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OPEC Trouble Sinks the Integrated Programme

M. Feyide, OPEC's Secretary-General, felt obliged towards the end of 1976 hurriedly to make calming noises, in order to smooth down the waves of worldwide speculative excitement. "OPEC is stronger and more united than ever before", he solemnly asserted to all those who made public their doubts in the firmness of the oil cartel. In the LDCs, which are fascinated by the enormous power displayed hitherto by this association of commodity producers, it may be that such a clear statement has been heard with satisfaction. But is it actually possible to believe in its truth?

Rather, any neutral observer must gain the impression that M. Feyide indulged in a piece of wishful thinking, which was made all-too obvious by the discussions at Qatar, that were dominated by the quarrel, among the producers of "black gold", over the future pricing policy for crude oil. For their "result" indicated deep differences in assessing the situation in world trade and the own interests of the participants. Saudi Arabia will raise its crude prices for 1977 by a mere 5 p.c., whilst the remaining producing countries want to force them up, in two stages, by a total of 15 p.c. Admittedly, some diplomatic skill succeeded in Qatar to paste over, with a great effort, the gaping fissures in the cartel once more. But it would be over-optimistic to hope that the putty smeared over these fissures could keep together the ramshackle edifice for the duration. In the meantime, it is not even certain that the second price rise foreseen for July 1, 1977 can, in fact, be carried out. The special OPEC conference suggested for this reason, anyway, has a poor chance to become a demonstration of regained unity.

The industrialized countries, as main victims of former increases of the oil prices, had rather hoped for, than expected, a development of this kind. Their hopes for a break-up of the oil cartel were mainly based on their experiences of all the commodity agreements of the past. Such agreements had shown, again and again, that short-term solidarity of producer countries could not stand up in the long run to the individual interests of agreement members and of outsiders.

However, in OPEC's case, they found themselves frustrated for a long period. This association based its enormous economic potential and its power in negotiations on a great number of factors. For far too long a time, the oil countries had been paid a baksheesh only by the international concerns. And for far too long a time they had been bamboozled into the belief that it was the consumers who always played the more important part in fixing prices.

This was, and still is, certainly the actual situation in the cases of many other raw materials derived from LDCs. Therefore, ruthless profiting from a position of power by the industrial nations is certainly not the main reason for OPEC's strength. This group of suppliers did not grow so important through its marked opposition of interests with regard to industrialized countries but rather because the major producers of an almost homogeneous commodity were geographically contiguous and pursued similar economic and political interests. The leading position of Arab oil countries, joined in OPEC, was willingly accepted by the other producer countries in Latin America and Asia, because the advantages flowing from the Arabs' stance were clearly visible for all the interested parties. The leading group, on the other hand, was firmly welded together through their joint hostility against Israel.

But it is precisely the political unity of interests expressed in this way which is definitely underrated in all present-day discussions about commodity agreements and similar arrangements, though this is probably the most important condition for a long-term stability of agreements. If there exists today a single decisive factor for OPEC's troubles, this is the changed attitude towards the Jewish arch-

enemy. The political leaders in Tripoli, Cairo, or Teheran, in this context, now put an ever-growing distance between their formerly united and their present stances. Their political differences find expression in their growing economic disunity.

In addition, in the first euphoria over the seemingly limitless inflow of money — through the income from oil — some countries attempted too much economically and financially. They were not spared the bitter experience that their national economies cannot be catapulted into the year 2000 and to the front ranks of industrialized nations simply through additional imports and capital. This is not to say that their present demand for price increases is totally unjustified. But the compulsion to push prices up vigorously is largely the effect of the burdens with which these countries have loaded themselves through exaggerated development plans.

Without doubt, it would be a faulty assessment of Sheikh Yamani, the oil minister of Saudi Arabia, to believe that he harbours over-friendly feelings towards the western states, or that he wants to forego voluntarily a big income. It is rather the case that he has proved to have a clear view of reality. The unconscionable economic difficulties of the UK, of France and Italy, as well as the, still, very laggard economic upturn in the USA make not only him but also numerous economists and politicians see a new world slump not merely as a pessimistic vision of the future. Since the end of World War II, the industrialized world and also the majority of LDCs had never before found themselves in such great difficulties. And since the reasons for this state of affairs cannot be found merely in the field of economics, it is not possible to concoct patent medicines for quickly curing the sick patient. That is why it is unlikely that demand for oil could be further increased by the growth rates of the past. Massive price increases would inevitably lead to economy programmes and substitution efforts. The oil producing countries would be well advised to pay greater attention to these facts than hitherto. Moreover, the heavy overloading of public budgets makes it inevitable that the need for additional payments for oil imports mainly restricts the funds which, otherwise, would be available for development aid.

Since higher oil prices affect strongly not only the industrialized countries but, again, a large group of LDCs, the oil countries now get to feel the massive pressure of states friendly to them within the Group of the 77. They will be compelled, more than in the past, to compensate for their additional income through more help to those affected by dearer oil — which means that they will have to go far beyond their present "good will" activities. Instead of engaging in "window-dressing", they will have to face the tasks of international development policy.

Whilst it may be possible to deal with this financial problem more or less satisfactorily, the oil countries will hardly be able to obviate another disadvantage for the entire Third World: Their lack of unity has wrecked one of the most important parts of the New World Economic Order — the integrated commodity programme of UNCTAD. Of this programme, it was hoped by the producers of the most varied raw materials in the LDCs that they could reap a similar golden harvest as had fructified the oil countries. It was OPEC that filled them with the pluck to work out a large-scale programme of setting up commodity agreements and economic alliances, to propose them at various international conferences — sometimes against the determined resistance of the commodity-importing industrialized countries — and to fight for their acceptance.

Trusting in OPEC's strength, there was some justification for enforcing similar efforts for other commodities. The most recent developments within the oil cartel, however, strengthen the case of all those who see in agreements in the field of commodities, at best, an expensive nonsense, which, in the long run, profits neither the producers nor the consumers. If it had been already difficult in the past to convince the raw material-importing countries of the advantages of commodity agreements, buffer stocks, or a common fund, this will now become almost impossible. It is not impossible that the European Communities, whose member countries — with the exception of the Federal Republic of Germany — were visibly increasing their sympathies for the raw material programme, will now think over their attitudes afresh and may follow the "hardliners" who reject any further interference with the raw material markets with determination. *Dietrich Kobschull*