"GLOBAL CONSIDERATIONS: PROBLEMS OF SECURITY AND NATURAL RESOURCES"
Ditchley Foundation, Enstone (GB), 21-24/II/1975

(1) Ditchley Foundation: "Study on the meaning and effect of detente. Report of the third conference"

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THE DITCHLEY FOUNDATIONS

STUDY ON THE MEANING AND EFFECT OF DÉTENTE

REPORT OF THIRD CONFERENCE: FEBRUARY 21-24, 1975

GLOBAL CONSIDERATIONS: PROBLEMS OF SECURITY AND NATURAL RESOURCES

AGENDA

SUBJECT I: Review of the report of the second conference and of major developments in East-West and World economic and political negotiations since that conference took place.

Problems of Security

SUBJECT II: Measures needed to promote peace and stability in the Middle East as a major danger area for East-West relations.

SUBJECT III: The likely course of Sino-Soviet relations when the present Chinese leadership is superseded and their effect on Soviet defence policies and détente.

SUBJECT IV: Measures needed to up-date the Atlantic Alliance, including NATO, in the light of changes in régime which have taken or may take place among member countries and political tensions between member countries (e.g. Portugal, Greece, Turkey), détente negotiations and western economic problems.

Natural Resources (including food)

SUBJECT V: Methods and prospects for improving world food supply and distribution arising from the World Food Conference in November 1974 and other negotiations; the degree to which the Soviet Union and East European countries are likely to take an active part and co-operate in measures proposed; the consequent effect on East-West relations.

SUBJECT VI: The short term (end 1970s) and longer term (end 1980s) prospects for world energy demand and supply; the policies which should be followed by OECD countries in regard to OPEC, energy conservation and development of alternative energy sources to oil; the prospects for energy supply and demand in Warsaw Pact countries and the degree to which they will rely on OPEC.

SUBJECT VII: The prospects for world shortages in natural resources other than food and oil in the foreseeable future; the likelihood of restrictive or price cartels being formed among countries producing scarce resources; the extent to which the resources of the ocean bed are likely to be exploited to alleviate such shortages and problems of production and distribution which this may give rise to; measures which should be taken by OECD countries in relation to natural resources other than food and oil and the position of the Warsaw Pact countries in this respect.

SUBJECT I: Review of Major World Developments Since the Second Conference

The opening speaker divided his consideration of international developments in the three months since November into two parts: the substance of détente negotiations and the environment in which they had proceeded. Dealing first with détente negotiations, he suggested that the bilateral relationship between the two super-powers had been marked by a certain degree of progress - notably in the Salt II Agreement reached at Vladivostock - but at the same time by a distinct step backwards in the Soviet rejection of the trade treaty as a result of American attempts to link the questions of commerce and emigration. In the CSCE, agreement appeared to have been reached on many points, especially in Basket 2, but there were points of deadlock in Baskets 1 and 3 (confidence-building measures and free movement), so that a summit level conclusion in June was by no means certain. The MBFR negotiations were proceeding with the expected slowness, and the actual levels of forces were more likely to be influenced by domestic considerations than by negotiation. As far as the role of the EEC in European détente was concerned, there was at the same time an increase in the Community's role as a signatory of trade agreements, and a distinct limitation imposed by the determination of member states to keep economic co-operation agreements in their own hands. The recent contact between EEC and COMECON had been inconclusive, so that much of the recent East-West activity had been of a bilateral kind: Brezhnev's visit to Paris, the visits of Schmidt and Wilson to Moscow.

The International environment of détente had been dominated by the Middle East and related questions: it was important to be aware of the significance of Dr. Kissinger's remark in January to the effect that the West might have to use military force to prevent economic strangulation. It remained to be seen whether the more general indications of an American rapprochement with the Arabs would damage the relations between Washington and Moscow: the two super-powers were likely to succeed in managing Middle Eastern crises as they had in the past. A different aspect of the international situation, related to this one but not involving the Soviet Union, was that represented by the problem of managing international energy resources and the recycling of surplus funds. President Ford's agreement with the French President at Martinique in December appeared to embody a reasonable compromise between American and West European views, by providing for a two-stage approach to discussions with the oil-producing countries and a compromise on the recycling issue.

In the ensuing discussion, an American participant confirmed that the Vladivostock agreement should be regarded as a step forward, since the limitation of the strategic systems to 2,400 for each side meant a reduction of 100 on the total the Soviet Union had been expected to achieve by October 1977. The full Salt II Agreement would entail really significant reductions, but this in itself was one reason why it would require further difficult negotiation.

/In general,

In general, the détente process was going ahead reasonably well: the limited results to be expected from CSCE would be disappointing only to those in the West who had failed to lower their sights to a realistic level. In MBFR, the Russians appeared to be sticking to their wish to freeze the existing disparities, at least until the CSCE was finally out of the way.

This speaker warned the Conference not to exaggerate the significance of Dr. Kissinger's threat of military retaliation against "strangulation", and recalled that the speech in question had been almost entirely directed against the use of force.

A British participant, commenting on the Prime Minister's recent visit to Moscow, observed that its main purpose had been to bring Anglo-Soviet relations up to the same working level as those prevailing between Moscow and other West European capitals. It was clear that the Russians wanted to get the CSCE over, before dealing with military détente, whereas the British view was that the two were complementary rather than sequential. It might be important for the West to decide soon whether to cut its losses on the CSCE, or to persist in its present demands.

A German participant observed that West German relations with the East European countries, for instance with Poland, were now in a stagnant state: even in the matter of economic relations - for instance the supply of Soviet electricity to Berlin - progress was very slow.

An American member of the Conference criticised both the attempt to liberalise Soviet immigration rules in connection with the trade bill and the details of the Vladivostock agreement on nuclear weapons. The levels negotiated at Vladivostock, he said, would not be acceptable to many members of the Congress.

Another American participant emphasised the need to press ahead with negotiations before new strategic systems developed their own momentum, and urged the West to consider including tactical nuclear weapons in MBFR.

A British participant commented on the broader implications of the UK's renegotiation of the terms of membership of the EEC, and suggested that the remaining members of the Community were very concerned at the possible political consequences of British withdrawal: the forthcoming summit conference in Dublin would draw the strings of renegotiation together, leaving a situation where the British government would argue that renegotiation had been a success for Britain, while other member states would argue that the common agricultural policy and other EEC policies needed changing in any case.

Reverting to Soviet attitudes, another speaker pointed out that the December meeting of the Soviet central committee had carried out a long discussion on whether the Soviet Union should provide oil to other member countries of COMECON, and if so at what price.

/Very

Very surprisingly, the Russians had agreed to sell oil at a lower price to COMECON, and this might indicate the growing influence of the managerial and technical groups in the leadership, who had been injured by recent trends in Soviet policy and were now keen to carry out their wish for intensified economic relations both with Eastern and with Western Europe.

SUBJECT II: Measures needed to promote peace and stability in the Middle East

A British participant introduced the discussion by observing that the situation in Portugal had to be seen in relation to that in the Mediterranean as a whole. The Portuguese Communists, like the Soviet Union, were biding their time, and would be unlikely to take any risks if the Portuguese elections gave them as much as 20% of the vote rather than a mere 10%. It was possible that Portugal might follow Greece out of the NATO structure, especially as Greece was unlikely to rejoin it. The Western interest was to promote reconciliation between Greece, Turkey and Cyprus - the conflict-ridden triangle of the Aegean - as a prelude to general stabilisation in the Mediterranean: the Soviet exploitation of the situation, including agitation on behalf of Makarios, made the position more difficult, as did the Turkish threat to leave NATO. An essential precondition for détente was that there should be no partition of Cyprus, since such a partition would represent a setback to Soviet interests which would be very likely to endanger the détente prospect.

In the Middle East strictly defined, the U.S.-Soviet Agreement on the Prevention of Nuclear War had been threatened seriously by the October 1973 crisis, and any renewed crisis of this kind would provoke a serious American reaction. Both superpowers were delivering weapons to the area, but it was clear that only one of them - the U.S.A. - could deliver a political settlement. If Dr. Kissinger were unable to mediate further, the situation would be grave, and the disappearance of Sadat would be another serious destabilising factor. An Arab threat to strangle the West by cutting off oil, leading to a military reaction, would profoundly damage the prospects of East-West détente, since the Russians might respond by moving into Iraq to establish a permanent Soviet military presence in the area. It was thus vital that OPEC should refrain from pushing prices up and that the Soviet Union should behave with restraint.

An American participant observed that Western military intervention was no way to make Arab oil flow, since the oil installations could be very easily sabotaged. Another American speaker emphasised the degree to which the information media in Portugal were under the control of the left, and said that the West must be prepared for a Portuguese government influenced by radical young officers who would take the country some distance away from NATO. In Greece, the government was unlikely

/to withdraw

to withdraw altogether from NATO if the situation in Cyprus remained acceptable, and it was unfortunate on the other hand that the U.S. Congress had pressed for aid to Turkey to be cut off, since it was not a rational way to influence discussion with the Turks. In the Cyprus negotiations recently restarted, the proposal to separate the two communities should not be confused with a proposal for the territorial division of the island.

On the prospect for Arab-Israel negotiations, the speaker remarked that step by step progress towards further disengagement of forces would not exclude the involvement of the Geneva conference at some stage, although this should not be too early, as it could lead to deadlock.

Another American participant emphasised the economic development aspect of step by step progress. President Sadat was aware of this, and was trying to get Western capital. As Western economic influence rose, together with rivalry between the Western powers for economic influence, both Arabs and Russians would wonder how reversible this Western penetration would prove to be. Even if the Arab-Israel political issue were resolved, tensions arising from economic issues in the Arab world would continue to be acute: the capital market in the Middle East needed to be organised in such a way that all economic conflicts could be at least reduced. It was particularly important in view of the large Arab share in control of the world capital markets, which would continue for many years.

Another participant, reverting to the theme of "strangulation", observed that this could occur if prices were to be tripled. A boycott by the Arab producing countries would now be less effective, since the West had reserves for 90 days, and domestic resources were being actively explored in the U.S.A. Between OPEC countries, there were differences of opinion on the optimum degree of output: Iraq, for instance, was inclined to keep production down. Only an oil boycott could restrain the Israelis, because of the U.S. reaction to it. On the other hand, U.S. threats of force against the Arabs, though they might help to keep prices down, would not solve the Arab-Israel issue. Iraq, as far as economic affairs went, had seen the need to get American and other Western capital goods in, because Soviet goods were now seen to be less reliable and more expensive.

The discussion turned to the question of what the West would do if the negotiations between Israel and Egypt failed. If Israel appeared to be to blame for the breakdown, would Western Europe dissociate itself from Israel? This was thought to be quite possible.

It was asked what factors of stability were present in the Middle East. What was the position of Sadat, what would be the effect of reopening the Suez canal, and did Saudi Arabia and Kuwait realise that it would not be in their interests to ruin the Western economy?

/The importance

The importance of Iraq, Iran and Turkey for the Soviet Union were emphasised, though there appeared to be other parts of the Middle East where Russian involvement was less active.

An American participant argued that Dr. Kissinger's threat of military force might have been more credible if accompanied, for instance, by a withdrawal of all Western military advisors from the armies of Saudi Arabia and other Arab states.

From an economic point of view, it was argued that the OPEC countries had a clear interest in bringing price levels down - perhaps to $7 - which would also help to reduce the size of the recycling problem. It appeared in fact that a compromise between all parties in the oil issue would be reached by the end of the decade.

A French participant argued that strangulation of the West was now less likely, because the OPEC countries had lost the advantage of surprise, and action by them would also damage the prospect of Arab-European co-operation. OPEC, in other words, was weakened to the point where an embargo was now much less likely - even in the event of a new Arab-Israeli war - but the West should not try to push its advantage so far as breaking OPEC completely.

The opening speaker concluded the session by observing that the Russians also had an interest in moderation: they would certainly hesitate before employing military forces in the Middle East, especially as some of the Arab oil money might now go to the Soviet Union, and the Soviet Union be involved in the longer term in economic projects in the Middle East. He emphasised, however, that this was very much a long term prospect.

SUBJECT IV: Measures needed to up-date the Atlantic Alliance, including NATO

(N.B. this subject was discussed before Subject III, The likely course of Sino-Soviet relations).

The American introducer of this session suggested that the current uncertainties of the alliance would be easier to understand if placed in the context of the considerable changes in the world since NATO was established. These included:

1. Changes in American attitudes, including the recent trend towards "neo-isolationism";

2. A tendency in Western Europe to reject rather than copy America's ways of doing things, and a situation in which an economically strengthened Western Europe rejected American paternalism;

/3. Changes

3. Changes in our views of the third world, including a Western realisation that the leaders of the third world were not keen on Marxism so much for economic reasons as because it offered them an instrument of political control;

4. A shift in world politics from bipolarity to something else, partly under the impact of the rising power of China and partly through the influence of the idea of détente;

5. The pervasive threat of socio-economic crisis testing the whole political system of the West.

The speaker elaborated his last point by remarking that the problems of rising expectations - the problems of success - appeared similar in all the capitals of the alliance. The economic strains on the West - which had a direct bearing on security - could only be solved collectively, though not by cuts in defence spending. In Washington, he suggested, it was necessary for less attention to be given to purely strategic factors, and more to the psychological under-pinnings of deterrence and fighting capabilities.

Deterrence should be understood as including the enemy's perception of the will and purpose of the West, and to maintain this it was important for the United States not to force its European allies into a position of subordination in arms production. As far as the southern flank was concerned, what alternatives did Greece and Turkey really have to NATO? Would Athens really be tempted to copy Paris, and if so how should the rest of the alliance respond? In Portugal, as perhaps in Spain and Italy, the military elites were seen as a politically progressive force, and were a target for Marxist influence.

In summary, the speaker regarded the military manpower of the alliance as being of very high quality. He concluded by remarking that a large surplus of American nuclear weapons in Europe would be preferable to any European doubt on the seriousness of the U.S. commitment.

A British participant commented that one of the economic difficulties in the alliance was that of the embargo on exports to the Soviet bloc. The problem of Cocom in 1954-1972 had been that the Western European embargo lists were shorter than the American one, and it had been good news that the U.S. list was to be shortened. In reality, however, there had been a disappointing setback when the Soviet order for a Western computing system worth $60m had been cancelled by an American reimposition of the embargo. Had this perhaps influenced the Soviet decision to renounce the trade treaty?

An American participant responded that this was unlikely, but the general problem remained difficult. Strategic export control systems had to be implemented in a spirit of mutual confidence between allies. Reverting to the question of the West's will

/to fight

to fight, another American suggested that the economic situation undermined this, and pointed to the danger of pressures to cut defence spending. The U.S., as leader of the Western Alliance, should give a lead in co-ordinating economic and strategic policies.

The opening speaker emphasised the need to work for reciprocal reductions in forces, rather than one sided cuts by any Western government: one of the difficulties was that technical innovation in weapons systems tended to increase rather than cut the costs of defence.

Other participants emphasised the lack of public interest in the West in defence matters: it was argued that the Western public tended to see defence and economics as two separate issues, the former of which was to be ignored.

Another point which was emphasised was the wastefulness of the duplication of defence efforts between Western countries.

The discussion turned to the specific difficulties of the southern flank, and it was suggested that the West might have to face the fact that the Mediterranean was not the southern flank of NATO at all, but an area which should be seen as being as neutral as Yugoslavia: an area economically linked with the West but politically and diplomatically a disengaged area open to the manoeuvres of both sides. In response to this it was argued that in fact Soviet pressures might shift actively to the southern flank once the central front had been consolidated by the CSCE.

It was argued that the West ought not to over-react to internal changes in the countries on the southern flank: in Italy, for instance, the Communist Party appeared - though perhaps only for tactical purposes - to be committed both to the EEC and to NATO.

On the more general issue of the socio-economic predicament of the West, a German speaker, while agreeing with the underlying need for co-operation, argued that the problem presented itself in radically different forms in different countries. For instance, just as the "third world" now needed to be differentiated into at least two separate ones, should not the Western world also be divided into two? There were many features of difference, leading to a prospect of some Western countries surviving current difficulties much better than others, so that the common interest of all of them tended to fall into the background, and the obstacles to a common approach should not be underestimated.

In response to this, it was suggested that even though many problems might be divisive, this made it all the more necessary for a common approach to be sought: as an example, differences between French and American views on strategic questions could be cited.

/The discussion

The discussion turned to the number of nuclear warheads stationed in Western Europe, and it was argued that a number of these could be removed without any damage to West European confidence, if this was done with a due process of consultation. The opening speaker responded that, whatever non-official analysts in Washington might say, those responsible for Western defence in Europe needed the present number of warheads in order to ensure a flexible defence posture. Only when existing warheads had been modernised and their targetting revised could they see whether any surplus remained. Another factor which should determine Western reductions would be the degree to which forces were being reduced on the Soviet side too.

The links between economic and strategic affairs were emphasised by several participants, one of whom argued that the existence of East-West arms control negotiations would make it harder than ever for Western governments to make the political case for adequate defence budgets. The cabinets of Western Europe now contained men of a generation which had never experienced a real military threat, and only a "whiff of fear" could help the defence minister to get his way with such colleagues. The level of forces needed to deter the Soviet government might be very low - perhaps only a 5% credibility was required - but the reassurance of one's allies might require 95% credibility. As for the agencies of Western consultation, both the Eurogroup and the Nuclear Planning Group were very useful, as the Greek decision to stay in both confirmed. Would confidence be improved, one speaker asked, if there was also a defence planning group for conventional matters, with the same informal exchange of views as in the NPG? Against this, it was argued that any new groups within NATO should be directly related to action, not to abstract discussion.

A French participant posed the question what should be done if the Russians tried to obstruct the economic and political integration of Western Europe: would this not show up the conflict of interests within the Western alliance, as the energy question had already done? Again, was a European defence capacity possible, as an alternative to an integration of the whole alliance under the United States? There was further discussion of whether European defence questions should be dealt with by WEU, the Eurogroup or some new defence policy structure in the EEC: one speaker observed that a defence grouping based exclusively on the EEC would be counter-productive, even though the current political co-operation of the Nine should one day develop into the defence field.

It was suggested that the alliance could do more to share its intelligence resources, to help a collective perception of the problems it had to face.

Reverting to the suggestion that political co-operation ought to lead to defence co-operation between the Nine, a German participant asked whether the successful preparation of the Nine's position for the CSCE could be taken to suggest that foreign offices could co-ordinate détente policies more effectively than defence ministries could co-ordinate defence policies.

/The need

The need for effective consultation before any Western arms reductions was again emphasised, and it was suggested that an objective and collective assessment of the economic problems of the West would confirm that the share of resources allocated to military defence had not been excessive.

Reverting to the suggestion that the alliance should somehow disengage itself from the affairs of its Mediterranean members, an American participant urged the Conference to remember the symbolic role of the NATO alliance, as well as its functional defence role, and to let the Mediterranean countries know that they had the general support of NATO, without being pressed too hard to participate in all its activities.

Another American speaker suggested that the only way to reconcile détente diplomacy with effective defence was to refrain from arousing unreasonable expectations about East-West détente: when Soviet behaviour needed to be criticised, it should be criticised. The Secretary of Defence should not be left in the position of having the monopoly of American criticism of the Soviet Union: the State Department should take its share in expressing such criticism, and should not blame either the Defence Department or Congress for Soviet misbehaviour - for instance on the renunciation of the trade agreement. Congress itself, he argued, was likely to respond to excessive détente expectations, as the Research and Development Sub-committee of the Senate Armed Services Committee had done in a 1974 report, by recommending substantial cuts in defence preparations.

The potential fragmentation of the alliance was again emphasised by a speaker who underlined the lack of feeling of community between Scandinavia and the Mediterranean countries: perhaps it had made sense in 1950 to include Scandinavia and Greece in the same alliance, but surely now discreet bilateral links between the United States and some of the Mediterranean countries - Portugal and Spain were particularly mentioned - would be more productive. Even in the Middle East, where a degree of alliance solidarity was necessary, it was argued that it was not productive for all the Western allies to be involved together every time a crisis occurred. It was agreed that a certain division of labour between members of the alliance would often be the best course. NATO must be seen to be capable of responding flexibly and relevantly to any crisis in any part of its vast region, without the expectation being that all the members would be involved in everything. The general cohesion of the alliance was meanwhile being reinforced by a French move back towards NATO.

The session concluded with some consideration of Soviet motives: even though the Soviet Union had some economic interest in arms limitation - and loudly accused Western governments of not carrying out effective cuts - it was suggested that the underlying Soviet objective was to bring about unilateral cuts by the West.

/SUBJECT III

SUBJECT III: The Likely course of Sino-Soviet relations

An American participant, introducing the discussion, recalled that some observers of China had predicted the Sino-Soviet split as early as the 1950s, but few had foreseen its scope, which had widened considerably from 1960 onwards. The current situation in China appeared to indicate the ascendency of the pragmatic over the doctrinaire elements in the leadership, though on the other hand it might be that Chairman Mao, rather than being genuinely ill, was sulking because the National Peoples Congress was likely to take a line contrary to his own.

The Sino-Soviet relationship had been marked by the fact that each regarded the other as heretics: the Russians, having "lost" China in 1927, had asked the question "who lost China" a good 20 years before the question was posed after 1949 in the U.S.A. The Chinese, for their part, were incapable of dealing with foreigners on a basis of equality, which conflicted with the Confucian sense of heirarchy: in point of fact, the Russians were less civilised than the Chinese, and the two peoples appeared to be incompatible. Moreover, the Chinese and Russian Communists had come into power in very different circumstances, China having experienced peasant Communism and no terror (as distinct from social pressure to conform). Internationally, the Chinese were relatively expansionist. They had disputed with the Russians over the apostolic succession to Stalin, and felt that on many issues - for instance entry into the U.N. or even the Korean war - the Russian attitude had been unhelpful to them.

In the politics of the Far East as a whole, Soviet influence had originally been extended principally in opposition to the United States, but was now directed more against China. On economic issues too, great tension existed: the Soviet Union had indeed helped the Chinese in the 1950s, but the Chinese had resented Soviet pressure for them to join COMECON, and in 1964 had gone so far as to offer Chinese technical assistance to the Soviet Union.

Both parties in the dispute intervened in the internal affairs of the other, the Chinese denouncing the Russians as "Tsarists" and attacking society as degenerate. In the important field of nuclear weapons, the Chinese felt that their weakness and dependence on the Soviet Union had been shown up in the crises over the off-shore islands in the 1950s, and this had impelled them to develop their own nuclear capacity, now consisting of at least two nuclear weapons.

Looking ahead to the period after Mao, the speaker suggested that various rival groups might emerge, but there were none of them which promised particularly good prospects of reconciliation with the Soviet Union.

/Another

Another participant, recalling his contacts with China as early as the 1920s, mentioned that Marxism had already at that stage exercised considerable influence over Chinese intellectuals. From a Japanese point of view, personal relations with the Chinese were often good, indeed better than Japanese relations with Russians. Reconciliation between Russia and Japan had been hindered by Russia's refusal to return territory taken from Japan in 1945. If Japan were now to sign a treaty of friendship with China, this would antagonise the Soviet Union, and Japan had no particular interest in doing so, since the American umbrella was her main protection and she was in a position of neutrality confirmed by Article 9 of her Constitution. In economic terms, Japan's trade with Taiwan was still somewhat more important to her than her trade with Communist China, while her trade with the Soviet Union was about half as important as that with Communist China. Inside Japanese opinion, there was a growing trend of sympathy with Communism and a wish for a move towards China.

A British participant observed that it was hard to see the Chinese developing into an active rival to the Soviet Union in the short term, and suggested that they were biding their time, particularly as they would have to contend with Soviet naval superiority for some time to come.

The discussion turned to Chinese interests in South-East Asia, and it was suggested that the Chinese were not actively interested in spreading Communism as such in Vietnam: a Communist government there would be strong enough to be a threat to them, whereas their real aim was for friendly but weak governments.

China's economic strength, it was pointed out, could grow exponentially rather than arithmetically if the Chinese were more ready to enlist the help of foreign powers, but they wished to keep foreign contact to a minimum.

It was suggested that a reduction in American involvement in Asia might embarrass and scare the Chinese, since they had clearly wished this presence to continue in recent years as a counter-weight to Russia. The Chinese would clearly not welcome a complete U.S. withdrawal from the Pacific, nor a big reduction in the U.S. defence budget. Privately, the Chinese government was quite friendly towards the U.S., though in public declarations America, like Russia, was actively attacked.

As far as India and Korea were concerned, it was suggested that the Chinese were not as actively involved as they might be: they accepted Soviet preponderence in the Indian sub-continent, and were happier with the present situation of Korea than they would publicly admit.

The discussion reverted to the strategic aspect of Sino-Soviet relations, and it was pointed out that the Chinese were now less afraid of a preemptive Soviet nuclear strike than they had been in about 1969, when the Russians first launched the idea.

/The Chinese

The Chinese did, however, hope that NATO would be revitalised, so that the attention of the Russian "barbarians" would be drawn away from the Sino-Soviet border. On the border issue, it appeared that the Chinese were not keen for a comprehensive settlement with the Soviet Union: they would prefer to temporise until they could negotiate from strength rather than from weakness.

As far as Washington's future relations with Taiwan were concerned, an American participant suggested that "we have to preserve ambiguity in the interests of clarity", since the balancing of a relationship with one quarter of mankind (the Chinese Peoples' Republic) and America's historical links with Taiwan would pose problems.

In terms of Peking's general expectations of international relations, the view was put that the Chinese did not seriously expect a nuclear war either between themselves and the Soviet Union or even in Europe. They were learning much from their contact with other nations through the U.N., having quickly absorbed the rules of that organisation and now being in a position to apply them effectively for their own benefit. Within the U.N., the general Chinese posture was to support the nations of the third world and to win the support of a neutral bloc for the purposes of manoeuvre against both super-powers.

In concluding the session, the opening speaker remarked that the Chinese were familiar from personal contact only with a small part of the world - they were, for instance, actively involved in economic projects in Vietnam and Cambodia - but that their image of much of the rest of the world was derived mainly from their very thorough "book-homework".

SUBJECT V: Methods and Prospects for Improving World Food Supply and Distribution

The opening speaker reported that the World Food Conference of November 1974, in which he had participated, had lasted for six months, including the preparatory work, and had achieved significant results. As it was a U.N. conference, not sponsored by the U.N. Food and Agriculture Organisation, the Soviet Union aad been willing to participate, though the central point in the assessment of the situation placed before the Conference was an F.A.O. study of world food demand up to the mid-1980s. This assessment indicated that demand from the developed countries (including centrally planned economies) would increase at an average annual rate of 1.5%: demand from developing countries would increase at an average annual rate of 3.6% (reflecting an increase in population); and demand from the centrally planned economies of Asia would rise at an annual average rate of 3.1%. For the world as a whole, the average annual rate of growth would be 2.4%, reflecting 2% population growth and 0.4% increase in demand per head.

/The actual

The actual rate of increase in food production over the last 10 years had in fact averaged 2.7% (the developed countries being above this figure and the less developed countries below), and if this trend continues for the next 10 years, consumption per head will be able to rise. This projection, however, leaves the cost of rising production out of account, and the cost factor particularly affects the position of the less developed countries, many of whom are unlikely to earn the currency they need for the necessary food imports. The Asian centrally planned economies, with a 3.1% annual increase in demand and only a 2.6% increase in production, may come into the world market more actively, whereas the developed Western countries may find that they have large and perhaps unsellable surpluses on their hands. Eastern Europe (including the USSR) with a 1.4% increase in production and demand growth of over 2%, also represents a question area. There is also cause for concern in the variability of production, and the drop in per capita output in recent years suggests that the food production system in general is unstable.

The speaker reported that six principal recommendations had been made to the World Food Conference: (1) Recommendations on methods for increasing food production in the less developed countries (in the Conference, all the Ministers of Agriculture tended to add their own favourite remedies, and doubt was cast over the possibilities of growth by the absence of any pledge of extra funds from the OPEC countries); (2) Recommendations on better means of allocation for food aid (it was suggested that three year forward pledges should be made, and particular attention be paid to the Indian sub-continent, which would need several million tons of food aid between now and the next harvest); (3) Recommendations on better information systems for forecasting agricultural production, and the necessary trade (on this point China expressed reservations on grounds of national security); (4) Proposals for the establishment of a food security reserve, i.e. an emergency stock which would never be drawn on in normal circumstances (this proposal was accepted, on the understanding that stocks would remain under national sovereign control, and the proposal for an international stock was rejected); (5) Proposal for the improvement of trading procedures, including the protection of the agriculture of less developed countries in Latin America and elsewhere (this proposal, linked with the issue of commodity agreements, made little progress, despite the demands of the Group of 77, and the Conference handed it over to GATT); (6) Proposals for the establishment of a body to co-ordinate food policies - a World Food Council - with more effective power than the FAO or international conferences (this proposal has begun to be implemented with the recent meeting in London of the International Wheat Council).

The speaker noted that there had been marked differences between the attitudes of different participating countries in the World Food Conference: the Soviet Union, unlike some East European countries, had taken a reticent attitude, especially on the disclosure of information (this was the reason why the Soviet

/Union

Union was not a member of FAO), though on the other hand the Russians knew that if they refused to join any international scheme for stocks, it would deprive them of a chance to draw upon such stocks.

Turning to the connections between the food issue and international security and détente, the speaker observed that if only a slow increase in world food supplies took place, and crisis situations developed - as for instance in Bangladesh - then competition between the donor countries and jealousy on the part of the recipients might result.

As far as the political impact of the food problem on relations between the developed countries was concerned, the main insecurity would be likely to arise from the unpredictability of supplies. The answer to this might be by improved contractual arrangements with the exporters (on the whole a bad system, involving the establishment of exclusive trading blocks and counter-productive preferences), or by improving the international trading system by eliminating such obstacles as tariffs, licences, and subsidies. Improved arrangements for stocks were necessary, and also better arrangements for dealing with the state trading countries than those which had been negotiated in the 1972 Agreements.

In the ensuing discussion, attention was drawn to the difficulty of obtaining reliable statistics about food shortages in the world. The question was also asked whether the figures given referred to quantities or prices: the answer to this was that they were based on price levels of about 1968.

A German participant suggested that East-West co-operation on food might be a very promising way of promoting détente through active co-operation. Détente, he argued, should now move from the negative stage of clearing away past problems towards a positive stage of active co-operation on the problems of the future, and co-operation on food was more promising than the attempt to co-operate on oil supplies, where very important considerations of political and strategic powers were involved.

A contrary view was expressed by other participants, who pointed out that the Soviet attitude to food co-operation was very negative. It was also suggested that considerations of power were also involved in East-West dealings in food matters, for instance the agreements on grain between the United States on the one hand and Russia and China on the other. The United States could and should refuse to sell grain if the general attitude of the Communist states was unhelpful.

It was suggested that the Soviet Union would be willing to co-operate in international food efforts in the case of particular emergencies - famines or earthquakes - but was not willing to adopt a comprehensive approach to the whole issue. An American participant suggested that if the Western approach to détente was to try to use co-operation to restrain the unacceptable aspects of Soviet behaviour - by a system of penalties and rewards - the

/possibilities

possibilities of co-operation on food supplies should be seen in this light too.

Another American queried the proposition that food differed from oil in having a lower potential for conflict between the parties involved. He argued firstly that at least 36 countries were in need of food aid from the United States, and that competition with the Soviet Union was involved here; secondly that there could be a dilemma for the United States, in the current inflationary situation, in making food available for export to Russia, since more of it would have to be sold at home or given to the less developed countries; and thirdly that the Russians, in their situation as buyer of last resort, joining in the international food market and leaving it at their convenience (and keeping their secrets to themselves) were in a privileged position in the system.

A British participant added the observation that the Russians, not having anything corresponding to the Western world's Protestant sense of guilt about the poverty of the third world, could only be brought into co-operation in this field by being forced to do so against their will. If the Russians were major exporters of food, it was suggested, their role in international food co-operation would be different. In their actual situation, all they might be asked to do by way of contributing to international co-operation was to restrain their own consumption.

The discussion turned to some of the practical difficulties of food co-operation, and it was suggested that shortage of fertiliser was one of the basic issues. Whereas there had been too much fertiliser plant for the needs of the 1960s, there was now not enough, and no market mechanism existed by which the necessary plant could be made available to the less developed countries. More should be done to urge the farmers of the less developed countries to use fertilisers and to make a supply of these available.

On the question of a grain reserve, it was pointed out that here again the Russians were not interested. What was involved was an American proposal to co-ordinate national stocks but the Russians were unwilling to disclose the size of the stocks they held.

A French speaker drew attention to the way in which the oil producing countries might mobilise their financial resources to facilitate the transfer of Western food surpluses to less developed countries. He also suggested that world food shortages over the next five or ten years would have a considerable impact on the development of the European Community's Common Agricultural Policy.

The opening speaker responded that the expectation that the oil producing countries would facilitate the transfer of food supplies, which some delegates to the World Food Conference had entertained, had been disappointed. It was suggested that the Common Agricultural Policy should now be seen in the context of

/the overall

the overall world food picture involving also the European Community's agreement with the Atlantic, Caribbean and Pacific countries, which attempted to guarantee the stabilisation of world food prices. It was suggested that the European Community, as well as promoting more efficient food production within Europe and providing a market for the less developed countries through the Stabex Plan, was now engaging successfully in negotiations with suppliers of temperate foodstuffs, including the question of food aid.

The discussion turned to Soviet agricultural production, and it was reported that Soviet agricultural output was rising by 2% per annum, though productivity appeared to be rising only by 1% annually. The area devoted to grain production in 1973 was only slightly above that of 1965, and as poor working conditions were likely to increase the flow of manpower out of agriculture, the prospect for great increases in production were not good. The Russians were now purchasing grain abroad in order to build up stock in sharp contrast to their practice in the 1960s: for instance, in 1967 the Russians had exported six million tons of grain, allowing their stocks to run down by 21 million tons, whereas in 1972 they had been net importers with the result that their stocks had built up again. One reason for the change was an increase in their need for feed-grain, limiting the amount available for export. This situation had a bearing on Soviet relations with Eastern Europe, since food producers there - for instance Hungarian beef producers and Polish producers of bacon and eggs, deprived of Soviet feed-grain supplies, were now turning to the West instead.

Attention was also drawn to the connection between food supplies and population. It was also pointed out that the provision of food by developed countries might entail balance of payments problems, and these would have to be looked at collectively by any new agency concerned with food co-operation.

An American participant recalled that the 1972 grain deal with the Soviet Union had been made in a period when a surplus situation was expected to continue, so that the problem for the U.S. was to dispose of its surpluses. This had influenced the spirit in which the American negotiators had acted, in that the impression had been given to the Russians that they were helping the United States by coming and buying the surplus. In subsequent grain negotiations with the Soviet Union, steps had been taken to redress this error. The opening speaker responded that the Europeans also had been selling to the Russians in 1972 with the aid of an export subsidy, so that they too had been forced to learn more about the nature of the market forces.

It was suggested in conclusion that since there were better prospects of increased food production in the developed countries than in the LDCs there was clearly a prospect for co-operation of some kind between them - even though some difficulties must arise from the fact that the producing countries were not aiming at self sufficiency in food production, as they were trying to do in energy production.

/SUBJECT VI

SUBJECT VI: Prospects for world energy demand and supply

The introducer of this session, an American, noted that forecasting was difficult for several reasons, including the unprecedented escalation of prices during the last 18 months, the problems for the international monetary system in managing the resulting transfer of wealth, and the difficulties in adjustment of the economic system as a whole. He proceeded from the following assumptions: the international economy would be out of recession by the end of 1977, and would thereafter grow at an annual rate of 3.5% - 4.5%, instead of the 5% of recent years; oil prices would stay at their current real levels, recycling would be managed, and the demand for oil would rise at a rate between 3.6% and 4.4% per annum; the provision of nuclear power would rise at an annual rate of 24% until 1985, and 14% thereafter, providing 10% of energy needs by 1980 and 14% or 15% by 1990 (in contrast to the present 1%). This would mean that one third of the growth in energy supplies by 1990 would be in nuclear energy; coal and natural gas would also contribute something to growth, but would represent rather less than their present percentage, natural gas being limited in quantity and nuclear power taking over from coal in electricity generating. By 1990 oil would thus provide 44% of energy requirements, instead of the present 55%, and the annual rise in oil consumption would be of the order of 5% rather than the present 7.7%. New sources of oil, such as synthetic production and tar-sand resources, would not make a significant contribution, perhaps of the order of 3 million barrels a day by 1990.

Faced with the prospect of a total deficit by 1990 of an oil equivalent of 8 million barrels per day, the consuming countries must work actively at the development of synthetic resources and invest massively in energy as a whole.

In terms of relations with OPEC, the speaker argued that since Middle East oil supplies would have to rise to 38 million barrels by 1990, an effective agreement with OPEC was vital. The governments in consuming countries should in general give the oil companies adequate incentive to search for new resources, and OECD as a whole, vis a vis OPEC, should reduce its dependence by developing internal resources, new and old, and conserving supplies. A collective relationship between OECD and OPEC was vital. The International Energy Agency was already making a contribution, by establishing the emergency sharing plan, agreeing on cuts on imports, and planning supply security by the development of new resources. A further step ought to be the collective consideration by the West of investment by the OPEC countries in Western nations. Examining the role of the Warsaw Pact countries, the speaker observed that they appeared likely to have adequate resources for their own needs, collectively, but could in no way replace OPEC in the world supply situation: they might even need to import one million barrels a day by 1990.

A British speaker remarked that the urgency of the international oil issue and its economic ramifications, although accelerated by the Middle East war of 1973, had already been a fact of international life. There had already been, before 1973, the problem

/for the

for the oil-producing countries of using their resources for effective modernisation, and the problem for the consuming countries of building a unified approach. The establishment of the IEA, and a reduction in Western consumption, appeared already to have led to a levelling off of production and of prices, and as far as the monetary dimension was concerned, the anticipated vastness of the problem had not materialised, because of the limitations of the world banking system and the way in which the oil-producing countries had used part of their monetary surplus to increase their imports. It was important to remember however that these developments had not occurred spontaneously, but had been the result of deliberate decisions. The monetary measures taken in the IMF had helped to reduce the desperate situation in which importing countries had seen themselves in 1973-74.

The speaker also drew attention to the difficulties involved in the perfectly natural transfer of physical resources from consuming to producing countries. This in itself was a normal process, but the problems included the fears of the advanced countries that investment and the takeover of assets by OPEC countries could reach dangerous proportions. Describing the situation as a whole as relatively more manageable than it might have been, the speaker suggested that the consuming countries were now better placed to negotiate fruitfully with the producers, since both sides could see the dimensions of the problem and could see the need to avoid confrontation and achieve a degree of common purpose. The price issue was no doubt one of the main ones requiring discussion, but it must be approached indirectly. The fixing of prices for a long period was unrealistic, and a better approach might be to establish the real needs and possibilities for economic development in the oil-producing countries, measuring these in terms of the real resources which could be invested in capital development projects.

It was noted that the estimates of the cumulative surplus likely to remain in the hands of the oil-producing countries by 1980, after their investment of some resources abroad, varied between 179 billion dollars and 650 billion dollars - though even bigger sums had been envisaged by the World Bank.

A Dutch participant raised the question of how OPEC would develop in future. He noted that the process of nationalisation of all Middle Eastern oil production would be complete by this year, and asked whether the producers would then act on the realisation that it was not in their interests to cause a recession in the Western world. On the whole, he argued, the producers were well aware of the issues at stake, and for the need to establish a degree of order for some years ahead. Meanwhile, the costs to the West Europeans of developing alternative resources were enormous: instead of the investment of $250 required to produce one barrel per day from the Middle East, the equivalent production in the North Sea required an investment of $4,000-$5,000. Inflation meant that the cost of an oil drilling platform had risen from £40 million three years ago to a current figure of £80 million.

/A French

A French participant observed that there were several features of potential discord within OPEC. Firstly, the reduction in oil consumption had led to an element of competition between producers; secondly, the contrast in population and ambitions between different countries - for instance between Iran and Algeria - were a factor of disunity; and thirdly, there was the unresolved Arab-Israeli problem.

It was suggested that the OPEC countries wanted to keep up oil prices partly for symbolic purposes, to indicate their power. Naturally they also wanted to insure themselves against a fall in the value of the dollar, to protect their reserves. Possibly the Iranian decision to peg their currency to SDR's might signify a move towards the fixing of oil prices as a whole in SDR. The conflict of interest between members of OPEC would make it difficult for them to agree on a cut in oil production, though this was not impossible.

From the point of view of the consuming countries, it was noted that here again there were conflicts of interest, affecting such fundamental matters as energy conservation, financial co-operation and the development of alternative resources. For instance, most consuming countries would want a low floor price for oil, but the United States clearly had an interest in a higher floor price, and a common position would be hard to achieve. Politically, the implications of a common energy policy for the developed world were very considerable: it might be argued that, just as France regarded the CAP as an integrating force in the EEC, a common energy policy would integrate the Atlantic Japanese community under American leadership.

The energy question, it was suggested, had to be seen within the framework of the prospect for a new international economic order. This had been discussed at the U.N. Special Assembly, and the third world group of 77 countries, which had adopted a common position in the Assembly, appeared likely to be able to maintain this cohesion. If the OPEC countries behaved with intelligence, they would give considerably more aid to the third world, and the West should take serious account of this dimension of the problem of a new international economic order.

A speaker from the Middle East recalled that there were no precedents for the situation of today, so that all concerned - including the producing countries - had been taken by surprise. Security of supply, he suggested, was the vital issue, but consumers were not likely to face the threat of an embargo which they had faced in 1973-74. In fact, even during the embargo period, supplies had been made available to the United States - even from the revolutionary state of Libya. Again, Iran, being highly dependent on economic relations with the West, would never join an OPEC embargo, and nor would Nigeria or Venezuela. The key to the situation was Saudi Arabia, and fortunately King Faisal was not inclined to promote a new boycott. A mild winter, combined with increased Western stockage and the reduction of demand through the recession, had helped to improve the position of the oil importers.

/On the question

On the question of price, it was suggested that the proper price level should be $7 or $8 a barrel, and it was possible that Iran and other producing countries would indicate their prices in SDR's.

The **industrial** countries, which used to take their own needs as a given parameter of the situation, and derive productive capacity as a function of this parameter, should realise that this approach was no longer possible. If the motor cars in use in the United States were as small as those in Europe, the resultant saving would be 3 million barrels of oil per day, or 150 million tons per annum.

As far as the recycling issue was concerned it was pointed out that - according to an article by Professor Chenery in Foreign Affairs for January 1975 - the oil-producing countries had only ~~acquired~~ 2% of the fixed assets of the Western world. This figure should not be regarded as alarming.

Iran had proposed a U.N. fund for the channelling of resources to the have not countries, with a triangular system involving the West, the oil producers, and the recipient countries. The whole question of investment in the Western countries required the definition of new rules for a new game: whereas the West had invested heavily in the oil-producing countries, investment in the reverse direction was not welcomed by the West - perhaps partly because investment by the producing countries was government-sponsored rather than private, and therefore had more serious political implications. However, some rules for the integration of investment by the producing countries into the OECD system were required. Measures like the new U.S. trade bill, which appeared to be directed against all OPEC countries, did not help matters. With mutual understanding, however, there was a hope that Iran and other producing countries might one day reach the economic level of Spain or Portugal, if not that of New Zealand or the United States.

There was some discussion of the impact of cuts in demands by the consuming countries since 1973-74: it was pointed out that consumption for automobiles had fallen only by 1%, whereas heating and industrial oil use had dropped much more - by as much as 20% in the case of heating.

A British member of the Conference presented the essential elements of the energy situation of the Soviet Union and other COMECON countries. The crucial element, he observed, was the extent to which the USSR would expand its oil output in excess of its consumption requirements. Within this overall figure, the importance of the Siberian oil fields could be measured by the following figures (in millions of metric tons):

/1960

	1960	1970	1975 (Plan)	1980 (high estimate)
West of Urals			310	320
East of Urals			180	330
Total (round figures)	150	350	490	650

Soviet oil output had rapidly expanded over the past 15 years, but in the period ahead greater reliance must be placed on Siberia, under conditions of higher cost and perhaps a need for improved technology. The lowest estimate of necessary output by 1980 is that made by Melnikov before the 1973 price rises, and the highest was based on expectations of quick and large returns from Siberia. Soviet figures for production and consumption, according to these alternative figures, would be as follows:

	1970	1975	1980	
			Conservative	High
Production	353	489	607	650
Consumption	248	382	507	507
Exports to COMECON	41	57	60	75
Exports elsewhere	64	50	40	68
Exports total	105	107	100	143

It was assumed in these figures that imports would be re-exported. At the low estimate, the rest of COMECON would receive 60 million tons, more or less the same as the amount committed to them for 1975, but if the upper output figures were reached, one could expect the USSR to be more generous and raise sales by something like the increase of the past five years.

The rest of COMECON, the speaker noted, required about 100 million tons in 1980, after allowing for its own modest production. This would give the following figures:

		USSR oil output	
		Conservative	High Estimate
Rest of COMECON imports			
	from USSR	60	75
	from OPEC	50	25
Soviet exports to non-COMECON		40	68
Whole of COMECON:	Import	10	
	Export	•	43

/The non-oil

The non-oil balance in 1980 of the whole of COMECON would be as follows, in oil equivalent millions of tons:

	Production	Consumption
Coal	632	604
Natural Gas	454	456
Other	100	100
Total	1186	1160

This estimate would allow 26 million tons of fuel imports (mostly Polish coal, Iranian natural gas sales to the USSR, which more than offsets Soviet sales to non COMECON members). Thus, if there were a net COMECON import of oil, there would be on balance a very small net import of fuel overall (say 16 million tons or 1% of total COMECON production). But if the higher Soviet target were met and there were a net export of 43 million tons, the total COMECON fuel export would rise to 69 million tons.

As for the Chinese energy production, this already amounted to 50 million tons and might well double by 1980. Judging by the recent sales commitment to Japan, an export of 25 million tons would be consistent with its consumption rise. Thus total "Communist world" exports could be as much as 95 million tons by 1980. Beyond that, export availabilities would depend on the volume and technology of investments directed into the Soviet oil and gas industries.

The speaker added that much of the trade between the Soviet Union and Eastern Europe was done on a barter basis. The price the Russi s received for most of their exports was related to world prices, as their exports were of raw materials and thus quoted at world prices, but their imports from their COMECON partners consisted mainly of machinery and similar goods, for which the prices could be subject to bargaining (even though these too would have some relation to world price trends). In the five year plan from 1976 to 1980, the Russians' bargaining position would be stronger than hitherto.

It was pointed out that an important recent development was the Polish attempt to secure West European funds for the development of their coal fields.

The question was raised of whether the world market forces would not reduce the price of oil below the levels envisaged by earlier speakers. If American production had not been at full stretch at the end of the 1960s, it was suggested, the present price confusion would be less acute. Many Western governments had attempted misguidedly to protect their people from the impact of the true high price of energy - for instance the high price of natural gas had not been passed on to consumers.

/Consumers

Consumers were still not paying the true market price for energy, it was argued, and more reliance should be placed on the market to achieve realistic price levels. Later in 1975, it was pointed out, the West would be discussing prices with OPEC, and this should be linked with realistic plans for the development of industrial enterprises in the producing countries. A price of $7 per barrel was not an unfair one, and the rate of Western spending which it entailed was not intolerable. Even now, oil spending represented only 2% - 3% of the GNP of the importing countries. The main problem, it was argued, was that the pattern of investment was distorted, because the oil-consuming countries were forced to divert money to the development of nuclear and other forms of energy, which were really not necessary for several years ahead. The consumers, having wastefully locked up too much of their resources in alternatives, would ultimately have less available for oil purchases, and the producers should take note of this. OPEC should be asked to bring down the real price, even though the Russians would not like this and would revert to their argument that the West was exploiting the producing countries.

There was some discussion of the possibility of Western co-operation in the development of Soviet energy resources, but it was pointed out that negotiations with the Russians on these matters were very difficult, since the Russians had no real belief in taking risks in the expectation of benefits. On the question whether it was in the Russian interest to have high oil prices, it was suggested that the Russians clearly had an interest in high prices for their own oil production, but might suffer from the general disruption of the world economy which a high world price level would entail.

It was pointed out that a further Russian objection to Western exploration was the security dimension: this particularly affected geological exploration of Soviet off-shore resources. The Japanese, like the West, had difficulty in concluding agreement with the Soviet Union.

American members of the Conference pointed out that there was now no American government money available for prospecting or extracting operations in the USSR, either by U.S. companies or their subsidiaries, so the question was somewhat academic; also that there was a serious problem of safeguarding Western investments in the Soviet Union.

It was pointed out that the recent Anglo-Soviet agreement had provided for some Soviet coal-cutting machinery to be made available for the British coal industry: machinery of this kind, like primary steel-making, was one of the few areas of technology where the Soviet Union had something to offer the West.

/The discussion

The discussion reverted to the general problem of organising the world oil market. An American participant pointed out that much still remained to be done in resolving the rules of the market in relation to the development of alternative sources, as well as in settling a floor price which would be fair to all concerned. Was the posture of the IEA a confrontational one, it was asked. Some producers appeared to realise that they needed to know what the behaviour of the consumers would be, so that a preliminary co-ordination of the producers' point of view would be generally helpful. On the financial side, the volatility of the producing countries' financial holdings presented more of a problem than the Arab purchase of real assets: this problem might become easier as the Arabs turned their attention to longer-term holdings.

A German participant drew attention to the unpromising nature of the relationship between the EEC and COMECON. This resulted in part, he said, from a failure to face the fact that the COMECON was more like OECD than like EEC. It included Cuba and Mongolia, and was in any case not equipped with anything comparable to the central organ of the EEC. In the energy area, it was suggested, there was great scope for forward planning on the development of nuclear resources, in which East and West could work together in the second phase of détente - the co-operative phase. It was important for the West to define what it wanted in these matters, rather than leaving the initiative to the Soviet side. One important dimension would be the degree to which the Russians, if they were losing interest in commercial relations with the U.S.A. "after Jackson", would turn actively towards Western Europe as an alternative. The speaker advised the Iranians and others not be to impatient in dealing with the EEC, which worked on what he called a "Chinese time-scale".

An American participant underlined the need for the West, in talking with the producers, to concentrate on the issue of recycling rather than that of price. On the question how far a united front had to be presented by the members of the IEA, he argued that solidarity did not require total co-ordination of every aspect of policy - indeed, the producers might be better off without it. This speaker queried the earlier suggestion that a common energy policy under American leadership was comparable to the role of the Common Agricultural Policy in France's relations with the European Community: the common interest of the members of the IEA were stronger, and American action promoted this common interest.

Another American, reporting on the state of opinion in Congress, noted that the Administration was being given a difficult time on the energy question because of the risk to jobs which members of the Congress saw as a likely consequence of the international co-ordination of energy policies. The Administration was also likely to have difficulty in getting its way on the monetary co-operation aspect of the problem, as the sense of crisis declined, and the Congress was less prepared to take painful action. Some national control over OPEC investments in the U.S. was also likely, especially if there were further cases of secret negotiations for such investments. A sign of the Congressional mood was the way

/in which

in which limits had already been attached to the trade bill, restricting imports from OPEC countries. It was necessary, in this speaker's view, to distinguish sharply between the essence of détente and the obstacle which lay in its path: for instance, the Russian reneging on the trade agreement indicated the nature of the difficulties to be expected.

The Congressional resistance to the energy programme, it was emphasised, cut across party lines: it reflected among other things the lack of preparation on the part of American opinion for the kind of programme the Administration was trying to implement. Some of the details of the IEA plan, in particular, would get very rough handling in Congressional committees.

It was remarked in conclusion that the West had better be resigned to the confusing nature of the messages which would be sent out by the Russians during the period of détente negotiations: whether on economic and industrial matters or on strategic issues, the Russian attitude would be difficult. Changing Soviet attitudes to the law of the sea - reflecting the fact that Russia was now no longer a coastal power only, but a maritime power in the full sense - were only one example of the kind of variations the West should expect.

SUBJECT VII: Prospects for world shortages in natural resources other than food and oil

A British participant, opening the discussion, pointed out that "shortage" of raw materials such as copper and uranium had less dramatic consequences than a shortage of food, since it did not lead to death of people. There were also other factors mitigating a shortage, for instance two thirds of the copper now in use was recycled - and this was typical of a mechanism which helped to take the keen edge off the world market. The substitution of one metal for another, now increasingly widespread, was a further mitigating factor. It was in any case difficult to argue that shortages were a permanent feature of life, since many predictions had proved wrong. For instance, a predicted shortage of iron ore had not yet occurred, and world reserves of bauxite turned out to be seven times as great as was expected. Copper, again, could be refined from coarser ore than the ore previously used, and new types of tin ore could be developed. In general, the speaker argued, the Club of Rome exaggerated likely future shortages, by projecting recent consumption trends unchanged into the future. This was wrong firstly because an accurate projection of the future was impossible, and secondly because changes in consumption patterns could be greater than the Club of Rome report envisaged.

The experience of the petroleum market was not an accurate guide to what would happen with other raw materials: OPEC dealt with a very low-cost product, and the Arab producing countries could see without difficulty what enormous profits were being made by the oil companies. The members of the embryonic cartels of producers of other materials could not so easily see that profits

/were unreasonable,

were unreasonable, and they could also see that copper, for instance, was highly vulnerable to substitution and to recycling. In any case, the cartels of copper and bauxite producers were far from controlling a large share of world production of these commodities. However, it was possible that they could at least get together enough to stabilise the price of their commodities, as the producers of tin had done.

This picture would clearly not apply to all commodities: with uranium, for instance, the producers might not have so much difficulty in achieving the necessary level of co-ordination. The Australians and South Africans, for instance, were restricting foreign exploitation, and the latter were already processing their own uranium themselves. The answer for the importing countries on this issue would be the development of breeder reactors.

Turning to the general effect of raw material supplies on international relations, the speaker noted that both the United States and the Soviet Union would more actively pursue their aim of self sufficiency. He queried, however, whether this was a necessary aim, in view of the facts of the situation. From the point of view of East-West détente, interdependence might be better than self sufficiency, though the speaker dismissed the idea that either party should pursue a deliberate aim of interdependence with the idea of promoting détente.

UNCTAD, the speaker argued, had an important role to play in organising the flow of a proper share of income to the producer countries, and encouraging the formation of associations of producers. On the question whether the ocean bed would provide adequate resources to supplement those available, the speaker argued that considerable resources were indeed present there - for instance of cobalt - but the cost of developing and extracting them was prohibitive for the moment. The issue of the ownership of the sea bed would however be an important issue facing the second phase of the Law of the Sea Conference in 1975.

In conclusion, the speaker argued that there was very little danger of East-West problems arising out of conflict over the raw materials under consideration: it was more likely that any problems would be North-South ones. In relation to East-West détente, this issue might be considered as a sort of litmus paper indicating the degree of détente reached. As far as other materials were concerned - for instance paper - it now appeared unlikely that the shortages would be as acute as those foreseen two years ago (when a temporary shortage of paper resulted from low investment in pulp mills).

There was some discussion of the future of nuclear reactors, and the point was made that their development - including that of breeder reactors - would now be a good deal faster than had been the case since the 1950s. The expectation of rapid development had been unrealistic at that time, but not now.

/The system

The system of nuclear safeguards operated by the IAEA in Vienna was too complicated: it was argued that a better system would be one which concentrated on the parts of the process which were really sensitive, so that the operation could be conducted more economically. In any case, it was argued that no system of inspection would totally prevent nuclear proliferation, and the argument was also advanced that the success of non-proliferation would depend on the success of the two super-powers in limiting their own nuclear stock piles.

This view was not accepted by all members of the Conference, one of whom argued that Israel, for instance, was not likely to be influenced in any way by the behaviour of the super-powers. It was then suggested that the existence of the stock piles of nuclear weapons of the super-powers would at least give states in the position of Israel and India an excuse for not signing the Non-Proliferation Treaty, even though their real motives would be related to their perceptions of their own needs.

There was some discussion of the problems of organising adequate supplies of phosphates (a commodity in which Morocco was said to be in a particularly strong situation)- and uranium. As far as uranium was concerned, one speaker argued that most of the producing states had nothing in common except their ownership of this resource, and the organisation of a united front would be extremely difficult.

An American speaker drew attention to the important distinction between isolated actions in which a producer country put up the price of its product when it saw a chance - for instance Moroccan phosphates or Jamaican bauxite - and on the other hand a long-term price-fixing cartel, which would control the whole market.

Reverting to the question of the sea bed, one speaker suggested that the resources present there might prove very significant indeed, so that some sort of organised revenue-sharing would be necessary, if this could be arranged without stimulating a producers' cartel.

Attention was then drawn to a report by the National Academy of Sciences of the United States, which recommended government purchasing and stock-piling of scarce materials to provide a buffer against shortages. One problem raised by the attempt to exploit lower grade ore was clearly that this required a higher input of energy. This could present a serious problem, even if uranium became a good deal cheaper as a source of energy in the course of the next generation. It was also argued that the machinery used for processing metals would become more expensive as the quality of the material processed declined - or even in any case, as a result of inflation. The cost of the machinery necessary for the extraction of minerals, especially in poor countries, often posed considerable financial problems.

/It was then

It was then argued that the trend towards the nationalisation of mineral resources in developing countries was bound to spread, and the proper terms of compensation for this should be settled at the next U.N. special assembly, or whichever forum might in fact discuss the promotion of a new international economic order.

Another speaker drew attention to the difficulty of establishing new refineries or processing plants in Western Europe - often they were restricted for ecological reasons - so that firms built them elsewhere, exporting pollution to the countries of the third world. This, he argued, was only one of the dis-economies of making things in the wrong places.

It was noted that UNCTAD had proposed a scheme of buffer-stocks to stabilise the prices and supplies of raw materials. Such a scheme might have its advantages, but for the moment the bauxite and copper producing countries tended to think that they would do better in the open market, rather than having stocks held and sold at fixed prices. On the whole, it was argued that producer groupings were in the best interests of all concerned: for instance, the International Tin Council had been successful and had not pushed prices up unreasonably. The West should therefore support the development of producer groupings, accepting that their role was on the whole a useful one.

It was not argued during the course of this discussion that shortages of raw materials of the kind under discussion could be a source of conflict between East and West.

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STUDY ON THE MEANING AND EFFECT OF DÉTENTE

THIRD CONFERENCE: FEBRUARY 21-24 1975

GLOBAL CONSIDERATIONS: PROBLEMS OF SECURITY AND

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