

The best way for the U.S. to bring pressure to bear on the Soviets is to encourage and assist the international use of space, thereby creating a diverse international interest in a peaceful space environment. Opening the airwaves is one positive step the U.S. could take in this direction.

America can best prevent militarization on her own part by clarifying and separating the responsibilities of NASA and the Defense Department. The civilian flavor of the U.S. space effort should be strongly promoted, partly to keep the Soviets from pleading military influence as an excuse to accelerate their own military space programs. Aside from international repercussions, lack of such separation would be detrimental to the national interest on several counts, including the overall development of national technological capability, the continuation of a strong space program with civilian benefits, and possibly the maintenance of military readiness in other areas affected by technological developments in the space technology field.

The United States has the opportunity to maintain its lead in space, not just technologically but politically and diplomatically as well. To this end it should be prepared to bow to some of the wishes of the LDCs, thus ensuring its predominant place in the space industry while simultaneously promoting healthy levels of international competition. This, in turn, would help bring pressure to bear against the Soviets to retard or even cease the further development of ASAT weapons. And government efforts to maintain a civilian space program would be testimony to American goodwill in preventing the militarization of space.

Finding a solution to the long-term energy problem requires prompt action to ensure that we replace current oil and gas consumption with new discoveries and anticipate the long lead times involved in developing programs for alternatives to conventional oil and gas. Such a solution will require international cooperation on both of these interrelated fronts. Con-

Concentration on either front alone will not overcome the energy shortfall. Fur-

The Option of International Energy Negotiations

HERBERT E. HANSEN

Herbert E. Hansen is Vice President of the Government Agreements Department of the International Division of Gulf Oil Exploration and Production Company. This paper was first delivered by the author before the *Sixth International Energy Conference* at the INTERNATIONAL RESEARCH CENTER FOR ENERGY AND ECONOMIC DEVELOPMENT (ICEED), University of Colorado — Boulder, on 8 October 1979.

thermore, since the energy problem is a global one affecting both producers and consumers, any satisfactory solution can be achieved only by consultation and negotiation, not by unilateral action. We are interdependent whether we like it or not.

How do we go about seeking long-term solutions which recognize these basic facts of life? Do we engage in confrontation with the OPEC oil producers, or do we negotiate? The energy environment does not permit us to make that choice. Energy sufficiency (not independence) can only begin to be achieved by our recognition and appreciation of the global interdependency between the oil producer and oil consumer. For the medium-term future we will continue to be primarily dependent upon oil and gas imports supplied from the OPEC nations for a large percentage of our total consumption. Yet these supplies are limited, and as a global resource they must be shared. Resource production and allocation become much more complicated when uncoordinated actions among countries threaten to adversely affect them.

For example, a substantial OPEC embargo or cut-back in production could plunge the developed countries and the world into economic chaos. This in turn would reduce OPEC's oil earnings, imperil their investments, and retard their progress in social and economic development. The OPEC countries need access to Western markets for both consumption and development purposes. They obtain much of their food, capital equipment, technology and military defense needs from the developed economies of the West. OPEC nations also require stable and secure financial institutions in which to invest their surplus funds, with proper tax and tariff treatments. However, until the OPEC producers can see that it is as profitable to increase reserves and production as to leave the oil in the ground, we can expect no significant exploration to be undertaken in those countries.

Having established that negotiation with mutual respect for each other's concerns and needs is essential in finding a solution to the global energy dilemma, we must next consider what the most effective forum for deliberation would be and who should be included among the participants. One suggestion has been that negotiation should be undertaken within the framework of the United Nations. But the long, arduous process and the frustrating results obtained from the use of this forum in the United Nations Conference on the Law of the Sea prompts us to search for alternative fora.

Negotiations might be held as a continuation of the so-called "North-South Dialogue." However, the size and diversity of the participants (which include most of the developing countries in the Group of 77), the multiplicity of the issues tabled, and the history of stalemated discussions render this approach impractical. In any event, the OPEC countries have made it clear that the non-OPEC developing nations must be incorporated into any energy negotiations if long-term solutions are to be acceptable and respected. Furthermore, most OPEC ministers publicly maintain that the energy problem cannot be solved in

isolation; that energy, development and finance are all interrelated issues and should be tackled together. The inevitable result of this approach, however, may be to entangle solvable energy problems in a web of complex political and economic disputes, thereby preventing the achievement of any basic agreement. While the interrelation of issues is a prerequisite for the appreciation of various energy options and their repercussions, the complexities of finance and trade issues would be better debated in their normal institutional frameworks (IMF, UNCTAD and GATT).

A meeting between the OECD and OPEC countries would conveniently represent consumer and producer interests; but under present conditions of high prices and limited supplies OPEC has little incentive to open up this negotiating channel. In due course there may be considerable merit in using this consumer-producer approach by appointing a limited number of representatives from each of these organizations to hold exploratory discussions and to report back to the main bodies. Observers or advisors from outside organizations such as the World Bank and the UN could also be invited to contribute to the discussion. A revitalization of the Conference on International Economic Cooperation (CIEC), which met inconclusively in Paris during 1975-1977, would provide the necessary presence of OPEC, OECD and developing nations which is essential to a workable dialogue.

One forum currently being proposed comprises a group of five oil-producing states of the Persian Gulf and the individual countries of the European Economic Community.¹ Such discussions, probably at the ministerial level, would address a broad range of economic and political issues including energy supplies, but not prices. The obvious problem with this arrangement is that the U.S., Japan and certain other OECD members would not be represented. If these talks were coordinated with parallel regional meetings including the other OECD members, we might reap the benefits of focusing upon those specific issues germane to individual regions and yet avoid obstacles likely to impede progress in the broader forum.

Assuming that an appropriate forum could be found for negotiations, what issues should be addressed? I have previously referred to OPEC's insistence that in addition to energy matters the talks include development, finance, trade and assistance for developing countries. A thorough and probing analysis of this subject is contained in Oystein Noreng's book entitled *Oil Politics in the 1980's: Patterns of International Cooperation*. Dr. Noreng suggests that four main agreements might emerge from such negotiations:

- 1) *An oil price-supply agreement*. This would tackle the problems of restraining demand, the supply of minimum quantities, the

1. Faud Itayim, *Middle East Economic Survey*, Vol. XXII, No. 43 (13 August 1979), p. 1.

indexing of oil prices, and some form of price compensation for developing countries.

- 2) *An energy participation agreement.* This might involve extensive energy joint ventures between consuming and producing interests, including the willing or unwilling cooperation of the international oil companies.
- 3) *A finance-investment agreement.* Largely directed by the International Monetary Fund, it could include direct overseas investment programs and new financial instruments called "oil bonds."
- 4) *A broad trade and technology agreement.*

Each of these individual agreements is worthy of discussion on its own merits, but that will have to take place sometime in the future.

In conclusion, the success and validity of a forum equipped to promote understanding and to produce effective cooperation hinges on the participants' commitment to the concept of interdependency. In light of this, the U.S. would do well first to reassess those views which in the past have hindered our direct negotiations with OPEC and the oil-producing countries. No problem can be solved satisfactorily if the parties involved cannot speak directly with one another. The United States' past reluctance to negotiate with OPEC directly, for political reasons, may partially explain the Arab OPEC countries' preference and willingness to talk with European member countries while bypassing the United States.

Secondly, the U.S. should work at home to change the attitude of the government and the media from one characterized by "scapegoat rhetoric" to one of willingness to explore cooperative avenues. Recent speeches by James Akins, former U.S. Ambassador to Saudi Arabia, and Charles DiBona of the American Petroleum Institute at the Montreux Oil Forum vividly focused on the self-defeating results of our media's short-sighted political semantics.

Thirdly, U.S. foreign policy in the Middle East, Africa or elsewhere should accurately reflect our national interests. Real or perceived domestic political pressures should not continue to impair our attempts to pursue our energy objectives overseas.

Fourthly, closer relationships between the U.S. government and private business interests would allow for the continued discussion of energy concerns among the sectors of the economy most profoundly affected by energy policy. Business and government consultation of this sort has proven to be very successful in Germany and Japan, for example. Concomitantly, industry advisory committees for various government energy agencies might be reinstated. Indeed, consideration might well be given to establishing an "Energy Industry Advisory Board" to work with international organizations such as OECD, EEC, the UN and others, the possible antitrust complications notwithstanding.