Trilateral Commission
Executive Committee

REMARKS ON THE ENERGY PROBLEM

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As it has long been understood between us, the ideas which follow are the entire responsibility of their author. They do not, therefore, seek to express the views of the European Group in the Trilateral Commission, nor even of the French contingent within it. They are the personal views of the author as they have evolved up till now. They are offered as a contribution to the discussion, and they could well be changed as a result of it.

I

1. There is no reason to expect a substantial reduction in oil prices. There is no prospect of one before the 1980's, when nuclear energy and new oilfields outside the Middle East can begin to make a massive impact on the energy balance. Even subsequently, major price reductions are unlikely, since a relatively high price will make it possible to maintain, on the one hand, the oil revenues and reserves of the producers and, on the other, the competitive capacity of oil fields which are more difficult to prospect and develop than those of the Middle East, and of substitute fuels such as tar sands, oil shale, coal gasification, geothermal or solar energy, etc.

2. However great the temptation may be to press for lower oil prices, it is more important to ensure the relative stability over a fairly long period of whatever price level has been reached. It is particularly important to guard against frequent and substantial price variations of such a basic product. Nothing could be more harmful to the conservation of energy, the opening up of new oilfields, the development of substitute fuels, or - a point which tends to be underrated - well-directed investments for the production or use of energy. No one has yet estimated how many installations predicated on cheap fuel have been abruptly rendered obsolete by the sudden rise in the price of oil.

In any case, would even a substantial reduction in oil prices which cut the balance-of-payments deficits of Europe and Japan really change the order of magnitude of the problems posed by the surpluses of the producing countries? The answer seems to be "No". These problems were beginning to emerge even before the war of October 1973. The impact of the war has been to bring into the open and to magnify the oil problem, not to create it.

3. One final point: the increase in oil prices is consonant with the need for higher raw material prices, that some nations have long since urged in international conferences, in order to help the developing countries by enhancing the value of their natural heritage.

4. The special characteristics that have made a global problem of oil are, first the size of the increase in prices, second, and more

important, its abruptness, and third, last and above all, the fact that the major beneficiaries are countries with very small populations which cannot, however much they would like to, make effective domestic use of the enormous surpluses with which they have suddenly been saddled. Had the oil wealth of the Middle East been situated in India, the problem would be transformed. Thus, the accidents of geology have distributed the wealth of the world and the responsibilities it entails in the same way, if not to the same degree, as the greater or lesser advance of countries in economic development.

5. The funds involved have reached or will soon rise above the level of $100 billion a year, and three-fifths of them will have to be used outside the producing countries.

Here is a situation without precedent on this scale. Wrong-headed solutions for dealing with it could lead mankind to major economic disasters and even severe dangers of war or wars.

II

6. The ways and means for dealing with oil surpluses are not of primary importance so long as there is agreement on the manner in which the problem itself is posed and a political determination to tackle it in a spirit which rejects the temptations of self-centeredness, the will to dominate, or more simply the desire to get one's own back.

On the other hand, these ways and means will be counter-productive if they convey the impression that one region is ganging up against another while ignoring a third, not to say a fourth party, that Fourth World which, as it has been said, is the Third World short of the oil-producers.

7. We are in fact dealing with a world problem which directly affects all countries. It must be approached at that level, as a crucial issue, which is new both in scale and in terms of the difficulties it raises.

As against this, if the problem is correctly defined and its lessons suitably drawn, it can and must serve the greater prosperity of the world by giving a new stimulus to the economies of the developing countries.

III

8. It follows then that there must be a clear and general assent to the aim before one defines the procedures for tackling the problem.

Just as the United States, by Marshall Aid after the Second World War, helped to reconstruct and launch the European economy, so now the oil surpluses, which cannot be used in the short-term in the producing countries, could improve the fortunes of all the developing areas, that is, of two thousand million human beings.

In postwar Europe, the national shares of Marshall aid were worked out in the international organization specifically set up to that end, the OEEC. Despite the great diversity of the developing countries, their economies and populations, the same kind of approach, even if more complicated in detail, should be initiated jointly by the oil-producing countries and the rest of the Third World.

9. As for the highly-industrialized nations, their indispensable contribution would be to provide their combined guarantees to the oil-producers on loan operations through appropriate bodies existing or yet to be created.

The heart of the matter is to keep a firm grip on the distinction that while the oil surpluses must be put to aims and uses which are clear in principle and understandable for all, the methods of implementation of what is called "recycling" must be flexible and diverse.

IV

10. The establishment of the system here proposed will inevitably take time, but the scale of the funds involved and the number of countries affected make this equally true of any of the proposals which have so far been put forward.

It will thus be necessary to establish interim machinery to prevent a worldwide economic crisis, condemning all countries to recession, with or without recurring inflation, but certainly accompanied by serious social crises associated in some cases with a revival of racist attitudes.

11. The interim solution, if it is to match the challenge, must involve the conversion of short-term funds into medium or long-term investments. This again would call for guarantees of the advanced industrial countries administered through an institution set up in such a way as to avoid financial domination by any single industrial power. It must never be

forgotten that no one can force the producing countries to convert their surpluses out of short-term deposits and that moreover the direct investments which they could or would wish to make will rapidly come up against limits. The system guaranteeing a successful conversion of short-term funds into long-term investments is thus the only one that can exorcise the grave risks inherent in the long time it must take to establish the permanent solution I have ventured to propose.