Energy

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U.S. offers challenge to oil nations

By HENRY L. TREWHITT
Sun Staff Correspondent

Paris—The United States challenged oil-producing nations yesterday to channel their new wealth responsibly and other rich and poor nations alike to find practical answers to their economic problems.

Henry A. Kissinger, the Secretary of State, took the initiative at the Conference on International Economic Co-operation simply by dealing with chronic, volatile issues in specific terms. Other opening-day speakers dealt mostly in generalities.

That, Mr. Kissinger suggested, was part of the problem. He urged delegations from 25 other countries, plus a single delegation representing the nine member nations of the European Common Market, to act quickly to help the desperately poor.

More generally, his sharpest message was for the nations of the Organization of Petroleum Exporting Countries (OPEC). In dry, deliberately non-provocative language, he reminded them that their embargo and price escalation of two years ago had magnified an economic crisis.

Now, he said in effect, it was up to them to use their riches responsibly. At the same time he warned them that further price increases would be felt throughout the world economy, preventing recovery.

Mr. Kissinger's even more basic message was given indirectly. By dealing with specifics, he ruled out in effect various radical approaches which would overthrow the free market system.

The so-called North-South conference of the industrial and developing countries has one concrete task to perform. Before it ends, today or tomorrow, it will appoint four commissions to chart new approaches to energy, raw materials, development and finance.

Their work is expected to last for months, and perhaps years. If they are successful, the resulting changes will bring developing countries more directly into the world economy.

But Mr. Kissinger warned that the proverty-stricken nations of the so-called Fourth World could not wait. He urged quick action on proposals he made last fall to the United Nations.

These include creation of a $2 billion trust fund by the International Monetary Fund for emergency relief, a sharp increase in food aid, and favorable terms for financial aid. He said the U.S. will do its part, and that others must donate their fair share.

The challenge to the members of OPEC and to the other industrial countries ran throughout his address. It was not the confrontation that had been widely forecast, however.

There was no hint, for example, of one predicted theme: that the U.S. would restrict its help to the poor nations if they continued to back OPEC and the Communist states on most political issues.

"We think that's implicit in the situation," remarked a U.S. official. "It didn't need to be said."

Indeed there were only hints of the conflicts which led to the conference and which doubtless will plague the four working commissions in the months to come. President Valery Giscard d'Estaing of France, whose idea produced the conference, was a gracious host.

There was only a breath of controversy in his suggestion that Communist nations sooner or later would have to be brought into the process. Sheikh Ahmed Zaki Yamani, speaking for Saudi Arabia, was conciliatory on the question of future oil supplies.

But James Callaghan, Great Britain's foreign secretary, sounded almost OPEC-like in his enthusiasm for protecting prices and supplies from his country's new North Sea wells. One of Mr. Kissinger's dry reminders was that the commis-

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Rich and Poor Nations Open Paris Talks

By FLORA LEWIS
Special to The New York Times

PARIS, Dec. 16—The foreign ministers of 27 nations opened the Conference on International Economic Cooperation here today, a ceremonial session to open what will probably be years of bargaining.

Secretary of State Henry A. Kissinger said in a speech that the negotiations would deal with "the compelling requirements of global economic progress and social advance, now the major issues in the relationship between north and and south."

President Valéry Giscard d'Estaing of France, whose call last year for an "economic dialogue" led to the conference after a series of compromises on how it would work, said in the opening address that the meeting would mark "the first date when global economic problems enter the collective consciousness of humankind."

At this session of two or three days, the ministers are making general speeches on how to reconcile the ambitions of rich and poor, and arranging a procedure for the long work to come. There will be four commissions—on energy, finance, development and raw materials—each with one co-chairman from the industrial world and one from the nonindustrial nations.

The United States, whose officials said that its prime interest in the conference was oil but that it had agreed to a agenda to meet the demands of others, will be a co-chairman of the energy committee.

The most urgent problem, in the United States view, is to meet the needs of poor countries whose ability to pay for imports and development plans has been gravely damaged by quintupled oil prices. Mr. Kissinger said in his speech that countries would have a total deficit of $35 billion next year, and that only $25 billion would be covered by foreseeable aid and private investment.

The remaining deficits "could endanger not only their own well-being but also the stability of the international trade and financial system," he said.

But the oil producers must also help, he insisted. The industrial countries "cannot be expected to bear the major burdens of others play such a significant role," he said.

"There must be a joint program involving the industrialized as well as the oil-producing countries," he said.

Oil Prices Cited

While he did not pursue earlier American efforts to push down the price of oil, Mr. Kissinger said it was essential for everybody to understand the relations between oil prices and "th stability and performance of the world economy."

"A lower oil price would make possible more rapid economic recovery around the globe," he said. "Any further increase in prices would seriously hamper economic recovery, retard international trade" and cause serious trouble to all.

Mr. Kissinger stressed the need for the nonoil countries to work with the industrial nations on increasing their own energy output, and thus reducing world competition for oil.

The speech by Mr. Kissinger did not carry a message of confrontation. Instead, the Secretary said that the efforts of the industrial countries to work out their own joint policies on energy and trade were "prudent steps of self-protection, which have effect only if a confrontation is provoked by others."

World Needs Capital

But the undercurrent of his speech was a warning that the rest of the world needs the help, the markets, the capital, and the technology of the advanced countries at least as much as the United States and its partners need them.

A Mexican delegate, speaking for the third world, said privately that the importance of its efforts here was to force collective negotiations with the industrial countries and resist attempts to deal with the developing states one by one or in small blocs. "They always try to deal bilaterally with us," he said, "and when they do we always lose."

A number of third-world delegates said that they found Mr. Kissinger's speech moderate. But there was widespread support in corridor talk for Yugoslavia's statement that the developing countries must take care not to allow the United States to split them into oil-producer and oil-consumer groups.

Another point that has general support among the developing states and is opposed by the United States is the plan to tie commodity prices to the level of industrial prices, which was mentioned in today's speech by Saudi Arabia.

There are eight industrial delegates: they represent the United States, Japan, Canada, Australia Switzerland, Sweden, Spain and the European Common Market, which speaks for its nine member countries. Seven oil producers belonging to the Organization of Petroleum Exporting Countries are among the 19 developing states: Saudi Arabia, Iran, Iraq, Algeria, Indonesia, Venezuela and Nigeria. And here are 12 others: India, Pakistan, Yugoslavia, Egypt, Cameroon, Zaire, Zambia, Argentina, Brazil, Mexico, Peru and Jamaica.

President Giscard d'Estaing noted that while not all the world's countries are present, all continents and all groups are represented except the Communist countries. He invited the delegates to consider whether and how the Communists might be involved in the conference, an idea firmly opposed by the United States but of interest to some other participants.

The co-chairman principle for the conference, and for the commissions, which will do the actual work, reflected the basic division between advanced and nonindustrial states that underlies all the issues here.

of the international trade and financial system."

Those rescue measures include:

¶Setting up an International Monetary Fund trust fund that would provide the poor with extra resources f $1 b illion to $2 billion a year, using the profits from I.M.F. gold sales as well as national contributions. This trust fund has not got off the ground yet, because of complexities over how to sell off the gold without knocking down the gold price. France, a nation that has never lost its desire to accumulate gold, wants to solve the problem by liberating nations to buy all the gold they want in the open market. The United States, which wants to phase gold out as a monetary instrument, is resisting.

¶Establishing a new I.M.F. "developmtnt-security facility" to provide more money for countries facing temporary shortfalls in their export earnings because of the world business slump or fluctuations in world commodity prices. The poor countries want their commodity prices pegged, or indexed, through commodity agreements. The United States basically resists this demand, though Secretary Kissinger has conceded that this country would participate in international forums to discuss commodity issues.

The United States is also pressing the OPEC nations to do more to help their friends in the non-oil producing poor countries, who are the worst victims of the quintupling of the price of oil. Mr. Kissinger appears to be trying to drive a wedge between the oil-rich and the commodity-poor, thus far without visible success.

In fact, the structure of the four commissions set up to work on the problems of energy, other raw materials, development and finance in the coming year will be co-chaired in each case by a representative of the Third World—a term that comprises both the poor, developing countries (sometimes called the Fourth World) and the nouveau-riche oil producers. The United States is to co-chair the energy committee with Saudi Arabia as co-chairman for the Third World nations.

OPEC, feeling heavy strains from the would slump, appears to be behaving more pacifically at the opening of this rich-poor conference.

Nailing Down Gains

The oil cartel is trying to nail down the gains made since the October 1973 war in the Middle East—in the face of forces that could cut into their gains. Those forces include greater energy development in the West, including the North Sea and Alaska, combined with the cutback in world demand, resulting from the interrelated impact of an excessive jump in oil prices and the world of economic slump.

At this point, the complicated contest facing the rich, the poor and the oil-rich but developing countries in Paris looks more evenly balanced than such a meeting promised to be a year ago when the French first proposed it.

The Americans are talking more hopefully about this new 27-nation negotiating forum as one that might make for "greater intellectual convergence"—and, as one highly placed State Department official put it yesterday, "less of the nonsense that goes on at the United Nations."

This official added: "It could be important—with the oil-price issue as the fulcrum for change."

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VOLATILE PRICES HURT POOR LANDS

Goal at Parley Is to Get Their Raw Products Off the Roller Coaster

By CLYDE H. FARNSWORTH
Special to The New York Times

PARIS, Dec. 16 — In early 1974, copper was selling in international markets for more than $3,000 a ton. Now the price is about $1,000.

This has caused serious financial problems for the countries that export copper. Zaire, for instance, is having trouble paying the interest on its debts and has delayed payment of some of its oil import bills.

Bauxite, coffee, tin, rubber, cocoa, lead, zinc are among other so-called primary products exported by developing countries. Altogether, more than 80 percent of their foreign exchange earnings come from such sales.

As an international conference opened here today to devise a more rational structure for economic relationships in the world, developing countries were pressing for systems to get their commodities off the price roller coaster.

'Radical Ups and Downs'

"How can you engage in any type of economic planning when you're faced with radical ups and downs in the prices of what you export," one third-world delegate said.

"We must eliminate erratic or contradictory fluctuations, the brutal increases or drops in prices that are likely to disrupt markets over a long period to the detriment of producers and consumers alike," said President Valéry Giscard d'Estaing of France in the keynote speech.

But the commission to be set up by the conference to study this problem was expected to run into enormous difficulties because of conflicting philosophies and the fact that developing countries are far from monopolozing production and reserves of primary commodities.

Oil-exporting countries were able to raise prices and keep them high because they held a virtual monopoly on supplies. For most other commodities, the position of developing countries is far less dominant.

No Monopoly on Minerals

The West German Bureau for Geological Sciences and Commodities has calculated that Western industrial countries accounted in the early 1970's for 41 percent of world output of minerals, the Communist countries 30 percent and developing countries 29 percent. But for oil, developing countries represented a preponderant 60 percent of production.

A recent study by Robert F. Swift, a partner in McKinsey & Company, management consultants, found that, besides oil, developing countries have an important share of production in phosphates, bauxite and alumina, copper, nickel and tin.

"No matter how effective producer associations become, however," Mr. Swift wrote, "temporary supply-demand imbalances will continue to occur and to whipsaw prices, particularly in materials where significant regulatory stockpiles do not exist."

The United Nations Conference on Trade and Development has been working on a program to stabilize prices of 10 products—coffee, cocoa, tea, copper, tin, rubber, jute, hard fibers, cotton and sugar.

The Stockpile System

The program would involve buffer stocks of each commodity. When prices are too high, the stocks would be sold. When they are too low, the stockpile would be built up.

But the cost of buying up only the surpluses that now exist in these 10 commodities is estimated at $5 billion. It might cost $1 billion more for storage and management fees. Who would pay?

Although many analysts agree that there is little likelihood of forcing prices up for most commodities by shutting down supply outlets—as was done with oil—there may be a possibility over the longer term of stabilizing prices through gradual action

In other words, both aspects of the flow of commodities, supply and demand, might be planned to some extent. The Kredietbank of Brussels notes that there is a real chance of such contractual arrangements for a few important commodities considered separately —copper, tin, zinc, lead, coffee and cocoa.

Market System Defended

Yet, even such contracts, because they involve the introduction of a planned sector into the world economy, run into strong political opposition from the leading market-economy countries such as the United States and West Germany.

Allan J. MacEachen, External Affairs Minister of Canada, observed in an interview that this week's conference, of which he is a co-chairman, and the work that it engenders in commissions "will not repeal" the market system.

"The market system is relevant in terms of allocating resources efficiently," Mr. MacEachen said. "I take for granted that it has a role, and I expect both sides to agree that it has a role."