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The International Answer to the Oil Problem

Is there an international answer to the oil price mess? The annual meeting of the IMF and World Bank made it clear that there is no one-way solution to a problem as multifold as the present one. Moreover, there is growing understanding that isolated actions of groups of countries — oil producers versus oil consumers; developed versus less developed countries — will not take us very far.

Under the assumption that future oil prices will be about the same as today's and that annual oil consumption will increase at a rate of about 3 p.c., revenues of oil exporters will reach \$ 110–120 bn p.a. in the next years. Even if one takes it for granted that the import capacity of some large, populated OPEC countries will rise above the present level, the oil producers' total current account surplus will remain at a size of \$ 40–50 bn in the medium term. This surplus — and the corresponding deficits on the part of oil consumers — are clearly too high to be safely absorbed without major shocks to the international economic system.

The first task to be jointly tackled is therefore a further reduction of the current account disequilibria between the groups of oil producing and oil consuming economies. Among the many methods suitable to this end, the possibilities of moderately lowering the oil price, increasing the export of consumer goods to Arab countries (given their limited capacity to import investment goods), and diminishing oil consumption should be carefully studied. As to the latter method, a raising of oil taxes in countries where fuel is still comparatively cheap may have a number of advantages over the more-favoured quantitative restrictions: the exploration of alternative sources of energy becomes profitable; the use of oil saving techniques is induced; tax proceeds can be used for financing R & D in these fields and for aiding the poorest members of the international community which are not only hit by the oil price increase but also by the rise in agricultural prices.

Secondly, among the oil consuming economies some agreement should be aimed at how their aggregate current account deficit is to be distrib-

uted within that group. Obviously any success of one country in reducing or eliminating its deficit can be realized only at the expense of some other country. For a German it is uncomfortable though necessary to admit that the German surplus — which may even rise next year — does not fit into the international picture. It must be added, however, that this surplus is by no means the result of a deliberate beggar-my-neighbour policy but rather the effect of strict internal stabilisation measures and of the failure of other countries' producers to exploit their price advantage on the German and international markets after huge appreciations of the Deutschmark. The external impact of any national policy measures suggests that agreement on compatible balance-of-payments targets should be accompanied by as much agreement as possible on policy instruments.

The third task is the task of financing individual deficits. Here a multitude of approaches has been offered and partly tried. It seems appropriate to go along the way hitherto followed of using different channels for transferring funds to the countries in need. In addition to the methods already publicly discussed a special allocation of SDRs to the poorest countries should be considered. As due to the limited number of recipients the total amount could be held relatively small — \$ 500 to 1,000 mn — the inflationary impact on the world economy would be minimal. Yet the positive effect for the beneficiaries would be great. Moreover, a contribution would be made to reconciling the industrial countries' incompatible balance-of-payments goals.

Two new bodies have been established at the annual meeting: the IMF Interim Committee on the International Monetary System and the Joint Ministerial Committee on the Transfer of Real Resources to Developing Countries. It is hoped that all their members will adopt a constructive approach to dealing with the "most complex and serious set of economic problems... since the end of World War II". If the Committees could be made to work as quickly and effectively as the oil consumer countries' Group of Twelve then optimism as to the future of the world economy would really be justified. *Hans-Eckart Scharrer*