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RESIDENT-CLERK

PS/NO 10 DOWNING STREET

MR CE HENDERSON, HD/Oil DIV, ROOM 1645
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MR FREEMANTEL } THAMES HOUSE
MR W. RICKETT } SOUTH
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MR RG LAVELLE }
MR P LEAHY } HM TREASURY
MR S ROBSON }

MR R MARTIN, Rm 7116 } DTI
MISS LACKEY (WEG) } (Victoria St)
MR D FORD (CT5) }

~~MR GRAHAM HAMILTON~~

[Dept of Energy Treasury telephoned but no reply received advised by. How Syria message]

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FM UKMIS GENEVA

TO IMMEDIATE DESKBY 091730Z FCO

TELNO 453

OF 091605Z DECEMBER 1985

INFO IMMEDIATE DESKBY 091730Z DEPT OF ENERGY

INFO IMMEDIATE DESKBY 091730Z TREASURY

INFO PRIORITY JEDDA, JAKARTA, LAGOS, KUWAIT, DOHA, ABU DHABI,

INFO PRIORITY MUSCAT, BIS TEHRAN, CARACAS, BAGHDAD, ALGIERS, QUITO,

INFO PRIORITY MEXICO CITY, BAHRAIN, DUBAI, RIYADH.

INFO ROUTINE OSLO, CAIRO, KUALA LUMPUR, BANDAR SERI BEGAWAN, OTTAWA,

INFO ROUTINE LIBREVILLE, WASHINGTON, UKDEL OECD PARIS, VIENNA.

OPEC MINISTERIAL MEETING (7-9 DECEMBER)

1. MEETING ENDED AT 1415 LOCAL TIME TODAY (9 DECEMBER). MALAYSIA AND MEXICO WERE PRESENT AS OBSERVERS. DURING MORNING IRAN, ALGERIA AND LIBYA ALL BACKED OUT OF NEWLY-FORMED RESEARCH COMMITTEE, APPARENTLY WORRIED ABOUT CONSEQUENCES ON PRICES OF INCREASING PRODUCTION LEVELS.

2. IN A FINAL COMMUNIQUE, GRISANTI (VENEZUELA AND NEW OPEC PRESIDENT) TOLD JOURNALISTS THAT HAVING CONSIDERED PAST AND LIKELY FUTURE TRENDS IN THE MARKET, AND IN VIEW OF THE DECLINING TREND OF OPEC PRODUCTION, OPEC HAD FORMED A SPECIAL COMMITTEE, HEADED BY HIMSELF, QUOTE TO SECURE AND DEFEND A FAIR SHARE OF THE MARKET FOR OPEC PRODUCERS, CONSISTENT WITH THE NECESSARY INCOME FOR THE DEVELOPMENT OF ITS MEMBER COUNTRIES UNQUOTE. OTHER COMMITTEE MEMBERS WOULD BE AL-ORAIBI (IRAQ), AL-SABAH (KUWAIT), SUBROTO (INDONESIA) AND OTAIBA (UAE). THE COMMITTEE WOULD BEGIN ITS WORK IMMEDIATELY, AND REPORT TO THE NEXT MINISTERIAL MEETING ON 25 JUNE 1986. THE COMMITTEE WOULD BE ASSISTED IN ITS WORK BY EXPERTS FROM ALL OPEC COUNTRIES.

COUNTRIES.

3. ANSWERING QUESTIONS, GRISANTI SAID THAT OPEC HAD NOT PUT A FIGURE ON WHAT IT CONSIDERED TO BE ITS FAIR SHARE OF THE MARKET. ASKED ABOUT SHORT-TERM PRODUCTION OR PRICING PLANS, GRISANTI STATED THAT ALL PREVIOUS OPEC RESOLUTIONS WERE STILL REGARDED AS BINDING. ON THE QUESTION OF STARTING A PRICE WAR, GRISANTI SAID THAT THIS WAS NOT OPEC'S INTENTION, BUT THAT THE COMMITTEE WOULD CONSIDER WHAT INSTRUMENTS MIGHT BE USED TO PROTECT THE INCOME OF OPEC MEMBER STATES. HE POINTED OUT THAT ALTHOUGH OPEC'S SHARE OF WORLD OUTPUT HAD DECLINED, OVER 60% OF THE OIL TRADED ON INTERNATIONAL MARKETS STILL CAME FROM OPEC COUNTRIES.

MOSS