Arab OPEC's efforts to create their own tanker fleet by the multitis.

Two-tier pricing system

The politics of producer-consumer cooperation which have developed between the OPEC nations and certain advanced sector consuming nations have produced a sophisticated two-tier pricing system. The oil sold through the multinational companies, according to New York sources, is sold at the higher prices with surcharges attached, whereas OPEC nations are known to be selling crude to underdeveloped nations at lower prices and in real hardship cases, such as Sri Lanka, even to export the oil gratis. A similar case exists with oil sold to state-owned companies. Both sources from the Brazilian state-owned company Petrobras and Indian sources have stated they are getting discounts on oil.

Following the OPEC meeting and the Tokyo economic summit, a meeting was held in London which included Saudi oil minister Zaki Yamani, OPEC president Mani Saeed Oteiba, EEC Energy Commissioner Guido Brunner, and Ireland's Desmond O'Malley, who is about to take the post of head of the EEC Energy Council. According to press reports the subject of the meeting was to further consolidate the cooperation between Europe and OPEC on European energy development. Following the meeting Oteiba, speaking for OPEC, stated that the cartel would invest in Europe's

\$500 billion energy development program—which is heavily weighted to nuclear energy. Brunner in an interview with the Arab newspaper *An Nahar* similarly stated that the EEC welcomed a partnership with OPEC in the development of alternative energy sources for Europe. Yamani himself in an interview with *Newsweek* endorsed nuclear energy, confidently stating that the recent mishap at Three Mile Island reactor in the U.S. would not halt the future implementation of nuclear energy. This segment of Yamani's interview was cut from the printed *Newsweek* interview in the U.S., and was only made public in Europe.

Saudi production increase

Just following the conclusion of the OPEC meeting Saudi state radio announced that Saudi Arabia would increase its output from the current ceiling of 8.5 million barrels a day. The decision by the Saudis to step up production will alleviate the world shortage as a result of reduced Iranian oil output—a shortfall which Yamani puts at about 800,000 barrels a day—and thus alleviate the upward trend in oil prices on the spot market (the across-the-counter market for oil transactions). Similarly both the United Arab Emirates and Qatar have announced much smaller production increases, along with Indonesia.

Saudi Arabia is expected to sell the additional oil on a state-to-state basis. The day following the Saudi announcement a high-powered Japanese delegation will arrive in Riyadh for talks on direct sales. Informed sources expect the Saudis to sell even more oil to the underdeveloped sector, as well as to Europe through their state-owned company Petromin.

But both the Saudis and their European and Japanese partners are worried about the danger of sabotage in their increasing momentum around direct oil sales and economic cooperation. Yamani's recent interview to *Newsweek* clearly spelled out the prospects that radical Palestinians could easily block oil flows from the Persian Gulf by attacking a tanker in the mouth of the Gulf, and set the stage for a U.S. military move into the Gulf. Moreover, there is growing likelihood of a possible Israeli-Syrian confrontation. In both cases, such a development would be the method of operation employed by intelligence networks controlled by the Anglo-American financial empire which directs the multinational oil companies. In this respect the Arab oil producers who aim to use their oil for economic development of both the Third World and the industrial sector are as much a hostage to the blackmail of the multinational oil companies as are the consumers waiting in gas lines as a result of the current oil hoax.

—Judith Wyer