

No complacency about OPEC's troubles

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It might seem tempting to enjoy the latest blow to OPEC's economic and political clout. The new price cutting by the Organization of Petroleum Exporting Countries is only the second time the cartel has been forced to bow to the realities of the world oil market — which, at the moment, is clearly heading downward.

Given OPEC's past penchant for hard bargaining on oil prices — some would say arrogance — it seems easy enough to sit back and welcome the spectacle of OPEC oil producers heatedly squabbling among themselves, as occurred at Geneva.

In fact, however, the oil price cuts present some risk as well as opportunity for the world community. The price cuts portend future price reductions. It seems unlikely that OPEC will be able to hold the line on its new pricing structure. The world oil market is already below the new prices. And when one adds in all the special discounts and deals common to the oil market, OPEC producers themselves are more often than not selling below their own new price structure. Some deal, then, this new OPEC pricing structure! On paper, it looks fine. In reality, it's already obsolete.

The upshot? Although consumer prices in most Western nations are not likely to fall much more during the next few months, additional pricing relief will come down the road, by midsummer, certainly sometime next year. Lower prices will check inflation. Financially strapped energy-dependent nations in the third world will have more trade dollars left for other purposes.

Alas, there are minuses in this happy scenario which governments — and consumers — might want to take into account. Politically, OPEC's key players, Saudi Arabia, for example, are the more conservative Arab states. As OPEC is

humbled, their internal clout within the Arab world is diminished. Also, a number of third-world oil producers are debtor nations. As their oil revenue drops, their ability to meet international debt obligations lessens. A precipitous drop in world oil prices could have unforeseen and possibly severe international economic consequences. It seems in the best interest of the world community that the oil market stabilize during the months ahead and that price reductions, when they come, come gradually.

Finally, lower energy prices seem to be inducing a complacency in Western nations. In the United States, for example, energy conservation efforts are being played down. That is unfortunate. And Washington has backed away from an interest in promoting alternative energy sources, such as solar power. Washington is also considering halting or sharply modifying the concept of the Strategic Petroleum Reserve. The reserve was designed to serve as a safety net in case of another oil cutoff. The reserve should be completed. What better time to do so than when oil prices are dropping?

The long-range goal should still be geared toward conservation and development of alternative sources of energy. The world must be ready for that anticipated day, probably after the turn of the century, when black gold — oil — will be harder to produce and far more costly than the current price downturns would suggest.

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Coming events cast their shadows before them, and we should prepare for the severe international economic consequences of OPEC's erosion. Our own future depends upon continued energy conservation. Now, while oil prices drop and supplies rise, we have an opportunity to develop and perfect those recently introduced alternate-energy sources that can assure our future independence from foreign supplies.