to expect too much from this plan.

● ***What do you think of the impact of high oil prices in the range of 22 to 30 dollars on the world economy parameters and the countries' economies at large?***

- I admit I am not an economist and not specialist of the global economy, but in a very qualitative manner, I can say that in the industrialized countries in general the role of oil is much less than it used to be twenty or thirty years ago in the economic performance as well as inflation of the economy of OECD members. So the oil price factor is not of that importance in industrial countries. So if the price of oil goes up, it could in theory reduce economic growth and increase inflation, but I think this factor is much less important than in the past and most people who refer to that adverse effect of the price of oil on global economy, they are thinking of the 1970's and early 1980's. I think the amount of energy that they used for producing one unit of product has now reduced into half. So they can produce the equivalent of the same dollars with half of the energy they used to consume.

● ***You are talking about the industrial countries. What about the third world countries?***

- The third world countries are more dependent on the price of oil and more sensitive to it. And of course if the price of oil is high, their balance of payments would suffer and it would have definitely adverse effect on their GDP, but I cannot quantify it, The data we have seen about consumption of oil and the GDP growth have not clearely shown the suffering or any setback of economies of the developing countries from high oil prices that we experienced last year. This effect is there, but the fact is that it has not been observed because the economies do not react immediately. It takes time for the price effect to be seen on economic features. As you know the prices have become moderate. So the effect that would have been observed, has already been reduced by the lower prices. The high price has been more of a transitory feature. It has not been maintained for two or three years continuously for us to observe it. So for the industrialized countries, there is much less effect in theory and for developing countries, the effect should be greater. But we have not had enough time to get the data and observe the effect of oil price on the economy and inflation of these countries.

● ***Last question is that traditionally the difference between WTI and Brent prices have been one or two dollars, but recently this gap has widened in an unexplainable manner. How do you assess this phenomenon?***

- I think it is partly because the whole issue of the high price of oil was basically coming from North America, since the northeastern part of the U.S. had a serious winter and there was shortage of petrolium product of heating oil. So in reaction to very large increase in the price of heating oil in northeast of the U.S., the price of crude oil also went up. So WTI was much higher in proportion in response to the North American market. Whereas Brent being in Europe was reacting to more normal supply and demand and more normal winter climate in the north of Europe.

Q: Thank you very much indeed Dr Takin for the interview.

■

They could have waited for a couple of weeks to see it for themselves.

- As I said I am not a political expert, but my understanding is that there was a political motive, mostly domestic politics, behind this. Both parties wanted to reduce the price of gasoline and also the secretary of energy Bill Richardson is reported to have ambitions to become vice-president with Algore. I am not an expert, this is only a guess I have heard from here there, but basically the U.S. would like the prices to be within a medium range, not too low or too high.

● ***Do you find the OPEC production increase which is now taking place on the threshold of the low demand season a logical move? If not, then what volume could have been more rational?***

- Generally in the second quarter, in the Spring, demand for oil gets less because of the weather condition. On the other hand, the refiners try to prepare themselves for the summer season when there is a high demand for gasoline. So, they begin to buy crude and store it and have it ready or to run it in their refineries and have gasoline in the storage ready for the summer season. But the second point is that in an overall view there is less demand for oil in the second quarter. It also already depends on what level of price OPEC would have wanted to maintain. If they wanted a price of 30 dollars or more to be maintained, then there should not have been an increase, while if they wanted to have a price of a moderate range of 22 to 24 or 25 dollars, this production increase was to lead to that. It is not the question for me to say what they sould have done. It is the target price that is important. That is a political issue, a compromise between consumers, producers, OPEC and non-OPEC, they should all get together and reach a target price and then try to have production to reach that target.

The role of oil is much less than it used to be 20 or 30 years ago in OECD economic

● ***You mean that it is a political issue in answer to all these questions. At the same time one can not get away from the fact that oil is the most politicized commodity in the world. Another question is on how much more to you see oil prices decrease and how do you anticipate such a trend?***

- I don't think the price would further go down. Over the last week the prices have recovered slightly. Always when there is a production increase or vice versa, there is an immediate reaction in the market, that is a psychological or market sentiment reaction. And the prices go up or down much more than they should and gradually they settle down. So I think the very rapid fall of oil price that we observed after the OPEC meeting can be explained this way. And gradually the prices come back and balance themselves. There is also some factors relating to supply and demand behind it which should be considered. Many producers including Iran had oil ready to sell in the market. Because the prices were high and the producers wanted to make sure that they could sell oil very quickly. So all the producers had lots of crude ready to sell to the oil users. While many people expected that OPEC would increase production and the price will come down. So, producers wanted to make sure they could sell oil as much as they could before the prices come down. So we had this great surge of supply going to market from all over the world. On the other hand those who buy oil such as refiners were sure that OPEC would increase production and the prices would come down. See before the meeting of OPEC and then in a few days after, the buyers of oil were not buying as much as they required. They wanted to hold back until the prices come down. So we had this extra supply and less demand for a few weeks before the OPEC meeting.

● ***How do you assess the price band mechanism that OPEC had adopted? Do you see it practical?***

- I think this is a good idea, but in practice my personal view is that it would be difficult to implement it, because there is a diversity of opinions within OPEC, as well as among OPEC and non-OPEC members which have been party to this production control like mexico and Norway. And to have all of these producers agree on this mechanism is difficult. This committee within OPEC or the group of ministers who are going to balance the market, they do not have carte blanche, they do not have a free power. The way I understand is that they would observe the price range. If it goes below or above that range, then ehey would observe the price range. If it goes below or above that range, then they would act by increasing or decreasing the production accordingly to balance the market. But they can not do it by their own initiative, by one or two ministers or a small group.

● ***So it means a collective effort is needed.***

- yes. That is my understanding. Because it was not mentioned as an official resolution or in the official press release of OPEC as a policy accepted by everybody. Even if they had general agreement, again the production had to be cut or raised by individual countries and that committee has to inform all the sovereign states to decide about it. So in practice it is difficult to implement. It would take time. The idea is good and it is good to go toward this goal, but we should be realistic and not too optimistic was being pumped on the first of April brought the price down but of course you pumped the oil on the first of April. It takes at least a month before Persian Gulf oil for example will get into the market.

● *Yes, that brings me to the next question, which is a price-related one. How much do you see oil prices decrease and how do you anticipate such a trend?*

- Well, I admit the extent of the fall in the price has actually taken me by surprise, but I think part of the explanation of the fall of the price is that a lot of speculators were leading the market and adjusting their position. So I think the fall of prices in the last few days is a very temporary thing.

There is a consensus that says that increase by OPEC is not sufficient and now the prices will start to increase toward the end of the year. I have some doubts about it, I must admit. I think demand is weaker than people expect. Non-OPEC supply will have a strong year. And there is a sufficient amount of excess capacity within OPEC which is liable to drift into the market. Because it is worth remembering that compliance by OPEC in the first 3 months of this year has been fairly poor and it is quite likely that poor compliance will continue through the rest of the year. So, my view on prices is that the price could have jumped between 20 to 25 dollars a barrel for the rest of the year.

● *When you are mentioning that point on the price and talking about stocks, the figures put forth for stocks were actually giving OPEC members false statistics.*

- No, it is not that the statistics were fiddled with or misleading, but the problem is that the stock data is very very uncertain. Because you have to remember that we are talking about 3 sources of stocks, primary, secondary and tertiay. What we saw in November and December was a significant fall in primary stocks, but in my view it was

There is a sufficient amount of excess capacity within OPEC which is liable to drift into the market

because people concerned about Y2K implications had actually stretched the primary stocks into the second and tertiary stocks. So, they don't get measured. It is that complicated. It can not be said that the markets have been fiddled with. But it is bad information.

● *How do you assess the price band mechanism? Do you see it practical?*

- I have reservations about this idea. I think it is dangerous because I think that in the market situation it can very often aggravate volatility rather than reduce it. And on the other hand, it does have a certain advantage that it was of market expectation. So, if the price does go below $22 and next it makes a powerful rebound for a while, people is of general expectation which could well stabilize the market, but whether the physical availability could destabilize the market which is a greater fuss is a question to be seen.

● *The last question. What do you think about high prices impact on the world economy parameters?*

- If you are talking about 22 to 28 dollars per barrel, I don't think the impact is particularly negative. And one has to say that for some poor and developing countries, they will have problems. If the price jumps from 22 to 28, in industrial countries that is a level of price that they can easily afford. I think the primary stocks are to be built and then 25 dollars a barrel is fine, but from producer's point of view, it must not go much below 20 dollars a barrel.

● *Thank you very much, professor Stevens for the interview.*

INTERVIEW WITH DR. MANUCHEHR TAKIN

● *Dr Takin, thank you for giving the pleasure of this interview. The first question is that the pressure put on OPEC by U.S. administration in the recent ministerial meeting was very overt. How do you assess the said conduct of the U.S. administration?*

- Well, this is a basically political issue. The views are that because of domestic politics, the administration of the United States in the year of presidential election wanted to both reduce the price of oil and get the price of gasoline decreased. Also the present U.S. administration would have to show the success they had in being able to reduce the cost of crude. But generally the U.S. has been influential in a more indirect way, trying to encourage producers to have higher production at more reasonable level. In fact in periods they have been pushing the producers when the prices have been too low. This was the case also in 1986, 1998 and 1999. But this time to make them to bring the prices down was rather unusual. This was however expected because the U.S. is both a producer of domestic oil at high cost fields and also an importer of oil.

● *But the U.S. drive occured when most OPEC members had felt the necessity of increasing their production.*

● ***How do you assess the price band mechanism opec has adopted? Do you see it practical?***

- As you know, it was me who has invented the price band mechanism and presented it in an article written in 94 which nobody read and it is there in MEES and I repeated it in 96, 98, and 99. Nobody asked my how it would be designed. I was the first who suggested it. I think that the price band mechanism is a good idea to stabilise the market. I would prefer a narrower band of $4 not $6 and also the quantity agreed to cut or to increase should be different according to the price. Suppose the price comes below $22, we cut half a million and if it comes below $22 by $4, we still cut half a million. This is not logical. They should have had graduated volumes dependent on how much the price comes down or goes up. But that requires some research and some thinking and our colleagues in OPEC and some other people do not think that it is enough.

● ***Do you see it practical?***

- Yes, I think it is practical.

● ***What do you think of the impact of high oil prices on the range of 22 to 28 on the world economy parameters and the countries' economies at large?***

- The world economy would adjust to high oil prices if the high oil price is stable. The problem is not the price of 25 or 27. The problem is that it has gone form 10 to 25. If you have a stable price, by definition there is no inflation, because the inflation is about the change in the rate of prices. The aim of OPEC today should be to try to stabilize as much as it can the prices around the level they like and keep it stable. That is what saves the world economy. A bit of volatility of one to three dollars makes no problem. The world economy can adjust to reasonable prices if the price remains stable and that is the key to the problem.

● ***Thank you very much professor Mabro for the interview.***

The world economy would adjust to high oil prices if the high oil price is stable in oil industry

Interview with Professor Paul Stevens

● ***Professor, the first question is about the pressure exerted by the U.S. administration recently in the OPEC ministerial meeting which was very ouvert. How do you assess the said conduct of the U.S. administration?***

- I think it was extremely foolish and I think Bill Rechardson's very high profile campaign of going around lecturing every body about what they should or should not be doing was extremely unhelpful. It was obviously done for purely domestic political purposes. As Richardson has aspirations to run as Algore's vice president, so, that was clearly being done for consumption within the United States. But in my view it was a very unhelpful contribution for two reasons. First of all part of the OPEC who would naturally be unhappy about the U.S. intervention would react to it. But secondly countries that would in any case have increased production through their own self interest like Saudi Arabia and Mexico which is not an OPEC member but still is part of the agreement, countries like that which would have increased production any way found themselves in an embarrassing situation. If they did increase production, it would look as though they were acting as a sort of puppets of the United States. So, it was really an extremely unhelpful intervention and in my judgement contributed significantly to the difficulty of the meeting that OPEC have just had.

● ***Do you find the OPEC production increase which is taking place virtually on the threshold of Summer, the low demand season, a logical move? If not, then what volume could have been more rational?***

- I think the timing of these things is more complicated than you suggest. You are right in saying that the second quarter tends to be a fairly low demand period but it tends to be a fairly low demand period for products. You often find that crude demand actually increases because people are running the crude through the refineries to secure products, particularly gasoline for the driving season. So, I think that the timing of the increase was anyway less important than many believe. Also the announcement of the increase has an effect on price expectations, and so in essence the price tends to move irrespective of whether the crude is in the market or not. We have seen that in the periods since the meeting the prices have come down very significantly and yet clearly the oil has not yet got into the market.

● ***Are you talking about psychological aspect of it then?***

- Yes, indeed. I mean it was noticeable for example when OPEC had it meeting, the market had already discounted, in other words taken into acount the expected increase and so the price did not immediately had much impact, but then about a week later when data about stocks came out and showed that stocks were not as low as people thought, plus the fact that oil

OPEC yields to U.S. pressure

Following the important 109th ministerial meeting of OPEC on 26th March 2000 held under peculiar circumstances "EGHTESAD-E-ENERGY" conducted following interviews with three prominent analysts of oil industry:

1) Professor Robert Mabro

President of Oxford Institute of Energy Studies

2) Professor Paul Stevens

Professor of Petroleum Policy & Economics, University of Dundee

3) Dr. Manouchehr Takin

Senior Petroleum Upstream Analyst, Center for Global Energy Studies (CGES)

INTERVIEW WITH DR. MABRO

● ***Dr Mabro, the first question is that the pressure put on OPEC members by the U.S. administration during the recent meeting of OPEC in Vienna was very overt. How do you assess this conduct of the U.S. administration?***

- Well, my view is that when the producing countries more or less agree that the world needs an increase in supply, because the stock levels were low, I think the U.S. administration has acted in a very irrational way because if they were going to increase any way, why they decide to fight, to go visit people and embarrass them. Why Bill Richardson should go and visit people and put pressure right in the center in a public way. You don't do that with sovereign states. I mean if you want to get the results, you either react discreetly or you say o.k. this is going to happen anyway. So why should I trouble myself. But the reason they did it is for internal political purposes. The people in the U.S. who put the pressure wanted to show to the American public that they are doing a good job.

● ***Do you find the OPEC production increase which is taking place on the threshold of Summer that is a low demand season a logical move? If not then what volume would be rational?***

- The Spring is a low demand quarter in Europe and Japan and some other parts of the world, but it is not a low demand quarter in the U.S. if you look at the data, there is always a buildup of demand in Spring because of stock building for making gasoline for the Summer. So, if you ask me would you increase production on the first of March, I would say yes I would increase for two or three months and see what happens. If the price falls, then I would remove the increase. If the price does not fall or rise again, we see what to do. It would not be irrational to increase at the beginning of Spring. The good policy would have been to increase the production on the first of December for two months. Because if you had done that, you would not have had the Winter problem. The stocks would not have been depleted very much, the price would not have flared up artificially and at the end of January, you assess the situation again. And if you want to go back to where you were, no problem, because by doing it at the end of March, you are entering the Spring season and you don't know what the situation is and you will have had the flareup behind you which has eased tension and political pressure. The right time to increase would have been first of December, but for two months only.

● ***That is about the timing but what about the volume? What volume would have been more rational?***

- God only know, about the volume no body knows, we don't know what the production and demand are, we don't know what the stocks are. The volume is a guess, because we don't know. One should try a volume and then see what happens and keep the option to go back-within two or three months.

● ***How much more do you see oil prices decrease and how do you anticipate such a trend?***

- That is very difficult. The real problem is whether there is a recession in the world or not. If there is no economic recession in Asia and the United States, demand remains fairly strong, the oil prices will stay within 20's. If there is a recession, then there is a problem and in that case the production should be cut.