

*Energy Policy*

**CONFIDENTIAL**

*Subject copy : United Nations  
Visit of Sec-General*

*Extract from the*

NOTE OF THE PRIME MINISTER'S DISCUSSION WITH THE UNITED NATIONS  
SECRETARY GENERAL, DR. KURT WALDHEIM, AT 10 DOWNING STREET, ON  
THURSDAY 12 JULY 1979 AT 1700 HOURS

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*Energy*

Present:

The Prime Minister

Dr. Kurt Waldheim

The Foreign and Commonwealth  
Secretary

Mr. Brian Urquhart (Under-Secretary  
General for Special Political  
Affairs)

Sir Anthony Parsons

Mr. W.B. Buffum (Under-Secretary  
General for Political and General  
Assembly Affairs)

Mr. B.G. Cartledge

Mr. A. Rohan (Deputy Executive  
Assistant to the Secretary General)

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Tokyo Economic Summit

Dr. Waldheim asked the Prime Minister if she had derived any encouragement from the Economic Summit Meeting in Tokyo. The Prime Minister said that the meeting had simply re-affirmed the basic truth that if demand and supply were out of balance the price mechanism had to be adjusted so that balance could be restored. The European participants had already agreed that the demand for oil had to be depressed, but that this could not be done by Europe alone. It was agreed at Tokyo that if it could be demonstrated to Saudi Arabia that, by depressing demand, the shortfall in the supply of oil to the West was only, say, 5 per cent, Saudi Arabia might agree to increase her output sufficiently to fill that gap. As Sheikh Khalifa had told her in Bahrain on her way back to London, the Arabs had no desire to hurt the West since this hurt their own interests as well.

Lord Carrington commented that all the Tokyo participants had chosen the base line for their restriction of demand which happened to suit them best.

The Prime Minister went on to say that most economic problems had their origin in political problems. The Middle East was a prime example of this: the first great oil shortage had sprung from the conflict between Israel and Egypt and the new shortage had resulted from the internal political problems of Iran. A major success in Tokyo had been agreement on the importance of developing new sources of energy supply, especially nuclear power. There had also been agreement on the need to improve communication with the OPEC countries and to make them feel that they were being included in the political dialogue. In the last resort, however, the problem of oil could only be solved through a solution to the political problems of the Middle East. The West was at present witnessing the creation by the Soviet Union of a belt of instability across Africa and Asia. A settlement which could restore stability to the Middle East would be a great prize.

Middle East

/ Lord Carrington