SPEECH BY
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STATEMENT BY THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS, THE Rt HON JAMES CALLAGHAN MP, AT THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION IN PARIS ON TUESDAY 16 DECEMBER

The fact that we are meeting here today marks our recognition that the task of solving the complex of problems, stretching out across the whole economic field, is too big to be dealt with by any one country or any grouping of countries by themselves.

Our very survival depends on us thinking and planning multilaterally. The United Kingdom Government therefore accepts its responsibility to be present as part of the European Economic Community and will work to ensure that the Community's positions at this Conference are both constructive and as comprehensive as possible in a grouping of nine separate Governments with wide-ranging interests.

My Government desires to make some additional comments to those of the Community based on the United Kingdom's special experience and expertise in certain fields.

- Our position as a major industrial nation with a world-wide importing and exporting trade makes us sensitive of the present dangers to the world caused by inflation and unemployment, low world food stocks, the slowdown in world industrial and agricultural production the wild swings in food and raw material prices, the increase in oil prices and the impoverishment of the poorest nations.

- Britain's oil is now coming ashore and as a potential major oil producer and oil exporter we are acutely aware of the need to obtain a proper return on a finite resource, and to ensure its conservation and proper use.

- As an advanced technological nation we are ready to meet the needs of the oil producers to purchase Western technology both for their own use, and by triangular arrangements

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to finance the needs of third countries.

- As a nation with historic and intimate contacts with the developing world we wish to see arrangements made that will assist the less developed countries who at present possess neither oil nor industrialisation.

This Conference gives us a chance to look at the future. If those exports are right who predict that the world's population will nearly double between 1970 and the year 2000, we shall in 25 short years time need double the present food production, double the water, double the energy, double the jobs.

If we are to satisfy these demands there must be radical change - and the fullest measure of international economic cooperation. The success of this Conference will be measured by its success in preparing for the next 25 years in the manner that our predecessors successfully prepared for the Post World War II era.

We shall also need the domestic capacity to back up words by actions. My own Government is therefore giving the highest priority to bringing under control inflation in Britain and to reorganising our industries.

We accept that the control of inflation will bring with it in conjunction with other policies, a much healthier level of employment than exists now.

In addition to these domestic preoccupations the United Kingdom has played and will play an important role in promoting new concepts of collective economic security. We have shown this at Lome, at the Commonwealth Conference, at the Seventh Special Session, as well as in the important on-going work in such bodies as the World Bank, the World Food Council, and GATT.

Our policy is for cooperation, not confrontation in devising an equitable world economic order.

The distinctive feature of the discussions starting today is that for the first time energy factors are being brought into the calculation of the overall international economic situation.

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In this domain the United Kingdom feels that it has a distinctive part to play as by 1980 we shall be the second biggest oil producing nation in the Western industrialised world, after the United States which is by far the largest. By 1980 we expect to produce 45% of the total energy resources of the EEC, and 90% of its oil.

But quite apart from the responsibilities this will give us in helping to shape the energy policies of Europe and the Western world the new technology now being wrung from the North Sea at great peril and great cost will become available for other areas of the world where oil deposits lie unexploited and, for the moment, unexploitable. We are preparing to play a leading part in the new industrial revolution in the energy sphere that will characterise the final quarter of the Twentieth Century.

We shall be ready to make available the "knowhow" of British industry in off-shore and marine engineering to other countries in the search for new energy supplies.

We recognise our good fortune that by 1980 with a production range of 100-140 million tons of oil a year we shall be self-sufficient in our energy requirements including coal, gas and nuclear energy.

We expect to export at least a third of the crude oil given the characteristics of North Sea oil, with its low sulphur content. We shall wish to remain substantial importers and exporters of both crude and products.

Such a position makes us doubly conscious of the need for an international consensus on some of the basic questions facing energy.

* Fluctuations in the price and supply of oil cause many problems. Is it possible to reach common agreement on the weight to be attached to the various factors which influence price and supply?
* Oil is a non-renewable resource. What is the most rational and economic way of using it?
* The present cost of production from the most easily accessible sources is comparatively low. But should we
now begin to take account of the costs of bringing less easily exploitable oil into production?

Should we look further ahead to the costs involved as conventional oil supplies dry up and there is a need to bring shale oil, tar sands or non-fossil fuel substitutes into production?

The world is faced with an unavoidable transition from the comparatively cheap sources of oil today to much more expensive alternative sources of tomorrow.

This Conference will perform a valuable function if it can answer the question as to how far this transition should be left to the play of market forces? How can we, by forward planning, take account of the expensive pioneering work now being started in some countries including my own to enable the world to have an energy future beyond the era of cheap-won oil?

The answers to these questions can come by means of the dialogue we are initiating here today. Such a dialogue should aim at reaching a common analysis of future trends, based upon an exchange of information related both to facts and policies; a common evaluation of the factors which have to be taken into account for decisions on supply and price; a common understanding of the workings of the international energy market, and the multifarious factors which influence exploration, investment, distribution and consumption in this complex field of economic activity. Europe itself has still to answer these questions before it can achieve a real energy policy.

My own Government makes no secret of its belief that a Minimum Safeguard Price is an essential ingredient for such a policy because it will help investment in all sources of energy - not just oil - as well as encouraging the conservation of unrenewable sources of energy.

The MSP concept is one which should appeal in principle to all who take the long view whether they be producers or consumers of energy.

I should like to say a word on the subject of raw materials and commodities. It is of course the recovery of a healthy and prosperous world economy which will bring immediate benefit to the
developing producers of commodities. But along with the significant benefits which will come from an upturn in world trade the countries of the developing world rightly want action - and urgent action - to protect them from down-turns which can have such devastating effects on their economies.

The proposed Raw Materials Commission can build on the progress of the last year during which an important lead was given by the Commonwealth Prime Ministers' Conference at Kingston in May and during the Seventh Special Session of the UN. We must carry forward the painstaking and detailed work already done by a number of organisations so that we can look forward to a really constructive meeting of UNCTAD IV in May.

I record with satisfaction the successful negotiation in the past six months of three new Commodity Agreements - on tin, cocoa and coffee.

The central theme of Prime Minister Wilson's initiative at Kingston was the need for individual commodity arrangements to be encompassed in a broad and comprehensive approach to the whole subject. This is already proving to be the way ahead. The Prime Minister did not envisage the setting up of cumbersome machinery or the establishment of new international organisations or bureaucracies. What we intended was an agreement on principles and objectives on cooperation between producers and consumers in the interests of both.

The agreement would in broad terms outline how to achieve that cooperation and would provide an impetus and establish a framework for individual commodity arrangements.

We suggested three stages: first, to identify the commodities appropriate for such arrangements; second to identify the mechanisms appropriate for each commodity; and third, to examine ways in which any financial burden arising from these mechanisms might be appropriately financed. A further aim would be to establish a framework for the stabilisation of export earnings.

The Raw Materials Commission will have some important tasks. It can advance our thinking on how better to regulate our trading system so as to achieve a good long term balance between supply and demand (and how to provide increased investment and expanding production /to meet
to meet increasing demand in a flourishing world economy). A further problem is how to secure better access to markets for developing producers and more stable supplies for consumers, at prices fair to both. Yet another task will be to protect developing country producers, especially the poorest, against the ill effects of the hazard of nature or the quirks of the world economy. We believe that effective stabilisation of export earning through improvements to the IMF's Compensatory Financing Facility offers the best prospect for overcoming some of the difficulties of developing countries caused by unforeseen fluctuations in their income. We urge all participants in this Conference urgently to support action to this end.

Although the conference as a whole has the special task of looking at the problem of the poorest countries who have been caught most firmly in the vice of inflation, world recession and increases in oil prices, the Raw Materials and Development Commissions will have a particularly important role in this respect.

In conclusion, I hope that my remarks have demonstrated that my country fully shares the European Community's determination so eloquently expressed by Signor Rumor, to make and develop a fully constructive contribution in all the areas covered by the Conference on International Economic Cooperation.