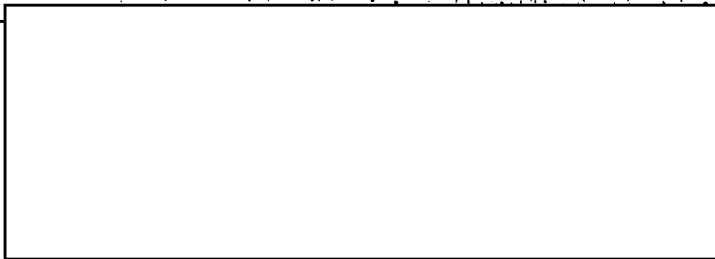


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CIA/OER/S-06024-74 5-6024



MEMORANDUM FOR: William Morell
Dept. of the Treasury

Per your request, attached is a discussion of the general reaction of Latin American governments to proposed international cooperation on energy matters.

25X1



Maurice Ernst
Director
Economic Research

21 March 1974
(DATE)

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CIA / OER / S-66024-74

21 March 1974

MEMORANDUM FOR: Maurice Ernst
Director of Economic Research

SUBJECT : Latin American Reactions to Proposals
for International Cooperation on
Energy

There has been little official Latin American reaction to the specific proposals emanating from the Washington conference on energy. Attached is a discussion of the general reaction of Latin American governments to proposed international cooperation on energy matters.

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Attachment:
As stated

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(21 Mar 74)

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Latin American Reactions to Proposals for
International Cooperation on Energy

Because Latin America includes both exporters and importers of petroleum, there is no regional consensus on energy matters and the subject is potentially divisive. Partly for this reason, however, Latin America has not given the subject much prominence in international forums. Venezuela, the region's major oil exporter, has attempted to exert leadership in Latin America on energy questions and has been defensive about current high oil prices. Importing countries tend to avoid extensive discussion of the subject for fear of offending a source of supply. Moreover, Venezuela has promised to aid its neighbors in coping with the problems caused by high oil prices. Many oil importers also are benefiting from high prices for their primary exports, which, in the short run at least, will mitigate somewhat the impact of their rising oil import bills. In addition, Latin American nations have been reluctant to exhibit signs of disunity on energy matters because of a growing tendency to identify their interests with those of other Third World countries. They also believe that a display of unity is useful in dealing with the United States on a broad range of international economic issues.

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Despite efforts to maintain the semblance of unity, different attitudes, based on different resource endowments, remain and can be expected to surface as problems become more acute. The nations hardest hit by higher oil prices are Brazil, Chile, Uruguay, Paraguay, and Central American and Caribbean countries. Several of these countries are trying to obtain additional supplies from the oil exporters. In addition to Venezuela, the net exporters of petroleum include Ecuador, Trinidad, Bolivia, and Colombia. (Because of declining production, Colombia may soon become a net importer.) In between are Mexico and Argentina, which meet most of their own requirements. The attitudes of Peru, a net importer, are influenced by the expectation of becoming a net exporter within a few years.

In Venezuela the previous administration and the newly installed government have consistently defended high oil prices. The Venezuelan government has opposed discussion of energy questions in hemisphere organizations in which the United States is represented and seeks to limit such discussion to the newly formed Latin American Energy Organization (OLADE), formed largely as a result of Venezuelan efforts. Moreover, Venezuela has attempted to

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commodities in any international discussions. In his inaugural address, President Perez proposed an international conference to promote fair prices for countries producing raw materials. This proposal also echoed the position of the previous administration that any meeting between oil producer and consumer countries should also include discussion of rising prices of industrial products.

Latin American unity and the identification of Latin America with the Third World were emphasized at Secretary Kissinger's meeting with the Latin American foreign ministers in Mexico last month. In one of the few references to energy at the meeting, Mexican President Echeverria called the energy crisis a symptom of the "deep maladjustment in international economics" and a problem that cannot be controlled in isolation from other problems. Similar themes emerged at the meeting of the Inter-American Economic and Social Council in Quito last week. At the insistence of Venezuela, a staff paper on repercussions of the petroleum crisis on Latin America was withdrawn and destroyed. The paper had been drawn up following an OAS seminar in Washington. Continued Latin American support of the Venezuelan position in reactions to energy proposals will depend to a large degree

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aid to its neighbors and on the continued Latin perception
of advantage in unity among producers of raw materials.

CIA/OER
21 March 1974