

the International Monetary Fund in preparation for next September's Fund-World Bank Annual Meeting have also fallen flat, due to opposition principally from the French and Germans. In other words, the foreign exchange side of the problem,

which Schacht covered so effectively in the 1930s, in hopelessly uncovered now.

Unless the advocates of synthetic fuels under hydrogenation technology propose to address these questions in a format that promises to

reinstate the full array of Schachtian preconditions for their policy—rather than burying the implications in obscure reports—all their statements on the subjects must be viewed as mostly bluff.

—David Goldman

BRITAIN

British oil customers get the shaft in the aftermath of Tokyo

Upon her return from the Tokyo summit, British Prime Minister Margaret Thatcher blithely declared that the decision to set national oil import quotas for EEC countries would have "no effect" on the U.K., which is in any case aiming for zero net oil imports between 1980-85. North Sea oil production is expected to make Britain energy self-sufficient by 1981.

However, unless new fields are found, supplies will reportedly start to dwindle in little more than five years, leaving Britain again dependent upon foreign supplies. And, as recent government action indicates, even Britain's current domestic energy needs cannot be met unless supplies are diverted from foreign customers of the state-owned British National Oil Company (BNOC), which controls North Sea oil production and distribution.

BNOC is one of the biggest crude oil trading companies in the United Kingdom sector of the North Sea, thanks to the 51 percent stake in virtually every company operating offshore which it gained from the state participation deals brought in by the Labour Government. Despite rising production, Britain remains about 6 percent short of oil overall—worse off than some non-oil-produc-

ing countries within the EEC. The U.K., with no "downstream" or refining operations of its own, keeps only 45 percent of its production for the home market, exports the remainder and makes up the difference from the Middle East.

To ensure supplies for Britain, the government has told BNOC to revise the terms of its supply contracts with the 20 or so small American and European companies who buy 75 percent of BNOC's oil. These mostly American companies, who export North Sea crude without refining it in Britain, will be ordered to export up to 50 percent less to make their own customers and divert supplies to the British market instead.

According to the *Economist*, BNOC appears to be making progress with its demands—even though none of it is in writing. Smaller American oil firms are playing ball for fear of having their export licenses revoked, though they may have to buy at \$35 a barrel on the spot market (instead of \$21 from BNOC) to supply their customers back home, and will be forced to pass along the higher cost.

The British government will also exercise its option to have its North Sea royalties (12.5 percent) in oil rather than cash, putting a further squeeze on oil supplies which would ordinarily be shipped abroad.

The second part of the Government's strategy is to extend the oil-producing life of the North Sea in order to make Britain self-sufficient

well into the 1990s, if not beyond. This will mean a crash effort to discover more oil in the North Sea and the Tories are even prepared to drop the requirement, established by the Labour Government, that all oil companies must give the state corporation a 51 percent partnership before being allowed to look for new fields.

In line with the Tories' new "free enterprise" theme, the British National Oil Company is expected to undergo a major face lift. The most likely possibility is that BNOC's equity assets will be sold off to private companies such as British Petroleum, Rio Tinto Zinc and ICI (Imperial Chemical Industries). North Sea oil assets would then be under the direct control of the British oligarchy. Thatcher's husband Dennis, a former Burmah Oil executive, could end up with the chairmanship of the truncated BNOC, according to rumors in the British press.

—Marla Minnicino