Unfinished business: 1973 Arab oil boycott

By AMY MYERS JAFFE and EDWARD L. MORSE

Today marks the 30th anniversary of the Arab oil boycott, and the unprecedented quadrupling of oil prices, which revolutionized the global economy. The embargo exposed the industrial West to undertake dramatic and important actions to prevent oil blackmail from recurring. In the intervening years, those efforts have borne significant fruit. The liberalization of markets together with 1.5 billion barrels of Western strategic oil stocks make it difficult for any oil exporter to consider a repeat of 1973. But the move to liberalize has not ended the international community's freedom of movement in important policy areas such as nuclear energy, political reform, and international finance and banking reform.

When we confront the potential oil market consequences of political instability or terrorism in Saudi Arabia that might result in lower Saudi exports. The oil industry has done its part over the past 30 years. Industry research and development has meant that deep-water resources, frontier Arctic resources or the tar sands in Canada provide huge, incremental new supplies of oil at prices much lower than today's. A decade ago, Canada produced virtually no oil from tar sands. These oil-bearing structures are increasing their production at a rate similar to the same size as Saudi Arabia's reserves of conventional oil, deserve more attention from U.S. policy-makers, as do the oil sands in Alaska and Russia.

But perhaps most important is the need to take seriously Russia as a global oil producer, which could very well be a decade as pipelines are built to the Asia Pacific region. Russia can well become an exporter that rivals Saudi Arabia in scale, and real. Russian President Boris Yeltsin now that its interests and ours coincide far more than its interests and OPEC's should become a critical part of our global agenda.

Finally, finding a creative way to revitalize Iraqi oil, with huge scale to serve, and to open Baghdad to produce an ever-decreasing production capacity should be a major goal of this administration.

Beyond oil strategies, there is no question that even 10 percent of the money the United States and Saudi Arabia spent on the 1973 oil embargo could be imported much less oil and exporting new technology energy equipment today, enhancing both security and the global environment.

It is time to complete the countervailing force to OPEC and create an energy regime that is more sophisticated than other areas of trade and payments. Until Americans get a grip on the fact that their unbridled energy use is not of consequences, celebration of the 1973 oil embargo will remain a sobering, rather than festive, occasion.

Jaffe and Morse were project director and chair of the joint Task Force on Strategic Energy Policy of the James A. Baker III Institute for Public Policy of Rice University and the Council on Foreign Relations.

than defuse oil as a commodity. The United States should look seriously at ways to bring the rules of global oil trade and investment in harmony with the rules governing trade in manufactured goods and services. This would mean discriminating actively against those countries that do not permit foreign investment in their energy resources and that limit their exports to manipulate prices. This is a tough policy, but one that is essential to the proper post-OPEC revolution. Liberalization and open access for investment in all international energy resources would mean their timely development rather than today's worrisome delays. Without global norms across the oil world, the world experiences capital and politically constrained limitations of supply that cramps the global economy today and perpetuates poverty in the energy poor countries of Africa and Latin America.

The United States also needs to get its act together at home. Initially, the United States did its fair share, decontrolling domestic oil prices and setting tough隔音 standards. The United States lags behind the rest of the industrial world in energy policy. Japan and the European Union, unlike the United States, imposed huge taxes on oil consumption of 400 percent or more, virtually halting the growth in oil demand and promoting technologies that cut the drivers to drive more each year, using less fuel and facilitating exports of energy efficient motor vehicles.

The United States has taken a reverse course and is now, ironically, the most significant subsidizer of OPEC. America's rising imports of now 10.2 million barrels per day, up from 5.7 million b/d in 1991 — represent more than a third of the increased oil trade over the past 10 years and more than 50 percent of OPEC's output gains.

The United States needs to take demand management very seriously. If U.S. government fleet vehicles should be highly efficient hybrid vehicles or natural gas and electric power cars. If U.S. taxpayers resist energy taxes, then U.S. policy should include higher mileage efficiency standards on all vehicles, including compact utility vehicles. Higher fuel taxes could at least be placed on inefficient vehicles.

Thirty years ago, the West vowed to become less reliant on OPEC. Meanwhile, we have increased our dependence on the Middle East in critical ways. The world now relies almost exclusively on Saudi Arabia to hold some capacity in standby readiness to remedy global oil supply disruptions. We have not confronted the consequences of this high dependence on Saudi largesse, which could, over time, limit the international community's freedom of movement in important policy areas such as human rights, political reform, and international finance and banking reform.

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