

191823Z

FOR ATTENTION DUTY CLERK NO 10

COMMENT:

RESTRICTED

FM RIYADH

TO PRIORITY FCO

TELNO 693

OF 190945Z AUGUST 90

INFO PRIORITY DEPARTMENT OF ENERGY

INFO ROUTINE WASHINGTON, UKDEL OEC, OTHER OPEC POSTS, ANKARA

INFO ROUTINE AMMAN, UKMIS VIENNA

MY TELNO 683: SAUDI OIL PRODUCTION

SUMMARY

1. FURTHER PUBLIC CONFIRMATION OF SAUDI WISH TO HOLD IMMEDIATE OPEC MEETING. FIRST PUBLIC STATEMENT OF SAUDI INTENTION TO INCREASE PRODUCTION.

DETAIL

2. SAUDI NEWSPAPERS TODAY CARRY A PRESS CONFERENCE WHICH PETROLEUM MINISTER HISHAM NAZER GAVE IN JEDDA ON 18 AUGUST. NAZER CONFIRMED THAT SAUDI ARABIA IS PRESSING FOR AN IMMEDIATE OPEC MEETING TO BOOST INTERNATIONAL OIL PRODUCTION TO COMPENSATE FOR THE SHORTFALL IN SUPPLIES. NAZER CONSIDERED THIS ACTION ESSENTIAL TO STAVE OFF RECESSION AND INFLATION IN OIL-IMPORTING COUNTRIES. HE (CLEVERLY) DREW ATTENTION IN PARTICULAR TO THE PLIGHT OF POOR THIRD WORLD COUNTRIES, AND ASSURED THEM THAT SAUDI ARABIA WOULD NOT LET THEM 'GO DOWN THE DRAIN'.

3. FOR THE FIRST TIME IN PUBLIC, NAZER ALSO DECLARED THAT SAUDI ARABIA WAS READY TO ACT UNILATERALLY IF NO CONSENSUS COULD BE FOUND WITHIN OPEC. HE SAID THE KINGDOM COULD BOOST ITS PRODUCTION BY 2 MILLION BPD IN A 'VERY SHORT PERIOD', AND THOUGHT THAT VENEZUELA AND UAE COULD ADD A FURTHER 500,000 BPD EACH. NAZER CONCEDED THAT SOME OPEC MEMBERS (HE SINGLED OUT INDONESIA) THOUGHT STOCKS SHOULD BE DRAWN DOWN BEFORE ANY INCREASE IN PRODUCTION TOOK PLACE. BUT HE MAINTAINED THAT AN EMERGENCY OPEC MEETING WAS REQUIRED IMMEDIATELY TO FACE UP TO THE CRISIS. OTHERWISE, IN 'TWO WEEKS OR SO' THE WORLD FACED AN OIL MARKET DESTABILISED NOT BY MARKET FORCES, BUT BY IRAQI AGGRESSION. NAZER ADDED THAT FAILURE BY OPEC TO MEET WOULD LEAVE SAUDI ARABIA WITH NO ALTERNATIVE BUT TO GO IT ALONE.

COMMENT

4. A PETROLEUM MINISTRY SOURCE HAS TOLD US THAT THE SAUDIS WILL NOW WAIT TO SEE OPEC MEMBERS' REACTIONS TO NAZER'S COMMENTS. IF, AS THE SOURCE SUSPECTED THERE IS STILL INSUFFICIENT SUPPORT FOR AN OPEC MEETING, THE SAUDIS WILL ABANDON THEIR EFFORTS IN THIS DIRECTION AND RAISE PRODUCTION UNILATERALLY UNDER SOME OTHER AD HOC COVER.

MUNRO

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MAIN 225

.OIL

STANDARD

ESED

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159

5

COMED	5
ECONOMIC ADVISERS	3
MED.	13
NENAD	6
LAD	14
WAD	6
SEAD	10
MR FAIRWEATHER	1
MR TOMKYS	1
MR GORE-BOOTH	1
ADDITIONAL 45	
OIL	45
(PASSED TO EMERGENCY ROOM)	
[CHARLTON]	