



The Betty Letters

My Dear Grandchild,

*The Arab members of The **Organisation of Petroleum Exporting Countries (OPEC)**, who make up the bulk of this cartel and who control oil prices on the world's markets, have proved themselves to be inherent, very greedy little fat people. In addition, they have acquired, since 1961, when OPEC was founded, very little ability to see round the economic corners of the world. This myopia will serve them poorly in years to come. As an international organisation with the mandate to coordinate the petroleum policies of its members and to provide OPEC members with technical and economic aid, OPEC is a complete and utter failure. OPEC, over the years, has been blessed with incompetents, by and large, and these incompetents have laid down the policies, which the present leadership is following, today. Over the past year, OPEC has proved itself not to be up to the task of maintaining oil-price stability and, if anything, OPEC has fanned the flames of record-high oil prices – by design! It is difficult to believe that what has happened, of late, is a matter of accident, because, more than likely, it was a matter of the design of OPEC Ministers. Non-action, or a distinct disregard of following pro-active policies, over the past year or so, has caused oil prices to rise to record levels as the oil-hungry world sought larger and larger supplies to feed its industries. OPEC members, seeing the dollar signs in their respective oil 'heavens', helped push oil prices to higher and higher levels. They accomplished this task, simply by doing nothing, but, at the same time, resisting the inclination of increasing export limits. By so doing, OPEC has lost a great deal of respectability on the world stage. A governing council, as is OPEC, means, among other things, giving acceptable signs of credibility. It is similar to a company, advertising one of its products, whereby management is desirous of achieving a commitment to a mandate. OPEC has, in this regard, failed most miserably. The history of OPEC is studded with ignominious deeds, cloaked under various guises. The current, oil-price situation will, most likely, go down as being another one of these deeds of ignominy. Ultimately, however, OPEC members will suffer: It is just a matter of time.*

Just before 1973, the members of OPEC determined to make good use of their powers in controlling oil prices: OPEC started to dabble in international politics. Which has, never, been part of the cartel's mandate. The most prominent members of OPEC, in 1973, used the price of oil as a political weapon. Oil-price increases were aimed at demonstrating to the West that OPEC did not appreciate the West's acceptance and support of the State of Israel. During the Yom Kippur War of October 1973, a war between Israel and neighbouring Arab countries, many Western countries, openly, supported the actions of the Israeli Government. This infuriated OPEC members and, in retaliation, oil prices were smartly raised by about one hundred and thirty percent at the OPEC Conference of December 1973, held in Tehran, the Capital City of Iran, Iran, being one of the Founding Members of OPEC, along with Iraq, Kuwait, Saudi Arabia and Venezuela. At the same time, OPEC instituted an embargo on oil shipments to the United States of America and The Netherlands. Further oil-price increases followed, in 1975, 1977, 1979 and 1980. These increases pushed up the price of crude oil from about \$US3 per barrel to about \$US30 per barrel. OPEC members loved the results as their respective countries' coffers spilled over with cash. Ironically, a great deal of these oil profits went right back into investments in the West, particularly, in the United States. However, the actions of OPEC between 1973 and 1980 resulted in the West,

taking precautions that, never again, would it be held to ransom by fundamentalists of the Middle East and 'usurers' of the Arab world. To avoid a repetition of the situation, which existed between 1973 and 1980, the West invested vast sums of money into alternative sources of energy: Solar; wind; nuclear; coal; and wave, in particular. Offshore drilling platforms in the North Sea sprouted quickly. The West turned to its friends in order to ameliorate fears that OPEC might well play its political card, once again. Mexico and Russia were among the first countries to answer the call of the West and, almost immediately, oil flowed from these non-OPEC producers. By 1982, OPEC had to come to heel, seeing that the West had found alternate sources of oil supplies. The price of oil came down, quickly.

The situation, today, is that there are fears that, during the last quarter of this year, there could be a shortage of supplies of crude oil. This has driven the crude oil price to the \$HK60 per-barrel level. This is record high. One has to ponder at the probability that OPEC is, so to speak, testing international waters, trying to see just how far it can squeeze the world by pushing prices to higher and higher levels, without causing an immediate, international economic recession. OPEC has, openly, stated that it is well satisfied with a price of \$US50 per barrel of crude oil. This is a little bit of a revised price for the black ooze – by about one hundred percent, in fact, compared with the price which appeared to satisfy OPEC at this time, last year. One recalls that, in January this year, OPEC stated that the satisfactory price of a barrel of crude oil was just \$US25! What a difference a year makes!

Perhaps, the time may be near for something to be done about this situation?

Talk to you next week.

Chief Lady

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