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Allying with developing nations, India should pitch for stabilizing oil prices at international forum: ABB

Eighty nine per cent of the country's CEOs feel that if the international crude oil prices continue to rise, the developing nations, which still have considerable population below poverty line, will have to cut expenditure on developmental programmes affecting poverty removal, employment generation and social betterment schemes, as per the Assocham Business Barometer (ABB) Survey.

The developing economies across the world should jointly urge the oil producing nations to evolve a mechanism of keeping check on unabated rise in crude prices as the development process is getting disarrayed with prevailing oil crisis.

Eighty three per cent of the business leaders agree that India in alliance with other developing nations, should further stress on the need of price band mechanism for oil trading on international platform.

Dramatic rise in the international crude prices have become a double-edged sword for oil importing nations facing bloated import bills and weak domestic currency against dollar. It is impacting their Balance of Payment and widening the trade deficits.

ASSOCHAM has done a quick survey of 300 CEOs across various sectors, to take their views on prevalent oil crisis. International crude oil price have shot up by over 100 per cent over the last one year touching almost USD 150 per barrel in mid 2008.

The rising price of the crude oil is attributed to a combination of factors including weakening of dollar, speculation in the oil markets, increased demand from China and India, geopolitical issues triggering supply and logistics constraints, pressure on US refiners to increase production of new gasoline.

According to 86 per cent of the ABB respondents the oil prices are moving upwards due to the speculative activity rather than real productive demand. They said that the situation has worsened following the increase of speculative activities in the future oil market.

In view of the impact of oil prices on smooth functioning of an economy, 88 per cent of the CEOs feel that it is essential to create a mechanism where oil prices should maintain a steady pace rather than huge jumps in prices.

As many as 77 per cent of corporate heads felt that oil-consuming nations should thrust on maximum conservation of oil. Also, they need to step up investments in alternative renewable sources of energy.

Eighty two per cent of the survey respondents feel that the oil consuming nations should form a syndicate for collective bargaining in crude oil prices that will strengthen their position in the crude market.

Around 76 per cent of the participants felt the need for more transparency and supervision of institutional investors in commodities markets that can avoid speculation.

Trade Commission and commodity exchanges of each country needs to immediately take action in investigating the market manipulation in oil futures, so as to control further hike, as suggested by 78 per cent of the corporate leaders.

The oil consuming nations are facing unrest in their nations due to the shortage. It is impacting their growth rates with higher inflation and unemployment rates forcing the world's major central banks to start raising interest rates and curb rising consumer prices hitting their industrial growth.

Sixty eight per cent of the ABB participants feel the under developed but oil rich nations such as Nigeria, Iraq, need help and attention from the international community to increase the world oil reserves supply.