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Treasury Chambers, Parliament Street, SW1P 3AG
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FOREIGN AND COMMONWEALTH SECRETARY

OIL

I read with interest Peter Walker's letter of 20 January and the paper he enclosed on the prospects for the world oil market. I have also seen your minute of 25 January.

2. The situation is not unlike this time last year, and should I believe be approached, as Peter suggests, in much the same way as it was then. The oil market remains fragile, but on balance it looks probable that the current nominal dollar price might be maintained through 1984, although we may well face a very tricky period in the second and third quarters. We may therefore need to consider from time to time the tactical measures described in the paper. Their deployment would depend on an assessment of their cost and effectiveness in the precise circumstances, and market conditions, at the time.

3. As for measures which affect the balance of supply and demand, Peter outlines the difficulties they would involve, and I fully agree with him. I find it hard to envisage circumstances in which it would be sensible to use them.

Copies of this minute go to the Prime Minister, Peter Walker and Norman Tebbit.

N.L.

N.L.

26 January 1984

Energy: World oil Market pt. 2

26 JAN 1984

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10 DOWNING STREET

Prime Minister ②

To note the reactions of
the Foreign Secretary and
Chancellor to the Walker's
papers

AT
26/1

A handwritten signature, possibly 'M.B.', written in dark ink.



JU597

Secretary of State for Trade and Industry

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6 February 1984

The Rt Hon Sir Geoffrey Howe QC
Secretary of State for Foreign
and Commonwealth Affairs
Foreign & Commonwealth Office
Downing Street
SW1

D Geoffrey

PROSPECTS FOR THE WORLD OIL MARKET

I have seen Peter Walker's letter of 20 January and the subsequent minutes from you and Nigel Lawson.

I share the view that taking radical measures to affect the balance of supply and demand for oil is most unlikely to be justified. I am of course conscious that the interests of industrial and domestic oil consumers might best be served by a fall in the crude oil price. Our commitment to price stability is based on the extreme difficulty in current circumstances of engineering the modest and gentle fall which might be in our overall economic interests.

Because of the disruptive effects of a sudden fall, however, I agree that we should be prepared to consider some of the tactical measures described in the paper if the need arises. Here of course the case for taking action would be considerably strengthened by the presentational impact of our policies on safeguarding our commercial and financial interests in OPEC countries, to which you have referred.

I am copying this to the Prime Minister, Nigel Lawson and Peter Walker.

Norman

NORMAN TEBBIT

Energy : oil Prices Pt 2

