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ANGLO-SWISS SOCIETY MEET AND DISCUSS THE WORLD OIL CRISIS

The first meeting of the year held by the Anglo-Swiss Society was also concerned with the oil question. Those who had previously attended the City Swiss Club meeting had just over a week to reflect on what had been told to them before they were presented with yet another exposé on the matter. Fortunately, the Anglo-Swiss Society's guest-speaker's contribution was an appropriate addition to what had been said at the City Swiss Club. In no way did Mr. Peregrine Fellowes, an oil expert and former Shell official, duplicate what had been said before. On the contrary, he brought a new and personal light on the subject.

Having been introduced by Lord Selkirk, the President of the Anglo-Swiss Society, Mr. Fellowes warmed up by referring to Switzerland's January status as oil negotiating centre of the world with "ministers rushing for barter deals to the slopes of the Engadine".

Mr. Fellowes gave an account of the historical developments that have resulted in a radical shift of power between oil producing and consuming countries. This evolution, which can be traced back many years ago, sharply increased its pace with the oil price negotiations of February, 1971. The energy situation which prevails today can be considered as the natural development of these talks, which were marked by the producers' new insistence on fixing petrol prices themselves. Meeting in Teheran in February, 1971, the oil producers of six Gulf countries and the western petroleum companies agreed to a general increase of the price of petrol. The agreement was to last for a period of five years and embodied an inflation clause (of 2·5%!) to compensate for the loss of buying-power of the dollar, the currency in which prices were calculated. The agreement was revised in June of last year following the successive devaluations of the dollar. At the same time, petrol producing countries showed a growing desire to share in operations carried out on their soil. This led to a participation agreement at the end of 1972 involving the Gulf producers, whereby these countries would gradually attain a controlling share in the operations of oil companies. The 51 per cent stake would be reached by 1982.

Middle-East and monetary events were to induce many producing countries to a more radical attitude. Already in November, 1970, Libya had unilaterally increased its prices and was helped to do so by the temporary closure of an important pipeline leading to the Mediterranean, and, of course, by the continued closure of the Suez Canal. But the continuing Israeli-Arab deadlock was pushing the more moderate producers, such as Saudi Arabia, into considering a freeze which would "bring the West to its senses". The sudden halt in the growth of oil exports decided in October of last year should not have come as a complete surprise because as Sheikh Zaki Yamani, Saudi Arabia's Petroleum Minister, and other Arab leaders had already hinted to this possibility by April of last year.

The October Middle-East war precipitated events on the oil front. On October 6th, the six Gulf oil producing countries (the World's main producers) were at Kuwait to discuss a scrapping of the Teheran agreement, which had inevitably begun to break down. Because of the war, they decided to suspend their talks and meet again within two weeks. But they met again eight days later to decree a 70 per cent rise in the cost of petrol. This was a historic step because it was unilateral and accomplished heedless of the objections which producers were bound to raise. A day or so later, when President Nixon had announced a massive aid programme to Israel, Saudi Arabia announced an embargo on its exports to the US. The other Arab producers soon joined in the Embargo and included Holland and South Africa. The 5 per cent monthly reduction of petrol exports to be implemented as long as the Middle-East crisis was not settled (decided earlier at Kuwait) was increased to an immediate 25 per cent cut. The latest episode to this flurry of events took place on 23rd December, when the Shah of Iran announced that his country and the five other Gulf producers would increase their posted price to 11·65 dollars a barrel, or four times the price of 1971. The totality of producing countries followed suit, some, like Libya, raising their prices to as high as 18 dollars a barrel.

The speaker drew several conclusions from these developments. He first stressed our dependence on petrol which accounted for 55 per cent of our overall energy consumption and particularly on Arab petrol. He said that the pace of the new oil finds had not kept up with the growth of world demands and that no really big oil fields comparable to those currently exploited in the Middle-East had been discovered elsewhere in the recent past. He stressed that North Sea Oil could not replace Arab oil although it would certainly help Britain's balance of payments. Owing to the importance of Arab oil exports, a 25 per cent cut was felt as a 20 per cent reduction of petroleum resources by the countries of Western Europe. Mr. Fellowes recalled that this pinch was felt by *all* these countries, *including* Britain and France, who were considered as "friendly" by the Arabs and thus exempt from the 25 per cent reduction, because oil companies redistributed their available petrol. They had to do this in order to respect their contractual obligations towards the countries in which they operate, he said.

As a result of the Arab measures, Japan officially stated its support for the Arab and Palestinian cause. The European Community likewise made a declaration friendly to the Arabs and calling on Israel to retreat to its June, 1967 borders. But this was about all the political results which were achieved – with the possible exception of the efforts put in by Dr. Henry Kissinger to make peace between Israel and Egypt.

Sheikh Yamani and Mr. Abdessalam, Algeria's Industry minister, both of whom have toured the West to explain the oil producers' position, apparently realised this as well as the economic consequences of the new prices. This is why the cut-back in Arab production has been reduced to about 15 per cent of the September 1973 level, which is felt in the West as a 10 per cent reduction. Mr. Fellowes laid particular emphasis on the monetary consequences of the new price structure and said that they would be "ridiculous". He calculated that the main producers (Kuwait and Saudi Arabia foremost among them) who could not use the money they were earning would have

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accumulated up to 556 billion dollars by 1980. Comparing this figure with the 200 billion dollars which the world's central banks hold at present, Mr. Fellowes stressed that such a situation was "ludicrous" and liable to upset yet further the world's barnacled monetary system.

Echoing the views of the experts who had spoken the week before at the City Swiss Club, he said that a way must be found to channel this money constructively. He expressed the hope that the oil producers would now take part in talks on monetary reform held so far by the IMF Committee of 20. But the economic situation resulting from the new oil prices must be handled by concerted action, he said. Individual barter deals such as those concluded by France and Britain with Saudi Arabia and Iran could not possibly solve this situation and restore confidence in the international monetary system. Mr. Fellowes also stressed that these were small deals in comparison with the magnitude of the monetary exchanges involved.

To end his exposé, the Speaker referred to President Nixon's pledge to free his country from dependence on outside petrol by 1980. Mr. Fellowes expressed some reserve over the chances that this aim could be realised, but he said that it was a worthy venture and an example which the other countries of the West should follow so as to "get off the hook". Mr. Fellows spoke of the "challenge" set to us by the new situation and urged a national effort in securing our own energy supplies (oil, nuclear and other) which, he said, could begin to bear its fruits within five years.

Opportunity was then given to the attendance to ask questions. This question-time was lively and added a few complementary points to what the speaker had said. In particular, Mr. Fellowes welcomed the idea that producing countries should use some of their earnings to buy part of the petroleum distribution network in consumer countries.

Lord Onslow, who became Earl of Onslow on the death of his father in 1971, answered most appropriately on behalf of the guests. Of the pointed remarks made during his address, one which deserves mention is that the Jews had never been persecuted in the Muslim World until the creation of the Hebrew State, which is considered all over the Arab world as a national insult. While Jews were persecuted and segregated in nearly every country of Europe, they had lived peacefully for centuries from Morocco to Iraq. Israel could therefore be considered as "a creation supported by the West in an effort to clear its conscience".

PMB

LETTER FROM SWITZERLAND

It is to be hoped that the worst will be past and done within Britain by the time this is being read by the readers of the *Swiss Observer.* Just how difficult things may be or have been in the United Kingdom is extremely difficult to gauge from Switzerland. If one were to believe certain German publications, for example "Der Spiegel", Britain was, or still is, more or less "down to the last candle". The two correspondents who, at present, report from London for the "Basler Nachrichten" are also painting a rather gloomy and bleak picture, as gloomy and bleak as the one which is being painted in the "Zürichsee-Zeitung". If, on the other hand, one listens to Theo Haller and his excellent factual reports on the radio and reads the "Neue Zürcher Zeitung" as well, one gets the impression that while the situation is certainly serious, it is nevertheless not hopeless.

Perhaps even more confusing are some of the private letters we have recently received from London. One lady writes that her milk, her mail – mostly bills! – and her newspaper arrive punctually and regularly and that the extent of the crisis must have been exaggerated abroad. But another lady, also from London, speaks of a blackmarket in petrol (so un-British!) and of prices in the shops which are going up from week to week. In yet another letter we have been told the pathetic story that during Christmas electric tree-illuminations were only allowed for an hour at a time. A friend from Hampstead has stated that last year he bought a pair of shoes of a good make in one of the large stores for £7 and that the same pair of shoes now costs £15. Some correspondents speak of dark and dangerous streets, some of toilet paper rolls being in short supply, some of people in bus queues getting edgy and snappy and yet others mention enormous difficulties in connection with their work. To crown it all we have read that a junior minister, Patrick Jenkin, has appealed to the population to brush their teeth in darkness – a remark which he himself has apparently since regretted and acknowledged as being rather stupid.

What is one to make of all this? In a recent issue of the well known German weekly "Die Zeit", one of its editors who is also a former London correspondent, described a weekend visit he made to London with the sole purpose of looking at the crisis. But, said he, he could not find it. Life looked to him more or less normal, with the exception perhaps of the lighting in certain restaurants where some chandeliers were not lit.

Some Swiss one meets who have unfortunately long since forgotten what Britain did for the free world, *including Switzerland,* during the last war, tend to sneer about present day Britain and the difficulties the United Kingdom is going through. They have, of course, had it too good for too long and have become accustomed to sitting on a high horse. If the so-called oil crisis with its various consequences has the effect of waking people up a little and teaching them that there are also different values in life apart from the material ones, then this crisis, which quantitywise has never existed, will have been a blessing in disguise. At any rate: if my long stay in Britain has taught me anything then it was that it is dangerous and stupid to underestimate the Britishers and their ability to pull through seemingly impossible difficulties.

Gottfried Keller

Jurassians tried at Délémont

Two leading members of the *Groupe Bélier* were sentenced in Délémont for having occupied the Swiss Embassy in Paris in July, 1972. Mr. Jean-Claude Montavon, principal organiser of the Béliers, was fined 900 francs and given a 20-day prison sentence which was suspended for three years. An un-named friend of his, a 26 year old engineer, was sentenced to a 600 franc fine. Five other members of this extremist Jurassian organisation appeared in court but two were acquitted and three were non-suited for lack of evidence but had to pay costs. Observers considered the sentences deliberately mild in order to keep spirits cool in Délémont's strongly separatist area. The trial was opened following a complaint by the Federal Council for the demonstration at the Swiss Embassy of 13th July, 1972. Some 28 Jurassians took part in it but not all of them occupied the Embassy. There were no scuffles and the demonstrators agreed to leave the premises after talks with the first counseller, Mr. Ernest Bauermeister, who had told them that the French police would be called in after that time. An Embassy door was locked for 20 minutes but charges of "sequestration of personnel" were dropped on the recommendation of Mr. Bauermeister.

Mr. Montavon had already been given a suspended jail sentence following a sit-in at the Federal Palace in 1968. Although the Prosecutor has asked that this suspension should be revoked, the Court opted for clemency and decided to ignore this first offence.