DEVELOPMENTS IN THE OIL INDUSTRY IN THE YEAR 1970

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Many important events occured during the course of 1970- Philips Petroleum Company discovered a huge oil field offshore Norway in the North Sea, the first 477 thousand ton capacity supertanker was ordered by a Japanese shipyard, the Soviet Union used an oval-shaped balloon to transport natural gas, and plans were afoot in Japan to increase the desulpherization capacity of that country to 688 thousand barrels per day by 1975.

But none of these happenings rank in importance with the chain of events which occurred in the economics of petroleum and which culminated in the signing of the 25th of Bahman agreement. The far reaching effect of this agreement will not only be felt in the economies of Petroleum, the economies of industrial states of Western Europe and Japan, the economy of the Petroleum Exporting Countries, but it will also have many repercussions in such varied fields as for example international law - the predominance of the sovereign sights of a nation over its contractual obligations.

No longer can major powers resort to force in dealing with smaller and weaker nations. These are some of thewhich may be expected from this agreement.

To appreciate the importance of the 25th of Bahman Agreement it is necessary for the members of Iranian Petroleum Institute, for the oil industry, and for every individual

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Irānian to have an intimate and detailed knowledge of the events which brought about the signing of this Agreement. I would therefore like to analyse the event that brought this unbelievable success into reality.

The events which preceded the 25th Bahman Agreement could be summarized in five simple sentences:

1. The appearance of ripe economic conditions in the world of petroleum market.

2. A quick and correct apprehension of the above conditions followed by a quick and correct appraisal of the situation.

3. Prompt, timely and effective action in order to gain maximum benefit from this opportunity.

4. Informed, thoughtful and resolute leadership of H.I.M. the Shahanshāh.

5. The united and co-ordinated front of the Heads of Governments of the exporting countries under the oegis of H.I.M. the Shāhanshāh.

What will be discussed today are the events which brought about these favourable conditions for the negotiation and the signing of the 25th of Bahman Agreement. I shall not delve into the discussions which took place round the negotiating table. Nor shall I rummage into what happened behind the scene. I hope one of my colleagues, who has actually participated in those discussions, will some day elucidate some of the remaining obtuse points.

At the beginning of 1970 the prospects of the international oil market looked exceedingly bleak. A review of the oil publications and magazines reveals nothing but gloom. All the comments hover around the staleness of the market; losses suffered by refiners, distributors and marketers; the consumer's constant pressure to bring the prices of crude oils and products down. As an example, I would like to bring to your attention a summary of some of the articles and comments which appeared in some of the oil publications in the first five months of 1970.

A. In the February 9, 1970, issue of *Petroleum Intelligence Weekly*, in an article titled "Light Libyan Crudes Seen Less Attractive to Europe's Refiners" the editor of the weekly attempts to prove that the lack of demand for the light crude products necessitate a review in the price structure of the light crude as compared to that of heavy crude. To pin down his point he presents some data and statistics. It is worthwhile looking at these data in order to have a better understanding of the subject under discussion.

Based on the following assumptions:

	Jan 1969	Jan 1970
1. Spot price - one barrel Zueitina (Libya crude)	$1.85	$1.80
Spot price - one barrel Es-sider (Libya crude)	$1.75	$1.70
2. Spot tanker freight rate, Libya-Rotterdam	$ .33	$ .47
3. Spot price - one barrel of naphtha-Rotterdam	$2.40	$2.10
Spot price - one barrel of gas oil - Rotterdam	$3.47	$3.00
Spot price - one barrel of fuel oil (furnace oil) Rotterdam	$1.49	$1.85

That the above crude be refined in a hypothetical refinery, and only three main products, i.e. naphtha, gas oil and fuel oil be produced at the following percentages and be sold at the following prices.

Zweitina Crude - one barrel

Products	%	Price Jan 1970	Price Jan 1969
Naphtha	32	$ .67	$ .77
Gas oil	35	$1.05	$1.21
Fuel oil	30	$ .56	$0.45
Total		2.28	2.43

Less C & F costs	2.27	2.18
Refinery Value	$0.01	$ .25

Es Sider Crude - one barrel

Products	%	Price per barrel Jan 1970	Jan 1969
Naphtha	23.7%	$0.50	$0.57
Gas oil	38.5%	$1.16	$1.34
Fuel oil	35%	$0.65	$0.52
Total		$2.31	$2.43
C & F crude costs		$2.17	$2.08
Refinery value		$0.14	$0.35

According to the above figures the refinery value of Zweitina crude has gone down 24 cents. The same calculation reveals a 21 cents reduction in the refinery value of crude from Es-Sider in 1969. The author of the article has made a similar computation for Kuwait's crude and Iranian light crude and obtained the following results.

	Jan 1970	Jan 1969
1. Spot price - a barrel of Kuwait's crude	$1.18	$1.20
Spot price - a barrel of Iranian light oil	$1.30	$1.32
2. Tanker rate - spot, Persian Gulf - Rotterdam	$1.12	$1.14

Assuming the prices of products to be the same, the following are the results:

	Kuwait's Crude oil (yield per barrel)			Irān's light Crude (yield per barrel)		
Products	%	Jan 1970	Jan 1967	%	Jan 1970	Jan 1969
Naphtha	20.8	$ .44	$ .50	23.3	$ .49	$ .56
Gas oil	26.5	$ .80	$ .92	35.8	$1.07	$1.24
Fuel oil	49.8	$ .92	$ .74	38.0	$ .70	$ .57
Total		2.16	2.16		2.26	2.37
Less C&F		2.30	2.34		2.42	2.46
Refinery value		-$1.14	-$ .18		-$ .16	-$ .09

Based on this calculation the refinery value of Kuwait's crude oil actually rose 4 cents a barrel while Iranian light crude oil decline 7 cents a barrel; however the decline was not as bad as in the case of Libyan oil.

Although no refinery has been built in Europe to produce only three products, i.e. naphtha, gas oil and fuel oil, and further, the spot movement of crude oil and products have been very insignificant during that period; the above example compares the conditions which existed in the beginning of 1969 with those consisting at the beginning of 1970. Factors taken into consideration for both years, being the same, the effect of an inaccuracy will be the same for both years. Therefore the above example serves its purpose well and illustrates the change in market trends over that period.

B. In the study published by the Japanese Petroleum Association concerning Japan's future need of petroleum imports (*Petroleum Intelligence Weekly 2.3.70*) the Association estimates that during the period Jan. 1970 to Dec.1972 a period of 3 years, the price of crude oil will fall to the following extent.

Products	Price Jan.1970	Dec.1972	Cents change
Iranian light oil	$1.38	$1.20	-18
Kuwait Crude	1.25	1.15	-10
Arabian light oil	1.39	1.20	-19
Indonesian crude oil	1.62	1.44	-18
Algerian crude oil	1.88	1.68	-20
Libyan crude	1.82	1.63	-19

Obviously the Japanese Petroleum Association's intention in publishing the above forecast was to warn indirectly the exporting countries not to expect the sale of their crude oil at a higher price and to limit their expectation to reasonable figures.

C. The Indian government, which for many years was happy with the supply of Iranian light crude oil by the Major Oil Companies f.o.b. Xarg Island at $1.48 per barrel, as a result of easing in supplies, succeeded in bringing

down considerably the price paid for the same crude. In April 1970 Iranian crude oil was being sold to India at $1.28 per barrel. In April 1970 an agreement was reached between the Indian government and a Compagnie Francoise de Petrole. The latter was to supply Haedia Refinery with Iranian light crude at $1.27 per barrel, that is 2 cents lower in price than any price ever agreed with a major oil company. Having succeeded in reaching the above agreement, the Indian Government approached the National Iranian Oil Company in order to obtain a discount on crude oil taken from Darius Field which up to that time was selling at $1.35 per barrel f.o.b. Xarg Terminal. (The National Iranian Oil Company in partnership with American Oil Company is producing crude oil from the Darius Field in a Joint Venture Operation. The partners have concluded an agreement with the Government of India, and according to this agreement the needed crude for the Madras Refinery will be furnished from Darius Field at a rate of 50,000 barrels per day at $1.35 per barrel). Since the quality of Darius oil is inferior to that of Āqā Jari Light Oil, (at the time of signing of the agreement the difference in prices of the two crudes was estimated at around 15 cents per barrel) the Indian government, having managed to bring down the price of Āqā Jari to $1.27 was hoping to get a price as was as $1.10 for Darius Crude Oil. Although, when the subject was brought up for discussion with the National Iranian Oil Company by a delegation of Indian government representatives, NIOC refused to consider the matter, it is certain that the Indian government did not give up the idea but postponed it for a future date hoping for a more suitable political climate.

This sorry state of affairs in the oil market took a sudden and unexpected turn after about eight months. The prices of oil products started to go up at a fast rate in Western Europe. In its January 1971 issue, the *Petroleum Press Service*, a publication which usually is well aware of the opinions of the experts of the major oil companies, devoted a whole article to that change of trend. The article was entitled "End of the Buyers Market in Western Europe".

This 180 degree turn in market trends was brought out in the *Petroleum Intelligence Weekly* of December 7th 1970 in the following words: "Europe's billowing oil product

prices have puffed up refiner's income at cargo and bulk sales level in Rotterdam, Italy and Germany."

But these "weather vanes" would have to remain consistently high to indicate a definite trend before they could permeate to the industry's price structure. From October 1969 to October 1970 a barrel of oil product earned some 61 per cent more in Rotterdam, 71 per cent in Italy and 38 per cent ex-refinery in Germany.

The writer shows the advance in prices as follows:

1. Operating results of a hypothetical refinery in Rotterdam:

		October 1969		October 1970	
Products	%	Price-ton	Income	Price-ton	Income
Fuel oil	34	$ 9.15	$ 3.11	$19.70	$ 6.70
Gas oil	31	19.90	6.17	32.30	10.01
Naphtha	21	18.00	3.78	20.50	4.31
Total income			$13.06		$21.02

2. Operating results of hypothetical refinery in Italy:

		October 1969		October 1970	
Products	%	Price-ton	Income	Price-ton	Income
Fuel oil	55	$ 9.10	$ 5.00	$20.00	$11.00
Gas oil	15.2	19.25	2.93	30.00	4.45
Naphtha	16	17.85	2.86	19.00	3.04
Total income			$10.79		$18.49

3. Operating results of a hypothetical refinery in West Germany:

		Operating 1969		October 1970	
Products	%	Price-ton	Income	Price-ton	Income
Fuel oil	27	$12.70	$ 3.43	$18.85	$ 5.09
Gas oil	40	24.00	9.68	35.50	14.20
Naphtha	17	20.00	3.40	21.00	3.57
Total income			$16.51		$22.86

4. Gasoline price, premium grade, per ton

	October 1969	October 1970
Rotterdam	$24.00	$31.00
Italy	21.85	27.00
West Germany	31.00	37.50

5. Gasoline prices (regular grade) per ton

	October 1969	October 1970
Rotterdam	$18.80	$24.20
Italy	17.75	21.00
West Germany	23.45	29.15

In order to make an impartial judgement and draw a better result from above calculations and statistics, it is also necessary to pay attention to marine transport charges. Between October 1969 and October 1970 the charter rate for tankers had increased as follows:

Xārg - Rotterdam

For one trip only	$2.27 per barrel	(from 90 W. to 285 W.)
One year charter	1.47 " "	(from 76 W. to 200 W.)
Three year charter	0.77 " "	(from 69 W. to 135 W.)

Another point to be considered is that all the major oil companies either own most of their fleet of oil tankers or have them under long time charter. The only time they resort to spot charter a tanker is when crude oil in excess of their estimates must be moved. Thus, the weighted average of the extra cost paid by major oil companies as a result of increase in tanker freight rate, could not possibly average more than 10 per cent of their total transportation cost. From October 1970 till the end of that year the increase in oil transport cost was continuing. On the average, during this period one dollar a ton was added to the cost of moving crude oil through tankers. As soon as the oil companies finished building up their stocks for the winter of 1971 and an adequate number of tankers to lift the extra oil had been chartered, the need for engaging more

tankers disappeared. Accordingly the tanker rates begun to fall. The freight rate which had reached its record peak of 300 World scale at October 1970 made a swift descent and by December of that year had reached the level of world scale 155.

As a result of the appreciable rise in price of oil products towards the end of 1970 as compared to the beginning of that year and tanker freight rates falling to the level of April of 1970, the oil companies profit went up unexpectedly.

A comparison of net profits for the major oil companies in the fourth quarter of 1970 with that of the average quarter earning of the first 9 months of 1970 reveals a considerable improvement in net profit.

Names of the Oil Companies	Net profit 4th quarter 1970 (M.$)	Average quarterly profit-first 9 month(M.$)	% change
Gulf Oil Corp.	131	139.4	- 6.4
Mobil Oil Corp.	134.2	116.1	+15.6
Standard Oil of California	126.9	109.3	+16.1
Standard Oil of New Jersey	384.0	308.0	+21.4
Texas Oil Co.	252.6	189.4	+33.3
Total net profit	1028.7	862.2	19.2

At the time of the preparation of this lecture the accounts of the other three leading oil companies;the British Petroleum, the Royal Dutch Shell Group, and the Compagnie Francaise de Petrole had not been published, but had the trading reports for these companies been included in the above table, the first result could not have been too different from that shown.

As previously stated, between October 1969 and October 1970 the income from refining and sales of one ton of crude oil had gone up $5.00 in Rotterdam, $7.50 in Italy and $5.50 in W. Germany. But the strong and healthy economy of Western Europe hardly felt the effect of this inconsiderable increase in prices. Therefore there were no reasons why

these prices should not remain at this high level and, if as a result, additional income accrued to the oil companies, the governments of the producing countries should not share in this bonanza. To take advantages of this new situation, a quick, well co-ordinated and concerted action from a well organized and united organization of the exporting countries became mandatory. Any delayed action would give opportunity to the consumers to create competitions among the sellers, thus bringing prices down to the level forecasted by the Japanese Petroleum Association.

In December 9, 1970, an OPEC conference was held in Caracas, Venezuela. The subject of raising the postal prices and taking advantage of the prevailing situation came under scrutiny and discussions, and a short time later the Tehrān agreement was signed on the 25th of Bahman, 1349 (14th February 1971). It took only 67 days from the time when the subject of price increase came under study and the day in which the highly successful agreement was signed. As I have mentioned earlier in this talk, the quick grasp of this new situation coupled with prompt, timely and effective action, inspired leadership and perfect co-ordination among producing countries brought this historic and grand success to Irān and other exporting countries. I have already given you a summary of the reasons which caused the prices to go up during latter part of 1970, but even if this means taking a disproportionate amount of time and space, I feel that we should try to describe and analyse the causes more thoroughly. Again, I must delve into the subject of supply and demand both for the crude oil and shipping:

1. The production of oil in the past year was around 46 million barrels per day. Consumption for oil also came close to this figure. Even though the member countries of the Common Market and other industrially advanced nations, who import most or all of their requirements of petroleum and products, have planned to build up substantial reserves of crude oil and products, as yet the implementation of the idea has not gone far enough to have any serious reprecussions on the supply and demand of crude oil. At a first glance, it seems that, when the supply and demand of crude oil is well balanced, there should not be any fluctuation

in oil prices except when there are fluctuations in tanker rates. But if we dig deeper into this problem, we discover that it is not so simple. To elaborate further: firstly, there is around 31 million barrells per day of oil being consumed in producing countries or in countries of the same political spectrum as the producing countries or standing in a special relationship with them. This quantity never enters the world market and consequently does not influence the world pattern of supply and demand. Eighty per cent of the remainder is processed in integrated oil companies and disposed of in their own integrated operations. These companies transport the oil they produce in their own pipeline systems or with their own tankers, refine it in their own refineries and offer it to consumers through their own sales outlets. Again this oil never enters the international markets. Another portion, the extent of which is hard to determine, is produced by independent oil companies and sold under long-term contract and thus excluded from the international market. What is left is a quantity which has not yet found a market or crude oil which has become free as a result of the expiration of sales contracts. I do not estimate the total quantity of such oil at more than 3 million barrels per day or 5 to 6 per cent of daily production. This is the only oil which is subject to the laws of supply and demand. The same conditions exist as far as the demand for crude is concerned. Even though consumption was around 46 million barrels per day, the total demand of customers in the international market could not have exceeded 3 million barrels a day.

The most important factor which may exert a considerable pressure on the price of crude oil is the huge reserves of oil underground at the disposal of the major oil companies, the largest reserves being located in the Middle East. For example, our own country has reserves exceeding 60 billion barrels of producable oil and according to sound petroleum engineering practice (say twenty years depletion) has a potential production capacity of 8 million barrels per day. While at present only half of that quantity, that is, 4 million barrels a day are being produced. Similar conditions, to a greater or lesser degree are prevalent in other Middle Eastern countries. It is this great potential to produce, over a very short period of time , let us say

two years, large quantities of oil well beyond the market requirements which give the major oil companies their real power. They are able, through this power to produce, to impose their will and policies on the petroleum world and run the oil market as they deem fit.

From the above mentioned figures, it is easy to understand why when a newcomer manages to get access to a fairly large reserves of crude oil, and then tries to offer it in a supposedly free market, he will soon find out what a terrific resistance he has to overcome. For example, when Occidental Oil Company suddenly discovered huge oil reserves in Libya and tried to penetrate the market and establish a market of around a million barrels a day; the effort required to achieve this feat was not 1:46 i.e. (the ratio of new supply over total demand) but rather an effort fifteen times greater than the realistic ratio of one to three. As Occidental Oil had no possibility of arranging barter transactions, the only way open to this company in order to find room in the established market was through the lowering of the prices or price cutting.

It becomes now obvious that one of the causes which brought the sorry state of affairs in the oil market ar the start of past year was Occidental Company's attempt to break through the market.

2. Similar conditions are also prevailing in the tankers business:

At the end of 1970 the World oil tankers capacity was 140 million tons. Of this capacity, the major oil companies owned 50 million tons outright, and a still greater tonnage of the remainder was under their long term charters. I have yet to see an accurate figure indicating the numbers or the capacity of the tankers chartered to the major oil companies, but from the two estimates which I am about to present, it may somewhat be possible to establish an approximation. The Japanese Petroleum Association has estimated that in 1969 approximately 90 per cent all of oils imported into Japan had reached that country in tankers either belonging to or under long term charters to oil companies. Only 10 per cent of the imported oil was shipped on short

term on spot charters.

John I. Jacob and Company, the world's leading ship broker, in its midyear publication estimates that the total of non-fixed tankers, in the second half of 1970, available to customers, was around two million tons per month or one-seventieth of the total world tankers' capacity. Taking into consideration the usual world shipping unit used for oil movements, and is known as a T2 - tanker, the global needs for tanker units in 1971 were estimated to be equal to 10,000 units while the number of unfixed tanker available in the market to customers did not exceed 140 T2 - tankers or 1¼ per cent of total capacity. (T2-tanker is an oil tanker with a capacity of 16,600 tons, speed of 14.6 knots and a bunker consumption of 50 tons).

Having given you this introduction, I can now proceed to delve into the basic subject; an explanation of the causes which unbalanced the pattern of supply and demand, causing Western Europe's oil boom.

1. When Mr. Richard Nixon was elected to the presidency of the United States of America, most of the world economists, aware of his anti inflationary policy, expected a cooling off of the over heated American economy and a substantial drop in the domestic capital expenditure and a curbing in the rate of increase of consumer good consumption in the rest of the world. Accordingly, most of the world oil economists forecasted no more than a 2½ per cent increase in U.S. oil products consumption in 1970 as compared to 1969. They also expected that the same curbing trend would permeate to the rest of the free world and the increase in oil consumption in other countries in 1970 versus 1969 would be limited to around 10 per cent, the average rate of increase for the whole world outside the Soviet bloc and Communist China being limited to 7 per cent. Contrary to general expectation and based on a reason, the causes of which have not yet been clearly ascertained, the global increase in oil consumption continued at a fast pace. In the United States the oil consumption went up 50 per cent in 1970 as compared to 1969, in the rest of the world except the Communist states this increase was 12 per cent.The average world consumption of petroleum products went up 9½ per

cent in 1970 or 2½ per cent more than the general forecast for this period. This 2½ per cent increase in consumption was equal to a million barrels of oil a day. To increase oil production by one million barrels a day was an easy task for the oil companies. According to sound economic practice, any industry must have a substantial idle plant capacity available to it, to take care of emergencies. This idle capacity in the oil industry at the beginning of 1970 probably was no less than 2 million barrels a day.Therefore to provide the additional unexpected demand for one million barrels a day was not a problem that the oil companies could not cope with. On the other hand, according to published statistics by John I. Jacobs and Company, the number of oil tankers at the beginning of 1970 was equal to 8970 T2-tanker, that is a 14.25 per cent increase in tanker capacity over 1969. Taking into the account that most of the oil consumed in U.S.A. is produced internally,and does not call for marine transport; that Canadian oil is being transported to U.S. by pipeline; the increase in tanker capacity of 14.25 per cent was quite adequate to take care of the added demand of 12 per cent for oil outside of the United States. Therefore no increase in transportation costs should have taken place at this period. What really unbalanced the equality of supply and demand in shipping were two other factors which I will explain later. The causes just mentioned only eliminated the existing flexibility. Therefore,no more flexibility was left to take care of any additional requirement.

2. On May 3rd., 1970, the Trans Arabian Pipeline which carries Saudi Arabian crude oil to Mediterranean Ports was damaged by a bulldozer and put out of commision. The Syrian government for reasons which would be unelegant to discuss did not allow the oil companies to repair it. As a result the flow of 500 thousand barrels of oil a day, which were being pumped through this pipeline to Mediterranean ports and hence to various refineries was stopped.This oil had to be replaced by Middle Eastern oil carriers by tankers round the Cape of Good Hope. The extra tanker capacity needed to move this added oil was equivalent of 225 - T2 - tankers. Since all the oil which was being shipped through the Tapline belonged to Standard Oil of New Jersey, Standard Oil of California, the Texas Oil Company and the

Mobil Oil Corporation, no difficulties were encountered by the world companies to produce the needed extra oil from other areas of the Middle East, therefore no shortage in world supply of oil resulted from this Top line shut down, but the supply of tankers, which was already short, became tighter.

3. Almost at that time Libya started to impose severe restrictions on the production of crude oil, claiming that the oil companies were producing in their respective fields far above the quantities allowed in accordance with sound oil engineering practice. This restriction on production which went into effect on May 7, 1970 and continued until the end of August of that year bringing the daily rate of the production down to 2,775,000 barrels, a decrease of one million barrels a day from the peak production rate of 3,690,000 barrels a day experienced in May of that year.Had no restriction been imposed, the August daily rate of production would have probably exceeded 3,800,000 barrels.

Only a portion of this decrease in production belonged to companies which had idle production capacity available else where in the world. The major portion of this reduction was imposed on companies such as Occidental,Continental and Marathon who did not have access to any other cheap source of oil. The shortage in oil thus incurred amounted to around a million barrels a day and the number of tankers needed to ship this oil from the Middle East was equivalent to 700 T2-tankers.

Altogether, as a result of the combined effects of these factors, the added oil which had to be shipped from Middle East to Europe totaled 2.5 million barrels per day, and the needed tankers to ship this oil were equivalent to 1200 T2-tankers.

As I have explained already, to supply an additional 2.5 million barrels of oil from Middle East was not a difficult task. But to find 1,200 extra T2-tankers which was 12 per cent more than everyone's forecast was impossible.

By the middle of 1970 the demand for tankers had already outstripped the supply. As soon as a tanker came out

of a shipyard and was ready for chartering, or when a charter contract for a tanker expired, immediately all the oil companies, regardless of sizes, would rush to the owner, trying to overbid their rivals for chartering the available tanker. This caused the spot price, for one trip from Xārg to Rotterdam, to jump from 12 dollars a ton to a record high of 25.50 dollars a ton in November of 1970. From the foregoing events, it became clear that only the major oil companies were the ones who had in their disposal the extra production capacity to meet the new emergency. It was only the giants in the oil business who could afford to pay the heavy transportation charges without hesitation.Since there were no possibilities for the smaller companies to compete in the Western European market, the major oil companies had now the opportunity that they had been waiting for a long time; that of raising the level of oil product prices in this market, to reach an extent that higher prices not only were sufficient to offset the increase in transportation cost, but also helped them to make up the drop in profit which they had faced throughout 1967, 1968, 1969 and the first 9 months of 1970.

Some authorities have stated other reasons, aside from those just mentioned, as the reasons for the rise in prices of oil products in Western Europe such as: increase in labour cost, added cost of borrowing money, higher rates of interest, increased costs of shipbuilding, refinery construction, pipelines, construction and acquiring new distribution and marketing outlets. But all these causes together could only explain a fraction of the rise to seven dollars per ton increases, which occured in the later part of 1971.

Had the exporting countries not taken a prompt, effective and collective action, immediately upon the settlement of the crisis with Syria and the repair of the Tapline, and the easing of production restriction in Libya, the oil companies could not have resisted the pressure of the consumers and the rural independent producers and would not have been able to have held the prices at this high level. Eventually the prices would have fallen down gradually reaching probably the levels, foreseen by the Japanese Petroleum Association, as mentioned in the early part of this lecture. But the prompt, effective, co-ordinated and timely action

taken by the exporting countries precluded any price roll - back in Western Europe and the added profit of the oil companies, which would have declined to zero, was shifted to the exporting countries.