

PRIME MINISTER

(Telephoned from
No. 10 at 1400)
JW 2/6

The International Oil Situation

I have seen David Howell's minute to you of 15 June, and also the record of your dinner with representatives of Shell on 16 June.

I agree very much with David's conclusion that our interest lies in quick and effective international action, if this can be secured, to ease the present pressures in the international oil market and thereby to reduce the risks of further steep oil price rises later this year. As his minute points out, the indirect effect of such price increases on our economy could be very damaging. Action that does not become effective until next year will be too late. Although the chance of getting such agreement with our EEC and Summit partners cannot be rated highly, I certainly hope that we would be able to go along with any proposals that seem likely both to be effective and to gain acceptance from our Strasbourg and Tokyo partners - so long as these did not involve us in domestic allocation

21 June 1979

CHANCELLOR OF THE EXCHEQUER

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

*Telephoned ✓
Stamborg*

PRIME MINISTER

THE INTERNATIONAL OIL SITUATION

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I have seen David Howell's minute to you of 15 June, and also the record of your dinner with representatives of Shell on 16 June.

2. I agree very much with David's conclusion that our interest lies in quick and effective international action, if this can be secured, to ease the present pressures in the international oil market and thereby to reduce the risks of further steep oil price rises later this year. As his minute points out, the indirect effect of such price increases on our economy could be very damaging. Action that does not become effective until next year will be too late. Although the chances of getting such agreement with our EEC and Summit partners cannot be rated highly, I certainly hope that we would be able to go along with any proposals that seem likely both to be effective and to gain acceptance from our Strasbourg and Tokyo partners - so long as these did not involve us in domestic allocation.

3. I am copying this letter to the Foreign and Commonwealth Secretary, the Secretary of State for Energy, other members of E Committee, and to Sir John Hunt.

A handwritten signature in dark ink, appearing to be 'G.H.'.

(G.H.)
21 June 1979