Oil prices did indeed remain low for a good many years, and there was room for upward movement to reflect the cost of bringing on new conventional and non-conventional sources of energy.

We are particularly concerned to ensure that action is taken to prevent the economic collapse of those developing countries heavily dependent on imports of oil. An overall increase in the flow of development aid, bilaterally and through multilateral institutions, is urgently required from major traditional donors and from those who have benefited from increased oil revenues, together with a reassessment of the geographic allocation and the composition of aid programs, both bilateral and multilateral in the light of the differing effects on developing countries of those higher oil prices.

The current uncertainty as to the prospective level of world oil prices makes it, of course, extremely difficult to extrapolate the effects of the situation even over a one year period. However, certain inescapable facts confront us. Almost three quarters of the developing countries do not produce their own energy supplies. Based on oil demand projections calculated prior to October 1973, those countries might expect to pay for their oil imports in 1974 triple the amount they paid for oil imports in 1973. The resulting foreign exchange costs could surely not be borne without cutting back severely on other essential imports or running down already limited exchange reserves.

The amount of aid extended to all developing countries was approximately twice their estimated oil import bill in 1972. By contrast, in 1974 the oil import bill for all LDCs could approach twice the 1972 aid level. In dollar terms, the 1972 oil import bill for these countries was $3.7 billion. In 1974 they will have to pay at least $15 billion. In some individual cases, such as that of India, the added costs will completely offset the flow of development assistance from all quarters. It is, of course, misleading to generalize on the effects of increased oil prices on the seventy odd oil importing LDCs. These effects will vary depending on the nature of their economies and the movement of other import and export prices. Certain major fast growing exporters may be better able to withstand increased costs. Populous countries of slow export growth, yet with a growing industrial base catering to domestic needs, will be particularly hard hit. The gravest indirect effect of the oil situation is likely to be in the agricultural sector of developing countries. Fertilizers and pesticides which have been so necessary for the success of the "green revolution" are energy intensive products and there is already a growing shortage of fertilizer.

For some time now, fertilizer production has been inadequate to meet demand and new capacity has not been built at a sufficient rate. This shortfall, combined with growing demand for food, means that food grains are almost certain to remain in short supply, and the developing countries will have to spend considerably more for their imports of a number of essential commodities. To cite a few examples: the price of wheat has increased sharply over the past two years from $86 a metric ton in 1972 to $210 today -- an increase of 146 percent. Rapeseed went up from $130 a ton to $300. Prices of other commodities and products, and of services such as transportation have shot up as well. Potash fertilizers have gone up 71 percent in one year. Prices of lead and zinc have almost doubled in the last 12 months and fabricated steel has risen to $800 a ton from $500 a year ago.

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