

Commodities

Throughout 1979, international discussions on a broad range of individual commodities took place, particularly on commodities under UNCTAD's Integrated Program for Commodities. Of particular note was the successful conclusion of negotiations to establish an International Natural Rubber Agreement designed to stabilize natural rubber prices primarily through an international buffer stock. Negotiations to establish a new International Wheat Agreement were unsuccessful primarily due to differing views among producers and consumers on appropriate prices and stock levels. Multilaterally, at UNCTAD V, agreement was reached to launch within a framework of international cooperation detailed work on expanding the participation of developing countries in such areas as the processing, marketing and distribution of primary commodities and products.

Energy

In 1979, the world oil supply and price situation underwent its most tumultuous developments since the Arab oil embargo precipitated the first energy crisis in 1973-74. The temporary loss of all oil exports from Iran created nervousness among oil consumers which led to unprecedented price levels by the end of the year. At the Tokyo Summit, leaders were forced to devote their attention to energy matters by these dramatic international developments. It was again not possible in 1979 to initiate any dialogue on energy among industrialized countries, oil exporters, and developing countries. In Canada, the question of access to sufficient oil supplies became an important foreign policy concern during the year.

All oil exports from Iran ceased in the first quarter of 1979 because of political turmoil in that country. Even after Iranian exports were resumed, production by that country for the year was down 44 per cent. Despite this loss, world oil production outside the socialist bloc rose about 4 per cent or 2 million bbls/day in 1979, because of production increases by some OPEC members, in the North Sea, and Mexico. Western oil consumption grew by only 2 per cent last year. However, significant commercial and governmental stock-building during 1979, equivalent to 1.2 million bbls/day of demand or 3 per cent of western world oil consumption, as well as the eagerness of purchasers to maintain access to oil supplies, were largely responsible for enabling producer countries to impose major price increases.

The average official OPEC oil rose from \$12.93/bbl(US) on December 3, 1978 to \$26.12 on December 31, 1979. This was an increase of 102 per cent in one year, and about the same in real dollars as the jump from \$2.50 to \$10 in 1973-74.

At their meeting in Tokyo in June, Canada and other Summit countries agreed on a common strategy to attack the problem of high oil prices and oil shortages by emphasizing

the reduction of oil consumption and the development of other energy sources. Specific measures included the adoption of individual goals on oil import ceilings for 1980 and 1985, and steps to bring into the open the working of the world oil markets. Summit leaders also agreed on measures to encourage the production of coal, nuclear energy, and the development of new energy technologies, the latter through the establishment of an International Energy Technology Group linked to the OECD and IEA. Canada also participated in a meeting of Summit Energy Ministers in Paris in September 1979, which implemented many of the Tokyo Summit energy decisions, and a Ministerial meeting of the IEA in December 1979, at which all 20 IEA members adopted individual oil import ceilings and a group import target for 1980 and 1985. There was also an earlier IEA Ministerial meeting in May, 1979, at which the first collective actions were taken on limiting the group's oil imports, by a goal of 2 million bbls/day in 1979, and Principles for IEA Action on Coal were decided upon.

The resumption of rapid oil price increases and concern about the availability of energy supplies for both industrialized and developing countries led to renewed calls for discussions on energy issues among oil producers and consumers. No specific forum has been designated for such discussions, but the proposal for global negotiations (on international economic cooperation for development) which emerged in the UN in the autumn of 1979 did include energy as one of the five topics for negotiation.

The increasing evidence that there would not be sufficient oil available on world markets through the course of the 1980s to meet increased demand from all quarters gave rise to concerns in Canada about future oil supplies, despite our relatively privileged position with regard to a variety of energy resources. Canada's Tokyo oil import target makes allowance for the fact that our net oil imports may grow from about 150 thousand bbls/day in 1980 to as much as 600 thousand bbls/day in 1985. Bilateral discussions on oil supply were held during 1979 with countries such as Mexico and Venezuela in an effort to increase Canadian energy security.

International nuclear commerce and non-proliferation

As the world energy situation becomes more critical, a number of states have turned to nuclear energy to help meet their energy needs. This, in turn, results in a growing international trade in nuclear items (e.g. uranium, nuclear reactors). Canada, as a result of its possession of significant uranium resources and of a unique and proven reactor technology, participates in this commerce. In doing so, Canada has made considerable efforts to promote the evolution of an international non-proliferation regime which will minimize the risks of ("horizontal") nuclear proliferation while enabling international nuclear commerce to continue.