McNamara Papers

Travel briefs – Mr
February 6 – 21,



Folder 1 of 8

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## VISIT TO THE MIDDLE EAST AND EUROPE, February 6-21, ~~1973~~

| DATE | TIME | GMT | | REMARKS |
|---|---|---|---|---|
| Feb. 6 Tues. | 2000 | 0100 | Depart Washington (Dulles) | BA522 (VC10) |
| Feb. 7 Wed. | 0810 | 0800 | Arrive London (Heathrow) | |
| | 1015 | 1015 | Depart London | BA756 (VC10) |
| | 1645 | 1445 | Arrive Beirut | Saint George Hotel |
| | 1900 | | Reception by Bankers Association (until 2100) | at Hotel |
| Feb. 8 Thurs. | 900 ~~a.m.~~ 9.30 | | Depart Hotel, 930 Arrive Saida<br>Visit Litani/Bega's irrigation site | by car |
| | 1030 Rouum Dam<br>11-1130 Karaoun Dam<br>1130-1200 Bekaa going.<br>1300-1430 | | Lunch at Shotura by Minister of Water and Power | |
| | ~~1500~~ | | Visit Baalbek Roman ruins 1730-1800 Return to Beirut | by car |
| | 1930 - 2030 | | Meet with President Frangieh | |
| | ~~evening~~ 2030 | | Dinner by President | |
| Feb. 9 Fri. | 0900 ~~a.m.~~ 920 | | Depart Hotel<br>Visit public housing site ~~and ancient~~ until 950 | |
| | 1030 | | visit town of Byblos (until 1130) | 1200 Arrive Jeita<br>1250 Depart Jeita } optional<br>1315 arrive Beirut |
| | 1330 | | Lunch by Finance Minister at Residence | |
| | 1830 | 1630 | Depart Beirut 1650 luggage | KU532 (707) |
| | 2140 | 1840 | Arrive Kuwait 1700 leave hotel luggage | |
| | | | Evening free ? 1745 party leave hotel | |
| Feb. 10 Sat. | a.m. | | 930 1030<br>Meetings with Ruler, Prime Minister, Crown Prince and Minister of Finance | |
| | 2 pm | | Lunch by Finance Minister residence 1230 | |
| | p.m. | 530 | Meet with Mr. Jaroudi, Head of Arab Fund | |
| | 5 pm | | Loan signing at Kuwait Investment Corporation | |
| | evening | 6pm | Reception with bond subscribers KIC | |
| | 8 pm | | Dinner by ~~The Ruler~~ AtHamad at his home. | |
| Feb. 11 Sun. | ~~a.m.~~ 830 1030 | | Handicraft center<br>Visit oil installations | |
| | 1400 | | Lunch by Mr. Al-Hamed Gazelle Club. | |
| | 8pm | | Dinner by MoF | (Mohamed al Shmak new alt ED) |
| Feb. 12 Mon. | 0900 ~~0830~~ | 0530 | Depart Kuwait | Charter |
| | ~~1030~~ 1100 | 0730 | Arrive Doha, Qatar | El Marmar Guest ~~house~~ Palace |
| | | | ~~Meet with Ruler~~ | |
| | | | Lunch by ~~Finance Minister or Ruler~~ private at Marmar Palace | |
| | ~~p.m.~~ 1600 — | | Tour of Doha, visit Fertilizer plant at Umm Said | |
| | | | ~~Working session~~ | |
| | 1830 8000 | | Dinner by ~~Ruler or~~ Finance Minister at El Marmar Palace<br>Meet Emir, Finance Minister, Foreign Minister. | |
| Feb. 13 Tues. | 1025 | 0725 | Depart Doha | GF321 (BAC111) |
| | 1225 | 0825 | Arrive Abu Dhabi | Guest house ("Khaubeira) |
| | | | ~~Meet with Finance Minister~~ | |
| | 1330 | | Lunch ~~by Finance Minister~~ (private) at | |
| | ~~p.m.~~ | | ~~Field visit, possibly to "greenhouse"~~ | |
| | 2000 | | Meet with Ruler followed by | 1600 Visit port and town |
| | ~~evening~~ | | Dinner by Ruler | 1900 Minister of Foreign Affairs + officials. |

| | | | | |
|---|---|---|---|---|
| Feb. 14 Wed. | ~~a.m.~~ 0830 | | Visit to Dubai ~~(by plane) or helicopter)~~ by car | 1000 meet with the Ruler, Sheikh Rashid |
| | | | ~~Lunch by ?~~ ~~leave 1530 Dubai~~ | 1200 tour town |
| | p.m. | 1230 | ~~Working session~~ | 1330 Lunch by ruler |
| | 1630 ~~1730~~ | ~~1330~~ | Depart Abu Dhabi | Charter — 1500 Depart Dubai by plane |
| | 1815 ~~1845~~ | ~~1545~~ 1530 | Arrive Riyadh, Saudi Arabia | Guest House — 1530 Arrive Abu Dhabi |
| | | | Evening free | |
| Feb. 15 Thurs. | 0945 ~~a.m.~~ 1000 | | ~~Meet with Ruler~~, Finance Minister | Minister of State |
| | 1330 | | Lunch ~~by ?~~ at Gov't Guest hos Min of State official, back to Hotel | |
| | p.m. | | ~~Meet with Oil and Planning Minister~~ | |
| | | | ~~Meet with King~~ 1630 Tour of City, Riyadh tower | |
| | ~~evening~~ 2000 ~~2245~~ | | Dinner ~~by King ?~~ (w. ladies) Anwar Ali Governor, SAMA private ~~depart for Jiddah 2345 arrive Jeddah~~ | |
| Feb. ~~16~~ 17 ~~Fri.~~ Sat | 0825 | 0525 | Depart ~~Riyadh~~ Jeddah | ~~SV781 (707)~~ ME 369, ME 201 |
| | ~~1525~~ 1400 | ~~1525~~ 1500 | Arrive London (Heathrow) | ~~(Dharan GMT 0610-0655)~~ ~~(Rome GMT 1220-1305)~~ |
| Feb. 17 Sat. | to 0830 Depart Jeddah, 1630 arr. London | | London | Claridge's |
| Feb. 18 Sun. | | | London | |
| | 1200 1230 leave for BoE, Mr Mitchell at Hotel ? | | | |
| Feb. 19 Mon. | 1300 for 1315 | | Lunch by Governor of Bank of England | |
| | 1600 | | Minister of Overseas Development | |
| | 1645 | | Chancellor of The Exchequeur | |
| | | | ~~Prime Minister ?~~ | |
| Feb. 20 Tues. | 0925 | 0925 | Depart London | LH057 (737) |
| | 1145 | 1045 | Arrive Cologne | |
| | | | Transfer to Bonn by car | Hotel Tulpenfeld |
| | 1300 | | Lunch with Minister Eppler (McN alone) | at Hotel |
| | ~~1500~~ 1430 | | Minister Schdmit (depart hotel 1415) ~~1600 depart Schmidt's office~~ | |
| | 1630 | | Speech and discussion at Friedrich Ebert Foundation (until 1800) | |
| | 1930 2000 | | Depart Hotel Dinner with Minister Eppler and small group | Dom-Hotel, Köln |
| Feb. 21 Wed. | 0950 1000 | | Depart Hotel Courtesy visit to President (until 1015) | |
| | ~~1100~~ 1030, press conference | | ~~Depart for Bundestag~~ ~~Press conference (until 1130)~~ | |
| | ~~1145~~ 1130 | | Parliamentary Aid Committee (until 1245) | Back to hotel, depart again 1215 |
| | 1230 | | Lunch with Minister Eppler ~~Depart restaurant~~ Steigenberger Hotel | Steigenberger hotel, Bonn |
| | 1400 1345 | | Chancellor Brandt | |
| | ~~1500~~ 1445 | | Depart Bonn Depart Bonn | By Helicopter |
| | 1620 | 1520 | Depart Frankfurt | PA1 (747) |
| | 2035 | 0135 | Arrive New York (JFK) | (London GMT 1650-1800) |
| | 2135 | 0235 | Depart New York (JFK) | BN19 (727) |
| | 2254 | 0354 | Arrive Washington (Dulles) | |

Feb. 16 Fri. 0900 Depart Riyadh
1000 arrive Harad
Visit agric. scheme, Lunch at scheme
1300 depart Haradh
1430 arrive Jeddah
dinner (private)
2130 audience with King
2245 depart Riyadh
2345 arrive Jeddah

Mrs. McNamara's return to Washington:

| | | | | |
|---|---|---|---|---|
| Feb. 16 | 1630 | 1630 | Depart London (Heathrow) | TW701 (B3F) |
| | 1920 | 2420 | Arrive New York (JFK) (Am. Express will meet) | |
| | 2135 | 0235 | Depart New York | BN19 (727) |
| | 2254 | 0354 | Arrive Washington (Dulles) | |

AL
February 6, 1973

## TOPICS FOR DISCUSSION

I. Topics Which Mr. McNamara May Raise

All Countries (Except Lebanon)

In addition to those topics which will be, as a matter of course, suggested by Messrs. Shoaib and Dajany, there are a number of needs that we see within the poorest countries of the Region which cannot be served by the Bank Group unless adequate concessionary funds and Bank Group budgetary funds are made available. Mr. McNamara may wish to raise the following topics:

1 a. Concessionary Aid. The lending programs proposed for the poorest countries are heavily constrained by the lack of IDA funds. Many more projects could be identified in each country, particularly if Bank staff were available to assist in this process and if additional concessionary funds on IDA terms were available.

2 b. Technical Assistance. The staff constraint of most donors, including the Bank, mentioned above also applies to many types of technical assistance that could be rendered to the more affluent countries of the Region as well as to poorer countries. Some specific types of assistance are described under the topics likely to be raised by officials in the countries concerned. The budgetary and staff constraints within the Bank might be overcome in part by a special fund for consultants to be administered by the Bank endowed by these countries.

or staff the Bk within the budget & ask [illegible] how much we need & can consultants do the job

3 c. Financing of Local Currency and Recurrent Costs. Some projects in the poorer countries, e.g. Yemen Arab Republic and Yemen, P.D.R. and perhaps Egypt and Jordan as well, can be effectively implemented only with supplementary external financing of local currency and recurrent costs. This has been overcome in the YAR by the Kuwait Fund financing of part of the local cost of the highway project and by the Abu Dhabi Government undertaking to cover part of the recurrent costs of the proposed education project. The need for such complementary financing will undoubtedly increase in the future, and the need for appropriate joint or parallel financing arrangements for this purpose could be discussed.

4 d. Joint Operations. The Kuwait Fund brief lists joint financing operations already under way and being contemplated for the future. These operations with the Kuwait Fund have been quite successful and could set a pattern for the future for similar joint operations with the Arab Fund and the Abu Dhabi Fund.

Lay out a 5 year program for all 3

ask Mr. ... how we should treat each of these

## II. Topics Which the Countries May Raise

The following topics are covered more specifically under the individual country briefs, but in general it may be noted that several of them may request Bank staff or consultant assistance in the following areas:

a. Country planning organization and techniques (Kuwait and United Arab Emirates)

b. Planning for particular sectors, particularly power and transport (United Arab Emirates and Saudi Arabia)

c. Public administration generally

d. Setting up local DFC-type operations (Kuwait)

e. Advice on the use of consultant services (UAE)

They may also ask for:

f. EDI Training to increase the number of their participants in Washington and to have field courses (see Kuwait topics for discussion)

g. The creation of a Bank Group Middle East Office (see also Kuwait topics for discussion)

EMENA Region
Division 1D
January 27, 1973

NOTES FOR MIDDLE EAST TRIP

Social Customs

The traditional Arab life is very much regulated by the religious observances. Each day is marked by five prayers at approximately 6:00 a.m., noon, 4:00 p.m., 6:00 p.m. and 8:00 p.m. It is therefore quite possible that the ~~ruins~~ rules of Abu Dhabi and Qatar, which are the most traditional, will wish to meet and talk buisness only after 9:00 p.m.

Qatar + Abu Dhabi

We will most likely be met by high officials, such as the Minister of Finance, at the airport in each place. Then we will be taken to the Guest~~house~~ Palace which will probably be quite luxurious. If we meet with one of the Rulers during the daytime, we will be shown into his sitting room. If it is the traditional one, we will be sitting on pillows rather than chairs and will be served strong tea or coffee in small cups. As long as you hold your cup in your hand, you will be served more. If you don't want more, you shake your cup.

Curtesy would require that you let the King or Ruler speak first. You would call the King "Your Majesty" and the Ruler of Abu Dhabi and Qatar "Your Highness." It is not necessary to get down to business immediately, since one prime rule in this part of the world is that time is immaterial. There will be plenty of topics relating to the countries we visit, such as their program for social welfare and eduation, the new infrastrutcture and economic activiteis (ports, airports, agricultural projects in the desert, etc.). In Abu Dhabi they are particularly proud of their offshore oil storage installations. The subject of oil and, in particular, oil revenues and their investment should be approached very cautiously, if at all, with the Rulers.

The Bank's ability to assist the poorer countries in the Arab World, especially Egypt, Syria and the Sudan, would be something close to the heart of the richer Arabs. In particular in Abu Dhabi and Qatar they would love to be able to say to the Egyptians that they have discussed with Mr. McNamara how the Bank can best help the poorer countries, implying that the oil money would be used for these purposes. ~~Therexf~~ Therefore it could be well to explain in easily understandable terms the Nile drainage project or rehabilitation of the Egyptian railways or road-

Or at least that money will benefit arab world building in Syira.

The argument which Mr. McNamara has developed over the last few trips that he and his staff are the employees and the servants of the member states and their sole objective is to advise these members how to best use the resources available to them and to the Bank from them.

King Faisal

In many ways the meeting with King Faisal will be the crucial point of the visit to these countries. He may revert back to Mr. McNamara's role ~~in~~ as Secretary of Defense and he may wish to discuss politics from that time or later, in a quite firm but curteous fashion and he may say things with which Mr. McNamara may not agree. He may talk about the U.S. role in the 1967 War. He may even discuss the Suez crisis and certainly he may bring up the prospects for peace in the Middle East.

In Qatar and Abu Dhabi and perhaps in Kuwait, we may be served dinner in traditional Arabic style, sitting on pillows on the floor eating with our hands from bowls in front of us.

Notes for Middle East Trip

Saudi Arabia

The King is bright, cunning, experienced and sophisticated. His English
— but he may choose to speak Arabic —
is good and so is his health. He was formerly a diplomat at the UN and he is quite a diplomat in character. He makes all final decisions and the crucial point of the visit will be the meeting with him. Among other things we should certainly raise the following points with him: The benefits of the Bank's activity to Saudi Arabia. We could help them invest their funds prudently, especially in view of the fact that some Arab countries will eventually face depletion of their oil reserves.

2. The Bank can provide technical assistance in national planning, money management, diversification of the economy, etc.

3. We plan to increase our activities in poor Arab countries. The King probably has a stronger feeling for the poor Arab countries (including Egypt) than for the Arab/Israeli cause as such. In rpinciple he supports war against the Israelis if he can be sure it will be won. Until such time, he will not participate in summit meetings and will provide little financial assistance for military purposes. His father was much more involved in intrigues and plots.

4. We must stress that we are not only interested in their money but in their development plans as well and the development of the Middle East region.

5. We seek continuity in relations with the Saudi Arabia and the Arab world. Our coming here is not a question of hit-and-run.

In conversations with The King, one should be courteous, friendly, frank and firm. The traditonal Arab culture puts very little emphasis on the scarcity of time. Incidentally, in Saudi Arabia alcohol is absolutely prohibited.

Abu Dhabi

The Ruler is illiterate, and we should definitely not discuss technicalities with him. For instance, he would not even understand why the World Bank need lend money and he would consider interest rates as immoral. He should know, however, that the Bank is not an American institution like the ExImBank. He should understand that we can help Abu Dhabi and other Arab countries, for instance, Egypt, Sudan, Iraq and Syria. Instead of saying that we will borrow his money, the emphasis should be put on our help in investing his money for him to ends which he endorses. He should know the meaning of technical assistance in simple terms.

The Ruler has an influential Egyptian eoonomic and financial advisor whose name is Hasan Abbaszaki who also advises President Mx Nimiery in Sudan. He is former Deputy Prime Minister of Egypt and Vice President of the Abu Dhabi Fund. At some point the Bank has tried to undermine his position but he seems to be on good terms with most influential people in Abu Dhabi and certainly has the confidence of The Ruler and spends considerable time with him. He should serve as one of our channels of communication of our ideas to The Ruler.

Qatar

As in Abu Dhabi, The Ruler is not an educated man. We should talk to his advisors on more technical matters. Mr. Nafie does not seem to know much about Qatar.

Kuwait

Mr. McNamara has been to Kuwait. The Kuwaitis are sophisticated and there should be no problems of relations.

The Ruler is in another world but we should talke to him and the Prime Minister in a friendly fashion. The same people are still running the economy, Mr. Al ~~Ateeqy~~ Ateeqy, Minister of Finance, and Mr. Abdellatif El Hamed, head of the Kuwait Fund. The Kuwaitis are intent on diversifying their economy and we certainly should offer help in this respect.

Lebanon

Mr. Nafie suggests that Mr. McNamara hold a pre-arranged press conference, since the Lebanese press is distributed all over the Arab world and its reaction will set the tone for the rest of our trip. Since we are not visiting Egypt, their unhappiness could be passified by ~~xx~~ mentioning Egypt as one example of a country that the Bank is helping in the Arab world. Secondly, Mr. Nafie has contacted his press colleagues in Egypt informally to explain the situation.

Mr. McNamara: February 6, 1973

APPROACHES IN THE MIDDLE EAST

The following is a summary of conversations I have had with people who are born in the Middle East or at least knowledgeable about the area. Please forgive the rough form.

Lebanon

The Lebanese are modern sophisticated and quite western in their outlook. Beirut's role as commercial, financial and cultural center of the Middle East, comes quite well out of the briefings. The Lebanese understand the language of business and there should be no problems in discussing with them the Bank's lending and borrowing operations.

The Lebanese visit will be very important in the sense that it will serve as a "curtain raiser" for the rest of the trip. The Lebanese press is distributed to the rest of the Arab World and all that you say and do officially will be reported elsewhere. Therefore, official statements in Lebanon will have to be tailored to the needs and tastes of the less-sophisticated, and to those not visited.

Kuwait

The situation in Kuwait has not changed materially since you were there in 1969. The same people are in power and they have greater and more favorable understanding of the Bank's role. Mr. Ateeqy, Minister of Finance and Mr. Al-Hamad, Director of the Kuwait Fund, are still the key people in the Kuwaiti financial activities. You will meet a friendly atmosphere and a genuine desire to make your stay pleasant. The discussions should start on a very simple level with The Ruler who will be a kind and pleasant man but with a modest understanding of financial problems or development activities. The Prime Minister is more well informed and, of course, the Minister of Finance and Head of the Kuwait Fund are very much up-to-date in their knowledge and views on all sorts of issues, economic, financial and political.

Qatar and Abu Dhabi

In both these countries The Rulers are uneducated men and I am told that in fact the Sheikh of Abu Dhabi is illiterate. For instance, thay may not understand how the World Bank operates and why it needs to lend money, and on religious grounds high interest rates are considered immoral. They certainly should know, however, that the Bank is not an American institution and that it can help both their respective countries and other poor countries in the Arab World. Instead of saying that the Bank could borrow money in their countries, if you get that far in the discussions with them, the emphasis should be put on the Bank's help in investing their money for the benefit of those which he wishes to help. They should also learn the meaning of technical assistance in simple terms.

The Ruler of Abu Dhabi has an Egyptian economic and financial advisor named Hasan Abazaki who also supposedly advises the President of Sudan. However, I am not sure that I have an objective account of his real influence and you may wish to be cautious in reference to him.

At the airports in Qatar and Abu Dhabi we will most likely be met by high officials, such as the Minister of Finance, and taken to a luxurious guest palace. If you meet with The Rulers during daytime, you may be shown into a sitting room. If this is a traditional one, you will be sitting on pillows rather than on chairs and will be served strong tea or coffee in small cups. As long as you hold your cup in your hand you will be served more. Traditional Arab life is very much regulated by the religious observances. Each day is marked by five prayers at approximately 6:00 a.m., noon, 4:00 p.m., 6:00 p.m. and 8:00 p.m. It is therefore quite possible that The Rulers in Qatar and Abu Dhabi will wish to meet with you rather late say after 9:00 p.m. In Qatar and Abu Dhabi and perhaps in Kuwait you may be served dinner in traditional Arabic style, sitting on pillows on the floor, eating with our hands from plates in front of you.

Courtesy would require that you let The King or Ruler speak first and tell you what is on his mind. You would call The Rulers of Qatar and Abu Dhabi "Your Highness" and King Faisal "Your Majesty." It is not necessary to get down to business immediately since one prime rule in this part of the world is that time is of no importance. There will be plenty of topics relating to the countries we visit and close to the hearts of the people there, such as their programs for social welfare and education, the new infrastructure and economic activities (ports, airports, agricultural projects in the desert, etc.). In Abu Dhabi they are particularly proud of their off-shore oil storage installations. The subject of oil, and in particular oil revenues and their investment, should of course be approached very cautiously, if at all, with The Rulers, and preferably on their initiative. The way to gaining the confidence of these people will go through their hearts rather than their minds. The Bank's ability to assist the poor countries in the Arab World, especially Egypt, Syria, Sudan and the Yemens, is something most of them would feel strongly for, although there are certain disagreements for example between Saudi Arabia and one of the Yemens. The Rulers of Abu Dhabi and Qatar would very much enjoy to be able to say to leaders in the poorer Arab countries that they have discussed with Mr. McNamara how the Bank can best help the poorer countries, implying that the oil money which they earn would be used for these purposes. Therefore, it could well be useful to explain in easily understandable terms the purposes of the Nile drainage project or rehabilitation of the Egyptian railways or road-building in Syria.

The argument which you have developed over the last few trips, essentially saying that you and your staff are the employees and the servants of the member states and that your sole objective is to advise these member states on how to use best the resources available to them and to the Bank on their behalf, could well be used in these places.

Saudi Arabia

In many ways your meeting with King Faisal will be the crucial moment of the trip. The King is bright, cunning, experienced and sophisticated. His English is good but he may choose not to use it. His health is also good. He was formerly a diplomat at the United Nations and is quite a diplomatic character. He makes all final decisions in Saudi Arabia. In your conversations with him you should be courteous, friendly, frank and firm. He is, of course, intensely interested in the political affairs of the Middle East and may well revert back to political events in earlier times, the U.S. role in the Middle East, or the 1967 War. Very likely he will wish to speak about the prospects for peace in the Middle East. By the time you meet him you will have considerably clearer idea of the positions and reactions of the people in this part of the world and you will certainly wish to bring up the whole range of questions which have been discussed in previous meetings.

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

# OFFICE MEMORANDUM

TO: Mr. M. Shoaib (through Mr. W. Tims) DATE: January 26, 1973

FROM: John Foster

SUBJECT: Projections of Oil Revenues of OPEC Member Countries

Introduction

1. Further to my memorandum of October 31, 1972, I attach a revised table giving data on oil revenues of OPEC member countries from 1955 to 1985, and comment below on assumptions made in the projections.

Summary

2. There are five OPEC countries - Saudi Arabia, Libya, Kuwait, Qatar and Abu Dhabi - and, to a lesser extent, non-OPEC countries such as Dubai - which are likely to have a substantial domestic resource surplus in future years. Government revenues from royalties and taxation in the above six countries are foreseen to increase from $7.4 billion in 1972 to nearly $18 billion by 1980 and $31 billion by 1985. On a cumulative basis, revenues from 1973 would amount to $100 billion by 1980 and $225 billion by 1985. In addition, four of these countries - Saudi Arabia, Kuwait, Qatar and Abu Dhabi - will obtain benefits from participation in concessions there as from 1973; net benefits are predicted at roughly $1 billion in 1980 and $2 billion in 1985.

Government Revenues, 1955-1970

3. Oil revenues accruing to OPEC member governments rose from US$1.5 billion equivalent in 1955 to $6.5 billion in 1969, an average increase of 10.7 percent yearly. This essentially reflected growth in export volumes, as government revenue per barrel increased little. However, effective September 1, 1970 the posted prices (i.e. tax-reference prices) of crudes exported from Libyan, East Mediterranean and Nigerian ports were increased substantially, and the tax rate was raised from 50 percent to about 55 percent. Effective November 14, tax rates on crudes exported from the Persian/Arabian Gulf were raised similarly, and postings for some medium and heavy crudes were raised by a few cents per barrel. Venezuela thereupon raised its oil tax rate from 50 percent to 60 percent retroactive through 1970. OPEC government oil revenues in 1970 were $7.8 billion, an increase of 20 percent over 1969.

Teheran Agreement and 1971 Revenues

4. The Teheran Agreement, effective February 15, 1971 between governments of six countries and oil companies for crude exports from the Persian/Arabian Gulf, and comparable agreements effective March 20, 1971 for exports from North African, Nigerian and East Mediterranean ports, resulted in a major increase in posted prices and consolidated tax rates at 55%. The agreements were to constitute a final settlement of Government "take" per barrel and companies' financial obligations until end-1975 and provide for contractual escalation of posted prices during this period.

Venezuelan minimum fiscal export prices and Indonesian realised export prices, from which tax is computed in these countries, rose in 1971 in reflection of higher Middle East and North African tax-paid costs. Thus OPEC government revenues accruing in 1971 amounted to $12 billion, an increase of 56% over 1970, though export volumes were higher by only 8%.

## Geneva Agreement and 1972 Revenues

5. Effective January 20, 1972 posted prices in the Middle East and North Africa 1/ were again increased under the Geneva and similar supplemental agreements in compensation for the international currency realignment of December 1971. The above Venezuelan and Indonesian prices rose correspondingly. OPEC revenues in 1972 are estimated to have amounted to about $15 billion.

## Projection Assumptions

6. Our prediction of future OPEC government revenues from oil starts from the latest forecast of world energy demand and supply through 1980 received by our oil consultants in September 1972. We have made some provisional suppositions to extend the projections to 1985, prior to receiving in late February the consultants' next forecast also through 1985. There are vast technical, economic and political uncertainties in making these projections. Nevertheless, whether they are ultimately proven to be on the high or low side, they illustrate very likely orders of magnitude from which conclusions can be drawn for policy and planning. Our prediction assumes that there would be no major world recession during the period, and that the cost of energy does not rise to such a level that growth in demand will be inhibited. At a certain level of energy costs, however, serious attempts will undoubtedly be made to improve efficiency in the use of energy. This is one, and only one, of the ways in which the level of energy demand may effectively be lower than that which is currently anticipated for the end of the decade. Moreover, an increased level of energy costs, particularly in the U.S., could encourage the development of domestic sources of energy and thereby reduce the ever-growing need to import oil and gas.

7. To meet oil demand, we expect volumes exported from OPEC countries to rise at about 7% from 1970 to 1980 and at a slightly lower rate of about 6% p.a. therafter through 1985. Key assumptions include those that:

(a) Venezuela will continue to limit volume and seek to increase unit revenues;

(b) By 1975 Libya and Kuwait may relax their current policy of restricting output on conservation grounds and may allow a moderate growth in output through 1985;

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1/ February 15, 1972 in Nigeria.

(c) Algerian oil production potential will remain somewhat limited;

(d) The Iraqi government will reach a settlement with oil companies, enabling rapid development of known reserves; and

(e) Saudi Arabia, and to a lesser extent Iran and Abu Dhabi, will be "swing" countries, from which increased production will be available in order to accommodate changes in world oil demand.

8. Based upon the 1971 and 1972 agreements for the Middle East and North Africa, government revenues will rise by about 7¢ per barrel on each January 1 of 1973, 1974 and 1975. These agreements expire on December 31, 1975. It is assumed here - for want of a better assumption - that the same provisions may continue through 1985, i.e. an increase of roughly 4% yearly. This seems a minimum likely increase, given the evident strength of producing versus consuming countries in the determination of prices. There could instead, for example, be a quantum jump in 1976 followed by yearly escalation tied in some way to terms of trade with developed countries.

9. The next issue of uncertainty affecting oil investment and output is the outcome of separate negotiations between the Arabian Gulf states, Iran and Libya on the one hand and the foreign oil companies on the other.

Gulf States' Participation in Concessions

10. In October 1972 a framework accord was concluded in New York on behalf of Saudi Arabia, Qatar, Abu Dhabi, Kuwait and Iraq for government participation in crude oil production facilities of companies operating in these countries. The accord was subsequently embodied in the General Agreement on Participation which all except Iraq have signed. Details are given in Attachment A. The Agreement has been ratified by Abu Dhabi. In Kuwait it is due to be referred to the National Assembly for approval before it can be ratified and it is expected to receive opposition there. For its part, Iraq has still to decide on its attitude towards the Agreement, as it is still negotiating a possible package settlement of all outstanding issues with the IPC group, including participation in the IPC-owned Basrah Petroleum Company's non-nationalised operation in southern Iraq.

11. Effective January 1, 1973 the signatories acquire an initial 25% participation and can opt to increase it in yearly steps from 1978 to a maximum 51% by 1982. The cost to Gulf States (excluding Iraq) of acquiring the initial 25% share is understood to amount to $884 million payable over 3 years. This is the assessed "updated book value" of their share of net fixed assets. In this concept the book value is adjusted for past inflation in accordance with an index of oil plant and equipment in the Middle East. "Updated book value" was a hard negotiated compromise between the Gulf States' desire for historical net book value and the companies' stand for the net present worth of future earnings from recoverable

reserves. The governments will sell back part of their share of output to foreign partners as "bridging" crude which the partners need until 1975 to meet previous commitments, and as "phase-in" crude which they would market on behalf of the governments while the latter build up their own market outlets. (Details are in Attachment A.) The intention is to ensure to the governments a smooth entry into the market without disruption of international prices. Foreign partners are now negotiating with their customers to pass on the additional cost incurred in buying back such crude, which had been available to them at tax-paid cost prior to January 1, 1973. The revenue to governments from selling their share of output to foreign partners and to third parties is estimated at approximately 10 cents per barrel of total output during 1973-1977; this is additional to what they will obtain from royalty and taxation. The additional revenue could likely increase to about double by 1985. The net benefit from Gulf States' participation (excluding Iraq) - after paying for acquisition of their share - may be predicted to rise from $100 million p.a. during 1973-1975 to nearly $900 million by 1980 and perhaps nearly $1.9 billion by 1985. On a cumulative basis, as from 1973 it could amount to $3.5 billion by 1980 and over $10 billion by 1985.

12. The principle does not apply to other OPEC countries which have already entered into different patterns of agreement, including outright nationalization, state participation already at 51% in producing companies, service or production-sharing contracts or joint ventures.

Iran: Consortium Agreement

13. In particular, the agreement under which the consortium of oil companies operates in Iran expires in 1979, though the consortium - not government - has the option to renew for three additional terms of five years each. In June 1972 the Shah announced that Iran had reached provisional agreement with the consortium regarding the long-term development of the industry; the consortium agreement would be extended beyond its initial expiry date of 1979, and in return the consortium would actively expore for and develop reserves to enable output to be doubled. It would discontinue processing at the Abadan refinery, which would be freed for use by the state oil company NIOC, and would instead build a new one; and, beyond the period of the Teheran Agreement, future prices would be in line with prices of a "basket" of commodities imported by Iran. Efforts to reach final agreement were deferred until the General Agreement on Participation between Gulf States and foreign partners there had been concluded. Iran is seeking by a different formula at least the same financial benefits as the Gulf States, while the foreign companies are concerned to avoid "leap-frogging" of negotiated benefits by Iran on the one hand and the Gulf States on the other. In his anniversary address on January 23, 1973 the Shah announced that Iran will not renew the consortium agreement after 1979; in violation of the agreement, the consortium had failed to use proper technology to increase wells' output or to use secondary recovery techniques of production. He put two options to the consortium for negotiation. Either the consortium could continue operations until 1979 provided (a) the Government revenue per barrel of output were no less than

that of governments in the same region, and (b) Iranian export capacity were increased to reach 8 million b/d (compared to 5.7 million b/d in December 1972). Alternatively, the agreement should be ended now, and another should be concluded under which the companies, as customers, would buy oil at a "fair price with discounts that anyone grants to its good customers". The eventual outcome of negotiations is far from clear.

Libya - Negotiations on Participation

14. In Libya the Government is negotiating with Bunker Hunt and the Oasis Group for participation in their concessions. Its formula differs from that embodied in the General Agreement on Participation above. Most importantly, government compensation to foreign partners would be based in the Libyan formula on the actual written-down net book value, but in the General Agreement on "updated book value". Secondly, in the Libyan formula participation would be 50% immediately, but in the General Agreement it is 25% initially, rising in stages to 51% by 1982. The foreign oil companies are resisting the Libyan requests, the acceptance of which would establish a precedent with implications for the General Agreement. The most sensitive issue is that of compensation.

OPEC Countries: Net Benefit from Participation or Equivalent, 1973-1985

15. It is therefore assumed that all governments within OPEC will arrive at settlements of one kind or another to achieve additional net benefits per barrel of production equivalent to those obtained by Arabian Gulf States. On this assumption, OPEC net revenues from participation or equivalent are predicted to be roughly \$2½ billion in 1980 and \$4½ billion in 1985, or cumulatively \$20 billion from 1973 to 1985.

OPEC Countries: Royalties and Taxation, 1973-1985

16. This is in addition to OPEC revenues of just over \$22 billion foreseen for 1975, \$36 billion for 1980 and \$59 billion for 1985 on the basis of expected increases in volume and tax reference or posted price, or cumulatively \$450 billion from 1973 to 1985. The Chairman of Continental Oil, on "U.S. Energy Outlook and its Implications for National Policy" foresaw \$25 billion by 1975 and \$50 billion by 1985.

Government Revenue from LNG

17. Our forecast of OPEC petroleum revenues excludes those from projects for exporting liquefied natural gas (LNG). Domestic resources in the U.S., Western Europe and Japan are not being developed fast enough to cover needs. Hence these countries are looking hard for supplementary sources. This is likely to make for a dramatic increase in imports of LNG from those developing countries having large gas reserves. However, capital expenditure will be considerable, and the net benefit to OPEC governments in the period ending 1985 will probably be relatively small compared with that from oil. The

economic justification of individual projects is by and large unknown to us, but we are looking at them individually insofar as possible this year in the context of country economic missions.

Application of OPEC Government Revenues

18. Regarding the application of these future oil revenues, some OPEC countries may have little to spare after spending them on economic, social and military projects. In particular, Indonesia, Venezuela, Iran, Iraq, Nigeria and Algeria each have relatively large populations and can be foreseen to have a domestic resource gap in the period ending 1985. Of course, some of the above countries might be ready to invest part of their oil revenues abroad and in return continue to borrow from bilateral or multilateral sources, in order to strengthen institutions and benefit from technical assistance. Moreover, they could have problems of absorptive capacity and to that extent be unable to make immediate use of oil revenues.

19. It is the other OPEC countries - particularly Saudi Arabia, Libya, Kuwait, Qatar and Abu Dhabi - and non-OPEC countries such as Dubai which may have a substantial domestic resource surplus. Government oil revenues from royalty and taxation in the above six countries are foreseen to increase from \$7.4 billion in 1972 to nearly \$18 billion by 1980 and \$31 billion by 1985. On a cumulative basis, revenues as from 1973 could amount to \$100 billion by 1980 and to \$225 billion by 1985. These amounts are net of the additional benefits from participation given in paragraph 11.

20. The accumulation of such huge foreign exchange resources by these countries gives rise to concern how they will be used. They may be invested abroad on a large scale in financial securities, be directly put abroad into petroleum and other industrial activities, and their use may, to an extent, be guided by political rather than economic criteria. There is room for great instability which could result from (1) oil boycotts more effective than in the past, from (2) large international movements of short-term funds and other (3) financial investments for financial or political reasons, and from (4) financing of guerilla movements. Thus there is need to consider how such funds may be put to positive use.

meeting w Heath
offset in part by org. of consuming nations (OECD)

21. Sheikh Yamani, the Saudi Arabian oil minister, posted the problem in the following way in September 1972 at the Middle East Institute's annual meeting in Washington D.C. 1/ There were two problems to be tackled after that of government participation in concessions: (i) new oil prices when the Teheran Agreement expires in 1975, and (ii) the likely shortage of energy supplies in the 1980's. He sought a commercial oil agreement with the U.S. which would give Saudi oil a special place there, particularly by

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1/ "Prospects for Cooperation between Oil Producers, Marketers and Consumers: The Issue of Participation and After". See also my memorandum on Saudi Arabia (paragraphs 17 - 19) dated January 26, 1973.

exempting it from restrictions and duties and by encouraging additional investment of Saudi capital in marketing such oil in the U.S. The Saudi proposal was designed to promote (i) a reliable and growing supply of Saudi oil to meet the U.S. growing energy deficit, (ii) large-scale Saudi investment in down-stream oil facilities in the U.S. helping alleviate the U.S. energy import bill, and (iii) a steadying influence on relations between Arab oil producers and the U.S. It would, of course, also alleviate cash flow shortages of private oil companies.

22. At the same meeting Mr. James Akins, Director, Office of Fuels and Energy in the U.S. State Department suggested that the producing nations would probably find it to their interest to invest at least part of their surpluses in the oil industry outside their borders; there was nothing inhibiting investment in non-energy related fields. Their investment should be welcomed as an offset to payments for U.S. oil imports. 1/

23. Additional ideas are now being aired for tapping these surplus funds. For example, the President of the Chase Manhattan Bank, Mr. Butcher, addressing the American Petroleum Institute in June 1972 in Los Angeles, estimated that total financial requirements of the "free world" oil industry during 1971-1985 will approach a cumulative $1 trillion, of which some $400 billion would have to be raised from sources outside the oil industry. He postulated the establishment of an International Petroleum Bank, in which he hoped producing countries would participate, to provide funds for the petroleum industry. The Venezuelan Minister of Mines and Hydrocarbons, Hugo Perez La Salvia, in 1972 proposed the creation of an OPEC International Oil Bank for the "third world" at a conference of Latin American oil ministers; it would lend to OPEC members for oil development and to developing countries in the third world, but would not include oil companies. At the Islamic conference in Jeddah last summer, it was resolved that an International Islamic Bank be created with a capital of $500 million. The Saudi Arabian government, who would presumably provide most of the capital, was keen that the project be incorporated within a framework of Islamic unity, and wished the loans to be interest free.

What has happened

24. There are evident implications for the Bank. OPEC countries' net capital surplus is potentially available for borrowing - either directly or through intermediary financial institutions such as the Swiss; the Bank could channel such funds to other developing countries, by itself or jointly with OPEC lenders. On the other hand, some OPEC countries will have at their disposal such large investible funds that they might well themselves lend on such a scale to developing countries (as in loans reported to have been recently made by Libya to Chad and by Saudi Arabia to Niger) as possibly to divert some smaller countries away from present relations with multilateral assistance organizations.

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1/ "Evolving Relationships among the Oil Companies, the Oil Producing Governments and the Major Consumers: Confrontation or Cooperation?"

Cleared with and cc: Messrs. Tims, C. F. Thompson
cc: Messrs. Chenery, Stern, Haq, Hayes, Stevenson, Gulhati, Price, Blaxall, Karaosmanoglu
Chief Economists, Regions

## The General Agreement on Participation

### Participation: New York Framework Accord

1. In October 1972 a framework accord was concluded in New York on behalf of Governments of Saudi Arabia, Kuwait, Abu Dhabi, Qatar and Iraq for government participation in crude oil production facilities of companies operating in their countries. Transport and refining activities are excluded from the agreement. At the XXX (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) held in Riyadh on October 26-27, Saudi Arabia, Kuwait, Abu Dhabi and Qatar declared their intention to become parties to the above accord. Iraq reserved its position in view of the particular circumstances of its current relations with the oil companies. The accord stipulated that it be signed and ratified by at least three states by December 31, 1972 to come into force.

2. The New York accord (a) provided for participation of 25% during 1973-1978, rising yearly thereafter to 51% by 1983 and remaining at that level until the concessions expire, (b) provided for compensation by governments on the basis of "updated book value" of companies' net fixed assets - a type of replacement cost basis without compensation for remaining oil reserves or loss of future profits - and (c) specified the formula whereby the private companies would buy back part of the governments' share of oil production.

### General Agreement on Participation

3. The New York accord was subsequently embodied in the General Agreement on Participation. The General Agreement differs in two respects from the New York accord, as (i) the effective date for participation is now January 1, 1973 with no stipulation that ratification of both the Agreement and country implementation agreements be made by at least three countries, and (ii) the governments' share will rise from the initial 25% a year earlier, i.e. by 5% on each January 1, 1978-1981 and by 6% on January 1, 1982 reaching 51% on that date.

4. On December 20, 1972 Saudi Arabia and Abu Dhabi formally signed the Agreement with the concession holders and their shareholders, having signed letter agreements on the level of prices at which the foreign partners undertook to buy back part of the governments' shares of crude production. Abu Dhabi has also ratified the Agreement. Kuwait signed the agreement on January 8, 1973 with BP and Gulf (owners of the operating company Kuwait Oil Company); the Agreement is due to be referred to the Kuwaiti National Assembly for approval before it can be ratified, and it is expected to receive opposition there. Having finally reached agreement on buy-back prices, Qatar signed the agreement with Shell (offshore) on January 4 and with QPC (onshore) on January 11. For its part Iraq has still to decide on its attitude towards the Agreement, as it is negotiating a possible package settlement of all outstanding issues with Iraq Petroleum Company (IPC) group, including participation in the IPC-owned Basrah Petroleum Company's operation in southern Iraq. In all cases technical implementation pacts have to be agreed upon between each country and the oil companies.

Compensation to Foreign Partners

5. The Gulf States will reimburse the foreign partners for their share of the unrecovered portion of the total investment as recorded in their books prior to the effective date. These amounts are then "updated" on the basis of a Middle East construction price index.

6. The calculation of the actual purchase prices for the Gulf States' initial 25% participation is not published in the General Agreement, but these prices are understood to be in the following amounts:

| Government | Concessionaire | | (US$ Million) |
|---|---|---|---|
| Saudi Arabia | ARAMCO | | 502 |
| Kuwait | K.O.C. (BP & Gulf Oil) | | 149 |
| Abu Dhabi: | ADPC | 81 | |
| | ADMA | 81 | 162 |
| Qatar: | QPC | 28 | |
| | Shell Qatar | 43 | 71 |
| Total signed | | | 884 |
| Iraq (not yet signed) BPC | | | 68 |
| | | | 952 |

7. The countries can opt to acquire additional shares of participation up to a total 51% (paragraph 3) but must give three years notice of their intention for each additional share. The purchase price would again be assessed at updated book value.

8. The General Agreement specifies that governments are to pay for their initial and additional shares either (i) in a lump sum within 30 days of the effective date or (ii) in 3 annual installments, 30% immediately, 35% the following year, and 35% the year after, at an interest rate in six monthly installments equal to 1% p.a. above the U.S. dollar six month deposit rate (currently about 6½%) in the London inter-bank market.

9. On the basis of estimated 1973-1975 production in the Gulf States, the yearly payments to be made by signatory states (excluding Iraq thus far), as reimbursement for their initial 25% participation, represent no more than about 75% of the gross yearly benefits from participation in those years. Only for Qatar do such payments exceed gross benefits in those years. After payment for its equity participation, their net benefit from participation appears to be about $270 million p.a. in 1973-1975, rising thereafter to perhaps $0.8 billion by 1980 and $1.9 billion by 1985.

Buy-Back Arrangements

10. Signatory Gulf States will own crude oil in proportion to their equity shareholding. They are obliged to sell part of their equity crude to foreign partners and are likely to exercise an option to sell another part to them (paragraph 11). The balance, which they would then retain in accordance with the General Agreement for disposal to third parties, amounts

to only 2.5% of total output in 1973 rising to 8.75% by 1977 and to 28.6% by 1982 (assuming 51% participation by then). For years after 1975, however, the Agreement expresses such percentages in terms of 1975 output. To the extent that output increases thereafter, the percentages of retained crude will be that much greater when expressed in terms of the year of output in question.

11. The formulae under which the Gulf States will sell crude to foreign partners during 1973-1975 are understood to follow the lines envisaged in the General Agreement and are described below. Thereafter they will have to be negotiated together with posted prices upon expiry of the Teheran Agreement.

(i) The State will sell to foreign partners "bridging" crude, which represents crude volumes they need during 1973-1975 to meet previous commitments, i.e. 75% of the Government's 25% share in the first year, 50% in the second, and 25% in the third. The price formula is the quarterway price (QWP) plus a certain number of cents per barrel and is intended to represent roughly the going realised f.o.b. export price.

(ii) The State will sell to the foreign partners "phase-in" crude. This represents crude volumes they would market during 1973-1975 for the national oil company while it builds up its own market outlets. The intention is to ensure a smooth and non-disruptive entry into the market. Phase-in crude is to be 15% of the Government's 25% share in the first year, 30% in the second, 50% in the third and 70% in the fourth, with declining percentages thereafter down to 10% in 1982. The price is tax-paid cost (TPC) plus a certain number of cents per barrel. It is intended to represent a little less than the going realised f.o.b. export price.

Price formulae thus far agreed for 1973-1975 are as follows:

| | Bridging<br>QWP + | Phase-in<br>TPC + |
|---|---|---|
| | (U.S. cents per barrel) | |
| Saudi Arabia (via Arabian Gulf) | | |
| Light | +19 | +35 |
| Medium | +14 | +29 |
| Heavy | +12 | +21 |
| Kuwait | +17 | +34 |
| Abu Dhabi | | |
| Murban | +32 | +52 |
| Marine (Zakum & Umm Shaif) | a/ | a/ |
| Qatar b/ | | |
| Dukhan | +22 | +40 |
| Marine | +17 | +30 |

a/ Prices are set at levels lower than those for Murban, reflecting higher sulphur content, but are not expressed in terms of formulae.

b/ Prices have been reported in the oil press but not yet officially announced.

12. For each increment of equity which governments may opt to acquire between 1978 and 1982, the foreign partners must accept additional quantities of phase-in oil over ten years. Governments must decide at least 3 years in advance what share of phase-in oil they want the foreign partners to buy back; e.g. notice must be given before January 1, 1974 for phase-in quantities in 1977. Nor can governments require companies to buy that year (e.g. 1977) less than 75% of phase-in oil to be bought in the preceding year (e.g. 1976).

13. Provision is made for nominations for future planned offtake by governments and foreign partners. To the extent that any party's requirements exceed its entitlement, it will buy appropriate volumes of "forward avails" oil. Nominations have to be made at least 3 years in advance. If at the end of a calendar year one party has chosen to lift more than its entitlement, an adjustment is made by transferring an appropriate volume of overlift oil. Such supplies are priced at the quarter-way formula.

14. The revenue to the signatory Gulf States from selling their share of output both to foreign partners as bridging and phase-in crudes and to third parties for export is estimated at about an average 10 cents per barrel of total output during 1973-1978. This is in addition to what they would obtain from royalty and taxation. This additional participation revenue could likely double by the early 1980's.

## SUBSCRIPTIONS

United Arab Emirates: On September 22, 1972 United Arab Emirates became a member of the Bank, with a subscription of $12.8 million (128 shares).

Kuwait: The following increase in the subscription of Kuwait to the capital stock of the Bank, became effective on October 25, 1972:

From 667 shares ($66.7 million)
To 694 shares ($69.4 million)

Qatar: On September 26, 1972, Qatar became a member of the Bank with a subscription of $17.1 million (171 shares).

## BOND ISSUES

| | | US$ million |
|---|---|---|
| **Kuwaiti Dinars** | | |
| 6-1/2% | Bonds of 1968, due 1988 (KD 15 million) | 45.6 |
| 7-1/2% | Bonds of 1971, due 1973-81 (KD 30 million) | 91.2 |
| 6-3/4% | Bonds of 1972, due 1975-82 (KD 20 million) | 60.8 |
| 7% | Bonds of 1972, due 1977-91 (KD 15 million) | 45.6 |
| | | 243.2 +75 = $318 M |
| **Lebanese Pounds** | | |
| 6-7/8% | Bonds of 1973, due 1978 (LP 75 million) | 24.9 |
| **Libyan Dinars** | | |
| 8% | Bonds of 1970, due 1975 (LD 10 million) | 30.4 |
| **Saudi Arabia** | | |
| | Saudi Arabia has purchased bonds of 6-1/2% ($15 million) and of 6-3/8% ($15 million) both due in 1984. | actual Bk 33 + 30.0 = $63 |
| | | 74 |

402

75 Kuwait 2/73

477

x 1/2

EMENA Region
Division 1D
January 26, 1973

## PURCHASERS OF LAST FOUR TWO-YEAR ISSUES OFFERED BY IBRD
(Expressed in millions of United States Dollars)

| | 5.20% of 1971 due March 15, 1973 | 6-1/2% of 1971 due Sept. 15, 1973 | 5.30% of 1972 due March 15, 1974 | 5-7/8% of 1972 due Sept. 15, 1974 | Total |
|---|---|---|---|---|---|
| Abu Dhabi | $ .500 | $ 2.000 | $ 2.000 | $ 1.000 | $ 5.500 |
| Kuwait | $ 1.000 | $ 4.000 | $ 1.500 | $ 3.500 | $ 10.000 |
| Libyan Arab Republic | $ 10.000 | $ - | $ 7.000 | $ 8.080 | $ 25.080 |
| Qatar | $ .100 | $ .200 | $ .200 | $ .100 | $ .600 |
| Saudi Arabia | $ 5.000 | $ 10.000 | $ 10.000 | $ 8.080 | $ 33.080 |
| | | | | | 74. |

Extract from a statement of:
Treasurer's Department
Securities Division
September 5, 1972

Table 1: IBRD AND IDA LENDING TO ARAB COUNTRIES, FY69-73
4-1/2 YEARS ACTUAL PLUS 1/2 YEAR ESTIMATED

(In million U.S. Dollars)

| Country/Fiscal Year | | | Date of Board Approval | IBRD/IDA | Total (Million $) | Projects |
|---|---|---|---|---|---|---|
| 1. Algeria | | | | | | |
| 1973 | | | Proposed- June | IBRD | 14.0 | Education |
| 1973 | | | Proposed- June | IBRD | 17.0 | Highway |
| | Total | | | | 31.0 | |
| | | IBRD | | | 31.0 | (2 projects) |
| | | IDA | | | ... | |
| 2. Egypt | | | | | | |
| 1970 | | | Mar. | IDA | 26.0 | Nile Delta Drainage |
| 1972 | | | Dec. | IDA | 30.0 | Railway Project |
| 1973 | | | Proposed- May | IDA | 15.0 | Cotton Ginning Rehabilitation I |
| 1973 | | | Nov. | IDA | 0.2 | Cotton Ginning Engineering Credit |
| 1973 | | | Proposed- June | IDA | 30.0 | Upper Egypt Drainage |
| 1973 | | | Proposed- May | IDA | 6.0 | Population |
| | Total | | | | 107.2 | |
| | | IBRD | | | ... | |
| | | IDA | | | 107.2 | (6 projects) |
| 3. Iraq | | | | | | |
| 1972 | | | Sept. | IBRD | 27.5 | Telecommunication |
| 1972 | | | June | IBRD | 12.9 | Education |
| 1973 | | | Jan. | IBRD | 40.0 | Lower Khalis Irrigation |
| 1973 | | | Proposed- Apr. | | 30.0 | Grain Storage |
| | Total | | | | 110.4 | |
| | | IBRD | | | 110.4 | (4 projects) |
| | | IDA | | | ... | |
| 4. Jordan | | | | | | |
| 1971 | | | June | IDA | 6.0 | Highway |
| 1972 | | | Jan. | IDA | 5.4 | Education |
| 1973 1/ | | | Proposed- June | IDA | 8.4 | Thermal Power |
| | Total | | | | 19.8 | |
| | | IBRD | | | ... | |
| | | IDA | | | 19.8 | (3 projects) |
| 5. Lebanon | | | | | | |
| 1973 | | | Proposed- Apr. | IBRD | 29.0 | Highway |
| 1973 | | | Dec. | IBRD | 6.6 | Education |
| | Total | | | | 35.6 | |
| | | IBRD | | | 35.6 | (2 projects) |
| | | IDA | | | ... | |
| 6. Morocco | | | | | | |
| 1969 | | | Oct. | IBRD | 15.0 | Industry - BNDE |
| 1970 | | | Oct. | IBRD | 7.3 | Roads |
| 1970 | | | Oct. | IBRD | 46.0 | Irrigation |
| 1970 | | | Jan. | IBRD | 15.0 | Industry - BNDE |
| 1971 2/ | | | May | IBRD | 35.0 | Industry - BNDE Sugar Mill |
| 1971 | | | Aug. | IBRD | 10.0 | Tourism - Credit Immobilier et Hotelier |
| 1972 | | | June | IBRD | 24.0 | Second Agricultural Credit |
| 1972 | | | June | IBRD | 15.0 | Tourism - Cr. Immobilier et Hotelier |
| 1973 | | | July | IBRD | 48.0 | Water Supply - Office Nat.de l'Eau Potable |
| 1973 | | | Apr. | IBRD | 20.0 | DFC-BNDE |
| 1973 | | | June | IBRD | 17.0 | Roads |
| 1973 | | | Apr. | IBRD | 21.0 | Power |
| 1973 3/ | | | June | IBRD | 30.0 | Maroc Phosphore Acid Plant |
| 1970 | | | Oct. | IDA | 7.3 | Highway |
| 1972 | | | July | IDA | 8.5 | Second Education |
| 1972 | | | June | IDA | 10.0 | Second Agricultural Credit |
| 1973 | | | Proposed- June | IDA | 10.0 | Roads |
| | Total | | | | 339.1 | (15 projects) * |
| | | IBRD | | | 303.3 | (13 projects) |
| | | IDA | | | 35.8 | (4 projects ) |
| 7. Sudan | | | | | | |
| 1969 | | | July | IBRD | 5.0 | Agriculture |
| 1972 | | | April | IDA | 11.3 | Second Mechanized Farming |
| 1973 | | | Aug. | IDA | 7.0 | Highway Maintenance |
| 1973 | | | Proposed-Feb. | IDA | 40.0 | Rahad Irrigation Program |
| 1973 | | | Proposed-June | IDA | 3.0 | IBS (DFC) |
| | Total | | | | 66.3 | |
| | | IBRD | | | 5.0 | (1 project) |
| | | IDA | | | 61.3 | (4 projects) |
| 8. Syria | | | | | | |
| 1972 | | | Mar. | IDA | 13.8 | Second Highway |
| 1973 | | | Proposed- June | IDA | 15.0 | Water Supply |
| | Total | | | | 28.8 | |
| | | IBRD | | | ... | |
| | | IDA | | | 28.8 | (2 projects) |

Table 1: IBRD AND IDA LENDING TO ARAB COUNTRIES, FY69-73 (Continued)

(In million U.S. Dollars)

| Country/Fiscal Year | Date of Board Approval | IBRD/IDA | Total (Million $) | Projects |
|---|---|---|---|---|
| 9. Tunisia | | | | |
| 1969 | Nov. | IBRD | 8.5 | Ports (Office des Partes Nationaux Tunisians) |
| 1969 | Dec. | IBRD | 15.0 | Water Supply (Societe Nationale de Explotation) |
| 1969 | Apr. | IBRD | 8.5 | Railways (Soc.Nat.Chemins de Fer Tunisians) |
| 1969 | June | IBRD | 0.8 | Highway Engineering |
| 1970 | Nov. | IBRD | 10.0 | Industry (SNI) |
| 1971 4/ | Jan. | IBRD | 7.5 | Gas Pipeline (Soc. Tun. de Elect. et du Gaz) |
| 1971 | May | IBRD | 24.0 | Roads |
| 1972 | Jan. | IBRD | 10.0 | Industry (SNI) |
| 1972 | July | IBRD | 5.0 | Agric. Credit |
| 1972 | Apr. | IBRD | 12.0 | Power (Soc.Tun. de Elect.et du Gaz) |
| 1972 5/ | June | IBRD | 14.0 | Tourism Infrastructure |
| 1973 | Proposed- June | IBRD | 9.0 | Urban Transportation |
| 1973 | Proposed- Jan. | IBRD | 14.0 | Industry (SNI) |
| 1969 | Apr. | IDA | 8.5 | Railway |
| 1970 | June | IDA | 10.5 | Second Water Supply |
| 1971 | Mar. | IDA | 4.8 | Population |
| 1972 | July | IDA | 3.0 | Agricultural Credit |
| 1972 | Sept. | IDA | 2.0 | Fisheries |
| 1972 | June | IDA | 10.0 | Tourism Infrastructure |
| 1973 | Proposed- June | IDA | 7.0 | Urban Transportation |
| Total | | | 184.1 | (16 projects)* |
| IBRD | | | 138.3 | (13 projects) |
| IDA | | | 45.8 | (7 projects) |
| 10. Yemen Arab Republic | | | | |
| 1972 6/ | June | IDA | 7.7 | Highway |
| 1973 7/ | Proposed- June | IDA | 9.0 | Education |
| 1973 6/ | Proposed- May | IDA | 10.0 | Agriculture Irrigation |
| Total | | | 26.7 | |
| IBRD | | | ... | |
| IDA | | | 26.7 | (3 projects) |
| 11. Yemen, Peoples Democratic Rep. of | | | | |
| 1971 | Apr. | IDA | 1.6 | Highway |
| 1973 | Nov. | IDA | 0.6 | Highway Engineering |
| 1973 | Proposed- Mar. | IDA | 3.0 | Fisheries Dev. |
| Total | | | 5.2 | |
| IBRD | | | ... | |
| IDA | | | 5.2 | (3 projects) |
| Grand Total | | | 954.2 | 61 Projects* |
| FY69-73 IBRD | | | 623.6 | 35 projects |
| IDA | | | 330.6 | 32 projects |

1/ The Kuwait Fund is co-financing the Zarqa Thermal Power Project in the amount of $8.4 million.
2/ In FY71, the Kuwait Fund co-financed the BNDE Sugar Mill Project.
3/ In FY73, the KFW (Germany) will be co-financing the Maroc Phosphore Acid Plant in the amount of $10 million.
4/ In FY71, the Kuwait Fund co-financed the Gas Pipeline Project in the amount of KD900,000.
5/ In FY72, the KFW (Germany) co-financed the Tourism Infrastructure Project in the amount of DM40 million.
6/ The Kuwait Fund co-financed in FY72 the Highway Project in the amount of $800,000, and in FY73 the Tihama Development Project in the amount of $5 million.
7/ The Education Project in 1973 was co-financed in the amount of $8 million by the Union of Arab Emirates; $300,000 by the Federal Republic of Germany; $6 million by UNDP.

* Number of Projects (some of them financed by both IBRD and IDA Credit)

Europe, Middle East and North Africa
January 31, 1973

## Table 2: LENDING PROGRAM BY COUNTRY, FY64-78
(Million U.S. Dollars)

| Country | IBRD/IDA | 1964 | 1965 | 1966 | 1967 | 1968 | Total 1964-68 | 1969 | 1970 | 1971 | 1972 | 1973 | Total ** 1969-73 | 1974 | 1975 | 1976 | 1977 | 1978 | Total 1974-78 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Algeria | IBRD | (1) 20.5 | -- | -- | -- | -- | (1) 20.5 | -- | -- | -- | -- | (2) 31.0 1/ | (2) 31.0 1/ | (3) 80.0 | (4) 120.0 | (4) 100.0 | (4) 140.0 | (4) 140.0 | (19) 580.0 2/ |
| 2. Bahrein | IBRD | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (1) 8.0 | (1) 5.0 | (1) 5.0 | (1) 10.0 | (4) 28.0 3/ |
| 3. Egypt | IDA | -- | -- | -- | -- | -- | -- | -- | (1) 26.0 | -- | (1)30.0 | (4) 51.2 | (6)107.2 | (3) 55.0 | (2) 55.0 | (3) 55.0 | (3) 60.0 | (3) 60.0 | (14) 285.0 |
| 4. Iraq | IBRD | -- | -- | -- | (1) 23.0 | -- | (1) 23.0 | — | -- | -- | (2)40.0 | (2) 70.0 | (4)110.4 | (2) 35.0 | (2) 30.0 | (3) 35.0 | (2) 30.0 | (2) 35.0 | (11) 165.0 |
| 5. Jordan | IBRD | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (1) 5.0 | -- | -- | (1) 5.0 |
| | IDA | (2) 6.5 | -- | -- | (1) 3.0 | -- | (3) 9.5 | -- | -- | (1) 6.0 | (1) 5.4 | (1) 8.4 4/ | (3) 19.8 | (2) 15.9 | (2) 8.0 | (2) 9.0 | (2) 9.0 | (2) 9.0 | (10) 50.9 3/ |
| 6. Kuwait | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 7. Lebanon | IBRD | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (2) 35.6 | (2) 35.6 | (1) 15.0 | (2) 25.0 | (1) 15.0 | (1) 15.0 | (1) 15.0 | (6) 85.0 5/ |
| 8. Libya | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 9. Morocco | IBRD | -- | (1) 17.5 | (2) 27.5 | -- | -- | (3) 45.0 | (1) 15.0 | (3) 68.3 | (2) 45.0 6/ | (2)39.0 | (5) 136.0 7/ | (13) 303.3 | (4) (50.0 | (3) (45.0 | (3) (45.0 | (3) (45.0 | (3) (45.0 | (16) (230.0 |
| | IDA | -- | -- | (1) 11.0 | -- | -- | (1) 11.0 | -- | (1) 7.3 | -- | (2)18.5<br>(3)* | (1) 10.0<br>(5)* | (4) 35.8<br>(16)* | (1)(10.0<br>(4)* | (1) (15.0 | (1) (15.0 | (1) (15.0 | (1) (15.0 | (5)( 70.0<br>(20)* |
| 10. Oman | IBRD | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (3) 12.0 | (1) 3.0 | (1) 3.0 | (1) 3.0 | (2) 10.0 | (8) 31.0 |
| 11. Qatar | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 12. Saudi Arabia | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 13. Sudan | IBRD | -- | -- | (1) 31.0 | -- | (1) 24.0 | (2) 55.0 | (1) 5.0 | -- | -- | -- | -- | (1) 5.0 | -- | -- | -- | -- | -- | -- |
| | IDA | -- | -- | -- | -- | (1) 8.5 | (1) 8.5 | -- | -- | -- | (1) 11.3 | (3) 50.0 | (3) 61.3 | (3) 48.0 | (4) 35.0 | (6) 65.0 | (3) 25.0 | (3) 45.0 | (19) 218.0 |
| 14. Syria | IBRD | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (2)(40.0 | (1)(15.0 | (1)(25.0 | (2)(45.0 | (2)(35.0 | (8)(160.0 8/ |
| | IDA | (1) 8.5 | -- | -- | -- | -- | (1) 8.5 | -- | -- | -- | (1) 13.8 | (1) 15.0 | (2) 28.8 | (1)(10.0<br>(2)* | (1)(20.0 | (1)(10.0 | (1)(12.0 | (1)(12.0 | (5)( 64.0 8/<br>(12)* |
| 15. Tunisia | IBRD | (1) 7.0 | -- | (1) 5.0 | (2) 12.0 | (1) 10.0 | (5) 34.0 | (4) 32.8 | (1) 10.0 | (2)31.5 9/ | (4) 41.0 9/ | (2) 23.0 | (13)138.3 | (4) 27.0 | (3) 29.0 | (2) 21.0 | (3) 28.0 | (2) 25.0 | (14) 130.0 |
| | IDA | -- | -- | -- | (2) 19.0<br>(3)* | -- | (2) 19.0<br>(6)* | (1) 8.5<br>(4)* | (1) 10.5 | (1) 4.8 | (3) 15.0<br>(5)* | (1) 7.0<br>(2)* | (7) 45.8<br>(16)* | (1) 12.0 | (1) 7.0 | (1) 7.0 | (1) 7.0 | (1) 7.0 | (5) 40.0 |
| 16. Union Arab Emirates | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 17. Yemen, A.R. | IDA | -- | -- | -- | -- | -- | -- | -- | -- | -- | (1)7.7 10/ | (2) 19.0 10/ | (3) 26.7 | (2) 9.0 | (2) 19.0 | (2) 8.0 | (2) 13.0 | (2) 12.0 | (10) 61.0 |
| 18. Yemen, PDR of | IDA | -- | -- | -- | -- | -- | -- | -- | -- | (1) 1.6 | -- | (2) 3.6 | (3) 5.2 | (1) 7.5 11/ | (2) 6.5 | (1) 5.5 | (3) 6.5 | (1) 6.0 | (8) 32.0 12/ |
| | | (5) 42.5 | (1) 17.5 | (5) 74.5 | (5)*57.0 | (3)42.5 | (19)*234.0 | (6)*61.3 | (7)122.1 | (7)88.9 | (15)*222.1 | (26)*459.8 | (61)* 954.2 | (31)426.4 | (32) 440.5 | (34) 428.5 | (33) 458.5 | (31) 481.0 | (161)*2234.9 |
| TOTAL | IBRD | (2) 27.5 | (1) 17.5 | (4) 63.5 | (3) 35.0 | (2)34.0 | (12) 177.5 | (6) 52.8 | (4) 78.3 | (4)76.5 | (8) 120.4 | (13) 295.6 | (35) 623.6 | (19)259.0 | (17) 275.0 | (17) 254.0 | (17) 311.0 | (17) 315.0 | (87) 1414.0 |
| | IDA | (3) 15.0 | ... | (1) 11.0 | (3) 22.0 | (1) 8.5 | (8) 56.5 | (1) 8.5 | (3) 43.8 | (3)12.4 | (10) 101.7 | (15) 164.2 | (32) 330.6 | (14)167.4 | (15) 165.5 | (17) 174.5 | (16) 147.5 | (14) 166.0 | (76) 820.9 |

1/ Expected for FY 73: Education, $14 million; Highway, $17 million.

2/ Proposed by Program Division 2B but not yet approved.

3/ National figures. First CPP will be prepared next summer.

4/ The Kuwait Fund is co-financing the Zarqa Thermal Power Project in the amount of $8.4 million.

5/ Draft CPN.

6/ In FY 71, the Kuwait Fund co-financed the BNDE-Sugar Mill Project.

7/ In FY 73, the KFW will be co-financing the Maroc Phosphore Acid Plant in the amount of $10 million.

8/ As proposed by Programs Division 2D. Lending Program approved at last year's Country Program Review was $145 million for seven projects.

9/ In FY 71, the Kuwait Fund co-financed the Gas Pipeline Project in the amount of KD 900,000. In FY 72, the KFW (Germany) co-financed the Tourism Infrastructure Project in the amount of DM 40 million.

10/ The Kuwait Fund co-financed in FY 72 the Highway Project in the amount of $800,000 and in FY 73, the Tihama Development Project in the amount of $5 million. The Education Project in 1973 was co-financed in the amount of $8 million by the Union of Arab Emirates; $300,000 by the Federal Republic of Germany; $6 million by UNDP.

11/ The proposed Highway Project in PDRY would require at least $12-15 million of outside financing including joint financing from Kuwait Fund or the new Arab Fund.

12/ Proposed lending programs in CPN's under preparation.

* Number of projects (some of them financed by both IBRD loan and IDA credit).
** 4-1/2 years actual plus 1/2 year estimated.

EMENA
January 31, 1973

**Table 3:** SUMMARY OF LENDING PROGRAM BY COUNTRY, FY64-78

(In million U.S. Dollars)

| | Country | IBRD/IDA | 1964-68 No. of Projects (Actual) | 1964-68 Amount | 1969-73 No. of Projects (4-1/2 yrs. Actual + 1/2 yr.Est.) | 1969-73 Amount | 1974-78 No.of Projects (Proposed) | 1974-78 Amount |
|---|---|---|---|---|---|---|---|---|
| 1. | Algeria | IBRD | 1 | 20.5 | 2 | 31.0 1/ | 19 | 580.0 2/ |
| 2. | Bahrein | IBRD | - | - | - | - | 4 | 28.0 3/ |
| 3. | Egypt | IDA | - | - | 6 | 107.2 | 14 | 285.0 |
| 4. | Iraq | IBRD | 1 | 23.0 | 4 | 110.4 | 11 | 165.0 |
| 5. | Jordan | IBRD | - | - | - | - | 1 | 5.0 |
| | | IDA | 3 | 9.5 | 3 | 19.8 4/ | 10 | 50.9 3/ |
| 6. | Kuwait | | - | - | - | - | - | - |
| 7. | Lebanon | IBRD | - | - | 2 | 35.6 | 6 | 85.0 5/ |
| 8. | Libya | | - | - | - | - | - | - |
| 9. | Morocco | IBRD | 3 | 45.0 | 13 | 303.3 6/ 7/ | 16 | ( 230.0 |
| | | IDA | 1 | 11.0 | 4 15* | 35.8 | 5 20* | ( 70.0 |
| 10. | Oman | IBRD | - | - | - | - | 8 | 31.0 |
| 11. | Qatar | | - | - | - | - | - | - |
| 12. | Saudi Arabia | | - | - | - | - | - | - |
| 13. | Sudan | IBRD | 2 | 55.0 | 1 | 5.0 | - | - |
| | | IDA | 1 | 8.5 | 4 | 61.3 | 19 | 218.0 |
| 14. | Syria | IBRD | - | - | - | - | 8 | ( 160.0 8/ |
| | | IDA | 1 | 8.5 | 2 | 28.8 | 5 12* | ( 64.0 8/ |
| 15. | Tunisia | | 5 | 34.0 | 13 | 138.3 9/ | 14 | 130.0 |
| | | | 2 6* | 19.0 | 7 16* | 45.8 | 5 | 40.0 |
| 16. | Union Arab Emirates | | - | - | - | - | - | - |
| 17. | Yemen Arab Republic | IDA | - | - | 3 | 26.7 10/ | 10 | 61.0 |
| 18. | Yemen, P.D.R. of | IDA | - | - | 3 | 5.2 | 8 | 32.0 11/ 12/ |
| | | TOTAL | 19* | 234.0 | 61* | 954.2 | 161* | 2234.9 |
| | | IBRD | 12 | 177.5 | 35 | 623.6 | 87 | 1414.0 |
| | | IDA | 8 | 56.5 | 32 | 330.6 | 76 | 820.9 |

1/ Expected for FY73: Education $14 million; Highway $17 million.
2/ Proposed by Program Division 2B but not yet approved.
3/ National figures. First CPP will be prepared next summer.
4/ The Kuwait Fund is co-financing the Zarqa Thermal Power Project in the amount of $8.4 million.
5/ Draft CPN.
6/ In FY71 the Kuwait Fund co-financed the BNDE - Sugar Mill Project.
7/ In FY73 the KFW will be co-financing the Maroc Phosphore Acid Plant in the amount of $10 million.
8/ As proposed by Programs Division 2D, lending program approved at last year's Country Program Review was $145 million for 7 projects.
9/ In FY71 the Kuwait Fund co-financed the Gas Pipeline Project in the amount of KD900,000. In FY72 the KFW (Germany) co-financed the Tourism Infrastructure Project in the amount of DM40 million.
10/ The Kuwait Fund co-financed in FY72 the Highway Project in the amount of $800,000, and in FY73 the Tihama Development Project in the amount of $5 million. The Education Project in 1973 was co-financed in the amount of $8 million by the Union of Arab Emirates; $300,000 by the Federal Republic of Germany; $6 million by UNDP.
11/ The proposed Highway Project in PDRY would require at least $12-15 million of outside financing including joint financing from Kuwait Fund or the new Arab Fund.
12/ Proposed lending programs in CPN's under preparation.

* Number of Projects (some of them financed by both IBRD loan and IDA credit).

EMENA
January 31, 1973

Table 4: SUMMARY OF IFC OPERATIONAL COMMITMENTS 3/ BY AMOUNT, NUMBER OF PROJECTS, AND PURPOSE, FY69-73

(In million U.S.Dollars)

| Fiscal Yr. | 1969 | 1970 | 1971 | 1972 | 1973 | Total 1969-73 | Type of Business |
|---|---|---|---|---|---|---|---|
| 1. Lebanon | - | - | (2) 2.1 | - | - | (2) 2.1 | Textiles - Filitex, S.A.L.<br>Ceramic Tiles - Lebanese Ceramic Ind. |
| 2. Sudan | - | - | - | (1) 2.2 1/ | - | (1) 2.2 | Textiles - Khartoum Spinning and Weaving Co. Limited |
| 3. Tunisia | (1) 14.7 | (1) 1.2 2/ | - | - | - | (2) 15.9 | Tourism Financing - Campagnie Fin. et Touristique, S.A.<br>Development Financing - S.N.I. |
| Total | (1) 14.7 | (1) 1.2 | (2) 2.1 | (1) 2.2 | - | (5) 20.2 | |

1/ Total commitments made during FY64 and FY72 for two projects.
2/ Total commitments made during FY66 and FY70 for two projects.
3/ Net of exchange adjustments and including standby and underwriting commitments.

Europe, Middle East and North Africa
January 31, 1973

Table 5: ECONOMIC AND SECTOR MISSIONS TO ARAB COUNTRIES, FY69-73

| | 1969 | 1970 | 1971 | 1972 | 1973 | Total |
|---|---|---|---|---|---|---|
| 1. Algeria | - | - | EB | - | EU | 2 |
| 2. Bahrein | - | EB | - | - | EB | 2 |
| 3. Egypt | - | EB | - | EB<br>S | S<br>S | 5 |
| 4. Iraq | - | - | EB | - | EU | 2 |
| 5. Jordan | EB | - | E(U) | EB | - | 3 |
| 6. Kuwait | - | - | S<br>S | E | - | 3 |
| 7. Lebanon | EU | EU | - | EB<br>S | EU | 5 |
| 8. Libya | - | - | - | - | - | - |
| 9. Morocco | EU | EB | EB<br>S | EB<br>S<br>S | EU | 8 |
| 10. Oman | - | - | - | EB | - | 1 |
| 11. Qatar | EB | - | - | - | - | 1 |
| 12. Saudi Arabia | - | - | - | S | - | 1 |
| 13. Sudan | - | EB | - | EB | - | 2 |
| 14. Syria | - | - | - | EB<br>S | EU | 3 |
| 15. Tunisia | EB | EB<br>SP | EB | EB | EB | 6 |
| 16. Union of Arab Emirates | EB | - | - | - | - | 1 |
| 17. Yemen Arab Republic | - | EB | - | EB<br>S | EU<br>S | 5 |
| 18. Yemen, PDR of | - | EB | - | - | EU<br>S | 3 |
| TOTAL | | | | | 17 countries | 53 |

EB = Economic Mission - Basic
EU = Economic Mission - Updating
S = Sector Mission -
SP = Economic Mission - Special

Europe, Middle East and North Africa
January 31, 1973

# IMF ACTIVITIES

## Kuwait

The most recent regular consultation was in December 1971; the next is planned for February 1973. A mission from the Central Banking Services has drawn up terms of reference for a full study of financial institutions for which the timing is yet to be determined.

## United Arab Emirates and Qatar

Missions in Spring 1972 prepared memoranda relating to the calculation of quotas and central banking laws have been drafted for both countries.

## Saudi Arabia

There have been no IMF activities. However the Head of the Saudi Arabian Monetary Agency is listed by the IMF as the Director (on leave) of the Middle Eastern Department.

EMENA Region
Division 1D
January 26, 1973

1/31 To [illegible], please obtain copies of the circled material for my files

## READING MATERIALS

**General**

| | |
|---|---|
| In briefing (General, G) | Extracts from Middle East and North Africa 1972-73, a Europa publication giving excellent descriptions of each country and of the Arab League |
| Attached | Guide to National Petroleum Council Report on U.S. Energy Outlook, 1972. |
| Attached | John McLean: U.S. Energy Outlook and Its Implications for National Policy (Speech to World Affairs Council 9/21/72) |
| Attached | Special Issues of Fin. Times and Times on Lebanon, Qatar, United Arab Emirates, Dubai and Saudi Arabia |
| Attached | World Energy Demands and the Middle East, papers from Middle East Conference, September 1972. |
| Attached | Charles Issawi, Oil, The Middle East and The World, 1972 |
| Attached | M.A. Adelman, Is the Oil Shortage Real?, Foreign Policy, Winter Issue, 1972-73. |
| | Ford Foundation, Review Conference on Middle East and North Africa, June 1972: |
| Attached | 1. A.H. Hourani, Thoughts on the Political Environment in the Middle East and North Africa |
| Attached | 2. R. Stephens, Development Problems in the Arab World |
| Attached | 3. S.V. Schurr, Middle East Oil and the Western World: Prospects and Problems |
| AL | 4. M. Berger, Institutional Aspects of Development in the Middle East |
| AL | G.F. Hourani, Arab Seafaring, 1950. Historical account of Indian Ocean and Gulf seafaring. |
| AL | C.A.O. van Nieuwenhuijze, Muslim Attitudes Towards Planning, 1966. Scholarly monograph which provides some insights into the attitudes engendered by Islamic religion, including the "utter irrelevance of time." |

**Kuwait**

| | |
|---|---|
| AL | IBRD, The Promotion of Manufacturing in Kuwait, November 23, 1971. Report of mission headed by Mr. Harold Larsen. |
| AL | Economic Development of Kuwait, 1965. Report of Bank Survey Mission. |
| AL | El Mallakh, Kuwait Economic Development and Regional Cooperation, 1968. |
| AL | H.R.P. Dickson, Arabs of the Desert, 1949. An entertaining account by a long-time British resident of Kuwait, whose elderly wife still lives there. |

Qatar

AL Report by United Nations Economic and Social Office in Beirut.

United Arab Emirates

AL IBRD, The Economic Development of the Arab Gulf Emirates, 1969. Report of economic mission headed by Mr. Edmond Asfour.

AL K.G. Fenelon, The Trucial States, 1969, by British statistician still working in Abu Dhabi Planning Office.

AL Clarence C. Mann, Abu Dhabi.

# OFFICE MEMORANDUM

TO: Files

DATE: February 1, 1973

FROM: John Foster

SUBJECT: LIBYA: Contribution of Petroleum to Economy

Introduction

1. Libya's growth as a major oil producing nation has been dramatic. Exploration began in 1953 and was strongly encouraged by the Petroleum Law of 1955. Concessions were granted at that time to about 25 companies which have all finally converted their concessions to the more stringent terms of a 1961 amendment. Libyan oil was first found in 1957 by Esso Libya, and production started in 1961.

Producing fields

2. The producing fields and concessionaires are most easily understood if they are grouped by the six export pipeline systems.

3. The Zelten-Marsa Brega pipeline system was brought in by Esso Libya to enable the export of crude since 1961 from its large Zelten field (Block 6) to the Marsa Brega export terminal on the Gulf of Sirte. The system was extended to tie in (i) its Jebel field in 1964 and other small fields in 1965, and (ii) the Raguba field of the Esso Sirte/Atlantic Richfield/ W R Grace group in 1963. The system's capacity was raised to 780,000 b/d 1/ in 1968.

4. The Sidrah pipeline system takes crude output of Oasis Oil Company (Continental Oil and Marathon Oil one-third each and Amerada-Hess and Shell one sixth each) to the Es Sider export terminal. It serves the group's fields at Dahra (Concession 32, Waha (Block 59), Zaggut and Samah, and Gialo (Block 59) and Defu and Bahi. The system's capacity is about 1 million b/d.

5. The Ras Lanuf pipeline system takes crude output to the Ras Lanuf export terminal from (i) the Mobil/Gelsenberg group's Hofra field (Block 11) and Ora field (Block 13), (ii) the Amoseas (Caltex) Beda and Kotla fields (Block 47), (iii) Amoco's field (Concession 93), and (iv) the state enterprise Linoco's Umm Farud field (Concession 92).

6. A separate pipeline system takes crude to the Ras Lanuf export terminal from (i) Mobil/Gelsenberg's Amal field (Concession 12) and Rakh field, (ii) Amoseas' Nafoora field (Block 51), and (iii) two small fields of the Aquitaine group (SNPA, ERAP, Hispanoil and Murphy).

7. The Sarir-Marsá Hariga pipeline system takes crude oil from the large Sarir field (Block 65) originally under concession 50:50 to BP and Bunker Hunt. The Government nationalized BP's interest in December 1971 (paragraph 19 ) and is negotiating a 50% participation in Bunker Hunt's interest (paragraph 23).

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1/ One million b/d (barrels per calendar day) equals roughly 50 million tons per year.

8. The Intisar-Zuetine pipeline takes crude (i) from Occidental Petroleum's Idris field (Concession 103) and Augila field (Concession 102) and (ii) from ENI's Abu Tiffel field (Concession 100-A).

State Oil Enterprise Linoco

9. The original state oil enterprise Libyan National Petroleum Corporation was formed in 1968 but was replaced in April 1970 by the Libyan National Oil Corporation (Linoco) when the present regime assumed power.

10. Linoco has title to the Government's participation rights in a contract signed with SNPA/ERAP in 1968 and in the joint venture agreements made with ENI,Ashland Oil and Shell in 1969. Since July 1970, it is the sole marketer of petroleum products in Libya. It has plans to develop a petrochemical complex at Marsa Brega and to build two refineires. The first would be an export refinery at Tobruk with a capacity of 130/150,000 b/d initially to run on Sarir crude oil.

Oil Production, Government Revenue and Export Earnings -- 1970

11. Crude oil output began in 1961 and reached a peak of nearly 3.7 million b/d in mid-1970. Demand for Libyan crude was strengthened by its freight advantage over Middle Eastern crudes to the European market, particularly after the closure of the Suez Canal in 1967, and by its low sulphur content which commanded a growing premium in the U.S. east coast market as from late 1969. In mid-1970 the Libyan Government ordered cut-backs in individual companies output on grounds of conservation, which also coincided with its negotiations with them to increase tax rates and posted prices (i.e., tax-reference prices) for crude oil exports.

12. Effective September 1, 1970, tax rates were raised from 50 percent to 54-58 percent and posted prices were increased by about 30 cents per barrel f.o.b. loading port. (See Table 1 for details). This was the most substantial international increase in government revenue per barrel since 1957 and sparked off the first round of similar increases in Venezuela and the Middle East. In 1970/71 (fiscal year ending March 31) it thus received its highest yearly amount up to then, US$1.3 billion equivalent, which was 85 percent of its total revenue. At that time the Government received oil revenues within one month after each quarterly assessment. Oil export earnings in calendar 1970 amounted to US$2.4 billion gross and $1.6 billion net.1/

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1/ Net of merchandise imports remittances and investment income abroad, and net capital movements.

Oil Production, Government Revenue and Export Earnings --1971

13. Effective March 20, 1971, the Government "take" was again substantially increased under the Tripoli Agreement between the Government and oil companies. (See Table 1 for details). Its provisions were agreed to constitute a firm settlement from that date to end-1975. The income tax rate was consolidated at 55 percent, except for Occidental Petroleum whose rate is 60 percent. The base posting was increased by another 52 cents; provision was made for upward escalation on that date and on January 1, 1973-1975; and two temporary premia were introduced for Libya's freight advantage - including that from closure of the Suez Canal - over the Persian/Arabian Gulf to the NW European market. Supplemental payments were introduced in settlement of income tax claimed by the Government since September 1970 retroactively to 1965.

14. On the other hand, Libyan output in 1971 remained at a lower level of 2.8 million b/d. Furthermore, the tax-paid f.o.b. cost per barrel of crude exports from Libya rose by a greater amount than those of comparable crudes from the Persian/Arabian Gulf; declining freight rates decreased Libya's freight advantage to the NW European market; and Libyan crude in 1971 commanded only a small low-sulphur premium in the realized f.o.b. sales price to its main market, Europe. Hence exporters of Libya crude were unable to pass on the full increase in tax-paid cost to their customers unlike exporters of Persian/Arabian Gulf crudes, and hence the producers' margin on Libyan crude began to look comparatively less favourable than formerly.

15. On balance, the Government is estimated in this case to have received approximately $1.9 billion in 1971/72, an increase of 40 percent over 1970/71. Under the Tripoli Agreement oil revenue payments were converted fully to a monthly basis. Oil export earnings in calendar 1971 are estimated at approximately $2.6 billion gross and $2.0 billion net.

Production, Government Revenue and Export Earnings 1972

16. Under the Supplemental Agreement effective January 20, 1972 increases of 8.49 percent were made to the base posting, temporary premia, and supplemental payments in settlement of retroactive income tax claims. These increases were in compensation for the international currency alignment of December 1971 and were at the same percentage rate as under the Geneva Agreement effective the same date for crude oil exports from the Persian/Arabian Gulf.

17. However, production in 1972 continued to decline; it averaged 2.3 million b/d in January-June 1972 and 2.1 million b/d in June itself. The producers' margin continued to look comparatively unattractive. In June the Government halved Occidental Petroleum's allowable production rate to 320,000 b/d on technical grounds. Above all, there is mutual distrust between the Government and foreign oil companies which has reduced investment and output.

18. The Government has informed the Esso, Shell and AGIP companies of the amount of compensation for their marketing assets nationalized in 1970 but is understood not yet to have made payment.

19. The Government nationalized the BP half of the Sarir field in December 1971 in retaliation for the U.K. Government's failure to prevent Iran from occupying the three small islands of Abu Musa, Greater Tumb and Lesser Tumb in the Persian Gulf. It has yet to discuss terms for compensation; it has arranged to sell part of such oil to Russia, Yugoslavia, Bulgaria and Rumania. The U.K. Government has formally protested to the Soviet Government about their purchase as being in violation of international law. Court hearings begin on January 25, 1973 in Syracuse, Sicily to consider a suit brought by BP to establish ownership of a cargo of Sarir crude which was sold in December 1971 by the Libyan state enterprise LINOCO and delivered to the Priolo refinery in Sicily owned by Sincat (Montedison).

20. Oil revenue due to the Libyan Government for calendar 1972 is estimated at about $1.7 billion (Table 2). Oil export earnings in calendar 1972 are estimated at approximately $2.2 billion gross and $1.7 billion net, both in decline from 1971.

Future Participation of Libyan Government in Concessions

21. The next issue of uncertainty affecting oil investment and output is the outcome of pending negotiations for Libyan Government participation in concessions.

22. In September 1972 the Government reached an agreement with the Italian state oil concern ENI on the terms under whether it would acquire a 50% interest in ENI's two Libyan concessions (i) A100, awarded in 1966, in which production has begun from the Abu Tiffel field and (ii) 82 awarded in 1959, in which no commercial discovery has yet been made. The Libyan oil minister recently gave the following details on the agreement. For Concession 100 the Government is to pay 50% of the net book value; payments carry interest at 3.5% and are due in cash in five annual installments, the first on signature of the agreement, the second in 1974 and the remaining three at yearly intervals thereafter. For Concession 82 ENI will receive compensation in the form of permission to amortize exploration expenses of that concession over 20 years against income from the Abu Tiffel field. Until 1977 the Government can require ENI to market the former's share at the "half-way" price (between tax-paid costs and posted price) minus a commission reflecting the difference between market price and half-way price.

23. In October 1972 the Government requested an immediate 50% interest in Bunker Hunt's half share of the Sarir field in Concession 65, plus 50% of its profits made from its half share since the nationalization in December 1971 of the BP half of this field. Negotiations broke down in Tripoli on December 9, 1972 following Bunker Hunt's refusal to accede to these requests. No date for their resumption has been set. If the break is final, the Libyan authorities may choose to implement its warnings that in such case it might refuse to allow Bunker Hunt to lift more oil and might cancel its concession.

24. The negotiations are of crucial importance, as they represent the Government's first attempt to implement its own formula for participating in concessions 1/, on the lines already applied in its joint-venture deal with ENI. The Libyan formula differs from that embodied in the General Agreement on Participation 2/ between Gulf States and foreign partners in four main respects: (i) Most importantly, government compensation to foreign partners for acquiring participation in concessions would be based in the Libyan formula on the actual written-down net book value, but in the General Agreement on "updated book value" under which the book value is adjusted for past inflation in accordance with an index of oil plant and equipment in the Middle East. (ii) In the Libyan formula participation would be 50% retroactive to January 1, 1973 but in the General Agreement it is 25% initially, rising in stages to 51% by 1982. (iii) In the Libyan formula the price at which foreign partners would buy back oil for the Government would be the "half-way price" between tax-paid cost and posted price, minus a commission reflecting the difference between tax-paid cost and realized price. In the General Agreement the price is the "quarter-way price" plus a certain number of U.S. cents per barrel. (iv) The volumes to be bought back by the foreign partners in the Libyan formula would be at the Government's option, but in the General Agreement would be formal obligations for the following 4 years.

25. Acceptance of the Libyan demands by any of the Libyan operators, particularly those with affiliates in the Gulf States, would therefore establish a precedent with implications for the General Agreement. The most sensitive issue is that of compensation. "Updated book value" was a hard negotiated compromise in the General Agreement between the Arab State governments' stand for historical net book value and the compromises' stand for the net present worth of future earnings from recoverable reserves. For that reason, five major oil companies - Exxon, Standard California, Texaco, Mobil and Gulf - agreed on November 30, 1972 in New York to adopt a joint policy resisting the Libyan request. They are also known to have guaranteed Bunker Hunt that they would compensate it for losses from a possible shutdown by providing it with about the same quantity of crude as it had been producing in Libya. An oil pool has apparently been organized among the main Libyan operators to help out any of their members penalized by the Libyan Government, and Occidental has apparently already benefitted from this arrangement following the latest cutback in its output.

26. The latest development is that the Government started discussions on January 10 with the Oasis group regarding participation in their concession.

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1/ The Libyan oil minister Izz al-Din al-Mabruk explained Libya's policy on participation in the supplement to the Middle East Economic Survey's issue of November 3, 1972 (copied appended as Attachment A).

2/ Summarized in attachment A to my memorandum on "Projections of Oil Revenues of OPEC Member Countries" dated January 26, 1973.

Oil Production, Government Revenue and Export Receipts through 1985

27. For the future it is assumed that (a) the present tax arrangements will hold good until December 3, 1975, and - for want of a better assumption- will thereupon be renewed on that basis; (b) the producers' margin per barrel will continue at its present level; and (c) output will rise by about 7 percent yearly from its present level, in line with a forecast in May 1972 by the Libyan Technical Planning Authority in announcing its next three-year economic development program. In the existing atmosphere this seems the most optimistic prediction. The Government has just announced a more flexible regulation on allowable crude production effective December 18, 1972, combining a basic well productivity-index formula with penalties and credits. Government officials are reported to predict that it will allow a potential 25% rise in output to about 2.5 million b/d, but the companies are apparently less sure. On balance Government revenue is foreseen to rise to $3.4 billion by 1980 and gross exports to $4.5 billion.

28. A crystal ball gaze at 1985 might reveal Government revenue of $6.0 billion and gross exports of $7.5 billion, if they continue to grow at the rates projected for 1973-1980. These figures, of course, have little meaning in view of the vast technical, economic and political uncertainties.

Exports of Liquefied Natural Gas (LNG)

29. As for natural gas, exports began in March 1971 from Esso's liquefaction plant at Marsa el Brega after settlements of disputes between the Government and the company as to tax-reference prices. These are 34 and 34.5 cents respectively per million Btu's 1/ for 20-year deliveries of 110 million cfd (Cubic feet per day) to Spain and 235 million cfd to Italy; both prices escalate with an unspecified index reflecting inflationary trends in Europe. The Libyan Government is understood to receive revenue in the form of royalty at 12.5 percent of the value of output and of income tax at 55 percent of profits after deduction of production cost but not royalties. Agreement has apparently not yet been reached on (a) the computation of production cost for tax purposes; or (b) whether the supplemental adjustment of 8.49 percent for crude oil base postings also applies to LNG. In early 1972 the LNG plant was operating at about 75 percent of capacity and is expected to reach full capacity in the near future. Gross exports and government revenue are estimated at approximately $45 million and $20 million per year respectively, subject to unknown upward escalation for inflation.

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1/ One million British thermal units are on average equal to about 1,000 cubic feet of natural gas.

Attachments

CC: Messrs. Chenery, Stern, Hayes, Tims, Price, Varon
Hartwich, Karaosmanoglu, Asfour, Springuel, Sederlof.
Larsen, Maiss, Upper

Middle East Economic Survey

*A weekly review of news and views on Middle East Oil*

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## LIBYAN OIL MINISTER OUTLINES POLICY ON PARTICIPATION

As far as participation is concerned, Libya plans to go it alone outside the framework of the New York agreement between the Gulf producing states and the oil companies and press for 50 percent participation in the operations of all the main oil companies in Libya on terms similar to those embodied in the recent joint-venture deal between the government and Italy's ENI. This is the keynote of Libya's current oil strategy as explained by Libyan Oil Minister 'Izz al-Din al-Mabruk in an exclusive interview with MEES News Editor Ian Seymour, which took place in Riyadh after last week's OPEC Conference on participation. Mr. Mabruk also warned that Bunker Hunt - the US independent who was the first to be notified of the government's participation demand - would risk losing all his interests in Libya if he refused to accommodate the government's wishes.

In the course of the MEES interview, Mr. Mabruk disclosed for the first time details of two major projects which Libya's National Oil Corporation (NOC) plans to carry out in the near future: one will involve the construction of a big export refinery at Tobruk, with a capacity of 130,000 - 150,000 b/d, to process nationalized Sarir crude, and the other the development of a group of oilfields in the western part of Libya, which have been relinquished by various oil companies, and the building of a pipeline and export terminal for this oil.

### Libya's Participation Terms

Commenting on the decision of four Gulf states to accept the New York draft agreement (supplement to MEES, 27 October), the Libyan Oil Minister defined his government's individual policy on this issue as follows: "The Gulf states are satisfied with their agreement and we wish them luck. But we, in Libya are not satisfied with this. We are not in any way bound by the principles contained in the Gulf agreement. We plan to negotiate participation on our own behalf with each of the companies operating in Libya, and what we want from them is the same as is provided for in our recent agreement with ENI - namely 50 percent participation, cost of acquisition on the basis of properly audited net book value, and a government option to require the company to market the government's share of crude at the half-way price minus appropriate commission. These are all principles already adopted by OPEC itself and we are determined to apply them in Libya."

Elaborating on the terms of the ENI deal, which is providing Libya's yardstick for participation in the other producing ventures, Mr. Mabruk disclosed the following details:

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- Cost of acquisition of Libya's 50 percent share in the productive Concession 100 is based on the net book value of assets and will be paid in installments over the next five years at 3.5 percent interest, the first being payable immediately in advance, the second two years later in 1974 and the remaining three at annual intervals thereafter. In the case of expenditure on the as yet non-productive Concession 82, this will be amortized over 20 years against production income from the Abu Tiffel field in Concession 100. The agreement includes a five-year program for further exploration in Concession 82.

- Till 1977, ENI is obliged, at the option of the government, to market all or part of the government's share of crude at the half-way price minus a commission reflecting the difference between the half-way price and the market price. The precise buy-back price has been fixed for this year and next year, after which it is subject to review.

Mr. Mabruk went on to say: "The agreement with ENI has laid down the principles we want to apply to all the other operating companies in Libya - that is to say all profitable ventures since there are certain marginal producing operations of doubtful profitability(such as the Amoco venture which is currently producing only 10,000 b/d) in which we do not propose to seek participation. We want 50 percent participation immediately, and this percentage is non-negotiable. Originally we were thinking in terms of 51 percent, but that proved difficult to apply; so we decided to ask for 50 percent. But the important thing is not so much the percentage as the conditions, and the most important of these are the cost of acquisition, which must be based on net book value, and arrangements for the disposal of crude production including buy-back price, etc. With regard to the latter point, I would like to emphasize that we want full control over our share of crude oil production without any restrictions. We are not afraid of going ahead and marketing our share of crude. Except for the next two or three years, we do not think we will need the companies to market our share of oil."

Speaking about the form of the future negotiations with the companies on participation, the Minister stressed that collective negotiations with all the companies as a group would be out of the question. The government plans to negotiate individually with each company in turn. The conditions may vary a little on points of detail according to the circumstances in each case, but in general will be "more or less" the same as laid down in the ENI deal.

When I asked the Minister what measures Libya planned to take in case of a refusal by the companies to implement participation on Libya's terms, he replied: "Why should we be pessimistic. I think the companies will voluntarily submit to our demands. We like to reach mutual agreement with the companies on all such matters and so far we have succeeded in doing so. There is no reason why this state of affairs should not continue.".

The Case of Bunker Hunt

On 4 October, the Libyan Oil Ministry formally submitted a list of demands to the US independent Nelson Bunker Hunt who has shared the Sarir field with the state-owned Arabian Gulf Exploration Company since BP's 50 percent interest was nationalized last December. The government's two main demands were for (1) 50 percent of the profits on the oil sold by Bunker Hunt from his half share of the Sarir field since the nationalization of BP, and (2) 50 percent participation in Bunker Hunt's half share of the Sarir field along the lines of the Libya-ENI deal (though the memorandum to Bunker Hunt apparently made no mention of any possible commission on the stipulated half-way buy-back price). Otherwise, Libya threatened to embargo Bunker Hunt's liftings of Sarir crude until the state had made up the difference from its own exports.

Bunker Hunt was given until 19 October to reply to the Oil Ministry's ultimatum, and I asked the Minister what in fact the company's response had been. His answer was that Bunker Hunt had agreed to enter into negotiations on the government's demands, and that talks would begin shortly in Tripoli.

Explaining Libya's general attitude towards the Bunker Hunt case, Mr. Mabruk put it like this: "As you know, Bunker Hunt's concession in Libya is a purely personal, or should I say family, affair. And, frankly, such personal or family concessions are against the principles of our Libyan Revolution. The whole point of having a foreign concessionaire is that he should provide operating services for the oilfields. But Bunker Hunt isn't doing anything at all for us, and therefore we don't need him at all. He is not undertaking any operations; we ourselves are operating the Sarir field. But we have always been anxious to maintain good relations with Bunker Hunt, so far without any practical response from his side. He should adhere to his agreement with us; otherwise, he will lose not just 50 percent of his interest but the whole lot. Hunt's concession is in fact legally defective; we have concrete proof of this, and we have grounds for cancellation if necessary. But, as I said, we are reasonable people and we try to have good relations with everyone, including Bunker Hunt."

Mr. Mabruk acknowledged that Libya was experiencing difficulties in marketing Sarir crude "because BP is fighting us. Once this problem is removed, there will be no difficulties." At the same time he put the blame for the lack of a settlement of the Sarir issue fully onto the shoulders of BP. "We want a settlement," he said, "but BP don't want to settle. We asked them to come and settle the matter, but they refused. Our committee on compensation asked them to come and state their claims, but they haven't done so."

Libya's Attitude on Downstream Investment

Asked about his country's attitude towards downstream investment outside Libya as a means of establishing markets for state-owned crude, the Libyan Oil Minister was emphatic: "Before we can think of that, we have to concentrate on internal development inside Libya. We must develop our own country first."

In this connection, Mr. Mabruk noted that Libya now has firm plans to build a large-scale export-oriented refinery at Tobruk to process Sarir crude. The projected refinery will have a capacity of between 130,000 and 150,000 b/d. He said that Libya would welcome share participation by foreign companies in the refinery project, but that if none were forthcoming Libya would build the plant itself. So far, a complete feasibility study of the proposed refinery has been made, and the project will be put out to tender in the near future.

"We are sick of being mere exporters of crude oil," Mr. Mabruk declared. "We want to industrialize our country. This is one of the main objectives of our policy.

Meanwhile, work is proceeding "according to schedule" on Libya's projected petrochemical complex at Port Brega which will comprise a $30 million, 1,000-ton/day methanol plant (joint-venture between Libya's NOC and Occidental) and a 1,000-ton/day ammonia plant (wholly owned by NOC). Previous tentative plans for a 50,000-b/d refinery and a carbon black plant at the Brega complex have now been dropped.

Exploration and Development

One of Libya's big problems in the oil sphere at the moment is the low level of exploration work by the established operators, and Mr. Mabruk laid particular stress on this point: "We are extremely dissatisfied with the current low level of exploration work by the operating oil companies. They are sticking to the absolute minimum, and this is a matter of prime concern to us. The companies complained about various difficulties they were experiencing in their exploration work, and we have been doing our best to create a better atmosphere for them to work in; but so far they have not responded."

In this connection, the Minister noted that Libya would be very willing to entertain any proposals from established companies for new exploration ventures on a joint venture or service contract basis with the National Oil Corporation: "We are ready to grant new acreage for exploration, particularly to the existing operators. For this purpose we are prepared to consider any proposals for exploration on a joint venture or service contract basis. We are prepared to give the companies all possible incentives. We have nothing against them; we have reached agreements with them in the past and I believe we will do so in the future. We prefer the existing operators because of the facilities they already have in Libya. There are still enormous amounts of oil to be found in Libya. It is up to the companies what they do; but we for our part will not be negative."

For its part, the National Oil Corporation is concentrating on an area in the western part of Libya where a number of oil discoveries were relinquished by Gulf, Shell and Total in 1970. Individually the discoveries were modest, but there have always been hopes that collectively they might be sufficient to justify commercial development.

NOC has now completed, with the assistance of two French firms connected with IFP (MEES, 17 December), a re-evaluation of the results of the oil companies' previous tests and studies in the western area. On this basis, it has drawn up an exploration and development program involving the drilling of 25 wells this year and next year in the western acreage, and it is hoped that full export facilities - pipeline and terminal - will be completed within three years from now. The capacity of the pipeline has not yet been determined, and will of course largely depend on the results of the drilling program.

NOC also has plans for exploration drilling in an area south of the Sarir field quite soon.

TABLE 1

**LIBYA: POSTED PRICE, GOVERNMENT REVENUE AND REALISED PRICE PER BARREL OF LIBYAN CRUDE OIL ($40^{\circ}$ API), ESTIMATED FOR 1970-1972 AND FORECAST FOR 1973-1978**

(US cents per barrel)

| | | Agreement of Sept 1, 1970 a/ | | Tripoli Agreement b/ | | | | Tripoli and Supplemental Agreements c/ | | | | | | Bank Estimate d/ | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date of Price Calculations | Aug 31, 1970 | Sept 1, 1970 | Jan 1, 1971 | March 20, 1971 | July 1, 1971 | Oct 1, 1971 | Jan 1, 1972 | Jan 20, 1972 | April 1, 1972 | July 1, 1972 | Jan 1, 1973 | Jan 1, 1974 | Jan 1, 1975 | Jan 1, 1976 | Jan 1, 1977 | Jan 1, 1978 | Jan 1, 1979 | Jan 1, 1980 | Jan 1, 1985 |
| Posted price effective since | 223.0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| add: general increase | - | 30.0 | - | 42.0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| low sulphur premium | - | - | 2.0 | 10.0 | - | - | 2.0 | - | - | - | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| escalation of 2.5% | - | - | - | 7.7 | - | - | - | - | - | - | 8.7 | 9.1 | 9.5 | 9.9 | 10.4 | 10.8 | 11.2 | 11.7 | 14.1 |
| escalation of 5 cents | - | - | - | 5.0 | - | - | - | - | - | - | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| supplement of 8.49% | - | - | - | - | - | - | - | 27.3 | - | - | - | - | - | - | - | - | - | - | - |
| Base Posting | - | 253.0 | 255.0 | 319.7 | 319.7 | 319.7 | 321.7 | 349.0 | 349.0 | 349.0 | 364.7 | 380.8 | 397.3 | 414.2 | 431.6 | 449.4 | 467.6 | 486.3 | 586.9 |
| add: gravity adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| temporary premia - Suez Canal e/ | - | - | - | 12.0 | 12.0 | 12.0 | 12.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 |
| freight e/ | - | - | - | 13.0 | 10.6 | 8.2 | 4.9 | 5.3 | 2.2 | - | - | - | - | - | - | - | - | - | - |
| Total Posted Price | 223.0 | 253.0 | 255.0 | 344.7 | 342.3 | 339.9 | 338.6 | 367.3 | 364.2 | 362.0 | 377.7 | 393.8 | 410.3 | 427.2 | 444.6 | 462.4 | 480.6 | 499.3 | 599.9 |
| less: marketing allowance | 0.5 | 0.5 | 0.5 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| production cost f/ | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| royalty @ 12.5% | 28.0 | 31.6 | 31.8 | 43.1 | 42.8 | 42.5 | 42.3 | 45.9 | 45.5 | 45.3 | 47.2 | 49.2 | 51.3 | 53.4 | 55.6 | 57.8 | 60.1 | 62.4 | 75.0 |
| deductible costs | 58.5 | 62.1 | 62.3 | 73.1 | 72.8 | 72.5 | 72.3 | 75.9 | 75.5 | 75.3 | 77.2 | 79.2 | 81.3 | 83.4 | 85.6 | 87.8 | 90.1 | 92.4 | 105,0 |
| Net Taxable Income | 164.5 (@ 50%) | 190.9 | 192.7 | 271.6 | 269.8 | 267.4 | 266.3 | 291.4 | 288.7 | 286.7 | 300.5 | 314.6 | 329.0 | 343.8 | 359.0 | 374.6 | 390.5 | 406.9 | 494,9 |
| Income Tax @ 55% | 82.3 | 105.0 | 106.0 | 149.4 | 148.2 | 147.1 | 146.5 | 160.3 | 158.8 | 157.8 | 165.3 | 173.0 | 181.0 | 189.1 | 197.5 | 206.0 | 214.8 | 223.8 | 272.2 |
| add: royalty | 28.0 | 31.6 | 31.8 | 43.1 | 42.8 | 42.5 | 42.3 | 45.9 | 45.5 | 45.3 | 47.2 | 49.2 | 51.3 | 53.4 | 55.6 | 57.8 | 60.1 | 62.4 | 75.0 |
| supplementary payment g/ | - | - | - | 9.0 | 9.0 | 9.0 | 9.0 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | - | - | - | - | - | - |
| Government share | 110.3 | 136.6 | 137.8 | 201.5 | 200.0 | 198.6 | 197.8 | 216.0 | 214.1 | 212.9 | 222.3 | 232.0 | 242.1 | 242.5 | 253.1 | 263.8 | 274.9 | 286.2 | 347.2 |
| add: production cost | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| Tax paid cost to producer | 140.3 | 166.6 | 167.8 | 231.5 | 230.0 | 228.6 | 227.8 | 246.0 | 244.1 | 242.9 | 252.3 | 262.0 | 272.1 | 272.5 | 283.1 | 293.8 | 304.9 | 316.2 | 377.2 |
| add: producers' margin | 53.7 | 48.4 | 47.2 | 38.5 | 40.0 | 41.4 | 42.2 | 34.0 | 35.9 | 37.1 | 37.7 | 43.0 | 52.9 | 54.5 | 54.9 | 56.2 | 57.1 | 57.8 | 57.8 |
| Realised f.o.b. price | 194.0 | 215.0 | 215.0 | 270.0 | 270.0 | 270.0 | 270.0 | 280.0 | 280.0 | 280.0 | 290.0 | 305.0 | 325.0 | 327.0 | 338.0 | 350.0 | 362.0 | 374.0 | 435.0 |

a/ Effective September 1, 1970 the Government succeeded in negotiating with individual oil companies an immediate rise of about 30 cents per barrel f.o.b. loading port in their posted prices (i.e. tax-reference prices) for crude oil exports, rising by 2 cents for low sulphur content each January 1, 1971-1975, and an increase in the tax rate from 50% to 54-58%. This was the most substantial international increase in government revenue per barrel since 1957.

b/ Under the Tripoli Agreement effective March 20, 1971 the Government and oil companies agreed that its provisions constituted a firm settlement from that date to end 1975. The income tax rate was consolidated at 55%, except for Occidental Petroleum whose rate is 60%. The base posting was increased by 52 cents including a premium of 10 cents for sulphur content of 0.5% wt. maximum, rising by 2 cents per barrel each January 1, 1972-1975. The initial base posting was therefore \$3.07 per barrel. On March 20, 1971 and on each January 1, 1973-1975 the base posting also rises by 2½% of the posting on the preceding day for inflation and by another 5 cents for general escalation. On March 20, 1971 two temporary premia were introduced (see 'e' and the marketing allowance eliminated.

c/ Under the Supplemental Agreement effective January 20, 1972 increases of 8.49% were made (i) to the base posting of January 1, 1972; (ii) to the temporary premia for Suez Canal and freight; and (iii) to the supplemental payment (note 'g'), in compensation for the international currency realignment of December 1971. The Agreement includes a parity index, designed to compensate for another major realignment in average exchange rates for currencies of nine industrial countries with the US dollar; the projections assume no change in the index.

d/ The Tripoli and Supplemental Agreements expire on December 31, 1975. Projections thereafter assume that the same provisions would continue through 1978.

e/ These premia were introduced on March 20, 1971 for addition to the base posting, reflecting Libya's freight advantage over Middle Eastern crudes to the European market. The Suez Canal premium is applied essentially while it is closed to tankers, and the freight premium is reassessed quarterly to the extent that the London tanker brokers' monthly Average Freight Rate Assessment (AFRA) for Large Range 2 vessels (45,000-79,999 d.w.t.) exceeds 72 percent of the reference tariff World scale.

f/ Estimate.

g/ This payment is in settlement of income tax imposed by the Government in September 1970, retroactively to 1965. It is not deductible in computing tax. It is understood to expire at end 1975.

HBothwell/JFoster:jl
January 31, 1973

Table 2

**LIBYA: GROSS AND NET EXPORT EARNINGS AND GOVERNMENT REVENUE FROM OIL ESTIMATED FOR 1970-1972 AND FORECAST FOR 1973-1978**

| | 1970 | | | 1971 Estimate | | | | |
|---|---|---|---|---|---|---|---|---|
| | Jan-Aug | Sept-Dec | Total | Jan 1-Mar 18 | Mar 20-June 30 | July-Sept | Oct-Dec | Total |
| | | | | (Million barrels) | | | | |
| Production /a | 834.4 | 377.9 | 1,212.3 | 239.8 | 296.4 | 238.3 | 232.2 | 1,006.7 |
| | | Estimate | | (US$ per barrel) | | | | |
| Export price /b | 1.940 | 2.150 | 2.005 | 2.150 | 2.700 | 2.700 | 2.700 | 2.569 |
| Investment income /b | 0.537 | 0.484 | 0.521 | 0.472 | 0.385 | 0.400 | 0.414 | 0.416 |
| Government revenue /b | 1.103 | 1.366 | 1.185 | 1.378 | 2.015 | 2.000 | 1.986 | 1.853 |
| | | Actual | | (US$ million) | | | | |
| Exports /c | | | 2,389.0 | 515.6 | 800.3 | 643.4 | 626.9 | 2,586.2 |
| Less: | | | | | | | | |
| Imports c.i.f. /d | | | 89.3 | | | | | 96.4 |
| Salaries paid abroad | | | 13.9 | | | | | 14.0 |
| Miscellaneous services (net) /e | | | 217.0 | | | | | 200.0 |
| Investment income | | | 631.0 | 113.1 | 114.1 | 95.3 | 96.1 | 418.6 |
| Plus: Net capital inflow /e | | | 140.0 | | | | | 120.0 |
| Net foreign exchange earnings | | | 1,633.0 | | | | | 1,977.2 |
| | | Estimate | | | | | | |
| Government revenue /f | 920.3 | 516.2 | 1,436.5 | 330.4 | 597.2 | 476.6 | 461.1 | 1,865.3 |

| | 1972 Estimate | | | | |
|---|---|---|---|---|---|
| | Jan 1-18 | Jan 20-Mar 31 | April-June | July-Dec Estimate | Total |
| Production /a | 46.6 | 176.3 | 195.7 | 385.0 | 803.6 |
| Export price /b | 2.700 | 2.800 | 2.800 | 2.800 | 2.794 |
| Investment income /b | 0.422 | 0.340 | 0.359 | 0.371 | 0.364 |
| Government revenue /b | 1.978 | 2.160 | 2.141 | 2.129 | 2.130 |
| Exports /c | 125.8 | 493.6 | 548.0 | 1,078.0 | 2,245.4 |
| Less: | | | | | |
| Imports c.i.f. /d | | | | | 104.2 |
| Salaries paid abroad | | | | | 15.0 |
| Miscellaneous services (net) /e | | | | | 200.0 |
| Investment income | 19.7 | 59.9 | 70.3 | 142.8 | 292.7 |
| Plus: Net capital inflow /e | | | | | 100.0 |
| Net foreign exchange earnings | 106.1 | 433.7 | 477.7 | 935.2 | 1,733.5 |
| Government revenue /f | 92.2 | 380.8 | 419.0 | 819.7 | 1,711.7 |

| | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1985 |
|---|---|---|---|---|---|---|---|---|---|
| Production /a | 820.2 | 877.6 | 939.0 | 1,004.7 | 1,075.0 | 1,150.3 | 1,174.6 | 1,205.0 | 1,700.0 |
| Export price /b | 2.900 | 3.050 | 3.250 | 3.270 | 3.380 | 3.500 | 3.620 | 3.740 | 4.350 |
| Investment income /b | 0.377 | 0/430 | 0/529 | 0.545 | 0.549 | 0.562 | 0.571 | 0.578 | 0.578 |
| Government revenue /b | 2.223 | 2.320 | 2.421 | 2.425 | 2.531 | 2.638 | 2.749 | 2,862 | 3.472 |
| Exports /c | 2,378.6 | 2,676.7 | 3,051.8 | 3,285.4 | 3,633.5 | 4,026.1 | 4,252.1 | 4,506.7 | 7,395.0 |
| Less: | | | | | | | | | |
| Imports c.i.f. /d | 112.5 | 121.5 | 131.2 | 141.7 | 153.0 | 165.3 | 178.5 | 192.8 | 283.3 |
| Salaries paid abroad | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Miscellaneous services (net) /e | 214.0 | 229.0 | 245.0 | 262.2 | 280.5 | 300.1 | 321.2 | 343.6 | 482.0 |
| Investment income | 309.2 | 377.4 | 496.7 | 547.6 | 590.2 | 646.5 | 670.7 | 696.5 | 982.6 |
| Plus: Net capital inflow /e | 107.0 | 114.5 | 122.5 | 131.1 | 140.3 | 150.1 | 160.6 | 171.8 | 241.0 |
| Net foreign exchange earnings | 1,834.9 | 2,048.3 | 2,286.4 | 2,450.0 | 2,735.1 | 3,049.3 | 3,227.3 | 3,430.6 | 5,873.1 |
| Government revenue /f | 1,823.3 | 2,036.0 | 2,273.3 | 2,436.4 | 2,720.8 | 3,034.5 | 3,229.0 | 3,448.7 | 5,902.4 |

/a Crude output reached a peak of about 3.7 million b/d in mid-1970, after which the Government ordered cutbacks in individual companies' output on grounds of conservation, in December 1971 nationalized BP's half of the Sarir field, and in three successive moves increased its revenue andhence the tax-paid cost per barrel of output. Tax-paid costs of crude exports from the Persian/Arabian Gulf rose by a lesser amount, and declining freight rates have decreased Libya's freight advantage to the European market; the producers' margin on Libyan crude looks comparatively less attractive. Hence Libyan output averaged only 2.8 million b/d in 1971, 2.3 million b/d in January-June 1972 and 2.1 million b/d in June 1972. In announcing ~~this plan~~ the new three-year economic development program, the Libyan Technical Planning Authority stated that future increasing output would be limited to 7.5 percent per annum. The above projection applies this growth rate for 1973 onwards to the output of June 1972.

/b Export price, investment income (assumed to be producers' margin), and Government revenue per barrel are calculated in Table 1.

/c Gross exports, estimated from data above, would be $2,431 million, very close to actual value.

/d For the purpose of the projection imports of refined products are assumed to rise by about 8 percent yearly; in practice they will be cut when the new 60,000 b/d Zavia refinery comes on stream at end-1973 but an equivalent amount of Libyan crude will not be free for export. Assuming gradual repatriation of foreign staff, salaries are held constant.

/e Miscellaneous services and net capital flow are assumed to decline in 1971 and 1972 and thereafter to rise by 7 percent yearly in line with crude output.

/f Government revenue is estimated here on an accrual basis per calendar year. As from 1972 it is calculated and collected on a monthly basis; previously it was done on a quarterly basis. Government receipts from oil in 1970/71 (ending March 31) amounted to US$1,313 million.

HBothwell/JFoster:jl
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# THE MIDDLE EAST AND NORTH AFRICA

## 1972–73

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# Kuwait

## PHYSICAL AND SOCIAL GEOGRAPHY

Kuwait lies at the head of the Persian/Arabian Gulf bordering Iraq. The area of Kuwait State is approximately 15,000 sq. km., and the population according to the 1970 census was 733,196, having risen rapidly since the 1965 census which recorded a population of 467,000. The 1971 estimate is 750,000. The inhabitants of the principal town and harbour, Kuwait Town, are estimated at over half the population.

For long it was generally held that the Gulf extended much further north, but geological evidence suggests first, that the coastline has remained broadly at its present position, and second, that the immense masses of silt brought down by the Tigris and Euphrates cause irregular downwarping at the head of the Gulf. Local variation in the coastline is therefore likely, with possible changes since ancient times. Kuwait grew up because it has a zone of slightly higher, firmer ground that gives access from the Gulf inland to Iraq, and because it has a reasonably good and sheltered harbour in an area that elsewhere has many sandbanks, and further south, coral reefs. In recent years owing to Kuwait's rapid economic development the city of Kuwait has been almost totally rebuilt on a much grander scale.

The territory of Kuwait is mainly almost flat desert, with a few oases. With an annual rainfall of one to seven inches, almost entirely between October and April, there is a spring "flush" of grass. Summer shade temperature may reach 125°F., while in January, the coldest month, temperatures range between 45° and 60°, with a rare frost. There is no drinking water within the state, and supplies are either piped from further north, or distilled from sea water.

Immediately to the south of Kuwait, along the Gulf, is a Partitioned Zone of 5,700 sq. km. which is jointly administered by Kuwait and Saudi Arabia.

## HISTORY

Although Kuwait is situated on the fringe of the Mesopotamian basin it has always belonged rather to the nomadic desert of Arabia than to the settled populations of the plains watered by the Euphrates and Tigris rivers. Thus the successive rule of the Abbasid Caliphate of Baghdad (750–1250), the Mongols (1250–1546) and the Ottoman Turks (1546–1918) had little direct influence on the area around Kuwait.

The origin of the present town of Kuwait is usually placed about the beginning of the 18th century, when a number of families of the famous Anaiza tribe migrated from the interior to the Arabian shore of the Gulf. These migrants included such important families as Al Sabah, Al Khalifa, Al Zayed, Al Jalahima and Al Ma'awida, from whom many of the present Kuwaitis are descended.

The foundation of the present Sabah ruling dynasty dates from about 1756 when the settlers of Kuwait decided to appoint a Sheikh to administer their affairs, provide them with security and represent them in their dealings with the Ottoman Government. The town prospered and in 1765 it was reported to contain some 10,000 inhabitants possessing 800 vessels and living by trading, fishing and pearling.

In 1776 war broke out between Persia and Turkey and the Persians captured Basra, which they held until 1779. During this time the East India Company moved the southern terminal of its overland mail route to Aleppo from Basra to Kuwait, and much of the trade of Basra was diverted to Kuwait. Sheikh Abdulla was reported to have been well disposed to the British, who for their part held him in high regard as being a man of his word.

About this time Kuwait was repeatedly threatened by raids from the Wahhabis, fanatical tribesmen from central Arabia, and the need for protection against these enemies led to closer contacts with the East India Company, who had a depot in the town. Ottoman dominion over the mainland was accepted in return for recognition of British trading interests over the route from the Mediterranean to India through the Gulf. The depredations of pirates and the threat from the Wahhabis caused Kuwait's prosperity to decline in the early years of the 19th century, but the British Navy restored peace to the Gulf, and by 1860 prosperity had returned.

In order to retain their autonomy the Kuwaitis had to maintain good relations with the Turks. Although not under direct Turkish administration the Sheikh of Kuwait recognised a general Ottoman suzerainty over the area by the payment of tribute and Shiekh Abdulla al Sabah (1866–92) accepted the title of *Qaimaqam* (Commandant) under the Turkish *Vali* (Governor) of Basra in 1871. His successor, Sheikh Mubarak, feared that the Turks would occupy Kuwait, and in 1899, in return for British protection, he signed an agreement with the British not to cede, mortgage or otherwise dispose of parts of his territories to anyone except the British Government, nor to enter into any relationship with a foreign government other than the British without British consent. This agreement prevented Germany securing Kuwait as a terminal for her projected Berlin to Baghdad railway.

The reign of Sheikh Mubarak from 1896 to 1915 marked the rise of Kuwait from a Sheikhdom of undefined status to an autonomous state. In 1904 a British political agent was appointed, and in 1909 Great Britain and Turkey opened negotiations which, although never ratified because of the outbreak of the First World War, in practice secured the autonomy of Kuwait.

Sheikh Mubarak's second son, Sheikh Salem, who succeeded to the Sheikhdom in 1917, supported the Turks in the World War, thus incurring a blockade of Kuwait. Sheikh Salem was succeeded in 1921 by his nephew Sheikh Ahmad, a friend of Britain. Kuwait prospered under his rule and by 1937 the population had risen to about 75,000.

Under Sheikh Ahmad the foundation of Kuwait's great oil industry was laid. After considerable prospecting, he granted a concession in 1934 jointly to the Gulf Oil Corporation of the U.S.A. and the Anglo-Persian Oil Co. of Great Britain who formed the Kuwait Oil Co. Ltd. Deep drilling started in 1936, and was just beginning to show promising results when war broke out in 1939. The oil wells were plugged in 1942 and drilling was suspended until the end of the war.

After the war the oil industry in Kuwait was resumed on an extensive scale (*see* Economic Survey) and in a few years the character of Kuwait Town was changed from an old-fashioned dhow port to a thriving modern city supported by the revenues of the oil industry. In 1950 Sheikh Ahmad died and was succeeded by Sheikh Abdulla. His policy was to use the oil revenues substantially for the welfare of his people, and in 1951 he inaugurated a programme of public works and educational and medical developments which has turned Kuwait into a planned and well-equipped country.

## THE MODERN STATE

The economic aspects of post war development are dealt with in the survey following. Here it should be noted that Kuwait has gradually built up what are probably the most comprehensive welfare services in the world, very largely without charge, at least to native Kuwaitis. Education is completely free in Kuwait, and this includes free food and clothing for students. Medical attention is also free to all and the health service is generally considered to be of a very high standard. A heavily subsidized housing programme has now provided accommodation for most residents meeting the country's generous criteria of "poverty". Even local telephone calls are free.

In June 1961 the United Kingdom and Kuwait terminated the 1899 agreement which had given the U.K. control of Kuwait's foreign policy, and Kuwait therefore became a fully independent state. In July Kuwait was admitted as a member of the Arab League. The new nation quickly set up diplomatic representation with Iran, Japan, Jordan, Saudi Arabia, the United Arab Republic, the United Kingdom and the United States. The number of foreign missions in Kuwait rose to 27 by 1971, while there were 23 Kuwaiti missions abroad; and it is clear that, for her size, Kuwait is an important factor in international affairs.

In December 1961, for the first time in Kuwait's history, an election was held to elect 20 members of the Constituent Assembly (the other members being Ministers). This Assembly drafted a new Constitution which was published on November 11th, 1962. Under the new Constitution a National Assembly of 50 members was elected in January 1963, and the first session was held on January 29th, with Sheikh Sabah al-Salem al-Sabah, brother of the Emir and Heir-Apparent, as the Prime Minister of a new Council of Ministers.

Shortly after attaining independence, Kuwait was threatened by an Iraqi claim to sovereignty over the territory. British troops landed in Kuwait in response to a request from the Emir for assistance. The Arab League met in July and agreed that an Arab League Force should be provided to replace the British troops as a guarantee of Kuwait's independence. This force, composed of contingents from Saudi Arabia, Jordan, the United Arab Republic and the Sudan, arrived in Kuwait in September 1961. The United Arab Republic contingent was withdrawn in December 1961, and those of Jordan, Saudi Arabia and Sudan before the end of February 1963.

On May 14th, 1963, Kuwait became the 111th member of the United Nations. This, with her acceptance during 1962 into both the World Bank and the International Monetary Fund, indicated the growing importance in world affairs of the fast-developing state.

In October 1963 the new Iraqi government announced that it had decided to recognize Kuwait's complete independence; Iraq wanted to clear her relations with Kuwait and remove the atmosphere created by the Kassem régime. An agreement was subsequently signed whereby Iraq would supply to Kuwait 120 million gallons of water daily; and in November the two countries concluded a Trade and Economic Agreement which virtually abolished customs duties between them. Kuwait is thought to have made a substantial grant to Iraq to improve relations at this juncture.

In January 1965 a constitutional crisis reflecting the tension between the paternalist ruling house and the democratically-minded National Assembly, resulted in the formation of a strengthened cabinet under the heir to the throne, Prince Sabah. In May that year Kuwait was one of ten Arab countries which broke off diplomatic relations with West Germany as a consequence of the formal establishment by that country of diplomatic relations with Israel. Two months later Kuwait decided not to ratify the agreement to set up an Arab Common Market with Iraq, Jordan, Syria and the U.A.R. There was strong feeling in the National Assembly that such an association would be disadvantageous to Kuwait.

On November 24th, 1965, Sheikh Abdulla died, and Sheikh Sabah succeeded to the throne. His post as

Prime Minister was taken over by another member of the ruling house, Prince Jabir.

In the developments of 1966 and 1967 within the Arab community Kuwait continued to play a neutral role, and in particular tried to act as mediator in inter-Arab disputes such as the Yemen and South Arabian problems. Sheikh Sabah paid visits to Iraq and Lebanon, and Kuwait supported Syria in the dispute with the Iraq Petroleum Company. The progress of Kuwait's own oil industry was marked by the acquisition by the Kuwait National Petroleum Company of a Danish subsidiary with storage facilities at Copenhagen. In October the University of Kuwait and its Institute of Social and Economic Planning were opened.

Kuwait declared her support for the Arab countries in the war with Israel, and joined in the oil embargo on the United States and Great Britain. No Kuwaitis had, however, reached any theatre of war before the ceasefire was announced. The government donated KD 25 million to the Arab war effort. At the Khartoum Conference in September 1967 Kuwait joined Saudi Arabia and Libya in offering financial aid to the U.A.R. and Jordan whilst their economies recovered from the June war. The Kuwaiti share of this amounted to KD 55 million annually.

On May 13th, 1968, it was announced that the agreement of June 1961—whereby Britain had undertaken to give military assistance to Kuwait if asked to do so by her ruler—had been annulled. This followed an earlier announcement that Britain would withdraw all troops from the Gulf region by the end of 1971. After the election of a Conservative government in June 1971, however, Britain investigated the possibility of reconsidering this decision, but the Kuwaiti Government stressed its belief that there was no need for the presence of British forces in the Gulf region. In this connection, Kuwait continually encouraged the formation of a federation of Bahrain, Qatar and the Trucial States but her qualities as a go-between were insufficient to persuade the first two states to join what eventually became the United Arab Emirates.

Since the June 1967 war Kuwait has no longer been a frequent target of radical Arab criticism. Its financial support for the countries hit by the war and other generous economic assistance have no doubt contributed to this, while the lavish financing of the Palestinian guerrillas has been even more important. A factor behind this assistance is the large Palestinian community, said to be over 70,000 strong, in Kuwait; many of the most able and educated Palestinians have made a career in the country in recent years. Financial aid to Jordan, however, was cut off in September 1970 following the war between government and guerrilla forces; although resumed in December, it was again suspended in January 1971 as fighting in Jordan continued, and has not been resumed again since.

The main domestic problem is the difference in status between native-born Kuwaitis and immigrants, the latter now comprising around 53 per cent of the population. Whilst the living conditions of the immigrants are very good by Arabian standards, many senior positions are reserved for Kuwaitis, as is the suffrage and free use of some welfare services. The creation of sufficient employment opportunities to avoid the unsettling effects of idleness and boredom, a social problem even with generous unemployment benefits, is a major difficulty now confronting the Government.

# ECONOMIC SURVEY

The State of Kuwait has an area of about 5,800 square miles, excluding the Partitioned Zone. It consists mainly of desert with no natural land frontiers. There is practically no rainfall, and the humidity is lower than it is further down the Gulf. The temperature is exceedingly high in spring and summer; there is occasionally a frost in winter. Until oil was produced, the only town was the harbour of Kuwait on the Gulf. But for some 150 years this port was of some significance because it was a centre for pearl fishing and the building of dhows or "booms"; and several of the plans for building a railway across Mesopotamia envisaged Kuwait as the eastern terminus.

The rapid development of the oil industry since about 1950 has dramatically changed all this. Kuwait is now known to possess about 17 per cent of the proven reserves of the entire world, and its production in 1971 was the fifth largest outside Soviet Russia. The revenue from oil, estimated to reach KD 513 million in 1972–73, has brought to the area a prosperity unimaginable twenty years ago. Crude oil and natural gas accounted for over half of the 1969/70 Gross National Product of £1,147 million.

The population, estimated at 750,000 by the end of 1971, has nearly trebled in ten years as the result of immigration from the surrounding countries, resulting from higher wages and better working conditions than anywhere else in the Middle East; of the total of 733,000 recorded at the 1970 census, less than half, some 346,000, were Kuwaitis. An important part of the annual revenue from oil has been spent on health, education and other social services such as the distillation of fresh from sea water, and as a result the standard of living in Kuwait is at present probably the highest in the world. Most of the social services, such as education and health, are free; it has been said that, as a welfare state, Kuwait now probably has no parallel. In recent years the Government has begun to distribute some of its wealth to other parts of the Arab world by loans and grants.

## OIL

In 1933 the Anglo-Persian Oil Company, now the British Petroleum Company Limited, and Gulf Oil Corporation applied jointly to the Ruler of Kuwait for a concession to explore the territory. The two companies formed an operating company, Kuwait Oil Company, each holding 50 per cent of its share capital, and a concession was granted for 75 years in December 1934, extended for a further 17 years in 1951. A large oilfield was discovered at Burgan, about 25 miles south of the town of Kuwait, in 1938, but the onset of World War II delayed development until 1945. By 1948 six million tons were produced, but the main impetus to speed up development was supplied by the Abadan affair in 1951, which in effect denied Iranian production to the rest of the world for three years. By 1956 Kuwait's production had increased to 54 million tons, and was then the largest in the Middle East. Further fields were found by the company, notably at Raudhatain, north of Kuwait, and the company's production had reached over 135 million tons by 1970, although large areas of the original concession have been relinquished to the State in accordance with the Agreement. To handle this vast production, a huge tanker port has been constructed at Mina al Ahmadi, not far from the Burgan field, which from a terminal some 10 miles offshore can now handle the largest tankers. At Ahmadi there is also a town of more than 20,000 inhabitants, of whom about 5,000 are employees of the company, and there is a refinery with an annual throughput capacity of 12 million tons.

Two other companies have been permitted by Kuwait and Saudi Arabia to operate in the Partitioned Zone, and produce oil. These are Aminoil, a group of certain independent American oil companies, which has a joint operating agreement with Getty Oil Co. under which Aminoil and Getty bear one half of certain expenses such as drilling; and Arabian Oil Company in which Japanese interests own 80 per cent of the share capital, the governments of Kuwait and Saudi Arabia each holding 10 per cent. So far the production of these companies is small compared with that of the Kuwait Oil Company. In 1971 the Arabian Oil Company produced 18.7 million tons, entirely from offshore wells, and Aminoil 9.9 million tons, making the total production in 1971 of Kuwait and the Kuwaiti half share of the Partitioned Zone over 173 million tons. The Royal Dutch-Shell group has a concession to explore for oil offshore, but its operations have been held up by the problem, so far unsolved, of determining what are Kuwaiti waters. A Spanish state oil company, Hispanoil, was granted a concession in Kuwait during 1967 on territory relinquished by the Kuwait Oil Company. Of this concession, the Kuwait National Petroleum Company (KNPC) owns 51 per cent, but KNPC is not obliged to pay any of the costs of exploring until oil is discovered in commercial quantities. In addition KNPC, which is owned as to 60 per cent by the government of Kuwait and 40 per cent by Kuwait public shareholders, markets in Kuwait oil products produced by the Kuwait Oil Company, and owns a refinery at Shuaiba with an annual capacity of 4.75 million tons. However, in 1969 the refinery operated at well below this figure, with an average throughput of 64,000 barrels per day (3.2 million tons), causing the company to make a loss of £4.6 million. With an increase in throughput and improvements in administration and facilities, the situation improved in 1970.

The government derives its income from the oil industry through the so-called fifty-fifty agreements signed by the operating companies with many host countries in the early 1950s. The principle of these agreements was that when the operating company exported its crude oil, it paid a royalty to the host government amounting to 12½ per cent of the value of the oil at the "posted" price less the cost of production, then paying income tax at 37½ per cent of the total value of the oil at that price, the host government thus receiving 50 per cent of the value. As the companies were free to fix the posted price they exerted their right to reduce it when the price at which they were able to sell the oil fell below the posted price. This of course had the effect of unilaterally diminishing the revenues of the host governments, although because the realized price was lower than the posted price, the host governments were receiving more than 50 per cent.

The outcry in the Middle East against this practice was such that the last time the posted price was reduced was in August 1960. In order to increase their "take", the host countries, Kuwait among them, persuaded the companies to agree in 1964 that the 12½ per cent should be "expensed". This meant that, in addition to the cost of production, the amount of the royalty was to be deducted from the posted price, but the tax of 50 per cent was to be charged on the balance, thus increasing the payment to the host country from 50 to 56¼ per cent of the posted price. But as the price realized by the companies has continued almost uninterruptedly to fall below the posted price, the division of profits is now nearer to 70-30, the latter being the companies' share, which is often less. However, so great has been the increase of Kuwait's production that its revenue, estimated at KD 370 million in 1971–72, has doubled since 1958. The co-operation between the host countries referred to above was achieved largely through the Organization of Petroleum Exporting Countries (OPEC), formed in 1960. Of this body Kuwait was a founder-member. Kuwait was also a founder-member of the Organization of Arab Petroleum Exporting Countries (OAPEC), formed in 1968, which has its headquarters in Kuwait, and has grown rapidly in membership.

In November 1970, the Kuwait Oil Company agreed to an increase of 9 U.S. cents in the posted price of crude oil, bringing it to $1.68 per barrel, and to an increase of 5 per cent in the rate of income tax payable. However, following the OPEC conference held in Caracas in December, tough negotiations began between OPEC and the major oil companies regarding further price increases. A final settlement was reached on February 14th, when it was agreed to stabilize the rate of income tax at 55 per cent and to increase the posted price by a uniform 35 cents per barrel, with a new system of gravity differentials and an allowance for upward adjustments in four of the five years of the agreement. From June 1971 the terminal price of the Kuwait Oil Company's crude oil was $2.187 per barrel. To offset the effect of the dollar devaluation, an agreement made in Geneva in January 1972 raised the price to $2.373 per barrel.

In April 1972, the Kuwait Finance and Oil Ministry instructed that the Kuwait Oil Company's production for that year be limited to an average of 3 million barrels per day; the output during the first three months had topped 3,100,000 barrels. This move followed reports that Kuwait's oil reserves might be considerably less than usually estimated and could well last only 15 years. The Government also brought in American experts to make a new estimate of the reserves.

What is current estimate

## OTHER INDUSTRIES

The government has done much to foster the growth of other industries in order to diversify the economy and to provide an alternative source of employment to oil. A law of 1965 empowers it to grant exemption from import duties on capital goods, subsidized rates for water and power, and preference in government purchases for locally manufactured products. An Industrial Development Committee assists the development of local industry. A Petrochemical Industries Company was formed in 1963 to manufacture fertilizers, and in 1964 a larger concern, Kuwait Chemical Fertilizer Company, was set up, with 60 per cent of the share capital owned by the Petrochemical Industries Company, the balance being held equally by BP and Gulf Oil. An industrial area has been developed at Shuaiba, between the town of Kuwait and Ahmadi close to KNPC's refinery. With a new fertilizer plant at Shuaiba owned by KNPC, Kuwait now has a potential production capacity of 1.5 million tons a year. In October 1971, the Kuwait Chemical Fertilizer Company secured an order for urea worth KD 2.85 million from the People's Republic of China.

There are several factories in Kuwait supplying consumer requirements, such as processed food and soft drinks, and there is a flour mills company. The construction industry is of some importance, owing to the vast amount of house and office building there has been in the last decade, not to mention the construction of public works such as roads, power stations, schools and hospitals, much of this work having been undertaken, however, by foreign contractors. According to the industrial census of 1963, nearly 22,000 persons were then employed in industrial establishments excluding oil, or 14 per cent of the labour force at that time. The number has no doubt increased since 1963, but these industries naturally provide a small proportion of the G.N.P. when compared with the oil industry.

## PUBLIC UTILITIES

To support the increase of population brought by the development of oil, a vast infrastructure of public works had to be created. There are desalination plants in Kuwait town and the Shuaiba industrial area, and production from them is expected to amount shortly to 27 million gallons a day. Important sources of fresh water have been found at Raudhatain and Al Shigaia. Kuwait's production of thermal power is now about 560,000 kWh. The harbour of Kuwait town has been completely reconstructed; four deep water berths have been provided, and an international airport has been built. There is a national airline with an international service, Kuwait Airways Corporation, which is owned by the State. All these facilities were created at the expense of the Government, the oil ports at Mina al Ahmadi and nearby at Mina al Abdullah having been made by the Kuwait Oil Company. However, there are several shipowning companies owned by the private sector, including Kuwait Oil Tanker Company, which owns six tankers with a total deadweight tonnage of about 800,000 tons.

## AGRICULTURE AND FISHERIES

Owing to the present lack of water, little grain is grown, and most of the food consumed in Kuwait has to be imported. Of the total area of Kuwait, only 3 per cent consists of land suitable for agriculture, and at the end of 1969 there were only 70 farms. However the government has done much to encourage animal husbandry, the main activity before the development of the oilfields of the bedouin, who still rear camel, sheep and goats. There is an experimental farm of 90 acres owned by the government, and in the private sector there is a growing poultry and dairy industry. Fishing, on the other hand, is of some importance, because the Gulf, and particularly Kuwait's territorial waters, abound in fish, notably prawns and shrimps. There are four fishing companies based on the abundance of fish in Kuwait's territorial waters, and prawns, some of which are exported to the U.S.A., and shrimps are the main catch. The National Bank of Kuwait is of the opinion that there is "great potential for development of this activity".

## FOREIGN TRADE AND BALANCE OF PAYMENTS

Well over 90 per cent of the value of Kuwait's exports consists of oil. Total exports in 1970–71 were valued at KD 628 million, having shown an uninterrupted and very substantial increase since oil was first produced. About two thirds of the volume of the oil exported goes to European destinations. In 1971, over 20 per cent of the Kuwait Oil Company's exports went to the United Kingdom, over 9 per cent to the Netherlands and Italy, nearly 9 per cent to France, 8 per cent to Eire and 3.5 per cent to Federal Germany. Nearly 14 per cent was exported to Japan and nearly 5 per cent to Singapore and South Korea.

Kuwait has the highest per capita level of imports in the world, at U.S. $854 in 1970. The total value of imports in that year dropped slightly to KD 223 million, having risen steadily for many years except in 1964, when there was something of a recession owing apparently to overstocking. The most important item, as might be expected when industrial development is proceeding so rapidly, is machinery, accounting for something like 25 per cent of the total imports by value, with transport equipment accounting for another 13 per cent. Foodstuffs account generally for about 18 per cent, and textiles for about 15 per cent, but the range of imports is naturally very wide owing to the comparatively unimportant part played in Kuwait's economy at present by agriculture and domestic manufacture. For the first time, in 1970, Japan took over from the United States as Kuwait's principal supplier with about 15 per cent of total imports. The U.S. supplied just over 13 per cent, followed by the United Kingdom with nearly 12 per cent, West Germany with 8.4 per cent, and Italy and France each supplying nearly 5 per cent.

No official estimates are available of Kuwait's balance of payments. But an interesting study by Messrs A. Sivasubramonian and Abdulla Ali was published in 1969 by the Kuwait Institute of Economic and Social Studies, from which it appears that in the year 1967–68 the country had a surplus on current account of about KD 152 million. According to these estimates, visible trade showed a surplus of KD 100 million, being the difference between the Government's revenue from the oil industry and the f.o.b. value of exports and re-exports other than oil on the one hand, and the c.i.f. value of imports on the other. Invisible items consisted of a net surplus on investment account of KD 69 million and a debit on freight, insurance and travel account of KD 17 million. However on capital account there was a residual debit of KD 152 million, which the authors explain as being due partly to errors and omissions and partly to private capital transfers abroad. As there are no exchange restrictions in force, it is not possible to be more specific. Other capital movements which are of interest included the transfer abroad by the Government in the form of aid to other Arab countries of KD 66 million, covered by an increase in its assets overseas estimated at KD 68 million; and a debit on KFAED account (*see* below) of KD 4 million, covered by a credit representing KFAED's portfolio income of a similar amount. No later estimate is available, but the gold and foreign exchange holdings of the Central Bank stood at KD 204 million at the end of February 1970, compared with KD 173 million at the end of 1968, KD 184 million at the end of 1967, just after the devaluation of sterling, and KD 110 million at the end of 1963.

## CURRENCY, BANKING AND FINANCE

The currency in circulation is the Kuwait dinar. Kuwait is a member of the sterling area, and the Kuwait dinar was for many years held at parity with the £ sterling. However, it remained steady after the devaluation of the pound in 1967 and the dollar in 1971, and the floating of the pound in 1972, with the result that the exchange rates are now set at $3.04 and £1.20 to one dinar. The currency was for years managed by a currency board which included a British member, but in April 1969 a Central Bank was established and took over these functions. The currency in circulation at the end of 1969 amounted to KD 48 million, compared with KD 54 million at the end of 1968, but KD 33 million at the end of 1963.

The only foreign bank previously allowed to operate in Kuwait, the British Bank of the Middle East, was taken over by the Government in 1971 and now manages the Bank of Kuwait and the Middle East under agreement. However, there are a number of commercial banks financed by local capital, and the management of one of these, the Al Ahli Bank, is provided by the French Credit Lyonnais. Of the local banks, by far the largest is the National Bank of Kuwait, founded in 1953, the total assets of which at the end of 1969 amounted to KD 295 million. The other banks include the Gulf Bank, the Commercial Bank of Kuwait and the United Bank of Kuwait, founded respectively in 1960, 1961 and 1966. The United Bank of Kuwait also represents the overseas interests of the National Bank, the Commercial Bank and the Gulf Bank, which hold part of its share capital. The net foreign assets of the commercial banks at the end of 1969 amounted to KD 291 million. In 1960 the Government founded a Savings and Credit Bank with a paid-up capital now of KD 2.1 million, all provided by the State, to promote savings and to provide finance for small industries, agriculture, property, and small businesses.

There is now an active stock market in Kuwait, and for some time the State has been active in encouraging investment. In 1962 a Kuwait Investment Company was created, of which the State owns half the capital, to engage in portfolio investment and in property dealing in Kuwait. A similar concern, the Kuwait Foreign Trading & Investment Company was established by the State, which owns 80 per cent of the share capital, to undertake business transactions abroad, and reference has already been made to the reserves of the State overseas. There is no official information about the amount of private portfolio investment overseas by Kuwaitis, but it is known to be substantial, and the estimate of the country's balance of payments for 1967–68 puts the income derived therefrom in that year at KD 30 million.

## PUBLIC FINANCE

The ordinary budget of the State for the year ended March 31st, 1970, estimated revenue at KD 303 million, of which KD 279 million or 93 per cent was to be provided by the oil industry, KD 201 million in the form of income tax and KD 78 million in that of royalties. There is no personal income tax or estate duty. The other more important sources of ordinary revenue were customs and excise duties, KD 6.5 million, income from the electricity and water services, and transport, KD 5.4 and 4.4 million respectively, and the proceeds of the sale of State lands, KD 1.8 million, the government for some years having operated a scheme for the purchase of land on which well over KD 100 million has been spent. Of the total ordinary revenue, namely KD 302 million, KD 3.1 million was allocated to reserve, KD 67 million was allocated to development projects and the further acquisition of property, and KD 232 million to ordinary expenditure. Of the last named, KD 30 million was to be spent on education—there are now about 120,000 attending the Ministry's schools—KD 25 million on defence, KD 20 million on the Ministry of the Interior, KD 16 million on public health, KD 11 million by the Ministry of Public Works, KD 9 million on electricity and water plants, and KD 8 million went to the Ruler. However, there was an allocation of KD 75 million to miscellaneous expenditure and the support of independent budgets, including those of the Municipality of Kuwait, the Shuaiba Industrial Board and the new University of Kuwait, founded in 1966, and now attended by about 1,300 students. The development budget included KD 27 million for public works, KD 21 million for the Ministry of Electricity and Water, and KD 10 million for the acquisition of property.

The amount of the State's reserve overseas in 1968 stood at £396 million, much of which is believed still to be held in London; and for 1967–68 the ordinary budget included KD 25 million under the heading interest from investments. However, in 1961 the government set up a Kuwait Fund for Arab Economic Development (KFAED) to provide loan capital for development projects in the other Arab countries. KFAED has an authorized capital of KD 200 million, of which less than half has been paid up, and it has powers, not yet used, to borrow twice its paid-up capital. By the end of 1969 it had made loans totalling KD 72 million for various projects in nine Arab countries, of which KD 49 million had been drawn. In addition to this, the government has from time to time made loans to other Arab countries directly from its own reserves, and by the end of 1968 commitments of this kind totalled KD 196 million. These must certainly have included the payments which Kuwait undertook at the Khartoum conference of August 1967 to make to the Arab countries affected by the Arab-Israeli war of that year.

## DEVELOPMENT

The efforts of the last few years to diversify the economy have had some success. In 1963 the GNP of Kuwait was estimated to be KD 500 million. Of this KD 444 million, or 89 per cent was provided by the oil industry. For the year 1968–69 the GNP was estimated to be KD 793 million, of which KD 559 million, or only just over 70 per cent was due to oil. During the last few years, it is true, there have been slight setbacks to those parts of the economy which do not depend directly on oil, and the years 1968 to 1970 are regarded as a period of relative recession. The cause of this lay mainly in the June 1967 war, after which Kuwait undertook to pay large subsidies to the U.A.R. and Jordan. At the same time, the slowing down of the growth in oil production necessitated restraints in public spending. The greatly increased oil revenues of 1971 seem to have brought Kuwait out of this period of stagnation. All the same, efforts to diversify the economy and maximize the increase of the GNP continue. In 1965 work started on a five-year plan for economic development covering the years 1966–71 and providing for the expenditure by the public and private sector of KD 915 million during the period. Of this KD 187 million was to be spent on housing, KD 162 million on transport and communications, KD 156 million on industry, of which KD 70 million on oil, mainly by the companies, KD 137 million on electricity and water supply, and KD 94 million on the building of new schools, training centres, hospitals and clinics. Preparations are being made to introduce a similar plan, but for ten years, and excluding projects to be financed by the private sector, except for commitments made under the earlier plan.

The 1966–71 plan provided for total expenditure of KD 915 million. Of this no less than KD 281 million was allocated to social services (KD 187 million to housing).

# STATISTICAL SURVEY

## AREA AND POPULATION

| AREA (sq. km.) | | POPULATION (April 1970 Census) | | | | |
|---|---|---|---|---|---|---|
| Kuwait | Partitioned Zone* | Total | Kuwaitis | Foreigners | Males | Females |
| 15,000 | 5,700 | 733,000 | 346,000 | 387,000 | 417,000 | 316,000 |

* The Partitioned Zone lies south-east of Kuwait. Control of the Zone is shared with Saudi Arabia.

### EMPLOYMENT
(Estimates for 1966)

| | NUMBER | PERCENTAGE DISTRIBUTION |
|---|---|---|
| Agriculture and Fishing . | 3,146 | 1.7 |
| Quarrying and Mining . | 6,992 | 3.7 |
| Manufacturing Industry . | 17,933 | 9.7 |
| Building and Construction . | 30,867 | 16.6 |
| Electricity and Water . | 7,257 | 3.9 |
| Commerce . . . . | 23,045 | 12.4 |
| Transportation, Communication and Storage . . | 11,128 | 6.0 |
| Services . . . . . | 85,219 | 46.0 |
| TOTAL . . | 185,587 | 100.0 |

## OIL

KUWAIT (Kuwait Oil Co.)

| YEAR | PRODUCTION (long tons) |
|---|---|
| 1966 . . | 112,734,666 |
| 1967 . . | 115,202,910 |
| 1968 . . | 120,050,000 |
| 1969 . . | 127,502,000 |
| 1970 . . | 135,494,480 |
| 1971 . . | 144,468,129 |

KUWAIT/SAUDI ARABIA PARTITIONED ZONE
(American Independent Oil Co. and Getty Oil Co.)

| YEAR | PRODUCTION (long tons) |
|---|---|
| 1967 . . | 7,315,865 |
| 1968 . . | 6,643,000 |
| 1969 . . | 6,200,000 |
| 1970 . . | 8,940,000 |
| 1971 . . | 9,910,000 |

KUWAIT/SAUDI ARABIA PARTITIONED ZONE
OFFSHORE
(Arabian Oil Co.)

| YEAR | PRODUCTION (long tons) |
|---|---|
| 1967 . . | 14,284,633 |
| 1968 . . | 15,316,000 |
| 1969 . . | 16,150,000 |
| 1970 . . | 16,960,000 |
| 1971 . . | 18,690,000 |

## NATURAL GAS PRODUCTION

(million cu. ft.)

| | GAS PRODUCED | USED BY COMPANIES | USED FOR INJECTION | USED BY STATE | TOTAL GAS USED |
|---|---|---|---|---|---|
| 1966 | 446,353 | 68,783 | 9,228 | 18,817 | 96,828 |
| 1967 | 456,761 | 72,533 | 27,043 | 23,082 | 122,658 |
| 1968 | 478,958 | 83,945 | 53,679 | 33,966 | 171,590 |
| 1969 | 513,094 | 86,769 | 49,353 | 44,869 | 180,991 |

## INDUSTRY

| | UNIT | 1965 | 1966 | 1967 |
|---|---|---|---|---|
| Petrol (premium) | '000 U.S. barrels* | 1,580 | 1,909 | 2,275 |
| Petrol (regular) | ,, ,, ,, | 82 | 21 | — |
| Aviation (Kerosene) | ,, ,, ,, | 225 | 378 | 392 |
| Asphalt | ,, ,, ,, | 140 | 238 | 227 |
| Fuel Oil | ,, ,, ,, | 22,365 | 21,878 | 29 |
| Naphtha | ,, ,, ,, | 2,125 | 2,591 | 3,026 |
| Natural Gas | million cubic ft.† | 413,213 | 455,353 | 456,761 |
| Ammonium Sulphate | metric tons | — | 30,972 | 62,534 |
| Thermal Electricity Generated | '000 kW. | 652,648 | 983,259 | 1,334,858 |
| Potable Water | million galls. | 2,557 | 3,287 | 4,251 |
| Brackish Water | ,, ,, | 4,155 | 5,156 | 4,167 |
| Sodium Chloride | tons | 3,912 | 4,210 | 3,756 |
| Chlorine | ,, | 927 | 711 | 930 |
| Caustic Soda | ,, | 934.5 | 738 | 1,241 |
| Hydrochloric Acid | galls. | 97,695 | 104,275 | 126,528 |
| Lime-Sand Bricks | '000 | 42,045 | 48,725 | 47,947 |
| Wheat Milling | tons | — | 40,141 | 57,635 |

* 1 long ton = between 6 and 9 U.S. barrels, depending on the specific gravity of the oil.

† Measured at 60°F + 14.65 pounds per sq. ft. at sea-level.

## FINANCE

1 Kuwait Dinar (KD) = 1,000 fils = 13.3 Rupees

0.857 KD = £1 sterling; 0.329 KD = U.S. $1

100 KD = £117.17 sterling = U.S. $304.

(Exchange rates prior to floating of pound sterling in June 1972.)

### BUDGET

(1969–70—'000 KD)

| REVENUE | |
|---|---|
| Income Tax | 201,815 |
| Production and Consumption Taxes and | 85,026 |
| Fees | 12,781 |
| Services Revenues | 1,155 |
| Sundry Revenues and Dues | 1,760 |
| Extraordinary Revenues | |
| TOTAL | 302,537 |

| CURRENT EXPENDITURE | |
|---|---|
| Guidance and Information | 5,139 |
| Public Works | 10,785 |
| Posts, Telegraphs and Telephones | 4,257 |
| Education | 30,353 |
| Foreign Affairs | 2,966 |
| Interior | 20,160 |
| Defence | 25,000 |
| Public Health | 16,364 |
| Electricity, Water, Power and Water Distillation Plant and Salt Factory | 9,713 |
| Finance and Oil, including Customs and Ports and Housing | 10,051 |
| Unclassified and Transferable* | 74,935 |
| Other Expenditure | 22,292 |
| TOTAL | 232,018 |

* Principally budgetary assistance to Egypt and Jordan.

Total revenue and expenditure in 1971–72 was estimated at KD 359.6 million.

Total revenue and expenditure in 1972-73 are estimated at KD 415 million.

## KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT

(Loans Granted and Withdrawals to Dec. 1969)
(million KD)

| COUNTRY | LOANS GRANTED | WITH-DRAWALS |
|---|---|---|
| Algeria | 10.0 | 9.9 |
| Jordan | 7.5 | 4.5 |
| Lebanon | 3.4 | 1.2 |
| Morocco | 10.0 | 3.8 |
| Sudan | 13.7 | 11.2 |
| Syria | 3.0 | — |
| Tunisia | 10.4 | 9.7 |
| U.A.R. (Egypt) | 13.3 | 9.0 |
| Yemen | 0.2 | — |
| TOTAL | 71.7 | 49.5 |

In addition loans totalling KD 196,300,000 had been made direct from the state's general reserves to Arab countries by December 1968.

## NATIONAL ACCOUNTS

(estimates—KD million)

| | 1966–67 | 1967–68 | 1968–69 |
|---|---|---|---|
| Consumption | 330 | 415 | 445 |
| Private | 210 | 280 | 300 |
| Public | 120 | 135 | 145 |
| Gross Fixed Capital Formation | 137 | 163 | 160 |
| Private and semi-private | 73 | 95 | 100 |
| Public | 64 | 68 | 60 |
| Increase in stocks | 13 | 23 | 14 |
| Expenditure on consumption and gross capital formation | 480 | 601 | 619 |
| Export excluding oil and oil products f.o.b. | 21 | 21 | 28 |
| Export of oil and oil products f.o.b. | 505 | 498 | 559 |
| *Less* imports of goods and services | −208 | −248 | −255 |
| Expenditure on Gross Domestic Product | 798 | 872 | 951 |
| Net Factor Income transactions with the rest of the world | −191 | −138 | −158 |
| Expenditure on Gross National Product | 607 | 734 | 793 |
| *Less* depreciation | − 36 | − 42 | − 45 |
| Net National Product or National Income | 571 | 692 | 748 |

## EXTERNAL TRADE

(million KD)

| | 1966 | 1967 | 1968 | 1969 | 1970 | 1971† |
|---|---|---|---|---|---|---|
| Imports | 165.3 | 210.0 | 218.3 | 230.8 | 223.3 | 117.1 |
| Exports* | 13.6 | 13.0 | 20.8 | 23.1 | 26.4 | 17.1 |

* Export figures exclude oil. † Jan.–June.

## COMMODITIES

('000 KD)

| | Imports | | | Exports | | |
|---|---|---|---|---|---|---|
| | 1968 | 1969 | 1970 | 1968 | 1969 | 1970 |
| Food and Live Animals | 35,201 | 34,012 | 37,804 | 3,321 | 3,382 | 5,481 |
| Beverages and Tobacco | 7,269 | 5,904 | 5,724 | 2,722 | 1,237 | 1,247 |
| Crude Materials, inedible, except fuels | 3,983 | 4,294 | 3,400 | 677 | 870 | 1,280 |
| Mineral Fuels, Lubricants and Related Materials | 1,690 | 2,121 | 1,588 | 544 | 194 | 349 |
| Animal and Vegetable Oils, Fats | 794 | 764 | 609 | 33 | 57 | 48 |
| Chemicals | 9,771 | 11,126 | 10,354 | 313 | 4,857 | 5,177 |
| Manufactured Goods classified chiefly by Material | 47,687 | 50,405 | 47,515 | 1,435 | 3,122 | 2,658 |
| Machinery and Transport Equipment | 76,209 | 85,620 | 80,070 | 5,897 | 7,167 | 7,778 |
| Miscellaneous Manufactured Articles | 35,701 | 36,183 | 35,823 | 1,707 | 1,590 | 1,772 |
| Others | 20 | 349 | 381 | 77 | 597 | 593 |

## OIL EXPORTS

EXPORT OF OIL PRODUCTS BY REGION

(1970)

| Destination | Crude Oil* | | Refined Products | | Liquefied Petroleum Gas | |
|---|---|---|---|---|---|---|
| | million long tons | % | million U.S. barrels | % | million U.S. barrels | % |
| Western Europe | 78 | 61.6 | 13.1 | 9.5 | 0.3 | 1.8 |
| Asia and Oceania | 40 | 31.3 | 83.7 | 60.6 | 15.5 | 95.1 |
| North and South America | 5 | 3.9 | 2.2 | 1.6 | 0.5 | 3.1 |
| Arab and Other Countries | 4 | 3.2 | 39.0 | 28.3 | — | — |
| Total | 127 | 100.0 | 138.0 | 100.0 | 16.3 | 100.0 |

* Excludes American Independent Oil Company production of crude oil, which is included in the refined products figure for the company.

KUWAIT OIL COMPANY CRUDE OIL EXPORTS BY DESTINATION

| Destination | 1968 | | 1969 | | 1970 | | 1971 | |
|---|---|---|---|---|---|---|---|---|
| | tons | % | tons | % | tons | % | tons | % |
| United Kingdom | 20,166,255 | 18.8 | 19,602,763 | 17.3 | 25,236,126 | 21.2 | 25,842,332 | 20.2 |
| Japan | 15,643,514 | 14.5 | 12,163,417 | 10.8 | 15,353,896 | 12.9 | 17,783,685 | 13.9 |
| Netherlands | 12,647,316 | 11.8 | 13,531,653 | 12.0 | 10,812,790 | 9.1 | 12,015,376 | 9.4 |
| Italy | 17,988,212 | 16.7 | 14,758,426 | 13.0 | 12,374,513 | 10.4 | 11,954,502 | 9.3 |
| France | 9,505,991 | 8.8 | 9,367,952 | 8.3 | 10,697,850 | 9.0 | 11,117,512 | 8.7 |
| Ireland | 1,242,476 | 1.2 | 8,194,332 | 7.2 | 10,515,043 | 8.8 | 10,445,691 | 8.2 |
| Singapore | 3,859,320 | 3.6 | 4,675,820 | 4.1 | 4,377,414 | 3.7 | 6,183,626 | 4.8 |
| South Korea | 2,337,119 | 2.2 | 3,207,755 | 2.8 | 2,416,540 | 2.0 | 5,894,861 | 4.6 |
| Federal Germany | 1,358,549 | 1.3 | 1,308,558 | 1.2 | 4,110,392 | 3.4 | 4,427,435 | 3.5 |
| Taiwan | 1,794,974 | 1.7 | 3,757,194 | 3.3 | 2,764,286 | 2.3 | 3,166,073 | 2.5 |
| Belgium | 1,757,019 | 1.6 | 4,295,911 | 3.8 | 2,958,250 | 2.5 | 2,555,098 | 2.0 |
| Other Countries | 19,151,685 | 17.8 | 18,460,741 | 16.2 | 17,521,860 | 14.7 | 16,671,833 | 12.9 |
| Total | 107,452,430 | 100.0 | 113,324,522 | 100.0 | 119,138,960 | 100.0 | 128,058,024 | 100.0 |

### ARABIAN OIL COMPANY
### CRUDE OIL EXPORTS BY DESTINATION, 1969
(long tons)

| DESTINATION | |
|---|---|
| Japan | 7,639,284 |
| Spain | 25,096 |
| Khafji Refinery (Kuwait share) | 417,548 |
| TOTAL | 8,081,928 |

### AMERICAN INDEPENDENT OIL COMPANY EXPORTS OF REFINED PRODUCTS BY DESTINATION, 1969
(long tons)

| DESTINATION | |
|---|---|
| India | 17,027 |
| Indonesia | 54,948 |
| Italy | 195,075 |
| Japan | 1,204,231 |
| New Zealand | 18,424 |
| Singapore | 35,174 |
| South Korea | 81,070 |
| Thailand | 53,333 |
| Shuaiba Refinery (Kuwait) | 11,301 |
| Bunkers | 132,401 |
| TOTAL | 1,802,984 |

### KUWAIT NATIONAL PETROLEUM COMPANY EXPORTS OF REFINED PRODUCTS BY PRODUCT
(U.S. barrels)

| PRODUCT | 1968 | 1969 |
|---|---|---|
| Gasoline | 153,626 | 763,123 |
| Naphtha | 1,549,822 | 3,682,158 |
| Kerosene | 859,790 | 3,109,934 |
| Diesel Oil | 1,024,659 | 4,149,191 |
| Fuel Oil | 4,880,603 | 10,495,684 |
| TOTAL | 8,468,500 | 22,200,090 |

### PRINCIPAL COUNTRIES
('000 KD.)

| IMPORTS | 1968 | 1969 | 1970 |
|---|---|---|---|
| United States | 37,334 | 34,277 | 29,589 |
| United Kingdom | 27,877 | 29,132 | 26,411 |
| Japan | 27,894 | 33,782 | 33,946 |
| Federal Germany | 20,768 | 23,867 | 18,690 |
| Italy | 11,202 | 11,411 | 10,733 |
| India | 8,811 | 11,043 | 8,337 |
| Belgium | 2,441 | 2,737 | 2,507 |
| Lebanon | 8,037 | 8,173 | 9,743 |
| Netherlands | 4,785 | 5,150 | 5,523 |
| France | 4,770 | 7,175 | 10,696 |
| Iran | 3,600 | 2,843 | 3,795 |
| Switzerland | 4,080 | 4,000 | 3,541 |
| Australia | 4,342 | 4,171 | 5,267 |
| China, People's Republic | 8,323 | 8,920 | 7,269 |

| EXPORTS* | 1968 | 1969 | 1970 |
|---|---|---|---|
| Saudi Arabia | 3,943 | 3,327 | 3,896 |
| Iran | 2,840 | 3,913 | 3,399 |
| Iraq | 1,350 | 2,636 | 2,902 |
| Jordan | 527 | 403 | 530 |
| Lebanon | 907 | 897 | 1,498 |
| Qatar | 742 | 794 | 900 |
| Bahrain | 261 | 598 | 603 |
| India | 346 | 774 | 1,750 |
| United Kingdom | 1,033 | 776 | 1,214 |
| U.A.R. (Egypt) | 122 | 267 | 417 |
| Pakistan | 145 | n.a. | 502 |
| U.S.A. | 890 | 403 | 862 |
| Dubai | 1,432 | 2,192 | 1,947 |
| Abu Dhabi | 962 | 1,441 | 706 |

* Excludes oil exports (*see* OIL *above*).

### TRANSPORT

**Shipping** (1965): Entered and cleared, *Ships:* 825, *Tonnage:* 2,842,226.

**Vehicles:** Total (1964) 72,393; (1965) 80,361; (1966) 94,908; (1967) 106,000.

**Civil Aviation:** Kuwait Airport, total aircraft movements (1963) 12,263; (1964) 12,592; (1965) 13,386; (1966) 18,213.

## EDUCATION*

(1970–71)

| | NUMBER OF SCHOOLS | NUMBER OF TEACHERS | NUMBER OF STUDENTS |
|---|---|---|---|
| Kindergarten | 44 | 789 | 12,830 |
| Primary | 83 | 2,813 | 57,414 |
| Intermediate | 64 | 2,993 | 47,065 |
| Secondary | 20 | 1,593 | 16,664 |
| Commercial | 2 | 63 | 489 |
| Technical College | 1 | 254 | 898 |
| Religious Institutes | 1 | 35 | 282 |
| Special Institutes | 11 | 197 | 1,002 |
| Teachers' Institutes | 4 | 348 | 2,103 |

* Data for government schools only; in 1969–70 there were 1,109 teachers, 25,260 students at private schools.

*Sources:* Central Statistical Office, Planning Board, Kuwait; Ministry of Finance and Oil, Kuwait; Ministry of Education, Kuwait; National Bank of Kuwait, S.A.K.; Kuwait Oil Co. Ltd., Ahmadi, Kuwait.

# THE CONSTITUTION

(Promulgated November 16th, 1962)

The principal provisions of the Constitution are as follows:

### SOVEREIGNTY

Kuwait is an independent sovereign Arab State; her sovereignty may not be surrendered, and no part of her territory may be relinquished. Offensive war is prohibited by the Constitution.

Succession as Amir is restricted to heirs of the late MUBARAK al-SABAH, and an Heir Apparent must be appointed within one year of the accession of a new sovereign.

### EXECUTIVE AUTHORITY

Executive power is vested in the Amir, who exercises it through a Council of Ministers. The Amir will appoint the Prime Minister "after the traditional consultations", and will appoint and dismiss Ministers on the recommendation of the Prime Minister. Ministers need not be members of the National Assembly, though all ministers who are not Assembly members assume membership *ex-officio* in the Assembly for the duration of office. The Amir also lays down laws, which shall not be effective unless published in the *Official Gazette*. The Amir sets up public institutions. All decrees issued in these respects shall be conveyed to the Assembly. No law is issued unless it is approved by the Assembly.

### LEGISLATURE

A National Assembly of 50 members will be elected for a four-year term by all natural-born literate Kuwait males over the age of 21, except servicemen and police, who may not vote. Candidates for election must possess the franchise and be over 30 years of age. The Assembly will sit for at least eight months in any year, and new elections shall be held within two months of the last dissolution of the outgoing Assembly.

Restrictions on the commercial activities of Ministers include an injunction forbidding them to sell property to the Government.

The Amir may ask for reconsideration of a Bill passed by the Assembly and sent to him for ratification, but the Bill would automatically become law if it were subsequently passed by a two-thirds majority at the next sitting, or by a simple majority at a subsequent sitting. The Amir may declare Martial Law, but only with the approval of the Assembly.

The Assembly may pass a vote of no confidence in a Minister, in which case the Minister must resign. Such a vote is not permissible in the case of the Prime Minister, but the Assembly may approach the Amir on the matter, and the Amir shall then either dismiss the Prime Minister or dissolve the Assembly.

An annual budget shall be presented, and there shall be an independent finance control commission.

### CIVIL SERVICE

Entry to the Civil Service is confined to Kuwait citizens.

### PUBLIC LIBERTIES

Kuwaitis are equal before the law in prestige, rights and duties. Individual freedom is guaranteed. No one should be seized, arrested or exiled except within the rules of law.

No punishment shall be administered except for an act or abstaining from an act considered a crime in accordance with a law applicable at the time of committing it, and no penalty shall be imposed more severe than that which could have been imposed at the time of committing the crime.

Freedom of opinion is guaranteed to everyone, and each has the right to express himself through speech, writing or other means within the limits of the law.

The Press is free within the limits of the law, and it should not be suppressed except in accordance with the dictates of law.

Freedom of performing religious rites is protected by the State according to prevailing customs, provided it does not violate the public order nor be immoral.

Trade unions will be permitted and property must be respected. An owner is not banned from managing his property except within the boundaries of law. No property should be taken from anyone, except within the prerogatives of law, unless a just compensation be given.

Houses may not be entered, except in cases provided by law. Every Kuwaiti has freedom of movement and choice of place of residence within the state. This right shall not be controlled except in cases stipulated by law.

Every person has the right to education and freedom to choose his type of work. Freedom to form peaceful societies is guaranteed within the limits of law.

# THE GOVERNMENT

### HEAD OF STATE

**Amir of Kuwait:** His Highness Shaikh SABAH AS-SALIM AS-SABAH, (succeeded on the death of his brother, November 24, 1965).

### COUNCIL OF MINISTERS

(*July* 1972)

**Prime Minister:** Shaikh JABER AL-AHMAD AL-JABER.

**Minister of Education:** JASIM KHALID AL-MARZOUK.

**Minister of Public Works:** HAMMOUD YOUSUF AL-NUSUF.

**Minister of Social Affairs and Labour:** HAMAD MUBARAK AL-AYYAR.

**Minister of Interior and Defence:** Shaikh SA'AD AL-ABDULLAH AL-SABAH.

**Minister of Foreign Affairs and Acting Minister of Guidance and Information:** Shaikh SABAH AL-AHMAD AL-JABER.

**Minister of Trade and Industry:** KHALID SULAIMAN AL-ADSANI.

**Minister of Awqaf and Islamic Affairs:** RASHID ABDULLAH AL-FARHAN.

**Minister of Finance and Oil:** ABDURRAHMAN SALEM AL-ATIQI.

**Minister of Public Health:** Dr. ABDURRAZAK MISHARI AL-ADWANI.

**Minister of Posts, Telephones and Telegraphs:** ABDUL AZIZ AS-SARAWI.

**Minister of Electricity and Water:** ABDULLAH YOUSUF AL-GHANIM.

**Minister of Justice:** MUHAMMAD AHMAD AL-HAMID.

**Minister of State for Cabinet Affairs:** ABDALLAH AZIZ HUSAIN.

**Special Adviser to the Amir:** Shaikh ABDULLAH AL-JABER AL-SABAH.

### PROVINCIAL GOVERNORATES

**Ahmadi:** JABER ABDULLA JABER AL-SABAH.

**Hawalli:** NAWAF AHMED JABER AL-SABAH.

**Kuwait:** NASSER SABAH AL-NASSIR AL-SABAH.

# DIPLOMATIC REPRESENTATION

### REPRESENTATIVES OF KUWAIT ABROAD

(A) Ambassador; (CA) Chargé d'Affaires; (Perm. Rep.) Permanent Representative.

**Algeria:** (vacant), Algiers (A).

**Bahrain:** SULAIMAN MAJID SHAHIN, Manama.

**Belgium:** (*see* France).

**Bulgaria:** (*see* Turkey).

**Canada:** (*see* U.S.A.).

**China, People's Republic of:** ABD-AL-HAMID ABD-AL-RAZAQ BYIJAN, Peking (A).

**Czechoslovakia:** (*see* France).

**Egypt:** HAMED ISSA AL-RUJAIB, Cairo (A).

**France:** FAISAL AL SALEH AL MUTAWWE (A) (also accred. to Belgium and Czechoslovakia).

**Hungary:** (*see* U.S.S.R.).

**India:** (vacant), Bombay (A).

**Indonesia:** (*see* Japan).

**Iran:** Shaikh NASSIR MUHAMMAD AL-AHMED AL-SABAH, Teheran (A).

**Iraq:** MUHAMMAD AHMAD ABDULLATIF AL-HAMAD, Baghdad (A).

**Italy:** MUHAMMAD ZEID AL-HIRBISH, Rome (A) (also accred. to Yugoslavia).

**Japan:** TALAT YAQOUB AL-GHUSAIN, Tokyo (A) (also accred. to Indonesia and Malaysia).

**Jordan:** MUHAMMAD QASIM SADDAH, Amman (A).

**Lebanon:** MUHAMMAD AL DASSANI, Beirut (A).

**Libya:** YOUSIF MUHAMMAD MUNNAYES, Tripoli (A).

**Malaysia:** (*see* Japan).

**Morocco:** (vacant), Rabat (A).

**Pakistan:** YACOUB AL RASHID, Karachi (A).

**Poland:** (*see* U.S.S.R.).

**Romania:** (*see* U.S.S.R.).

**Saudi Arabia:** MURJEN AL-AHMAD, Jeddah (A) (also accred. to Somalia).

**Somalia:** (*see* Saudi Arabia).

**Sudan:** JASIM MUHAMMAD BORRUSLY, Khartoum (A).

**Switzerland:** (*see* UN, Geneva).

**Syria:** ABDULLAH AHMAD HUSAIN, Damascus (CA).

**Tunisia:** SAOUD ARDE LAZIZ HAMIDHI, Tunis (A).

**Turkey:** KHALID MUHAMMAD JAAFAR, Ankara (A) (also accred. to Bulgaria).

**U.S.S.R.:** AHMED GHAYTH ABDULLAH, Moscow (A) (also accred. to Romania, Hungary and Poland).

**United Arab Emirates:** Shaikh BADR MUHAMMAD AHMAD AL-SABAH, Abu Dhabi (A).

**United Kingdom:** AHMAD ABDULWAHAB AL-NAQIB, London (A).

**U.S.A.:** Sheikh SALIM AL-SABAH AL-SALIM, Washington (A) (also accred. to Canada and Venezuela).

**Venezuela:** (*see* U.S.A.).

**Yemen Arab Republic:** MUHAMMAD SALIM BALHAN, Sana'a (A).

**Yugoslavia:** (*see* Italy).

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**United Nations:** ABDULLAH YAQOUB BISHARA, New York (Perm. Rep.); Sheikh NASSER MUHAMMAD AL-AHMAD AL-SABAH, Geneva (Perm. Rep.).

## EMBASSIES AND LEGATIONS ACCREDITED TO KUWAIT

(In Kuwait unless otherwise indicated)

(E) Embassy; (L) Legation.

**Afghanistan:** (E); *Ambassador:* KHALILALLAH KHALILI.

**Algeria:** Istiqlal St. (E); *Ambassador:* MUHAMMAD GHASSIRI.

**Austria:** Beirut, Lebanon (E).

**Belgium:** Baghdad, Iraq (E).

**Bulgaria:** Damascus, Syria (E).

**Canada:** Teheran, Iran (E).

**China, People's Republic of:** (E); *Ambassador:* SUN CHIENG-WEI.

**Costa Rica:** Beirut, Lebanon (E).

**Czechoslovakia:** No. 14, Diyya Quarter (E); *Ambassador:* LADISLAV TISLIAR.

**Egypt:** Mussa'ed al Saleh Bldg., Istiqlal St., (E); *Ambassador:* SALAHUDDIN WASFI.

**France:** Kuwait Bldg. 4th Floor No. 202, Fahad al-Salem St. (E); *Ambassador:* PAUL CARTON.

**Greece:** Amman, Jordan (E).

**Guinea:** Cairo, Egypt (E).

**Hungary:** (E); *Ambassador:* JÓSZEF FERRÖ.

**India:** Ring Rd. No. 1 (E); *Ambassador:* VIRASAT ALI KIDWAI.

**Iran:** Haj Abdulla Dashti Bldg., Istiqlal St. (E); *Ambassador:* Dr. FEREYDUN ZAND-FARD.

**Iraq:** 37 Istiqlal St. (E); *Ambassador:* MIDHAT IBRAHIM JUMA.

**Italy:** (E); *Ambassador:* DIEGO SOTO.

**Japan:** Al-Khalid Bldg., Fahad-al-Salem St. (E); *Ambassador:* SHOICHI KAIHARA.

**Jordan:** Mansour Qabazard Bldg., Istiqlal St. (E); *Ambassador:* TOUQAN AL HINDAWI.

**Lebanon:** (E); *Ambassador:* SAMIH AL-BAHA.

**Libya:** (E); *Ambassador:* AHMAD SHARIF QASHOUT.

**Malaysia:** Jeddah, Saudi Arabia (E).

**Mali:** Cairo, Egypt. (E).

**Mauritania:** (E); *Ambassador:* MUHAMMAD WELD JEDDO.

**Morocco:** Ville No. 7, Rd. 14, Shuwaikh (E); *Ambassador:* AL-ARABI AL-BANANI.

**Nepal:** (E).

**Netherlands:** Baghdad, Iraq (E).

**Oman:** Damascus, Syria (E).

**Pakistan:** Salah Jamal Bldg., No. 7, Nuzha St. (E); *Ambassador:* SHAHRYAR KHAN.

**Poland:** 48 Istiqlal St. (E); *Ambassador:* ZDZISLAW TADEUSZ WOJCIK.

**Romania:** Beirut, Lebanon (E).

**Saudi Arabia:** Sheikh Fahad al-Salem Bldg., al-Hilali St., Sharq (E); *Ambassador:* Sheikh ALI ABDULLAH AL-SUGAIR.

**Somalia:** Jeddah, Saudi Arabia (E).

**Spain:** (E); *Ambassador:* LOUIS IYALLA.

**Sudan:** Badr al-Mulla Bldg., Fahad al-Salem St. (E); *Ambassador:* ABD-AL-AZIZ NASRI HAMZAH.

**Switzerland:** Beirut, Lebanon (E).

**Syria:** Thounayan al-Ghanim Bldg., Fahad al-Salem St. (E); *Ambassador:* HAJJ ABDULLAH RAZOUQ.

**Tunisia:** Ghanim al-Shaheen al-Ghanim Bldg., Istiqlal St. (E); *Ambassador:* MAHMOUD SHARSHOUR.

**Turkey:** Beirut, Lebanon (E).

**U.S.S.R.:** Sheikh Ahmad al-Jaber al-Sabah Bldg., No. 5 Dasman District (E); *Ambassador:* NIKOLAI TUPITSYN.

**United Kingdom:** Arabian Gulf St. (E); *Ambassador:* ARTHUR JOHN WILTON.

**U.S.A.:** Bnaid Al-Gar (E); *Ambassador:* (vacant).

**Venezuela:** Beirut, Lebanon (E).

**Yugoslavia:** Baghdad, Iraq (E).

Kuwait also has diplomatic relations with German Democratic Republic, Kenya, Sweden and Upper Volta.

# NATIONAL ASSEMBLY

In elections held for the third time under the new Constitution on January 23rd, 1971, 184 candidates were nominated for the 50 seats (5 seats in each of 10 districts). There are no official political parties, the candidates standing as individuals. In the 1971 elections, however, five members of the radical Arab Nationalist Movement were returned. The vote is limited to natural-born Kuwaiti males over 21 who are able to read and write (about 40,000 voters).

**Secretary:** SAMI AL-MANEISY.

# JUDICIAL SYSTEM

There is a codified system of law based largely upon the Egyptian system. In criminal matters, minor contraventions are dealt with by Magistrates Courts, felonies by Criminal Assize Courts. Appeal in the case of misdemeanours is to a Misdemeanours Court of Appeal.

Civil cases are heard by a General Court within which are separate chambers dealing with commercial cases, other civil cases and matters of personal status. Appeal is to a High Court of Appeal. Matters of personal status may go beyond the High Court of Appeal to a Court of Cassation.

In criminal cases, investigation of misdemeanours is the responsibility of the police, while responsibility for the investigation of felonies lies with the Attorney-General's Office.

# RELIGION

## MUSLIMS

The inhabitants are mainly Muslims of the Sunni and Shiite sects.

## CHRISTIANS

**Anglican Chaplain in Kuwait:** Rev. K. W. T. W. JOHNSON, c/o Kuwait Oil Co. Ltd., 3 Ninth Avenue, Ahmadi 6, Kuwait.

**Roman Catholic:** Right Rev. Mgr. V. SAN MIGUEL, O.C.D., Administrator Apostolic of Kuwait, Bishop's House P.O.B. 266, Kuwait.

**National Evangelical Church in Kuwait:** Rev. YUSEF ABDUL NOOR, Box 80, Kuwait; a United Protestant Church founded by the Reformed Church in America; services in Arabic, English and Malayalam.

There are also Armenian, Greek, Coptic and Syrian Orthodox Churches in Kuwait.

# THE PRESS

Article 37 of the Constitution specifies the following as regards the Press:

"Freedom of the press, printing and publishing shall be guaranteed in accordance with the conditions and manner specified by Law."

As such, the press is not pre-censored, and all freedom is guaranteed within the framework of the Press Law.

This was revised in 1972, when the Government ceased to hold the power to suspend the publication of newspapers without reference to a court of law.

## DAILIES

**Akhbar al-Kuwait** (*Kuwait News*): P.O.B. 1747, Mubarak al-Kabir St., Kuwait; Arabic; Editor ABDULAZIZ FAHAD AL-FULAIJ; circ. 4,000.

**Al-Qabas:** Kuwait; f. 1972; Arabic.

**Al Rai al-Amm** (*Public Opinion*): P.O.B. 695, International Airport Road, Shuivaikh Industrial Area, Kuwait; f. 1961; Arabic; political, social and cultural; Editor YOUSSUF AL-MASSAEED; circ. 15,000.

**Al-Siyasa:** P.O.B. 2270, Kuwait; Arabic; political; Editor AHMED AL-JARALLAH; circ. 2,000.

**Daily News:** P.O.B. 695, International Airport Rd., Shuwaikh Industrial Area, Kuwait; f. 1963; English; Owner and Editor-in-Chief SALEH AL SALEH; circ. 10,000.

**Kuwait Times:** P.O.B. 1442, Fahed Al Salem Ave., Kuwait; f. 1961; English; political; Owner and Editor-in-Chief YOUSUF ALYAN; circ. 2,000.

## WEEKLIES AND PERIODICALS

**Kuwait Al-Youm** (*Kuwait Today*): P.O.B. 193, Kuwait; f. 1954; Sunday; the "Official Gazette"; Amiri Decrees, Laws, Govt. announcements, decisions, invitations for tenders, etc.; published by the Ministry of Information; circ. 5,000.

**Adhwa al-Kuwait:** P.O.B. 1977, Kuwait; literature and arts; Arabic; weekly; free advertising magazine; Editor MYRIN AL HAMAD; circ. 5,000.

**Al-Arabi:** P.O.B. 748, Kuwait; f. 1958; Arabic; science, history, arts; monthly; published by the Ministry of Guidance and Information; Editor Dr. AHMED ZAKI; circ. 125,000.

**Al-Balagh:** Kuwait; weekly.

**Al-Bayan:** Kuwait; monthly.

**Al-Boraq:** Kuwait; monthly.

**Al-Hadaf** (*The Aim*): P.O.B. 1142, Al Soor St., Kuwait; weekly; f. 1961; Arabic; political and cultural; Editor-in-Chief and Proprietor D. M. SALEH; circ. 8,000 (also monthly supplement: *Economic Review*).

**Al-Ittihad:** Kuwait; monthly.

**Al Kuwaiti:** Ahmadi; fortnightly journal of the Kuwait Oil Co. Ltd. (also in English edition: *The Kuwaiti*).

**Al-Mujtama's:** Kuwait; weekly.

**Al Nahdha:** P.O.B. 695, International Airport Road, Shuivaikh Industrial Area, Kuwait; f. 1967; weekly; Arabic; Editor YOUSSUF AL-MASSAEED; circ. 8,000.

**Al Ressaleh** (*The Message*): P.O.B. 2490, Fahad al-Salim St., Kuwait; weekly; Arabic; political, social and cultural; Editor JASSIM MUBARAK.

**Al-Raid:** weekly; issued by Kuwaiti Teachers' Association.

**Al-Talea** (*The Pioneers*): P.O.B. 1082, Fahad al-Salim St., Kuwait; weekly; Arabic; Editor SAMI AHMED AL-MUNAIS.

**Al-Wai al-Islamic:** Kuwait; monthly.

**Al-Watan:** Kuwait; weekly.

**Al-Yaqza:** Kuwait; weekly.

**Hayatuna:** P.O.B. 1708, Kuwait; medicine and hygiene; Arabic; fortnightly; published by Al-Awadi Press Corporation; Editor Dr. ABDUL RAHMAN AL-AWADI.

**Journal of the Kuwait Medical Association:** P.O.B. 1202, Kuwait; f. 1967; English; quarterly; published by Medical Assoc.; Editor Dr. ABDUL RAZZAK AL YUSUF; circ. 1,500.

**Kuwait Chamber of Commerce and Industry Magazine:** P.O.B. 775, Kuwait; monthly; circ. 4,000.

**Majallat al-Kuwait** (*Kuwait Magazine*): P.O.B. 193, Kuwait; news and literary articles; Arabic; fortnightly illustrated magazine; published by Ministry of Guidance and Information.

**Sawt al-Khaleej** (*Voice of the Gulf*): P.O.B. 659, Kuwait; weekly; Editor BAQER KHRAIBITT.

**Usrati:** P.O.B. 2995, Kuwait; women's magazine; Arabic; fortnightly; Editor Mrs. GHANIMA AL-MARZOOG.

## NEWS AGENCIES

### FOREIGN BUREAUX

**Middle East News Agency:** Fahd El-Salem St.

Tass also has a bureau in Kuwait.

# RADIO AND TELEVISION

## RADIO

**Kuwait Broadcasting Station:** P.O.B. 397, Kuwait; f. 1951; broadcasts in Arabic and English; short wave (250 kW.), medium wave (750 kW.) and F.M. stereo transmitters; in 1970 there were an estimated 450,000 radio sets; Asst. Under-Sec. for Broadcasting Affairs ABDUL AZIZ MOHD JA'FFER; Asst. Under-Sec. for Engineering Affairs ABDUL-RAHMAN IBRAHIM AL-HUTY.

## TELEVISION

**Television of Kuwait, Ministry of Guidance and Information:** P.O.B. 621, Kuwait; f. 1961; broadcasts in Arabic; three transmitters are used, and broadcasts reach Saudi Arabia, southern Iraq, and other Gulf States; advertising is accepted, and colour television is planned; in 1969 there were 90,000 television sets in use; Dir.-Gen. of TV J. HASSOUNI; Programme Controller MUHAMMAD SANOUSSI.

# FINANCE

(cap.=capital; p.u.=paid up; dep.=deposits; m.=million; amounts in Kuwait Dinars)

## BANKING

### NATIONAL BANKS

**Central Bank of Kuwait:** P.O.B. 526, Kuwait; f. 1969; replaces Currency Board in administering currency and credit policies; cap. 2m., reserves 3m.; Governor (vacant); Deputy Governor HAMZAH ABBAS HUSSEIN; publ. *Annual Report.*

**National Bank of Kuwait, S.A.K.:** Abdullah Al-Salim St., P.O.B. 95, Kuwait; f. 1952; (December 1970) cap. and res. 18.8m., dep. 262.9m., total assets 326.7m.; 21 brs.; Chair. YACOUB YOUSUF AL HAMAD; Gen. Man. C. D. FEARS.

**Alahli Bank of Kuwait:** P.O.B. 1387, Ali-Al Salim St., Kuwait; cap. p.u. 2m.

**Commercial Bank of Kuwait, S.A.K.:** P.O.B. 2861, Kuwait; f. 1960; cap. p.u. 2.1m., dep. 108m. (Dec. 1970); Chair. ABDUL AZIZ AL AHMAD AL BAHAR; Gen. Man. H. T. GRIEVE.

**Gulf Bank K.S.C.:** P.O.B. 3200 Abdullah Al-Salim St., Kuwait; f. 1961; cap. p.u. 2,475m.; 11 brs.; Chair. KHALID YUSUF AL-MUTAWA; Gen. Man. A. L. FORSYTH.

**Savings and Credit Bank:** Arabian Gulf St., P.O.B. 1454, Kuwait; f. 1960; cap. p.u. 2.1m., dep. 4.1m.; 11 brs. throughout Kuwait; Chair and Dir.-Gen. ABDUL-AZIZ DOSARI.

### FOREIGN BANK

**Bank of Kuwait and the Middle East K.S.C.:** Kuwait; 51 per cent owned by the Government and operated under a management agreement by the British Bank of the Middle East which it took over in 1971; cap. p.u. 2m.

## INSURANCE

### NATIONAL COMPANIES

**Al Ahleia Insurance Co., S.A.K.:** P.O.B. 1602, Ali Al-Salim St., Kuwait; f. 1962; covers all classes of insurance; cap. K.D. 1m.; Chair. MUHAMMAD Y. AL-NISF; Man. Dir. ABDULLA A. AL-RIFAI; Gen. Man. Dr. RAOUF H. MAKAR.

**Gulf Insurance Co.:** P.O.B. 1040, Kuwait; . 1962; cap. 800,000; Gen. Man. ELIAS N. BEDEWI.

**Kuwait Insurance Co.:** Abdullah Al-Salim St., P.O.B. 769, Kuwait; f. 1960; cap. p.u. 525,000; Gen. Man. SHAKIB S. SHAKHSHIR.

### FOREIGN COMPANIES

Some 20 Arab and other foreign insurance companies are active in Kuwait.

# OIL

**Kuwait National Petroleum Co., K.S.C.:** P.O.B. 70, Kuwait; f. 1960; 60 per cent state-owned; refining, exploring and marketing company; a large new refinery at Shuaiba opened in May 1968; Chair. AHMAD ABDUL MOHSIN AL MATAIRO.

**Kuwait Oil Co.:** Ahmadi, Kuwait; f. 1934 and jointly owned by BP Exploration Company (Associated Holdings) Ltd. and Gulf Kuwait Company. It had 693 wells producing at end of 1971; oil production in 1971 was 144.4 million long tons. The original concession area covered all of Kuwait, including territorial waters to a six-mile limit. In May 1962 exploratory rights to 9,262 square kilometres, roughly 50 per cent of the original concession area, were voluntarily relinquished to the state. Further offshore areas were relinquished in 1967 and 1971; Man. Dirs. K. R. HENSHAW, M. L. RALSTON.

**Kuwait Shell Petroleum Development Co.** (*Royal Dutch Shell*): Fahad al-Salim St., Kuwait; has concession, signed January 1961, of 2,160 sq. miles offshore from Kuwait; operations suspended pending clarification of the offshore boundary disputes with Iraq, Iran and Saudi Arabia.

**Kuwait Spanish Petroleum Co.:** P.O.B. 20467, Kuwait; f. 1968; 51 per cent owned by Kuwait National Petroleum Co., 49 per cent by Hispanoil of Spain; holds concessions of 910,000 hectares (about half the land area of Kuwait) for a period of 35 years from 1968; drilling began in 1970.

**American Independent Oil Co.:** Main Office 50 Rockefeller Plaza, New York, N.Y.; Kuwait Office P.O.B. 69, Kuwait: shares with Getty Oil Co. (from Saudi Arabia) concessions in Kuwait/Saudi Arabia Partitioned Zone onshore; combined oil production in 1971 was 9,910,000 long tons.

**Arabian Oil Co.:** Head Office Tokyo; Kuwait Office P.O.B. 1641, Kuwait; Field Office Ras Al-Khafji, Kuwait Partitioned Zone; a Japanese company which has concessions offshore of the Partitioned Zone; there are 56 producing wells as well as four flow stations in operation; in 1971 crude oil production reached 18,690,000 long tons.

# TRADE AND INDUSTRY

## CHAMBER OF COMMERCE

**Kuwait Chamber of Commerce and Industry:** P.O.B. 775; Chamber's Bldg., Ali Salem St., Kuwait State; f. 1959; 3,500 mems.; Pres. ABDUL AZIZ AL-SAGER; Vice-Pres. YOUSEF AL-FULEIJ and MOHAMAD A. AL-KHARAFI; Sec. HAYTHAM MALLUHI; publs. *Monthly Magazine* (circ. 4,000) and annual economic and administrative reports.

## DEVELOPMENT

**Kuwait Chemical Fertilizer Co. K.S.C.:** P.O.B. 3964, Kuwait; f. 1964; government enterprise (with British Petroleum and Gulf Oil Co. holding minority interests) for manufacture of liquid ammonia, sulphuric acid, urea and ammonium sulphate.

**Kuwait Foreign Trading, Contracting and Investment Co.:** P.O.B. 5665, Kuwait; f. 1965; overseas investment company; 98.6 per cent government holding; total assets KD 15.7m. (1970).

**Kuwait Fund for Arab Economic Development:** Al-Mutanabbi St., P.O.B. 2921, Kuwait; cap. KD 200m.; wholly Government owned; assists other Arab governments with development loans; Chair. ABDULREHMAN SALEM AL-ATEEQY; Dir. Gen. ABDLATIF Y. AL-HAMAD.

**Kuwait Investment Co. S.A.K.:** P.O.B. 1005, Kuwait; f. 1961; cap. KD 7.5m.; 50 per cent government owned; international banking and investment; Man. Dir. ABDLATIF Y. AL-HAMAD.

**Kuwait National Industries Company:** Kuwait; f. 1960; 51 per cent Government owned company with controlling interest in various construction enterprises.

**Kuwait Planning Board:** Kuwait City; f. 1962; supervises the 1967–68/1971–72 Five-Year Plan; through its Central Statistical Office publishes information on Kuwait's economic activity; Dir.-Gen. AHMED A. DVAIJ.

**Shuaiba Area Authority:** P.O.B. 4690, Kuwait; f. 1964; an independent public body developing a new town with dockyard and industrial estate.

# TRANSPORT

## ROADS

Roads in the towns are metalled and the most important are dual carriageway. There are metalled roads to Ahmadi, Mina Al-Ahmadi and other centres of population in Kuwait, and to the Iraqi and Saudi Arabian borders.

**Automobile Association of Kuwait and the Gulf:** P.O.B. Safat 2100, Kuwait; f. 1964; Pres. H. E. Sheikh NASSER ATHBI AL-SABAH.

**Kuwait Automobile and Touring Club:** Airport Rd., Khaldiah, P.O.B. Safat 2100, Kuwait; f. 1956; Pres. H. E. Sheikh NASSER AL ATHBI AL SABAH.

**Kuwait International Touring and Automobile Club:** P.O.B. Safat 2100, Kuwait; f. 1966; Gen. Man. A. W. MONAYES.

**Kuwait Transport Co. S.A.K.:** Kuwait; provides internal bus service; regular service to Iran inaugurated December 1963.

## SHIPPING

A modern port has been built at Shuwaikh, two miles west of Kuwait Town, which is capable of handling simultaneously up to eight large cargo ships and several smaller ships. Ships of British and other lines make regular calls.

A second port is under construction at Shuaiba to the south of Kuwait.

The oil port at Mina al-Ahmadi, 25 miles south of Kuwait Town, is capable of handling the largest oil tankers afloat, and oil exports of over 2 million barrels per day.

**Kuwait Oil Tanker Co. S.A.K.:** P.O.B. 810, Kuwait; f. 1957; 1,700 shareholders; cap. KD 11.5m.; owns 6 vessels totalling 800,000 deadweight tons; sole tanker agents for Mina al Ahmadi and agents for other ports.

**Kuwait Shipping Co. S.A.K.:** P.O.B. Safat 3636, Kuwait; f. 1965; 75 per cent government owned; services to Europe, the Far East, America and Australia; 17 vessels totalling 250,000 tons; fully paid cap. KD 6m.; Gen. Man. D. H. TOD.

## CIVIL AVIATION

**Kuwait Airways Corporation:** Kuwait International Airport, P.O.B. 394, Kuwait; f. 1954; government owned; services to Cairo, Beirut, Damascus, Amman, Baghdad, Aden, Teheran, Abadan, Abu Dhabi, Bahrain, Dhahran, Doha, Dubai, Karachi, Bombay, Delhi, London, Paris, Rome, Geneva, Athens and Frankfurt; fleet of five Boeing 707; Chair. FAISAL SAOUD AL-FULAIJ; Man. Dir. JASSIM YOUSUF AL-MARZOOK; publs. *Alboraq* (magazine), *Bulletin*.

Kuwait is also served by the following airlines: Air India, Alia, Alitalia, BOAC, CSA (Czechoslovakia), Democratic Yemen Airlines, EgyptAir, Gulf Aviation, Iranair, Iraq Airways, Japan Air Lines, KLM, Lufthansa, MEA, PIA (Pakistan), Saudia, Syrian Arab Airlines and Yemen Airways.

# EDUCATION

Within the last few years a comprehensive system of kindergarten, primary, intermediate and secondary schools has been built up, and compulsory education between the ages of 6 and 14, was introduced in 1966–67. However, many children spend two years before this in a kindergarten, and can go on to complete their general education at the age of 18 years. At present there are nearly 140,000 pupils enrolled in some 230 schools staffed by over 9,000 teachers. The general policy of the Government is to provide free education to all Kuwaiti children from kindergarten stage to the University. Almost all Kuwaitis are Muslims and speak Arabic, so there is no language problem. Pupils are also provided, free of cost, with food, textbooks, clothing and medical treatment. There are about 40 private schools in Kuwait with an enrolment of over 25,000 pupils.

Children may spend two preliminary years at a kindergarten, and at the age of 4 commence their compulsory education at a primary school. This lasts four years, after which the pupils move on to an intermediate school where they stay for another four years. Secondary education, which is optional and lasts four more years, is given mainly in general schools, but there are also a technical school for girls and a commercial school for boys. Beyond this there are an intermediate commercial school, a religious institute and a technical college, all for boys, and 11 special institutes for handicapped children. In 1970–71, about 25,000 students attended adult education classes.

Two-year courses at post-secondary teacher training colleges provide teachers for kindergartens and primary schools, while intermediate and secondary staff requirements are dealt with by the University.

Kuwait University was established in 1966, producing its first graduates in 1970. Kuwaiti students are now sent abroad for higher studies for which there are no facilities at the University.

There were 535 Kuwaiti scholarship students studying abroad in 1970–71; a total of 135 scholarships were granted in that year. The majority of these students were in Egypt, the United States and Britain. At the same time there were 357 pupils from nearby Arab states studying in Kuwait at intermediate and secondary schools on Kuwait Government scholarships. The state also provides scholarships for a number of Arab students to pursue their studies at Kuwait University.

In 1970–71, the education budget totalled KD31,412,899, representing 9.8 per cent of the total state budget.

## SOCIETIES AND INSTITUTES

**Agricultural Experimental Station:** c/o Agricultural Dept., Ministry of Public Works, Kuwait; f. 1953; research in various fields of agriculture including arid zone studies, soil conservation and irrigation, plant protection studies, animal husbandry; small library; Dir. S. I. AL-MANNAI; publs. reports, information bulletins.

**British Council:** P.O.B. Safat 345, Beit Sheikh Ahmad al Jaber, Qibla, Kuwait; 11,622 vols., 86 periodicals; Rep. W. E. N. KENSDALE.

**The Kuwait Institute of Economic and Social Planning in the Middle East:** P.O.B. 5834, Kuwait; f. 1966 with assistance from the UN Development Programme; Director/Project Manager Dr. MAHMOUD A. EL-SHAFIE; trains personnel in economic and social devt. planning for State of Kuwait and neighbouring countries.

**Kuwait Institute for Scientific Research:** P.O.B. 12009, Kuwait; f. 1967 by the Arabian Oil Co. Ltd. (Japan) to promote and conduct scientific research; three research divisions: petroleum research, arid zone agriculture and marine biology and fishery; provides documentation and information service and training schemes for scientific research workers; Dir. Dr. T. OINOMIKADO.

## LIBRARIES

**British Council Library:** P.O.B. Safat 345, Beit Sheikh Ahmad al Jaber, Qibla, Kuwait; f. 1956; 11,600 vols., 86 periodicals.

**Kuwait Central Library:** Kuwait City; f. 1936; 95,000 vols.; 12 brs.; Chief Librarian YOUSUF MULLA HUSEIN.

**Kuwait University Central Library:** Kuwait City; f. 1966; 100,000 vols.; Librarian Dr. AHMAD BADR.

## MUSEUM

**Kuwait Museum:** Kuwait City; excavation findings from Failaka Island, dating back to Babylonian times.

## UNIVERSITY

### KUWAIT UNIVERSITY

P.O.B. 5969, KUWAIT
Telephone: 811188.
Founded 1962, inaugurated 1966.

*Chancellor:* H.E. SALEH ABDEL MALEK EL SALEH.
*Rector:* Prof. Dr. ABDEL FATTAH ISMAIL.
*Secretary-General:* ANWAR EL NOURI.
*Librarian:* Dr. AHMED BADR.

Number of professors: 58.
Number of students: 1,988 undergraduates, 237 postgraduates.

DEANS:

*Faculty of Science, Arts and Education:* Prof. A. H. H. NASR.
Parallel courses for women students at the:
*University College for Women:* Prof. D. A. SADEK.
*Faculty of Law and Shariah:* Prof. A.-H. HEGAZI.
*Faculty of Commerce, Economics and Political Science:* Y. AL MULLA.
*Faculties of Medicine and Engineering:* due to open later.

PROFESSORS:

ABDEL-WAHAR, SAMIHA M., Organic Chemistry
ABDUL-BAGI, A.-F., Civil Law
ABDUL-RAHMAN, A. J., Mathematics, Life and Pension Insurance
ABDUL-RAHMAN, AL HUSSEINY, Plant Physiology
ABOU-ISMAIL, A., Economics
ABOU-RIDA, M. A., Islamic Philosophy
ABOU-ZEID, A. M., Social Anthropology
ABUL-ULA, M. T., Regional Geography
AFIF, Z. A. A., Pure Mathematics
AHMED, M. S., Atomic Physics
ALI, A. T., Accountancy
AL-MARSAFAWI, H. S., Criminal Law
AL-TAWIL, M. T., Ethics
AL-THAHABI, M. H., Qoran and Hadith

AZMG, IKHLAS M., English Literature
EL-ASHMAWY, M. Z., Rhetoric
EL-BAHAY, A. A.-M-M., Fikh
ELBIRI, Z. Z., Islamic Fikh
EL HALWAGY, R. E., Plant Ecology
EL-MELIGY, H. S. A., Mathematics
EL-MULLA, Y., International Economic Relations
EL-NEWAIHY, M. F., Chemistry
EL-QASSIM, M. H., Civil Law
EL-SHAMY, H. K., Chemistry
EL-ZAIYADY, SAMIRA A., Entymology
FARGHALY, A.-H. M., Animal Physiology
GHANEM, M. A., General Inorganic Chemistry
HAFIZ, M. M., Public Law
HAMIMY, I. A., Industrial Business Administration
HAROUN, A. S. M., Rhetoric
HASAB-ALLAH, A. M. H., Islamic Fikh
HASSAN, A.-F., Public Law
HEGAZI, A. H., Civil Law
HILMY, M. E. EL-DIN, Mineralogy and Petrology
HINDAWI, M. M., Oriental and Semitic Languages
HOMAD, A. W., Penal Law
HUSSEIN, AWAD, Greek and Roman History
ISMAIL, A. F., Physio-Organic Chemistry
KASHEF, SAYEDA I., Islamic History
KHALEEF, Y. A.-Q., Arabic Literature
MAHMOUD, Z. N., Logic and Methods of Research
MASSOUD, S. K. A., Mathematics
MELOUK, M. A., Zoology
MOHAMMED, N. B., Physics
MOUBASHER, A. H., Mycology and Plant Pathology
MUSA, M. M., Physical Geography
NAGATY, M O., Psychology
NASIR, M., Educational Administration
NASR, A. H. H., Botany
NASSEF, A., Atomic Physics
RAAFAT, M. N., Educational Psychology
RYIAD, M. M., Electronics
SADEK, D. A., Human Geography
TEWFIK, O. K., Medieval History
TOLBA, SALAH EL DIN, Mathematics and Insurance
YOUNIS, A. H., Commercial and Marine Law
ZANATI, M. S., Roman Law and History of Law
ZAYED, A.-H., Archaeology

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MARLOWE, JOHN. The Persian Gulf in the 20th Century (Cresset Press, London, 1962).

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SAMĪR SHAMMĀ. The Oil of Kuwait, Present and Future. Translated from Arabic. (Middle East Research and Publishing Centre, Beirut, 1959).

WILSON, Sir A. T. The Persian Gulf (Oxford University Press, 1928).

# Qatar

## GEOGRAPHY

The Sheikhdom of Qatar is a peninsula roughly 100 miles in length, with a breadth varying between 35 and 50 miles, on the west coast of the Persian Gulf. The total area is 4,000 square miles. There are over 100,000 inhabitants, two-thirds of whom are concentrated in the town of Doha, on the east coast. Two other ports, Zakrit on the west coast and Umm Said on the east, owe their existence to the discovery of oil. Zakrit is a convenient, if shallow, harbour for the import of goods from Bahrain, and Umm Said affords anchorage to the deep-sea tankers and freighters.

Qatar is stony, sandy and barren; limited supplies of underground water are unsuitable for drinking or agriculture because of high mineral content. Over half the water supply is now provided by sea water distillation processes. The inhabitants have traditionally lived from pearl-diving, fishing and nomadic herding.

## HISTORY

Owing to the aridity of the peninsula the early history of Qatar is of little interest. In 1916 Great Britain, in order to exclude other powers from the area, made an agreement with the Sheikh of Qatar, who undertook not to cede, mortgage or otherwise dispose of parts of his territories to anyone except the British Government, nor to enter into any relationship with a foreign government other than the British without British consent. Similar agreements had been concluded with Bahrain in 1880 and 1892, with the Trucial States in 1892 and with Kuwait in 1899. In return Britain undertook to protect Qatar from all aggression by sea, and to lend her good offices in case of an overland attack.

The discovery of oil in the 1930s promised greater prosperity for Qatar, but because of the Second World War production did not begin on a commercial scale until 1949 (*see* below). An ambitious development programme is now being put into operation with the revenues from the production and export of oil. The Sheikhdom has taken a leading part in moves towards the formation of a Gulf Federation; it also enjoys close relations with Saudi Arabia. In January 1961 Qatar joined the Organization of Petroleum Exporting Countries, and in May 1970 it also became a member of OAPEC (the Organization of Arab Petroleum Exporting Countries).

In April 1970 a provisional constitution was announced which, it was said, would assist Qatar's entry into the Federation of Arab Emirates. The first cabinet was formed in May; the Ruler became Prime Minister with responsibility for oil, and six of the other nine members were also members of the Royal Family. However, Qatar decided to remain outside a Gulf Federation and became independent on September 1st, 1971. Qatar and the United Kingdom immediately signed a new treaty of friendship. In the same month Qatar was first admitted as a member of the Arab League, and then to membership of the United Nations. Sheikh Ahmad bin Ali Al Thani became Amir on September 4th, but apparently took little interest in affairs of the State. He was deposed on February 22nd, 1972 in a bloodless coup staged by his cousin Sheikh Khalifa bin Hamad Al Thani. Sheikh Khalifa seized power with the support of the ruling Al Thani family, although his avowed purpose included some of the vast family's privileges. The coup also curtailed the ambitions of the deposed Amir's son. Sheikh Abdul Aziz, who went into exile.

Moves made immediately after the February coup, affecting salaries in the public sector, housing and Royal appropriations, suggest that the new ruler will be able to introduce an era of steadier social and political reform. In accordance with the 1970 constitution, Sheikh Khalifa decreed the first Advisory Council, to complement the ministerial government. Its 20 members, to be appointed initially, should eventually be elected representatives.

## ECONOMIC SURVEY

Qatar has almost no agriculture and outside the capital most of the population is employed in the oil industry, which is the state's principal source of wealth. Fishing, apart from shrimp fishing and processing, is carried on to supply local demands. Unlike many of the other Sheikhdoms, Qatar has no entrepôt trade.

Interest in the petroleum possibilities of Qatar was first stimulated by the entry of Standard of California into Bahrain in 1930. Shortly after this date the Anglo-Iranian Company received permission from the ruler to make a surface survey of his territories, and in 1935 they were granted a concession. This gave them exclusive petroleum rights in the Sheikhdom and its territorial waters for 75 years. Payments were to be 400,000 rupees upon signature; an annual rental of 150,000 rupees for the first 5 years and 300,000 rupees thereafter; and a royalty of 3 rupees per long ton. The concession was later transferred to Petroleum Concessions Ltd., which formed an operating company, Petroleum Development (Qatar) Ltd.

Petroleum Development started exploration in 1937 and oil was discovered in 1939. Field activities were interrupted during the war, but resumed in 1947. By 1949 the Company had completed a drilling programme, the laying of a pipeline system from the field of Dukhan, on the west coast to Umm Said,, and the construction of terminal facilities. At the end of that year the first shipment was made from the Umm Said offshore berths. Since 1963 production has stagnated at a little over nine million tons a year but expanded rapidly during 1971 to reach 10.4 million tons.

In 1951 the royalty rate was raised to 10 rupees, and in 1952 a profit-sharing scheme was adopted. A year later the name of the Company was changed to Qatar Petroleum Company Ltd.

An offshore grant was awarded to the "Shell" Overseas Exploration Company in 1952. This covers an area of approximately 10,000 square miles and it expires in 2027. A down payment of over £260,000 was made and exploration started in 1953. The first and second exploratory wells failed to find oil and were abandoned in 1955 and 1956 respectively. The operating company, the Shell Company of Qatar Ltd., lost their original drilling platform in a storm in 1956. This was replaced and drilling operations recommenced in December 1959. Test production from the offshore field at Idd el Shavgi through temporary facilities began in January 1964. Construction of permanent facilities on Halul Island, some 60 miles off the coast of Qatar, were completed early in 1966. This also enabled production to be commenced from Shell's second field in Maydam Mazam. Shell Qatar began commercial production of oil in 1966 at an annual rate of more than 5,000,000 long tons, and this had increased to 9.3 million tons by 1971. In 1963 the Continental Oil Company of Qatar was granted a concession over land and offshore areas relinquished by the Qatar Petroleum Company and the Shell Company of Qatar, and over a strip of territory in the south of the peninsula not previously included in any concession. In March 1969 a Japanese consortium was granted an exploration concession in the south-eastern offshore area, and made its first strike in May 1971. In 1971 the Belgian Oil Corporation was granted a 30 year exploration concession in an area of 12,000 square km. onshore and offshore, covering the whole of the Qatar peninsula except for the Dukhan field. Qatar has established its own national oil company, which, was expected to explore offshore areas not held by foreign companies.

The revenue derived from the production and export of oil comprises the principal source of income; by 1971 this revenue amounted to £75 million per annum. A high percentage of this is being used by the Government to finance an ambitious development programme. So far development has been concentrated in Doha, the capital. Part of the substantial income of the country is being expended on building and equipping schools and hospitals. A 130-bed hospital which was built in Doha at a total cost of £3.5m., claims to be one of the most modern hospitals in the world. Early in 1971 the Qatar Petroleum Company announced a £25 million project to process and export natural gas; the liquid gas will pass by pipeline to the terminal at Umm Said. Any surplus is to be supplied, free of charge, to the Qatari Government. Natural gas, piped from Dukhan to Doha, is also used to distil sea-water and to run a 30-MW power station. Doha has a piped water supply which will eventually carry over two million gallons a day. Doha airport is of international standard. Dredging of a four-mile channel, twenty-seven feet deep, into Doha Bay was completed in 1966.

In order to avoid complete dependence on oil the Government planned to diversify the economy, encouraging such projects as gas-based petrochemical industries, fish-processing, cement, and intensified agriculture. The Department of Agriculture has already succeeded in making the country self-sufficient in vegetables, production of which was negligible as recently as 1960; fruit production and the planting of forest trees is making rapid progress. Some vegetables, mainly tomatoes, marrows and cucumbers, are now exported to other Gulf states.

The Qatar National Fishing Company formed in 1966 as a partnership between the government (with 60 per cent interest) and the British Ross Group, started shrimp processing in 1968. Its catch exceeded 500 tons in 1970. A freezing plant has been constructed near the new Doha harbour. Seventy-five per cent of the government interest has been sold to private Qatari interests. The Qatar National Cement Manufacturing Company at Umm Bab began production at the rate of 100,000 tons a year early in 1969 and in 1972 plans were under way to double its capacity. It is the state's largest non-oil enterprise. A major ammonia and urea fertilizer plant, based on the conversion of waste gas, was scheduled to be completed at Umm Said in 1972 with an output of 430,000 tons annually.

Following the seizure of power by Sheikh Khalifa in February 1972, a larger share of the state's rapidly growing oil revenues will be assigned to development projects. Development expenditures were expected to exceed £10 million per year. Numerous projects were under study by the Government in early 1972, including an aluminium smelting plant, a steel rolling mill and a glass manufacturing plant, as well as a number of smaller projects.

# STATISTICAL SURVEY

## AREA AND POPULATION

| AREA sq. miles | POPULATION (1971 Estimates) | |
|---|---|---|
| | TOTAL | DOHA (capital) |
| 4,000 | 130,000 | 80,000 |

## OIL

### QATAR PETROLEUM COMPANY CRUDE OIL PRODUCTION

| YEAR | LONG TONS | YEAR | LONG TONS |
|---|---|---|---|
| 1962 | 8,800,000 | 1967 | 9,070,000 |
| 1963 | 9,096,000 | 1968 | 9,018,000 |
| 1964 | 9,978,000 | 1969 | 9,366,000 |
| 1965 | 9,158,000 | 1970 | 8,882,000 |
| 1966 | 9,059,000 | 1971 | 10,400,000 |

**1972** Jan.-June production: 5,391,000 long tons.

### SHELL QATAR CRUDE OIL PRODUCTION

| YEAR | LONG TONS |
|---|---|
| 1967 | 6,263,437 |
| 1968 | 7,005,379 |
| 1969 | 7,390,292 |

## FINANCE AND TRADE

1 Q/D ryal=100 Dirhams.

11.45 Q/D ryals=£1 sterling; 4.41 Q/D ryals=U.S. $1.00.

100 Q/D ryals=£8.74 sterling=U.S. $22.7

**Budget:** Total expenditure in 1972 will be 241 million Q/D ryals, 40 per cent of which is to be devoted to social services (housing, water, electricity, etc.).

### OIL REVENUES
(million Q/D ryals)

| | 1965 | 1966 | 1967 | 1968 |
|---|---|---|---|---|
| Payments by Qatar Petroleum Co. . | 265.7 | 267.4 | 282.2 | 323.4 |
| Payments by Shell Qatar . . | 22.8 | 85.7 | 142.8 | 197.7 |

### EXTERNAL TRADE
('000 Q/D ryals)

| | 1965 | 1966 | 1967 |
|---|---|---|---|
| Imports . . . . . . . . | 247,271 | 311,391 | 476,895* |
| Exports and Re-Exports (excl. oil) . . | n.a. | 56,092 | 59,482 |

* Provisional 1970 figure: 305,000.

IMPORTS*
('000 Q/D ryals)

| COMMODITIES | 1965 | 1966 | 1967 |
|---|---|---|---|
| Household goods | 54,352 | 108,762 | 138,429 |
| Garments | 45,738 | 50,788 | 92,973 |
| Machinery | 29,925 | 30,702 | 77,093 |
| Foodstuffs | 67,667 | 61,043 | 68,023 |
| Building materials | 18,365 | 19,136 | 41,903 |
| Electrical radio and allied goods | 12,788 | 10,868 | 18,999 |
| Oilfield materials | 6,952 | 13,705 | 15,783 |

Total imports amounted to 252,179 million Q/D ryals in 1969, 305,491 million Q/D ryals in 1970, and 515 million Q/D ryals in 1971.

| COUNTRIES | 1967 | 1969 | 1970 | 1971 |
|---|---|---|---|---|
| United Kingdom | 69,504 | 56,894 | 73,939 | 193,213 |
| U.S.A. | 38,491 | 31,606 | 30,865 | 50,298 |
| Japan | 78,700 | 19,365 | 28,492 | 54,108 |
| Germany, Federal Republic | 15,911 | 17,563 | 17,053 | 23,532 |
| Lebanon | n.a. | 15,317 | 19,949 | 28,394 |
| India | 21,277 | 11,293 | 18,583 | 14,727 |
| Bahrain | n.a. | 10,866 | 6,991 | 8,421 |
| Iran | n.a. | 9,355 | 10,429 | 6,232 |
| France | n.a. | 9,116 | 11,954 | 12,343 |
| Netherlands | 12,167 | 8,326 | 9,516 | 12,188 |

* The official trade figures for Qatar are not regarded as being fully comprehensive and should only be used as a guide.

# THE CONSTITUTION

A new provisional constitution came into effect in July 1970. Executive power is put in the hands of the Cabinet, which will appoint three members to a twenty-three member Consultative Assembly; the other twenty members are to be elected. All fundamental democratic rights are guaranteed.

# THE GOVERNMENT

(*July* 1972)

**Amir:** Sheikh KHALIFA BIN HAMAD AL THANI.

**Prime Minister, responsible for Finance and Petroleum Affairs:** Sheikh KHALIFA BIN HAMAD AL THANI.

**Minister of Foreign Affairs:** Sheikh SUHEIM BIN HAMAD AL THANI.

**Minister of Education:** Sheikh JASIM BIN HAMAD AL THANI.

**Minister of Public Health:** KHALED BIN MOHAMMED AL MANAI.

**Minister of the Economy and Commerce:** Sheikh NASSER BIN KHALID AL THANI.

**Minister of Power and Water:** Sheikh JASIM BIN MUHAMMAD AL THANI.

**Minister of Justice:** Sheikh ABDEL RAHMAN BIN SAUD AL THANI.

**Minister of the Interior:** Sheikh KHALID BIN AHMED AL THANI.

**Minister of Industry and Agriculture:** Sheikh FAISAL BIN THANI AL THANI.

**Minister of Public Works:** KHALID BIN ABDULLAH AL ATIYYAH.

**Minister of Information:** ISA AL KAOUARI.

**Minister of Municipal Affairs:** Sheikh MOHAMMED BIN JABER AL THANI.

**Minister of Labour and Social Affairs:** ALI BIN AHMAD AL ANSARI.

**Minister of Transport and Communications:** ABDULLAH BIN NASSER AL SUWAIDI.

**Chief of the Armed Forces:** Sheikh HAMAD BIN KHALIFA.

## DIPLOMATIC REPRESENTATION

EMBASSIES ACCREDITED TO QATAR

**Kuwait:** *Ambassador:* SULAIMAN SANEH.

**Jordan:** *Ambassador:* HASHEM ABU EMARA.

**United Kingdom:** *Ambassador:* EDWARD HENDERSON.

**Yemen Arab Republic:** *Ambassador:* ABDULLAH HIJIRI.

Qatar also has relations with Egypt, France, Iran, Iraq, Jordan and Japan.

## JUDICIAL SYSTEM

Qatar courts exercise jurisdiction over Qatar subjects and nationals of all Arab States, and over Iranians, Indonesians and Somalis. The Sharia Court has jurisdiction in personal status matters.

In matters regulated by the Labour Law, the Qatar Labour Court has jurisdiction over all persons, irrespective of nationality.

## RELIGION

The indigenous population are Muslims of the Sunni sect, most being of the strict Wahabi persuasion.

## PRESS

**Al-Doha Magazine:** Information Department, P.O.B. 2324, Doha; f. 1969; monthly; Arabic.

**Gulf News:** Arabian Newspaper Printing and Publishing House, Doha; f. 1969; weekly; English; Editor ABDULLAH HUSAIN NAAMA.

**al Ouroba:** Arabian Newspaper Printing and Publishing House, Doha; f. 1969; weekly; Arabic.

## RADIO AND TELEVISION

**Radio Qatar:** P.O.B. 1414, Doha; f. 1968; government service, broadcasting in Arabic only.

**Qatar Television:** P.O.B. 1944, Doha; f. 1970; a new 5-kW. transmitter came into operation in February 1971 which extends reception to the whole Gulf area.

## FINANCE

BANKING

**Qatar and Dubai Currency Board:** P.O.B. 1234, Doha; f. 1966; administers the currency for Qatar and Dubai; each state appoints two directors, a fifth being appointed by the Bank of England; currency in circulation (Dec. 1970) Q/D ryals 152.1m.; Chair. The Ruler; Man. L. P. TEMPEST.

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**Qatar National Bank, S.A.Q.:** Doha, P.O.B. 1000; f. 1965; cap. and res. Q/D ryals 42m.; dep. 147m. (1971); Chair. Sheikh KHALIFA BIN HAMAD AL THANI.

**Arab Bank Ltd.:** Amman, Jordan; Doha, P.O.B. 172; Man. SHARIF AL JA'ABARY.

**British Bank of the Middle East, The:** Doha, P.O.B. 57; Man. R. R. REES.

**Chartered Bank:** London; P.O.B. 29, Doha.

**First National City Bank:** P.O.B. 2309, Doha.

**National and Grindlays Bank Ltd.:** London; Doha, P.O.B. 90; Man. L. B. CANT.

**United Bank of Pakistan:** P.O.B. 242, Doha.

INSURANCE

**Qatar Insurance Co.:** P.O.B. 666, Doha; f. 1964; branch in Dubai; Man FATHI I. GABR.

Four foreign companies are also represented.

COMMERCE

**Qatar Chamber of Commerce:** P.O.B. 402, Doha; f. 1963; 13 mems.; Pres. AHMED MUHAMMAD AL SOWAIDI; Sec. KAMAL ALI SALEH.

## OIL

**National Oil Development Co.:** Doha; handles local distributions and marketing of petroleum products; Dir. ALI JAIDAH.

**Qatar Petroleum National Company:** f. April 1972; owns 20 per cent of shares of *Qatar Petroleum Co.* and *Shell Qatar*, and 50 per cent of shares of *Qatar Oil Co. (Japan)*.

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**Qatar Oil Co. Ltd (Japan):** Doha; formed by a consortium of Japanese companies; granted an 8,500 square mile offshore concession in March 1969; drilling began in January 1971.

**Qatar Petroleum Co.:** Doha; the original and still the largest oil producer in Qatar; subsidiary of the Iraq Petroleum Company.

**Shell Company of Qatar:** Doha; holds an offshore concession. A third field at Bul Hanine will come on stream in 1972.

**South-East Asia Oil and Gas Co.:** Doha; an independent American company; granted an offshore concession in March 1970; Pres. Dr. ROBERT T. BRINSMADE.

## TRANSPORT

ROADS

There are some 450 miles of surfaced road linking Doha and the oil centres of Dukhan and Umm Said with the northern end of the peninsula, and with Salwa on the Saudi Arabian border, and many more of rough tracks across the desert. The Salwa road is due to link up with a new road built by Saudi Arabia, which will give Qatar access to the Arabian hinterland. About 11,000 cars and lorries form the chief means of transport.

PIPELINES

Oil is transported by pipeline from the oilfield at Dukhan to the loading terminal at Umm Said.

**Natural gas is brought by pipeline from Dukhan to Doha where it is used as fuel for a power station and water distillation plant.**

### SHIPPING

**Qatar National Navigation and Transport Co. Ltd.:** Doha; shipping agents, lighterage contractors, ship chandlers clearing and forwarding agents at the ports of Qatar.

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A 27 ft. deep dredged channel leads to a natural basin where ships may anchor. A 30 ft. deep channel leads from the anchorage to the New Deep Water Jetty which has 30 ft. alongside at all states of tide and can accommodate four vessels alongside at one time.

Maximum length vessel permitted 525, breadth 75-ft. maximum draft 28 ft. 9 ins. vessels of 560 ft. have been accepted subject to favourable wind and tidal conditions.

*Umm Said:* A Government Jetty has been constructed in Umm Said Bay connected to a Fertilizer Plant and a Grain Mill. There are facilities alongside the gravity fendered jetty for loading bulk and bagged Urea and liquid Ammonia, and discharging bulk grain. The complex will be fully in operation January, 1973.

Vessels up to 60,000 tons d.w.t. can berth alongside.

The jetty is 700 ft. wide, the deck level being + 20 ft. 3 ins above chart datum. There is a least depth of 40 ft. alongside.

Government Pilots provide berthing facilities.

Oil terminals exist at Umm Said and Halul Island for the export of crude oil.

### CIVIL AVIATION

Doha airport has one 8,000 ft. runway (which is to be extended to 15,000 ft.), and is equipped to a fair international standard.

**Gulf Aviation Co. Ltd.:** jointly owned by Bahrain, Qatar, Abu Dhabi and B.O.A.C. (*see* Bahrain—Civil Aviation).

Doha is served by the following airlines: Alia (Jordan), BOAC, EgyptAir, Gulf Aviation, Iranian Airways, Iraqi Airways, Kuwait Airways, MEA, Saudi Arabian Airlines, Syrian Arab Airlines, TMA.

## EDUCATION

All education within Qatar is free and numerous scholarships are awarded for study overseas. The state education system was inaugurated in 1956, when 1,400 boys attended 17 primary schools; by 1970–71 some 14,500 children (7,949 boys and 6,530 girls) attended primary school. The six-year primary stage is followed by a three-year preparatory stage (1,817 boys and 899 girls in 1970–71) and a further three-year secondary stage. General secondary education facilities are complemented by a teacher-training institute, a technical school, a school of commerce and an institute of religious studies. 938 boys and 395 girls received general secondary education in 1970–71, while there were 237 trainee teachers enrolled. A number of Qataris are at present enrolled in higher education institutions abroad, almost all in other Arab countries, Britain, or the U.S.A. The number of schools (85 in 1971) and of teachers (1,334), together with expenditure under the 1970–71 budget of about £290 per pupil indicates the importance given to education in Qatar. The Ministry of Education has made substantial efforts to mitigate the effects of social deprivation on equal educational opportunity.

## BIBLIOGRAPHY

*See* Bibliographies on Bahrain, p. 208, and United Arab Emirates, p. 775.

# United Arab Emirates

**ABU DHABI DUBAI SHARJAH RAS AL KHAIMAH UMM AL QUWAIN AJMAN FUJAIRAH**

## GEOGRAPHY

The coastline of the seven United Arab Emirates extends for nearly 400 miles from the frontier of the Sultanate of Oman to Khor al-Odaid on the Qatar Peninsula in the Persian/Arabian Gulf. The area is one of extremely shallow seas, with offshore islands and coral reefs, and often an intricate pattern of sandbanks and small gulfs as a coastline. In contrast to the Mediterranean, there is a large tide. The waters of the Gulf contain relatively abundant quantities of fish, large and small, hence fishing plays some part in local life. The climate is arid, with very high summer temperatures; and except for a few weeks in winter, air humidity is also very high. The total area of the U.A.E. has been estimated at approximately 32,000 square miles and it has a rapidly growing population estimated at 210,000, now concentrated in the oil boom areas of Abu Dhabi, the capital of the U.A.E., and Dubai. Many inhabitants are nomadic or settled Arabs. In the coastal towns live also many Persians, Indians, Pakistanis, Baluchis and Negros, the latter being descended from slaves carried from Africa during the course of several centuries of slave trading. The most important port is Dubai and this has a population of about 75,000. Its significance derives from its position on one of the rare deep creeks of the area, and it now has a very large transit trade.

## HISTORY

In the early 16th century the Portuguese commercial monopoly of the Gulf area began to be challenged by other European traders eager for a share in the profits from the Eastern trade, first by the Dutch, later by the British. By the end of the century the Portuguese ascendency in the East had declined and in 1650 the Portuguese evacuated Oman losing their entire hold on the Arabian shore. Then followed a period of commercial and political rivalry between the Dutch and the British during which the initial Dutch predominance weakened and in 1766 came practically to an end, while the British were consolidating their supremacy in India.

Both European and Arab pirates were very active in the Gulf during the 17th, 18th and early 19th centuries. Lawlessness reached its height at the beginning of the 19th century when the seafaring Arab tribes were welded together and incited to pillage by Wahhabi emissaries who had established their supremacy over the whole Arabian coast of the Gulf. Attacks on British-flag vessels led to British expeditions against the pirates in 1806 and 1809 and, finally, in 1818 against the pirate headquarters at Ras al Khaimah and other harbours along the 150 miles of "Pirate Coast". In 1820 a General Treaty of Peace for suppressing piracy and slave traffic was concluded between Great Britain and the Arab Tribes of the Gulf. Among the signatories were the principal Sheikhs of the Pirate Coast and the Sheikhs of Bahrain. A strong British squadron was stationed for some time at Ras al Khaimah to enforce the treaty.

Many piratical acts continued to be committed and accordingly, in 1835, the Sheikhs were induced to bind themselves by a "Maritime Truce" not to engage, in any circumstances, in hostilities by sea for a period of six months (i.e. during the pearl-diving season). The advantages of this were so marked that they were easily persuaded to renew the truce and continually did so for increasing periods until, in May 1853 a Treaty of Maritime Peace in Perpetuity was concluded between all the Sheikhs of the "Trucial Coast"—as it was henceforth called—establishing a "perpetual maritime truce". It was to be watched over and enforced by the British Government, to whom the signatories were to refer any breach. The British, however, did not interfere in wars between the Sheikhs on land.

The British concern in stopping the slave trade had also led to contacts with the Trucial Coast, where the Sheikhs had been engaged in carrying slaves from Africa to India and Arabia. By agreements signed with the British in 1838–39 and 1847 the Sheikhs undertook to prohibit the carriage of slaves on board vessels belonging to them or their subjects, and consented to the detention and search of such vessels and to their confiscation in case of guilt.

Towards the end of the 19th century France, Germany and Russia showed increasing interest in the Gulf area and in 1892 Britain entered into separate but identical "exclusive" treaties with the Trucial rulers concluded on different dates, whereby the Sheikhs undertook not to cede, mortgage nor otherwise dispose of parts of their territories to anyone except the British Government, nor to enter into any relationship with a foreign government other than the British without British consent. Britain had already undertaken to protect the states from outside attack in the Perpetual Maritime Treaty of 1853.

In 1820 when the General Treaty was signed, there were only five Trucial States. In 1866, on the death of the Chief Sheikh of Sharjah, his domains were divided amongst his four sons, the separate branches of the family being established at Sharjah, Ras al Khaimah, Dibah and Kalba.

In 1952, Kalba was incorporated into Sharjah when its ruler undertook to accept all the treaties and agreements in force between the United Kingdom and the other Trucial States. These undertakings included recognition of the right of the U.K. Government to fix state boundaries, to settle disputes between the Trucial Sheikhdoms and to render assistance to the Trucial Oman Scouts, a British-officered Arab force set up in 1952. The Ruler of Fujairah also accepted these undertakings when his state was recognized as independent in 1952.

In 1952 on British advice a Trucial Council was established at which all seven rulers met at least twice a year under the chairmanship of the Political Agent in Dubai. It was formed with the object of inducing the rulers to adopt a common policy in administrative matters and in the hope that an eventual federation of the states would ensue.

The advent of commercial production of oil in mid-1962 gave Abu Dhabi a great opportunity for development. The deposition of the Ruler, Sheikh Shakhbut, in 1966 removed a major obstacle to implementing this opportunity, and the history of this sheikhdom since then is a classic example of a society being transformed almost overnight by the acquisition of immense wealth. Dubai has also benefited greatly from the oil boom.

In June 1965 Sheikh Saqr of Sharjah was deposed. In spite of an appeal to the UN Secretary-General, supported by Iraq and the United Arab Republic, the accession of his cousin, Sheikh Khalid, passed off without incident. There was an unsuccessful attempt on the Sheikh's life in July 1970.

After June 1966 Britain gradually built a substantial military base at Sharjah, with the object of replacing Aden as the major base in the Middle East; by July 1968 the force of 3,000 men was also larger than Bahrain's and Sharjah had become the principal base in the Gulf. Early in 1968 the British Government announced that all its forces would be withdrawn from the area by the end of 1971, and this policy was eventually reaffirmed after the Conservative Party's return to power in Britain in June 1970. The Trucial Oman Scouts, a force of some 1,600 men officered and paid for by Britain and based in Sharjah, was proposed as the nucleus of a federal security force after British withdrawal in 1971, but some states, notably Abu Dhabi, were already creating their own defence forces.

It was feared that friction might be aroused by disputes over the ill-defined state borders; those between Qatar, Abu Dhabi and Dubai were settled early in 1970, the settlement being disputed by Saudi Arabia, whose claimed territory overlapped that of Abu Dhabi to a considerable extent. In July 1970 King Faisal requested that a plebiscite be held in the Buraimi district now ruled by Abu Dhabi. Further down the Gulf, offshore rights also caused trouble in the summer of 1970. Rival claims over the island of Abu Musa were made by both Sharjah and Iran when Umm al Quwain's concessionaire, Occidental Petroleum, began drilling there.

The original proposals for the formation of a federation on the departure of British Influence included Bahrain and Qatar, as well as the seven Trucial States, but negotiations on the participation of the larger and more developed states eventually broke down in 1971, and they opted for separate independence. On December 1st, 1971, Britain terminated all existing treaties with the Trucial States. The following day Abu Dhabi, Dubai, Sharjah, Umm al Quwain, Ajman and Fujairah formed the United Arab Emirates and a treaty of friendship was made with Britain.

Ras al Khaimah refused to join the Union until February 1972, when it had become clear that neither Britain or any Arab government was prepared to take action on Iran's seizure of the two Tumb islands in the Gulf belonging to the sheikhdom. In December 1971 the U.A.E. became members of both the Arab League and the United Nations.

In January 1972 the Ruler of Sharjah, Sheikh Khalid was killed by rebels led by his cousin, Sheikh Saqr, who had been deposed as Ruler in 1965. The rebels were captured, and Sheikh Sultan succeeded his brother as Ruler. Sheikh Sultan soon confirmed that he would rule according to the relatively liberal principles of his brother and retain Sharjah's membership of the U.A.E.

# ECONOMIC SURVEY

## ABU DHABI

In Abu Dhabi the oil concession for the greater part of the mainland area is held by Abu Dhabi Petroleum Company (same shareholders as the Iraq Petroleum Company). In 1967, a consortium of Phillips Petroleum, American Independent Oil Company and ENI obtained a concession over part of the area relinquished by ADPC. Further onshore areas are still available. Offshore, the principal concession holder is Abu Dhabi Marine Areas (owned by British Petroleum and *Compagnie Française des Pétroles*). A contract was signed in September 1970 between British Petroleum and four Japanese companies, Abu Dhabi Oil, Qatar Oil, North Slope Oil and Alaska Petroleum Development, for a joint operation to develop the Bunduq oilfield, part of the ADMA concession. The Japanese Abu Dhabi Oil Company (Maruzen Oil, Daikyu Oil and Nippon Mining) obtained a concession covering relinquished offshore areas in December 1967, and plans to start production from its Mubarraz field by the end of 1972; eventual output is likely to reach 200,000 barrels a day. The Murban field started producing in December 1963 and the Bu Hasa field a year later. These fields are both about 75–80 miles west of the town of Abu Dhabi and well inland from the sea. Production in 1971 was 44.5 million tons, an increase of 29 per cent on 1970. In 1971 it was announced that a national oil company was to be set up with an initial capital of £20 million.

The tremendous growth of the oil revenues has already enabled Abu Dhabi to claim to be the richest country in the world, in terms of income per capita. These revenues reached £35 million in 1967, doubled in 1968, and are expected to rise from an estimated £160 million in 1971 to approach £200 million in 1972. The population was estimated at around 17,000 before 1966, but with the considerable number of immigrants since then it was thought to have reached 70,000 in 1972. This explosive growth has inevitably led to shortcomings in such facilities as water and power supplies, accommodation and transport, though money is available to solve these problems. In 1968 Abu Dhabi initiated its first National Plan which envisaged a total expenditure of BD 316.97 million ($662 million) of which over 90 per cent was to be spent on social services and industrial and agricultural projects during the period 1968–73. The pace and pressure of development led to a minor crisis in late 1969 when expenditure began to exceed revenues, partly because the Government had authorized more projects than it could immediately pay for, especially as inflation had driven up the cost of all construction. A policy of consolidation was introduced at the end of 1969, with a resultant slowdown in the rate of development. In the 1970 budget development expenditure was reduced by 35 per cent from the level envisaged under the five-year plan. Since the 1969–70 "freeze" the Government has continued a more cautious policy of "controlled expansion" and in 1972, for the third year running, a surplus was budgeted for. Following an industrial survey to examine ways of reducing the state's dependence on oil production, a $30 million refinery with a capacity of 15,000 barrels a day is to be constructed for the newly-established national oil company and $15 million cement plant with a capacity of 200,000 tons is to be built at al-Ain. Abu Dhabi's development has been made more difficult by the poor port facilities—most trade comes through Dubai as the Gulf waters surrounding Abu Dhabi are extremely shallow. To overcome this dependence on Dubai, deep-water facilities at Abu Dhabi harbour were under construction in 1971. In late 1967 the country joined the Organization of Petroleum Exporting Countries.

## DUBAI

In the offshore area of Dubai (where oil has been discovered) exploitation is carried on by a partnership of Dubai Marine Areas, Dubai Petroleum Company, Deutsche Texaco, Delfzee Dubai Petroleum and Sun Oil. Dubai Marine Areas has 50 per cent, Dubai Petroleum Company 30 per cent, and Delfzee, Texaco and Sun share the remainder. Dubai has been owned solely by *Compagnie Française des Pétroles* since October 1969. Dubai Petroleum Company is a wholly-owned subsidiary of Continental Oil; it also holds land concessions for Dubai, some of which it has assigned to other firms, one German and one American. The offshore concessionaires announced in 1966 that oil had been discovered in commercial quantities, and production started in 1969 at the rate of 30,000 barrels a day rising to 100,000 per day in early 1971. However, the Continental Oil Company is spending £33 million on oilfield development in an attempt to increase production to 300,000 barrels a day, earlier estimates of reserves having been far exceeded. By 1971 oil revenues had risen to £13 million and after the expansion programme is complete in 1973, revenues should rise to £50 million a year.

Dubai has long been the principal commercial centre and entrepôt port for the Emirates, and in consequence has benefited greatly from the oil boom in the area. The basis of the supremacy has been the relatively good facilities for shipping offered by Dubai Creek; this lead is now being consolidated by the construction of a £24 million deep water harbour. This harbour, to be known as Port Rashid, which was approaching completion in early 1972, will be the largest harbour in the Middle East and Dubai will become a free port. Dubai's official import figures are the most reliable index of economic activity in the Emirates; in 1966 imports totalled £23 million, in 1970 they exceeded £80 million and were expected to rise to about £200 million by the mid-1970s. The sheikhdom has all the characteristics of a boom economy, albeit not in such an extreme form as Abu Dhabi. Massive construction projects absorb most of

## EXTERNAL TRADE

### DUBAI

### IMPORTS

('000 Qatar/Dubai ryals)

| COMMODITIES | 1967 | 1968 | 1969 | 1970 |
|---|---|---|---|---|
| Household Goods | 132,429 | 179,411 | 202,150 | 179,391 |
| Foodstuffs | 68,022 | 117,634 | 114,142 | 132,498 |
| Garments | 92,973 | 147,812 | 164,910 | 145,278 |
| Machinery | 77,093 | 150,880 | 187,173 | 155,606 |
| Building Materials | 41,902 | 73,947 | 101,000 | 139,151 |
| Electrical, Radio and Allied Goods | 18,999 | 30,560 | 44,021 | 62,992 |
| Stationery | 3,312 | 5,024 | 6,980 | 5,581 |
| Photographic Goods | 1,165 | 2,413 | 3,969 | 5,870 |
| Cosmetics | 4,169 | 6,591 | 6,871 | 8,925 |
| Medicines and Chemicals | 3,179 | 5,141 | 8,694 | 9,230 |
| Fuel and Oil | 9,045 | 12,088 | 27,979 | 27,031 |
| Arms and Ammunition | 1,071 | 1,369 | 5,543 | 17,622 |
| Oil Field Materials | 15,782 | 25,550 | 45,192 | 64,436 |
| Liquor and Wine | 1,748 | 2,657 | 4,317 | 6,279 |
| TOTAL | 476,895 | 761,080 | 922,951 | 899,880 |

Dubai is the entrepot market for the United Arab Emirates.

| PRINCIPAL COUNTRIES | 1967 | 1968 | 1969 | 1970 |
|---|---|---|---|---|
| Switzerland | 90,084 | 89,523 | 106,000 | 82,678 |
| Japan | 78,700 | 130,321 | 179,000 | 162,668 |
| United Kingdom | 69,504 | 125,055 | 161,000 | 169,990 |
| United States | 38,491 | 71,658 | 76,000 | 88,304 |
| India | 21,277 | 36,003 | 42,000 | 56,048 |
| Pakistan | 17,710 | 53,647 | 35,000 | 20,721 |
| China | 16,092 | 29,305 | 33,000 | 30,111 |
| German Federal Republic | 15,911 | 26,288 | 39,000 | 31,514 |
| Malaysia and Singapore | 14,177 | 16,828 | 15,284 | 14,564 |
| Netherlands | 12,167 | 17,207 | 20,000 | 25,743 |

There is a large and officially authorized trade in gold which is not, however, included in the official trade statistics for Dubai.

### ABU DHABI

Official imports into Abu Dhabi in 1969 amounted to 59.3 million Bahrain Dinars; the principal suppliers were the United Kingdom (19 million B.D.), the U.S.A. (10.9 million B.D.), and Dubai (4.1 million B.D.).

the local labour force, and immigrants, whose numbers have now had to be restricted, already outnumber natives. All food and manufactured articles have to be imported. Traditional occupations have declined—in Dubai these mainly consisted of fishing and smuggling. Dubai's low tariffs and absence of official restrictions have fostered smuggling to states with higher tariffs in the Gulf, and to India and Pakistan. This used to be particularly true of gold, still thought to be smuggled into India on a large if declining scale; the apparent decline is due to both increasingly vigilant Indian policing and to the safer and equally profitable opportunities now available in legal trade.

## THE SMALLER SHEIKHDOMS

Until very recently the other Trucial States had only a traditional and very impoverished economy based on fishing and pearling. Red oxide deposits are exploited in Sharjah and Ras al Khaimah possesses an Agricultural Trials Station operated under British supervision. In 1972 work started on the construction of a $5.6 million cement factory in Sharjah, which has particularly good limestone resources; it is the first industry of any size to be introduced into the state. Several sheikhdoms have produced colourful series of postage stamps and attempted to tap the world philatelic market, with varying success. All have now signed oil agreements which give the rulers a limited income whilst exploration continues; oil has yet to be discovered outside Abu Dhabi and Dubai. The ill-defined borders between the states, and the offshore rights which are disputed both amongst themselves and with Iran, are both likely to cause friction should commercial discoveries be made.

Sharjah is the most developed of these five states, owing to the former presence of a British R.A.F. station and the progressive attitude of the late Ruler, Sheikh Khalid. A British withdrawal has meant loss of an important source of revenue and employment, although it may develop into a repair complex for commercial aircraft, and there are plans to exploit the rich fishing grounds from Sharjah's enclave on the Gulf of Oman, around Khor Fakkan.

# STATISTICS

### AREA AND POPULATION

| Area (sq. miles) | | Population (1968) | | | |
|---|---|---|---|---|---|
| Total | Abu Dhabi (estimate) | Total (estimate) | Abu Dhabi (1968 Census) | Dubai (1970 est.) | Sharjah (1968 Census) |
| 32,000 | 25,000 | 210,000 | 46,375 | 70,000 | 31,480 |

Population estimates (1970) for the other sheikhdoms are as follows: Ras al Khaimah 24,500, Fujairah 10,000, Ajman and Umm al Quwain 4,000 each.

### OIL

PRODUCTION OF CRUDE OIL
(Metric Tons)

| Year | Abu Dhabi Marine Areas Ltd. | Abu Dhabi Petroleum Co. Ltd. |
|---|---|---|
| 1967 | 5,978,271 | 12,360,686 |
| 1968 | 8,878,089 | 15,156,700 |
| 1969 | 11,728,264 | 16,815,000 |
| 1970 | 12,686,029 | 20,080,000 |
| 1971 | 16,833,341 | 27,160,000 |

Oil production in Dubai (1970): 523,000 tons.

### ABU DHABI DEVELOPMENT PLAN

(1968–73—million Bahrain Dinars)

| | |
|---|---|
| Electricity Generation and Distribution | 40 |
| Industrial Development | 60 |
| Roads | 48 |
| Irrigation | 13 |
| Education | 13 |
| Health | 6 |
| Government and Defence | 15 |
| Arab Countries Development Fund | 30 |
| TOTAL (incl. others) | 296 |

### FINANCE

1 Bahrain dinar = 1,000 Dirhams = 10 Qatar/Dubai ryals.
1.145 BD = £1 sterling; 0.440 BD = U.S. $1.
100 BD = 1,000 Q/DR = £87.33 sterling = U.S. $227.17.
(Exchange rates prior to floating of pound sterling in June).

## EXTERNAL TRADE

### DUBAI

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## THE CONSTITUTION

The Rulers of the United Arab Emirates have absolute control over their own subjects though the Ruler of Abu Dhabi has appointed a cabinet and a National Consultative Assembly.

The Supreme Council of the Union, on which all the Rulers are represented, meets at least twice a year to discuss problems of mutual interest.

## THE GOVERNMENT

### HEAD OF STATE

**President:** Sheikh ZAID BIN SULTAN AL-NIHYAN.

**Vice-President:** Sheikh RASHID BIN SAID AL MAKTUM.

### SUPREME COUNCIL OF THE UNION

**Ruler of Sharjah:** Sheikh SULTAN BIN MUHAMMAD AL-QASIMI (1972).

**Ruler of Ras al Khaimah:** Sheikh SAQR BIN MUHAMMAD AL-QASIMI (1948).

**Ruler of Umm al Quwain:** Sheikh AHMED BIN RASHID AL-MU'ALLA, M.B.E. (1929).

**Ruler of Ajman:** Sheikh RASHID BIN HUMAID AL-NUAIMI (1928).

**Ruler of Dubai:** Sheikh RASHID BIN SAID AL-MAKTUM (1958).

**Ruler of Abu Dhabi:** Sheikh ZAID BIN SULTAN AL-NIHYAN (1966).

**Ruler of Fujairah:** Sheikh MUHAMMAD BIN HAMAD AL-SHARGI (1940).

### CABINET

(*August* 1972)

**Prime Minister:** Sheikh MAKTUM BIN RASHID AL-MAKTUM.

**Deputy Prime Minister and Minister of Finance, Economy and Industry:** Sheikh HAMDAN BIN RASHID AL-MAKTUM.

**Minister of the Interior:** Sheikh MUBARAK BIN MUHAMMAD AL-NIHYAN.

**Minister of Defence:** Sheikh MUHAMMAD BIN RASHID AL-MAKTUM.

**Minister of Foreign Affairs:** AHMAD KHALIFA AL-SUWEIDI.

**Minister of Health:** Sheikh SULTAN BIN AHMAD AL-MUALLA.

**Minister of Public Works:** Sheikh SULTAN BIN MUHAMMAD AL-QASIMI.

**Minister of Education:** ABDULLA BIN UMRAN TARYAM.

**Minister of Communications:** Sheikh ABD-AL-AZIZ BIN RASHID AL-NUAIMI.

**Minister of Agriculture and Fishing Resources:** Sheikh MUHAMMAD BIN HAMAD AL-SHARQI.

**Minister of Information:** Sheikh AHMAD BIN HAMID.

**Minister of Water and Electricity:** ABDULLAH BINHAMMOUD AL-QASIMI.

**Minister of Planning:** MUHAMMAD AL-KINDI.

**Minister of Housing:** SAEED BIN ABDULLAH BIN SALMAN.

**Minister of Justice:** AHMED BIN SULTAN AL-QASIMI.

**Minister of Youth and Sports:** Sheikh RASHID BIN HUMAID.

**Minister of Labour and Social Affairs:** Sheikh SAMI BIN ISA BIN HARITH.

**Minister of State for Financial and Economic Affairs:** AHMAD BIN SULTAN BIN SULAYIM.

**Minister of State for Unity and Gulf Affairs:** MUHAMMED SAEED AL-MULLA.

**Minister of State for the Council of Ministers:** UTAIBA BIN ABDULLAH AL-UTAIBA.

### ABU DHABI CABINET

**Prime Minister and Minister of Defence and Finance:** Sheikh HAMDAN BIN MUHAMMAD AL-NIHYAN.

**Deputy Prime Minister and Minister of Public Works:** Sheikh HAMDAN BIN MUHAMMAD AL-NIHYAN.

**Minister of the Interior:** Sheikh MUBARAK BIN MUHAMMAD.

**Minister of Municipalities and Agriculture:** Sheikh MAHMOUD BIN MUHAMMAD AL-NIHYAN.

**Minister of Communications:** Sheikh MUHAMMAD BIN KHALID AL-NIHYAN.

**Minister of Health:** Sheikh SAIF BIN MUHAMMAD.

**Minister of Water and Electricity:** Sheikh KHALIFA BIN MUHAMMAD AL-NIHYAN.

**Minister of Justice:** Sheikh SURUR BIN MUHAMMAD.

**Minister of Information and Tourism:** Sheikh AHMAD BIN HAMID.

**Minister of Cabinet Affairs:** AHMAD BIN KHALIFA AL-SUWEIDI.

**Minister of Labour and Social Affairs:** Sheikh MUHAMMAD BIN BUTTI.

**Minister of Economy and Trade:** Sheikh KHALIFA BIN AHMAD AL-UTAIBA.

**Minister of Oil and Industry:** MANI SAEED AL-UTAIBA.

**Minister of Education:** MUHAMMAD KHALIFA AL-KINDI.

**Ministers of State:** MUHAMMAD HABRUSH and Dr. ADNAN AL-PACHACHI.

## DIPLOMATIC REPRESENTATION

### REPRESENTATIVES OF THE UNITED ARAB EMIRATES ABROAD

(A) Ambassador.

**Egypt:** ZRAIM OMRAN, Cairo (A).

**India:** MOHAMED ALI YOUSSEF, New Delhi (A).

**Iran:** AHMED AL UTTOIFA, Teheran (A).

**Iraq:** SULTAN AL MAQHAWI, Baghdad (A).

**Kuwait:** RASHID ABDULLA MUKHAWI, Kuwait City (A).

**Lebanon:** SAEEN BIN GHABASH, Beirut (A).

**Pakistan:** BADULLA DARWISH, Islamabad (A).

**Sudan:** ALI AL SHORAFA, Khartoum (A).

**United Kingdom:** SAYED MOHAMED MAHDI AL-TAJIR, London (A).

**Yemen Arab Republic:** SALIM AL SUWAIDI, Sana'a (A).

**United Nations:** MAHDI AL TASSIR, New York (Perm. Rep.).

### EMBASSIES ACCREDITED TO THE UNITED ARAB EMIRATES

(Abu Dhabi unless otherwise stated.)
(E) Embassy.

**Iraq:** (E); *Ambassador:* T. MOMIN.

**United Kingdom:** (E); *Ambassador:* CHARLES TREADWELL.

**Yemen Arab Republic:** (E); *Ambassador:* QADI AL HIJARI.

The United Arab Emirates also has diplomatic relations with France and the Federal Republic of Germany.

## ASSEMBLIES

### U.A.E. NATIONAL CONSULTATIVE ASSEMBLY

This met for the first time on February 13th, 1972, when it was opened by the U.A.E. President, Sheikh Zaid.

### ABU DHABI CONSULTATIVE ASSEMBLY

Formed on September 1st, 1971, it has 50 members, all nominated by the Ruler, Sheikh Zaid. None of the members belong to the ruling family, though many of them represent tribal interests.

The Assembly can make recommendations on draft laws to the Council of Ministers before they are submitted for the Ruler's approval.

The Assembly met for the first time in October 1971. Its term is two years.

## JUDICIAL SYSTEM

U.A.E. subjects and citizens of all Arab and Muslim states are subject to the jurisdiction of the local courts.

In the local courts the rules of Islamic law generally prevail. A modern code of law is being produced for Abu Dhabi.

In Dubai there is a court run by a *qadi*, while in some of the other states all legal cases are referred immediately to the Ruler or a member of his family, who will refer to a *qadi* only if he cannot settle the matter himself. In Abu Dhabi a professional Jordanian judge presides over the Ruler's Court.

## RELIGION

Most of the inhabitants are Muslims of the Sunni and Shi'ite sects.

## THE PRESS

**Abu Dhabi Chamber of Commerce Review:** P.O.B. 662, Abu Dhabi; monthly; Arabic.

**Abu Dhabi News:** Department of Information and Tourism, Abu Dhabi; weekly; English.

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**Akhbar Dubai:** Dubai Municipality, P.O.B. 67, Dubai; fortnightly; Arabic.

**Dubai Official Gazette:** P.O. Box 516, Custom House Building, Dubai; monthly; Arabic and English.

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**al Sharooq** (*The Sunrise*): Sharjah; f. 1970; monthly; Dir.-Gen. TAREEM OMRAN; Editor YOUSEF AL HASSAN; circ. 3,000.

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**Akhbar Ras al Khaimah:** Ras al Khaimah; monthly; Arabic.

## RADIO AND TELEVISION

There are radio stations in Abu Dhabi and Sharjah and television stations in Abu Dhabi, Dubai and Qatar.

**Voice of the Coast** (*Sawt as Salih*): Sharjah; broadcasts daily in Arabic over a wide area; accepts advertisements.

**Forces Radio Station:** P.O.B. 64, Sharjah; broadcasts in English; accepts advertisements.

## FINANCE

### BANKING

**Bankers' Association:** Abu Dhabi; f. 1971 by the banks operating in Abu Dhabi; Chair. KAZHEM CHALABI.

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**Arab Bank:** Amman, Jordan; Sharjah.

**Bank of Oman Ltd.:** P.O.B. 2111, Dubai; f. 1967; cap. p.u. Q/D ryals 6,750,000; branch in Abu Dhabi; Gen. Man. MAJED AL GHURAIR.

**British Bank of the Middle East, The:** London; Dubai, Sharjah, Khor Fakkhan, Ras al Kaimah, and Abu Dhabi.

**Commercial Bank of Dubai:** Cinema Square, Dubai; f. 1969; owned by Chase Manhattan Bank, Commerzbank A.G. and the Commercial Bank of Kuwait.

**Dubai Bank:** P.O.B. 2545, Deira, Dubai; f. 1970; control is held by local interests, but British, French and American banks are also participating.

**Eastern Bank:** London; P.O.B. 240 Abu Dhabi and P.O.B. 999 Sharjah.

**First National City Bank:** New York; P.O.B. 749, Dubai; also P.O.B. 346 Sharjah and P.O.B. Abu Dhabi.

**Habib Bank:** Karachi; Dubai.

**National and Grindlays Bank Limited:** London; Abu Dhabi (formerly Ottoman Bank), Ras al Kaimah and Sharjah.

**National Bank of Abu Dhabi:** P.O.B. 4, Abu Dhabi; f. 1968; cap. p.u. 1m. B.D.; Chief Exec. MOHAMED ALI CHALABI; Gen. Man. J. S. W. COOMBS.

**National Bank of Dubai:** P.O.B. 777, Dubai; branches in Abu Dhabi and Umm al Quwain; Gen. Man. D. W. MACK, M.B.E.

### INSURANCE

**Arab Commercial Enterprise (Dubai) Ltd.:** P.O.B. 1100, Dubai; Man. TOUFIC H. BARAKEH.

**Arab Commercial Enterprises (Abu Dhabi) Ltd.:** P.O.B. 585; Man. MANSOUR ABDUL RAHMAN.

**Arabia Insurance Co. Ltd.:** P.O.B. 1050, Dubai; Rep. WALEED H. JISHI.

**Sharjah Insurance Co.:** Sharjah; f. 1970; monopoly of local insurance business; cap. Q/D ryals 2.5m., half subscribed by the Sharjah government.

A large number of foreign insurance companies are represented in the Trucial States.

### COMMERCE

**Abu Dhabi Chamber of Commerce and Industries:** P.O.B. 662, Abu Dhabi; f. 1969; mems. 700; Pres. AHMED MASSOUD; publ. monthly magazine in Arabic.

**Dubai Chamber of Commerce:** P.O.B. 1457, Dubai; f. 1965; 1,800 mems.; Pres. SAIF AHMED ALGHURAIR.

**Sharjah Chamber of Commerce and Industry:** P.O.B. 580 Sharjah; f. 1970; Pres. MOHAMMED BIN OBAID AL-SHAMSI.

### DEVELOPMENT

**United Arab Emirates Development Office:** P.O.B. 1565, Dubai; f. 1965 to co-ordinate development of the Trucial States, now the U.A.E.

The Development Office, which administers the Capital Projects programme of the Council and also recurrent services in agriculture, technical education, scholarships, health and public works, is financed from the Development Fund, to which various countries have contributed, and to which the principal recurrent contributors are the Ruler of Abu Dhabi and the U.K. Government.

Capital Projects include inter-state roads, urban water and electricity schemes, housing and other urban development, rural water supplies, agricultural extension schemes and harbour works. Investigations into water resources, mineral prospects, soil, agricultural marketing and fisheries have been conducted.

**Planning and Co-ordination Department:** Abu Dhabi; supervises Abu Dhabi's Development Programme; Dir. MAHMOUD HASSAN JUMA.

# OIL

### ABU DHABI

**Department of Petroleum Affairs and Industry:** B.P. 9 Abu Dhabi; State supervisory body; Dir. MANI AL OTAIBA.

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**Abu Dhabi Marine Areas Ltd.:** P.O.B. 303, Abu Dhabi; owned two-thirds by British Petroleum and one-third by *Compagnie Française de Pétroles*; oil has been found in commercial quantities 88 miles offshore from Abu Dhabi on the Umm Shaif structure, 20 miles east of Das Island, only a mile long and half a mile wide, the operating headquarters and tanker loading terminal. A new field at Zakum was brought into production in 1967. Production (1971) 16,833,341 long tons; Gen. Man. Dr. A. J. HORAN.

**Abu Dhabi Oil Company:** Abu Dhabi; consortium of three Japanese oil companies, Maruzen, Daikyo and Nihon Kogyo; holds offshore concession; oil strikes reported in September 1969 and January 1970.

**Abu Dhabi Petroleum Company Ltd.:** P.O.B. 270, Abu Dhabi; the company has the same shareholders as the Iraq Petroleum Company. Export of oil from the Murban Field started on December 14th, 1963. The terminal is at Jebel Dhanna. The annual production capacity was raised to 12 million tons during 1965 by the connection of Bu Hasa field to Jebel Dhanna. Facilities installed to raise annual production capacity to 20 million tons were completed in December 1967; Gen. Man. A. TURNER. Production in long tons (1971) 27,160,000.

**Middle East Oil Company Ltd:** Abu Dhabi; formed 1968 by the Mitsubishi group; holds concessions covering some 15,000 square km. on land.

**Phillips Petroleum:** P.O.B. 6, Abu Dhabi; heads consortium with the Italian AGIP Company (each with a 41.66 per cent interest) and the American Independent Oil Company (with a 16.66 per cent interest); holds 9,686 square km. concession on land; Gen. Man. E. D. COOPER.

**United Petroleum Development (Japan):** Abu Dhabi; f. 1970; association of four Japanese companies, in association with British Petroleum, to develop the Bunduq oilfield.

### DUBAI

**Petroleum Affairs Department:** Dubai; government supervisory body; Dir. MAHDI AL TAJIR.

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**Delfzee Dubai Petroleum:** Dubai; subsidiary of Wintershall Aktiengesellschaft (W. Germany) with a 5 per cent holding in production.

**Deutsche Texaco:** Dubai; has a 10 per cent holding in production.

**Dubai Marine Areas:** Dubai; holds offshore concession agreement signed in 1963, with a 50 per cent holding in production; British Petroleum sold its two-thirds interest in the company to *Compagnie Française des Pétroles* in October 1969.

**Dubai Petroleum Company:** Dubai; subsidiary of Continental Oil Co. (U.S.A.) in partnership with *Compagnie Française des Pétroles*, Hispanoil (Spain), Dubai Sun Oil Co. (U.S.A.), Wintershall AG (Germany); holds offshore concession in "Fateh" oilfield, which began production in 1969; output in 1971 6.2m. tons.

**Dubai Sun:** Dubai; has a 5 per cent holding in production.

### RAS AL KHAIMAH

*Union Oil* operates the offshore concession.

In March 1969 the Ruler signed an oil concession agreement with *Shell Hydrocarbons N.V.* covering the Emirate's mainland territory.

### SHARJAH

*John Mecom Ltd.* have held a concession since 1964. In January 1969 the Ruler of Sharjah signed two exploration agreements with *Shell* interests, and in December 1969 he also granted an offshore exploration concession to the *Buttes Oil and Gas Co.* of California.

### FUJAIRAH

*Bochumer Mineralöl G.m.b.H.*, owned by the Federal German Bomin Group, has held a concession covering the whole of the land area and territorial waters of the sheikhdom since 1966.

### AJMAN

*John Mecom Ltd.* has held a concession since 1964.

### UMM AL QUWAIN

An offshore concession was granted to *Occidental Petroleum* in November 1969. *John Mecom Ltd.* and *Shell* also hold concessions.

# TRANSPORT

### ROADS

Until very recently there was no proper system of roads except in Dubai town, but the desert tracks are often motorable. In 1965 plans were made for a £1 million all weather metalled road to be built from Dubai to Ras al Khaimah, to be financed by the Trucial States Development Office. The Dubai/Sharjah section of this was opened in September 1966. Work has now been completed on the Sharjah/Ras al Khaimah section at the expense of the Saudi Arabian Government. In 1968 Abu Dhabi opened a £1 million bridge linking the town with the mainland. The town is also linked with the Buraimi Oasis by a dual-carriageway motor road built mainly for political reasons. The oil companies have constructed roads in the areas in which they operate. Motor vehicles are in general use for passengers and goods. Camels and donkeys are used in the less accessible areas.

### SHIPPING

Dubai is the main port. The British India Steam Navigation Co. Ltd. maintains a weekly scheduled service to Dubai on the Bombay-Basra run. The ships of British India Line and F. Strick & Co. call at Dubai and Abu Dhabi several times a month. Other lines which call regularly are D. D. G. Hansa, Johnson Line, Holland-Persian Gulf, Maersk Line, and Jugolinija. A contract to build a deep water port at Dubai, Port Rashid, has also

## READING MATERIALS

Take out of RMcN Books

Gulf Region

McN, AL — Extracts from Middle East and North Africa 1972-73, a Europa publication giving excellent descriptions of each country and of the Arab League (attached).

AL — BOAC Brochure on Kuwait, Gulf States and Saudi Arabia gives good travel information.

AL — G.F. Hourani, Arab Seafaring, 1950. Historical account of Indian Ocean and Gulf seafaring.

AL — C.A.O. van Nieuwenhuijze, Muslim Attitudes Towards Planning, 1966. Scholarly monograph which provides some insights into the attitudes engendered by Islamic religion, including the "utter" irrelevance of time."

McN Good, treats prod, econ, politics & some finance. — Charles Issawi, Oil, The Middle East And The World, 1972

McN, AL copies — M.A. Adelman, Is The Oil Shortage Real?, Foreign Policy, Winter Issue, 1972-73.

Kuwait

AL — IBRD, The Promotion of Manufacturing in Kuwait, November 23, 1971. Report of mission headed by Mr. Harold Larsen.

AL — Economic Development of Kuwait, 1965. Report of Bank Survey Mission.

AL — El Mallakh, Kuwait Economic Development and Regional Cooperation, 1968.

AL — H.R.P. Dickson, Arabs of the Desert, 1949. An entertaining account by a long-time British resident of Kuwait, whose elderly wife still lives there.

Qatar

Report by United Nations Economic and Social Office in Beirut

United Arab Emirates

AL — IBRD, The Economic Development of the Arab Gulf Emirates, 1969. Report of economic mission headed by Mr. Edmond Asfour.

AL — K.G. Fenelon, The Trucial States, 1969, by British statistician still working in Abu Dhabi Planning Office.

AL — Clarence C. Mann, Abu Dhabi.

EMENA Region
Division 1D
January 24, 1973

# Saudi Arabia

## PHYSICAL AND SOCIAL GEOGRAPHY OF THE ARABIAN PENINSULA

The Arabian peninsula is a strongly marked geographical unit, being delimited on three sides by sea—on the east by the Persian/Arabian Gulf and Gulf of Oman, on the south by the Indian Ocean, and on the west by the Red Sea—and its remaining (northern) side is occupied by the deserts of Jordan and Iraq. This isolated territory, extending over more than one million square miles, is, however, divided politically into several states. The largest of these is Saudi Arabia, which occupies over 900,000 sq. miles; to the east and south lie much smaller territories where suzerainty and even actual frontiers are in some instances a matter of doubt. Along the shores of the Persian/Arabian Gulf and Gulf of Oman there are first the State of Kuwait, with two adjacent patches of "neutral" territory; then, after a stretch of Saudi coast, the island of Bahrain and the Qatar peninsula, followed by the United Arab Emirates and the much larger state of Oman. The People's Democratic Republic of Yemen (composed of the former British colony of Aden and former British-protected South Arabian Federation) occupies most of the southern coastline of the peninsula. To the north of it, facing the Red Sea, lies the Yemen Arab Republic. The precise location of frontiers between these states and Saudi Arabia, which adjoins them all, is still in some doubt, and atlases show varying positions. The granting of oil concessions and continued discoveries of oil may ultimately lead to a more accurate delimitation.

### PHYSICAL FEATURES

Structurally, the whole of Arabia is a vast platform of ancient rocks, once continuous with north-east Africa. In relatively recent geological time a series of great fissures opened, as the result of which a large trough, or rift valley, was formed and later occupied by the sea, to produce the Red Sea and Gulf of Aden. The Arabian platform is tilted, having its highest part in the extreme west, along the Red Sea; and it slopes gradually down from west to east. Thus the Red Sea coast is often bold and mountainous, whereas the Persian/Arabian Gulf coast is flat and low-lying being fringed with extensive coral reefs that make it difficult to approach the shore in many places.

Dislocation of the rock strata in the west of Arabia has led to the upwelling of much lava, which has solidified into vast barren expanses known as *harras*. Volcanic cones and flows are also prominent along the whole length of the western coast as far as Aden, giving peaks that rise well above 10,000 ft. The maximum height of the mountains is attained in the south, in the Yemen Arab Republic, where summits reach 14,000 ft.; and the lowest part of this mountain wall occurs roughly half-way along its course, in the region of Jeddah, Mecca, and Medina. One main reason for the presence of these three towns is the geographica fact that they offer the easiest route inland from the coast, and one of the shortest routes across Arabia.

Further to the east the ancient platform is covered by relatively thin layers of younger rocks. Some of the strata have weathered away to form shallow depressions; others have proved more resistant, and now stand out as ridges. This central area, diversified by shallow vales and upstanding ridges and covered in many places by desert sand, is called the Najd, and is spoken of as the homeland of the Wahhabi sect, which now rules the whole of Saudi Arabia. Farther east still practically all the land lies well below 1,000 ft. in altitude, and both to north and south lie desert areas. The Nefud in the north has some wells, and even a slight rainfall, so life is possible for a few oasis cultivators and pastoral nomads. But south of the Najd lies the Rub' al-Khali, or Empty Quarter, a rainless, unrelieved wilderness of shifting sand, too difficult for occupation even by nomads.

Though most of the east coast of Arabia (termed al-Hasa) is low-lying, there is an exception in the imposing ridge of the Jebel Akhdar of Oman, which also produces a fjord-like coastline along the Gulf of Oman. One other feature of importance is the presence of several large river valleys, or *wadis*, cut by river action at an earlier geological period, but now almost, or entirely, dry and partly covered in sand. The largest is the Wadi Hadhramaut, which runs parallel to the southern coast for several hundred miles; another is the Wadi Sirhan, which stretches from the Nefud north-westwards into Jordan.

### CLIMATE

Because of its land-locked nature, the winds reaching Arabia are generally dry, and almost all the area is arid. In the north there is a rainfall of 4 to 8 inches annually; further south, except near the coast, even this fails. The higher parts of the west and south do, however, experience appreciable falls—rather sporadic in some parts, but copious and reliable in the Yemen Arab Republic. There are even small, regularly flowing streams in the higher parts of the Yemeni mountains, but none manages to reach the sea. The Jebel Akhdar (Green Mountain) of Oman, as its name indicates, also has more rainfall than the surrounding districts.

Because of aridity, and hence relatively cloudless skies, there are great extremes of temperature. The summer is overwhelmingly hot, with maxima of over 120° F., which are intensified by the dark rocks, whilst in winter there can be general severe frost and even weeks of snow in the mountains—sheepskins are worn in the Yemen Arab Republic. Another feature, due to wide alternations of temperature, is the prevalence of violent local winds. Also, near the coast, atmospheric humidity is very high, and this makes living conditions extremely unpleasant. The coasts of both the Red Sea and Persian/Arabian Gulf are notorious for their humidity.

Owing to the tilt of the strata eastwards, and their great elevation in the west, rainfall occurring in the hills near the Red Sea apparently percolates gradually eastwards, to emerge as springs along the Persian/Arabian Gulf coast. This phenomenon, borne out by the fact that the flow of water in the springs greatly exceeds the total rainfall in the same district, would appear to indicate that water may be present underground over much of the interior. Hence irrigation schemes to tap these supplies have been developed, notably in Najd at al-Kharj. Results are, however, fairly limited.

### ECONOMIC LIFE

Over much of Arabia life is dependent on the occurrence of oases. Many wells are used solely by nomads for watering their animals, but in some parts, more especially the south, there is some regular cultivation. The Yemen Arab Republic, in particular, has a well-developed agriculture, showing a gradation of crops according to altitude, with cereals, fruit, coffee and *qat* (a narcotic) as the chief products. Other agricultural districts occur in Aden and the Hadhramaut (in Yemen P.D.R.), in Oman, and in the large oases of the Hijaz (including Medina and Mecca). Despite this, however, it must be emphasized that in the main, conditions in Arabia are harsh, and human life depends for existence partly on resources brought in from outside—the revenues from pilgrimage, trading by dhow in the Indian Ocean, or trading in the East Indies. A major change in the economy of Saudi Arabia and the Persian/Arabian Gulf states has taken place following the exploitation of oil, the revenues from which are transforming these states, and *inter alia* allowing the import of food for Arab oil workers.

### RACE

The inhabitants of the centre, north, and west are of almost unmixed Mediterranean stock—lightly built, long-headed, and dark. In coastal districts of the east, south, and south-west intermixture of broader-headed and slightly heavier peoples of Armenoid descent is a prominent feature; and there has been some exchange of racial type with the populations on the Persian shores of the Persian/Arabian Gulf and Gulf of Oman. Owing to the long-continued slave trade, negroid influences from Africa are also widespread. On this basis it is possible to delimit two ethnic zones within Arabia: a northern, central and western area, geographically arid and in isolation, with a relatively unmixed racial composition; and the coastlands of the south, south-west, and east, showing a mixed population.

### LANGUAGE

Arabic is the only language of Arabia. Unlike many other parts of the Middle East, European languages are not current.

## HISTORY

### ANCIENT AND MEDIEVAL HISTORY

Although there is some support for the belief that Arabia was at one time a land of great fertility, there is little evidence of this in historical times. For the most part Arabian history has been the account of small pockets of settled civilization, subsisting mainly on trade, in the midst of an ocean of nomadic tribes whose livelihood was derived mainly from camel-breeding and raiding. The earliest urban settlements developed in the south-west, where the flourishing Minaean kingdom is believed to have been established as early as the twelfth century B.C. This was followed by the Sabaean and Himyarite kingdoms, which lasted with varying degrees of power until the sixth century A.D. The term "kingdom" in this connection implies rather a loose federation of city states than a centralized monarchy. As an important trading station between east and west, southern Arabia was brought into early contact with the Persian and Roman empires, whence spread the influence of Judaism, Zoroastrianism, and later Christianity. Politically, however, the south Arabian principalities remained independent, though there was an abortive Roman expedition in A.D. 24, and two brief periods of Abyssinian rule in the fourth and sixth centuries A.D.

By the end of the sixth century the centre of gravity had shifted to the west coast, to the Hijaz cities of at-Ta'if, Mecca and Medina. While the southern regions fell under the somewhat spasmodic control of the Sasanid rulers of Persia, the Hijaz grew in independence and importance as a trade route between the Byzantine Empire, Egypt, and the East. From the fifth century onwards Mecca was dominated by the tribe of Quraish, through whose extensive commercial activities influences from Byzantine, Persian, Aramaic and Judaic sources began to make themselves felt. Meanwhile the central deserts remained obstinately nomadic, and the inhospitable east coast formed for the most part a corner of the Persian sphere of influence.

It is not necessary here to relate in detail the events that led to the spectacular outbreak of the Arabs from the Arabian peninsula and their political and social domination within a century of an area extending from Spain to northern India. Ostensibly the driving force behind this great movement was the Islamic religion preached by Muhammad, a humble member of the Quraish tribe; and so powerful was its appeal that not only was the faith itself widely adopted, but even the language of its holy book, the Koran, has left an indelible impression on the speech of all the peoples it reached.

But this flowering and development of Arabism was to proceed for the most part outside the confines of the Arabian peninsula itself. The Islamic unification of the Near and Middle East reduced the importance of the Hijaz as a trade route. Mecca retained a unique status as a centre of pilgrimage for the whole Muslim world, but Arabia as a whole, temporarily united under Muhammad and his successors, soon drifted back into disunity. The Yemen was the first to break away from the weakening Abbasid Caliphate in Baghdad, and from the ninth century onwards a variety of small dynasties established themselves in Sana'a, Zabid, and other towns. Mecca also had its semi-independent governors, though their proximity to Egypt made them more cautious in their attitude towards the Caliphs and the later rulers of that country, particularly the Fatimids of the tenth to twelfth centuries. In Oman in the south-east a line of spiritual Imams arose who before long were exercising temporal power; to the north the Arabian shores of the Persian/Arabian Gulf provided a home for the fanatical Carmathian sect whose influence at times extended as far as Iraq, Syria, Mecca, and the Yemen.

## THE OTTOMAN PERIOD

Arabia continued to be restless and unsettled until the beginning of the sixteenth century, when the whole peninsular came nominally under the suzerainty of the Ottoman Sultans at Istanbul. It was a hold that was never very strong, even in the Hijaz, while in Oman and the Yemen native lines of Imams were once again exercising unfettered authority before the end of the century. More important for the future of the peninsula was the appearance of European merchant adventurers in the Indian Ocean and the Persian/Arabian Gulf. The Portuguese were the first to arrive in the sixteenth century, and they were succeeded in the seventeenth and eighteenth centuries by the English, Dutch and French. By the beginning of the nineteenth century Britain had eliminated her European rivals and had established her influence firmly in the Gulf and to a lesser extent along the southern coast.

The political structure of Arabia was now beginning to take the shape it has today. The Yemen was already a virtually independent Imamate; Lahej broke away in the middle of the eighteenth century, only to lose Aden to Britain in 1839 and to become the nucleus of the Aden Protectorate. To the north of the Yemen was the principality of the Asir, generally independent, though both countries were occupied by the Turks from 1850 to the outbreak of the Great War. The Hijaz continued to be a province of the Ottoman Empire. In 1793 the Sultanate of Oman was established with its capital at Muscat, and during the nineteenth century all the rulers and chieftains along the Persian Gulf coast, including Oman, the sheikhdoms of the Trucial Coast, Bahrain and Kuwait, entered into close and "exclusive" treaty relations with the British Government. Britain was principally concerned to prevent French, Russian and German penetration towards India and to suppress the slave and arms trades.

Meanwhile the Najd in the centre of Arabia was the scene of another upheaval with religious inspirations. The puritanical and reforming Wahhabi movement, launched in the middle of the eighteenth century, had by 1800 reached such strength that its followers were able to capture Kerbela and Najaf in Iraq, Damascus in Syria, and Mecca and Medina in the Hijaz. They were defeated by Muhammad Ali of Egypt, acting in the name of the Ottoman Sultan, in 1811–1818 and again in 1838; but the Wahhabi ruling house of Sa'ud continued to rule in the interior. Towards the end of the century they were in danger of being eclipsed by the Shammar line of Rashid to the north, who had Turkish support; but in 1902 Abd al-Aziz ibn Sa'ud, the late ruler of Saudi Arabia, succeeded in recapturing the Wahhabi capital of Riyadh, and by the outbreak of the Great War was master of the whole of central Arabia, including the Hasa coast of the Persian/Arabian Gulf. In 1910, with the aim of reviving the ideals of the Wahhabi movement, he established the *Ikhwan* or Brethren and proceeded to settle them in colonies throughout the Najd, thus forming the basis of a centralized organization that was to prove a powerful instrument in later years.

## MODERN HISTORY

When Turkey entered the war on the side of Germany in October 1914 Arabia inevitably became a centre of intrigue, if not necessarily of military action. British influence was paramount along the eastern and southern coasts, where the various sheikhs and tribal chiefs from Kuwait to the Hadhramaut lost no time in severing their last slender connections with the Ottoman Empire. On the other hand, the Turks had faithful allies in Ibn Rashid of the Shammar to the north of the Najd, and in Imam Yahya of the Yemen; they also retained their garrisons along the west coast, both in the Asir, whose Idrisi ruler was impelled by his long-standing enmity with the Imam of the Yemen to intrigue against them, and in the Hijaz, where Sharif Hussein of Mecca still acknowledged Ottoman suzerainty. In the centre Ibn Sa'ud, who had accepted Turkish recognition in 1913 of his occupation of the Hasa coast, was in close and friendly relations with the Government of India.

British military strategy developed as the war dragged on into a two-pronged thrust against the Turks from Egypt and the Persian/Arabian Gulf. In the implementation of this plan opinions were divided on the extent to which use could be made of the Arab population. The Indian Government on the eastern wing, while favouring the pretensions of Ibn Sa'ud, preferred to see the problem in purely military terms, and opposed any suggestion of an Arab revolt. This, however, was the scheme favoured by the Arab Bureau in Cairo, whose views eventually prevailed in London. They were alarmed at the Ottoman declaration of a *Jihad* (Holy War) and possible repercussions in Egypt and North Africa. Negotiations were started at a very early stage with Arab nationalist movements in Syria and Egypt, but these met with comparatively little success. More progress was made when the British negotiators turned their attentions to the Sherif of Mecca, Hussein, member of the Hashimi family that had ruled in Mecca since the eleventh century A.D. The support of such a religious dignitary would be an effective counter to Turkish claims. Hussein was inclined to favour the Allied cause, but was reluctant to act independently, and it was only after he had elicited from the British (in the MacMahon correspondence—*see* DOCUMENTS ON PALESTINE, p. 57) promises which he believed would meet Arab nationalist aspirations that he decided to move. On June 5th, 1916, he proclaimed Arab independence and declared war on the Turks. By November things had gone so well that he felt able to claim the title of King of the Hijaz. Military operations continued throughout the winter, and in July 1917 the port of Aqaba was captured and the Hijaz cleared of Turkish troops except for a beleaguered and helpless garrison in Medina.

Arabia thereafter remained comparatively peaceful, and was not even greatly disturbed by the complicated post-war political manoeuvres in the Middle East. Hussein played a somewhat ineffectual role in maintaining the Arab point of view at the peace conferences and over the allocation of mandates, and as a result forfeited the favour of the British Government. When, therefore, he was unwise enough to challenge the growing power of his old enemy Ibn Sa'ud, he found himself entirely without support. Ibn Sa'ud's stature had been steadily growing since the end of the war. In November 1921 he had succeeded in eliminating the house of Ibn Rashid and annexing the Shammar, and a year later he was recognized by the Government of India as overlord of Ha'il, Shammar and Jawf. On March 5th, 1924, King Hussein laid claim to the title of Caliph, vacant by the deposition of the Ottoman Sultan. His claims were nowhere recognized, and Ibn Sa'ud, declaring him a traitor, overran the Hijaz in a campaign of a few months, captured Mecca and forced Hussein's abdication. Hussein's eldest son, Ali, continued to hold Jeddah for another year, but was then driven out, and on January 8th, 1926, Ibn Sa'ud proclaimed himself King of the Hijaz, so formally marking the establishment of the Saudi Arabian kingdom.

## THE KINGDOM OF SAUDI ARABIA*

Ibn Sa'ud's new status was recognized by Britain in the Treaty of Jeddah of 1927, while Ibn Sa'ud in his turn acknowledged his rival Hussein's sons, Abdallah and Faisal, as rulers of Transjordan and Iraq, and also the special status of the British-protected sheikhdoms along the Gulf coast. The northern frontier of his domains had previously been established by the Hadda and Bahra agreements of November 1925, which set the Mandate boundaries as the limit of his expansion; while the border war with Yemen was, after protracted negotiations and a brief war, settled in 1934. (For a fuller account of this, *see* the Yemen Arab Republic chapter, History.)

During the years that followed, the new king continued to be absorbed in his primary task of unifying and developing his country. The colonization policy begun in 1910 was pursued vigorously; land settlements were established and Bedouin unruliness was suppressed. A start was made at the modernization of communications, and the need for economic development along modern lines was emphasized by the falling-off in the pilgrimage during the early 1930s. The serious crisis that this produced might indeed never have been averted had it not been for the discovery of oil in Bahrain in 1932 and the subsequent extension of prospecting to the mainland.

Saudi Arabia's chief sufferings during the war were economic, though there was an Italian air raid on Dhahran (and also on Bahrain) in October 1940. The pilgrimage traffic dropped away almost to extinction, and in April 1943 it was found necessary to include Saudi Arabia in the benefits of Lease-Lend. Up to September 1946 $17,500,000 had been received, and in August of that year there was a further £10,000,000 from the Export-Import Bank. Two years later, however, as a protest against American policy over Palestine, an American loan of $15,000,000 was turned down. But by this time the oil industry alone was enough to establish the Saudi Arabian economy firmly on its feet.

In January 1944 the California Arabian Standard Oil Company, owned jointly by the Standard Oil Company of California and the Texas Company, was re-formed as the Arabian American Oil Company. This was reconstructed once more in December 1948 to include the Standard Oil Company of New Jersey and Socony Vacuum—a move that brought protests from the French Government. Under an agreement of 1928 shareholders in the Iraq Petroleum Company, who included the latter two American companies as well as French and British interests, had agreed not to secure rival concessions within an area including the Arabian peninsula. A settlement was finally reached at the end of 1948, by which this so-called "Red Line" clause was abandoned. Meanwhile production had been mounting steadily as new fields were developed; a refinery was opened at Ras Tanura in October 1945, and two years later work was started on a pipeline to connect the Arabian fields with the Mediterranean. In spite of a year's suspension owing to events in Palestine, the task was completed before the end of 1950, and oil first reached the Lebanese port of Sidon on December 2nd of that year. In the same month a new "fifty-fifty" agreement was signed with the Arabian American Oil Company which was to set an interesting example to other foreign oil interests in December 1951. In 1955 Saudi Arabia was involved in a dispute with Aramco over its decision to grant oil transportation concessions to the Greek shipowner Aristotle Onassis. In 1956 a government-owned National Oil Company was formed to exploit areas not covered by the Aramco concession.

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* For subsequent developments in the rest of the Arabian Peninsula, *see* separate chapters on Bahrain, Kuwait, Oman, Qatar, United Arab Emirates, Yemen Arab Republic and Yemen People's Democratic Republic.

Saudi Arabia was an original member of the Arab League formed in 1945, and to begin with played a loyal and comparatively inconspicuous part. Ibn Saud sent a small force to join the fighting against Israel in the summer of 1948. When the solidarity of the League began to show signs of cracking, it was natural that he should side with Egypt and Syria rather than with his old dynastic enemies, the rulers of Iraq and Jordan. In course of time, however, he began to turn once more to internal development, and to forget his political quarrel with the United States in his need for economic advice and aid. The $15,000,000 Export-Import Bank loan was finally taken up in August 1950; in January 1951 a Point Four Agreement was signed, and in June a Mutual Assistance Pact. But the real basis of development was the revenue from the ever-expanding oil industry. This was sufficient to justify the announcement in July 1949 of a $270,000,000 Four Year Plan, in which an ambitious programme of railway development was the main item. A railway now links the oilfields in the east with Riyadh in the centre, and extends to the port of Dammam. For the rest the King's policy was one of cautious modernization at home, and the enhancement of Saudi Arabian prestige and influence in the Middle East and in world affairs generally.

## AFTER IBN SA'UD

On November 9th, 1953, King Ibn Sa'ud died at the age of 71, and was succeeded peacefully by the Crown Prince, Sa'ud. It was assumed that there would be no major changes, but the policy already adopted of strengthening the governmental machine and of relying less on one-man rule was continued by the formation of new ministries and of a regular cabinet. In March 1958 King Saud conferred upon his brother, the Amir Faisal, full powers over the foreign, internal and economic affairs of Saudi Arabia, with the professed aim of strengthening the machinery of government and centralizing responsibilities. In December 1960, however, the Amir Faisal resigned, and the King took over the office of Prime Minister himself. In the following month a High Planning Council, with a team of international experts, was set up to survey the country's resources, and thereafter there has been slow but steady progress in the modernization of the country.

Throughout his reign the King had seen his role as that of a mediator between the conflicting national and foreign interests in the Arab Middle East. He refused to join either the United Arab Republic or the rival Arab Federation. Relations with Egypt ranged from the mutual defence pacts between Egypt, Syria and Saudi Arabia in October 1955 (to which Yemen and Jordan adhered the following year) to the open quarrel in March 1958 over an alleged plot to assassinate President Nasser. Subsequently, relations improved, and the King visited Cairo in September 1959. Contacts with the United States have always been close, owing to the extensive American oil interests. In 1957 King Sa'ud visited America, and in 1959 he made an extensive tour of Europe. The Saudi Arabian Government also played a leading role in bringing the Arab governments together after Egypt's nationalization of the Suez Canal in July 1956 and the Israel, British and French military action in the Sinai peninsula in November. In 1961 Saudi Arabia supported the Syrians in their break with the United Arab Republic, and in general relations with the U.A.R. deteriorated (diplomatic relations were severed in November 1962, shortly before they were resumed with the United Kingdom). By 1964, however, in spite of the tensions over the Yemen revolution, there were signs of improved relations. King Sa'ud attended the Cairo conference on the Jordan waters dispute in January, and in March, after a meeting in Riyadh, diplomatic relations with the United Arab Republic were resumed. In September Prince Faisal attended the Arab Summit Conference in Alexandria, and afterwards had talks with President Nasser on the Yemen situation.

## THE REIGN OF KING FAISAL

Meanwhile, in March 1964 King Sa'ud had relinquished all real power over the affairs of the country to his brother, Crown Prince Faisal, who had again acted as Prime Minister intermittently during 1962, and continuously since the middle of 1963. The rule of Prince Faisal was expected to result in many concessions to "Westernization" such as more cinemas and television, with more profound social and economic reforms to follow. The division of the country into provinces, each with a thirty-man council, was under study early in 1964. The change of power, by which King Sa'ud retired as active monarch, was supported in a statement by the *ulema* council of religious leaders "in the light of developments, the King's condition of health, and his inability to attend to state affairs". In November 1964 Sa'ud saw formally deposed, and Faisal became King, as well as head of the Council of Ministers with the exclusive power of appointing and dismissing Ministers. His younger brother Khalid was appointed Crown Prince. On August 24th, 1965, King Faisal confirmed his stature as an important Arab leader, when he concluded an agreement at Jeddah with President Nasser of the U.A.R. on a Peace Plan for the Yemen. King Sa'ud went into exile, living principally in Athens, where he died in February 1969.

Although the Yemen problem remained unsolved, there was evidence of Saudi Arabia's genuine anxiety that a solution should be found, even though in April 1966 the construction of a military airfield near the frontier brought protests from the Yemeni Republican Government and the U.A.R. Representatives of Saudi Arabia and the U.A.R. met in Kuwait in August 1966 in an attempt to implement the Jeddah agreement. But relations with both the U.A.R. and the Arab League continued to be tense, and no progress was evident. Matters were not improved by the appearance in Cairo of ex-King Sa'ud, with a public declaration of his support for U.A.R. policy in Yemen.

During 1966 King Faisal undertook an extensive series of visits abroad, including Iran, Jordan, Sudan, Pakistan, Syria, the United States, Turkey, Morocco, Guinea, Mali, and Tunisia. A trade and financial agreement with Morocco was the chief concrete result of these tours. In May 1967 he paid a state visit to the United Kingdom, and discussed the South Arabian situation with British ministers. Saudi Arabian troops moved into Jordanian territory at the beginning of June, and collaborated with Jordanian and Iraqi forces in hostilities against Israel. At a summit conference of Arab leaders held in Khartoum at the end of August 1967 Saudi Arabia agreed to put up £50 million of a total £135 million fund to assist Jordan and the U.A.R. in restoring their economic strength after the hostilities with Israel. At the same time an agreement was concluded with President Nasser on the withdrawal of U.A.R. and Saudi military support for the warring parties in the Yemen. By way of recompense for these concessions the Saudi Arabian Government persuaded the other Arab states that it was in their best interests to resume production of oil, shipments of which to western countries had been suspended for political reasons after the war with Israel.

## EVENTS SINCE THE 1967 WAR

Though outwardly calm, the internal political situation was apparently disturbed by abortive coups in June and September 1969. Plans for both are presumed to have been discovered in advance, the only visible evidence of the attempts being the arrests of numbers of army and air force officers. A flight of private capital abroad was also reported. Some observers drew parallels with developments in Libya. In the Yemen the Royalist cause which the Saudi Government had strongly supported appeared to be within sight of victory early in 1968, but by mid-1969 its remaining adherents had largely been driven into exile and the civil war seemed to have come to an end, although further hostilities were reported during the 1969-70 winter. Dissension amongst the Royalists, which led to the withdrawal of Saudi assistance, was a principal factor in this decline. Discussions between Sana'a representatives and Saudi officials took place at Jeddah in March 1970, and the Yemen Republic was officially recognized in July. Relations with Southern Yemen deteriorated, however, and an extensive battle on the disputed frontier took place in December 1969, with Saudi Arabia apparently winning easily owing mainly to its superior air power. Since then the Aden Government has accused Saudi Arabia of backing the mercenaries of the National Deliverance Army.

The important relationship with Iran, under some strain at the beginning of 1968 over the Bahrain question, improved greatly later in the year. In October the two countries signed a treaty which at last delineated their offshore boundaries. In November the Shah paid a state visit to Saudi Arabia; the occasion, which included a pilgrimage, was acclaimed as symbolic of Muslim unity. The Saudi Government took a favourable view of the proposed Gulf federation, and gave financial assistance for the road linking the Trucial sheikhdoms. Together with Kuwait the government was closely involved in 1971 in the diplomatic efforts to secure Bahrain's and Qatar's membership of a nine-member Gulf federation, but the two sheikhdoms eventually decided to remain apart from the Trucial States, which formed the United Arab Emirates.

As principal guardian of Muslim interests, Saudi Arabia was particularly concerned by the fire at the Al Aqsa mosque in Jerusalem in August 1969, and hence it was the leading instigator of the Islamic summit conference held to condemn Israel in Rabat the following month. Relations with other Muslim countries were strengthened by King Faisal's state visits to Afghanistan, Algeria, Indonesia and Malaysia in June 1970, but the closure of the Tapline pipeline in May and Syria's refusal to allow repairs to be carried out, strained relations with some of Saudi Arabia's neighbours. After Tapline had agreed to increased transit fees, the Syrian Government allowed repairs to be carried out, and the oil flow resumed in January 1971.

Relations with Sudan have become closer since the communist-inspired *coup* attempt there in July 1971, and President Nemery visited Saudi Arabia in November 1971 and April 1972. Saudi Arabia has also played a leading role in attempting to bring about agreement between the Palestinian guerrillas and the Jordanian Government since the final confrontation between them in north Jordan in July 1971. Aided by Egypt, the Saudi Government managed to arrange a series of talks between the representatives of the two sides in Jeddah during the last half of the year. President Sadat visited Jeddah in August, Yassir Arafat in October, but despite the intense diplomatic activity, no agreement was reached, though in January 1972 a Saudi Government spokesman said hope of success in mediation had not been abandoned.

Despite the great improvement in communications, welfare services and the standard of living in general over recent years, Saudi Arabia remains the most traditional and conservative of the Arab countries; the ancient restrictions on smoking, alcohol, dress, etc., are still very largely observed, as are the Muslim calendar and religious festivals.

L.P.E.-S.

# ECONOMIC SURVEY

## AREA AND POPULATION

The area of Saudi Arabia has been estimated at some 875,000 square miles, but the borders have not all been defined and therefore no precise figure can be arrived at. A census of the entire population is difficult because the Bedouin shift from one area of the country to another; but it is estimated that more than 50 per cent of the population is Bedouin, about 25 per cent urban dwellers, and the rest settled cultivators. The total population is not known accurately and estimates vary considerably. The figure of 7.2 million given in the IMF bulletin *International Financial Statistics* is considered to be an over-estimation. The largest towns are Riyadh, estimated at 300,000, and Jeddah, estimated at 250,000.

## AGRICULTURE

Agriculture contributes about 8 per cent of G.N.P. and employs some three-quarters of the population. Cultivation is confined to oases and to irrigated regions: the remaining agricultural land is used for low-grade grazing. The chief crops cultivated on irrigated or cultivated soil are wheat, lucerne, millet and maize, while fruits of many varieties, particularly dates, grow in abundance in oases. Sheep and goats are bred extensively, both for meat and for wool; camels are also bred.

The Government has recognized the importance of developing agriculture as a means of reducing the dependence on imported food, and as a means of diversifying the economy and of raising rural living standards. Since scarcity of water constitutes the chief factor limiting the development of agriculture, the Government has launched an ambitious programme to overcome this obstacle. Execution of this programme—which includes surveys for underground water resources, construction of dams, irrigation and drainage networks, combined with distribution of fallow land, settlement of Bedouin and the introduction of mechanization—is aimed at eventually raising agricultural production to the level of near self-sufficiency in food. Consequently, budgetary allocations for the agricultural sector have increased by nearly 55 per cent during the period from 1964-65 until 1970-71, rising from 149 million to 230 million riyals per year. The Economic Development Plan covering 1970-75 projects a total outlay of 1,317.5 million riyals for agriculture and water resources. Agricultural production is expected to grow by 27 per cent from a preliminary level of 1,177 million riyals to 1,496 million riyals by the end of the plan period. Wheat production is expected to increase by 71 per cent, fodder by 35 per cent, vegetables by 35 per cent, barley by 55 per cent and dairy products and fish by 20 per cent each.

During the 1960s, surveys were carried out over 393,800 square miles—45 per cent of the total area of the country—on behalf of the Government by foreign consulting firms. The reports indicated a large potential for considerably increasing agricultural production in nearly all areas under cultivation by improving water distribution and drainage systems. Three other important projects which have been undertaken by the Government include the al-Hasa irrigation scheme, the Faisal Model Settlement scheme and the Wadi Jizan dam project.

The al-Hasa irrigation and drainage scheme, inaugurated in December 1971, was completed over five years at a cost of 260 million riyals and will result in the reclamation of 12,000 hectares. It is the country's biggest agricultural scheme and about 50,000 persons will benefit from it. The Faisal Model Settlement scheme had almost been completed by the end of 1971. The scheme, which cost 100 million riyals, has involved extensive land reclamation and irrigation and will be used for the settlement of 10,000 Bedouin. The Wadi Jizan dam, which was inaugurated in March 1971, has a capacity of 71 million cubic metres of water and was built at a cost of 42 million riyals. It constitutes the first stage in a plan for the development of Wadi Jizan which will increase the irrigated area by 8,000 hectares and will contribute about 8.8 million riyals annually to agricultural and livestock production. Other agricultural projects include the construction of two desalination plants, including the plant at Jeddah which has a production capacity of 5 million gallons of water per day. Projects under way in early 1972 included a dam at Abha costing 24.7 million riyals, the establishment of an agricultural college at Buraida, flood protection projects and desalination plants.

## OIL

The most important industry in Saudi Arabia is the production of crude oil and petroleum products, and in 1971 the country produced more oil than any other country in the Middle East. Proven Saudi oil reserves stood at 128,500 million barrels at the end of 1970, or just over 20 per cent of the world total.

In 1923 oil exploration rights were granted to a British company, but were later revoked. In 1933 the Saudi concession was granted to the Standard Oil Company of California, which has shared ownership of the operating company, known after 1944 as the Arabian American Oil Company (Aramco), with the Standard Oil Company (New Jersey) since 1936 and with Mobil since 1944. The capital of Aramco is accordingly held as follows: 30 per cent by the Standard Oil Company of California, 30 per cent by Texaco, 30 per cent by the Standard Oil Company of New Jersey and 10 per cent by Mobil.

The operating company began exploring for oil in 1933 and drilling in 1935. It discovered oil in commercial quantities in 1938. By the end of the Second World War it had discovered four oil fields and had established the necessary facilities, including a large refinery, to meet post-war demands for crude oil and refined products.

At the end of 1971, Aramco's proven resources of crude oil were estimated to be 90.2 billion barrels.* Production comes from twelve major oilfields: Ghawar, Abqaiq, Safaniya, Abu Hadriya, Abu Sa'fah, Qatif, Fadhili, Manifa, Khursaniyah, Dammam, Berri and Khurais. Of these the three first-named are by far the most important. Ghawar is generally accepted as the world's largest oilfield and Safariya is the world's largest offshore field. Two more fields—the Marjan and Zuluf—were being brought into production in 1972. Production has mounted steadily each year since 1956 to reach 1,641 million barrels in 1971, a 26.8 per cent increase on 1,295 million barrels in 1970. Aramco's payments to the government increased by 75.5 per cent to $1,866.4 million in 1971 from $1,088 million in 1970. The Ras Tanura refinery on the Gulf, which was completed in 1945, processed 204 million barrels of crude oil and liquified petroleum gas in 1971.

A 30/31-inch pipeline system, 1,068 miles long, runs from Aramco's oil fields to the Mediterranean port of Sidon, Lebanon. It was brought into operation in 1950 and by 1958 its capacity was 470,000 barrels per day. The western 754 miles are operated by the affiliated Trans-Arabian Pipe Line Company (Tapline), the capital of which is held by the Aramco companies and the rest by Aramco. The pipeline normally carries around 16 per cent of the country's production but was out of action for much of 1969 and 1970 following sabotage and accidents.

The oilfields contain vast quantities of natural gas and Aramco has developed the capacity in the Abqaiq and Ghawar fields to reinject 405,000,000 cubic feet per day in order to conserve the gas for future use and to reinforce the underground pressure necessary for oil recovery.

The area of Aramco's original concession was about 673,000 square miles. The company has, however, agreed to relinquish progressively parts of its concession areas. Following relinquishments in 1960, 1963 and 1968, its concession has been reduced to 105,000 square miles and is expected to be progressively reduced to 20,000 square miles by 1993.

In 1949 the Saudi Arabian government granted the Getty Oil Corporation a 60-year exclusive concession covering its undivided half interest in the Saudi Arabian-Kuwait Neutral Zone. The American Independent Oil Company (Aminoil, covering Kuwait's undivided half interest) is the operating company and it discovered oil in commercial quantity in 1953 in the Wafra field. Reserves there have been estimated to be 6,500 million barrels. First shipments of oil were made there in 1954. Japanese interests which had obtained concessions from Saudi Arabia and Kuwait in 1957 and 1958 covering an offshore area of the neutral zone of the Gulf, found oil in 1969 which is now being exploited by the Arabian Oil Co.

In 1971 Arabian Oil Co. paid the Saudi government $44.2 million in tax and royalty, and Aminoil paid $20.6 million. The total revenue derived by the government from all three companies (for Aramco payments, *see* above) in 1971 was $1,944.9 million, including $3.7 million paid by companies not yet having any production. Saudi Arabia's oil revenue will rise substantially between 1971 and 1975 as a result of new agreements made with the producing companies. In November 1970 the income tax payments of companies was raised from 50 to 55 per cent; under the Teheran Agreement of February 1971, posted prices are scheduled to rise by stages between 1971 and 1975; increases in posted prices of Saudi oil exported via Tapline are covered by a separate agreement in line with the terms negotiated by Libya. The initial impact of these agreements is evidenced by rapidly rising oil revenues—boosted also by a rise of over 25 per cent in total production from 1,386 million barrels in 1970 to 1,741 million in 1971—which leapt by over 69 per cent in 1971 from $1,149.7 million in 1970.

In 1965 the French state company Auxerap concluded an agreement for offshore exploration in the Red Sea. The agreement provided for the Saudi Arabian state organization Petromin (General Petroleum and Mineral Organization) to participate in exploitation of any commercial discoveries. In December 1967 two further important agreements were signed. One was between Petromin and the Italian state oil corporation, ENI, by which the latter was permitted to explore for oil during a period of six years in some 77,000 square km. of the Rub'al-Khali and 9,600 square km. in the Eastern Province. The other was between Petromin and two American corporations, Sinclair Oil Co. and Natomas, under which the latter were granted similar rights in the Red Sea area. In both cases the prospecting concerns were to act as contractors for Petromin which retained the legal title to the concessions.

## OTHER INDUSTRIES

The development of modern industry is at a very early stage. In 1971 there were 283 industrial units employing around 10,000 persons. Besides 41 electricity plants, these were largely small-scale concerns catering for domestic needs, distributed as follows: tile-making (45), furniture-making (30), printing and publishing (27,) metal goods (25), food (18) and soft drinks (12). Eighty-three of these enterprises were located in Jeddah and 54 in Riyadh.

In terms of output, construction has been the most important industry after oil in recent years, contributing around 4.5 per cent to net domestic product in 1969-70 compared with 2 per cent for other branches of manufacturing. Consumption of cement has risen by 315 per cent during 1960-70, with nearly 60 per cent being produced domestically compared with 25 per cent in 1960. However, other branches of manufacturing have grown by over 40 per cent in real terms over the period 1967-70, compared with only 2 per cent for the construction industry.

The chief instrument of industrial development is Petromin, set up in 1962 to implement the long-run objective of diversifying the economy through the

*** 1 barrel = 42 U.S. gallons, 34.9726 Imperial gallons; 1 billion = 1 thousand million.**

establishment of industries based on petro-chemicals and minerals. Three important projects initiated by Petromin have started production. The most important of these is the $7 million steel rolling mill at Jeddah, which started production in 1968 with an annual capacity of 45,000 tons of bars and sheet steel. Second, the Jeddah oil refinery began production in 1968 with a production capacity of 12,000 barrels per day. The third project is the $40 million Saudi Arabian Fertilizer Co. (SAFCO) plant which began production in 1969 with an initial capacity of 1,100 tons of urea and 35 tons of sulphur.

Petromin is to play a key role in the development of minerals and manufacturing under the current Economic Development Plan and has a planned investment of 5,113 riyals during the period 1970-75. Twenty-five per cent of this total will be contributed by the Government through equity participation or loans and the remainder is to be raised from domestic and foreign investors. Fifteen million riyals were assigned to projects already under way: the Petromin Lubricating Oil Co. (Petrolube) at Jeddah, which has an annual capacity of 75,000 barrels; and the sulphuric acid plant at Damman which has a capacity of 50 tons of sulphuric acid per day. A further 548 million riyals is assigned for the expansion of the Jeddah oil refinery from 12,000 to 45,000 barrels per day, the construction of a 15,000-barrels-per-day refinery at Riyadh and the expansion of the Jeddah rolling mill from 45,000 to 100,000 tons capacity. Some 4,550 million riyals is for a variety of petrochemical and mineral projects and the Uthmaniya–Riyadh pipeline.

The Directorate-General of Mineral Resources has been pursuing a programme for the discovery and exploitation of mineral resources. Geological studies and exploration missions have been undertaken in several parts of the country and an economic feasibility study is planned for the iron-ore deposit in Wadi Fatima, estimated at 50 million tons. Although mineral industry is non-existent, apart from oil and a small output of salt, gypsum and limestone, mineral prospects are thought to be good, particularly for phosphates along the Jordan border and for iron ore along the Red Sea coast. Government sources have stated that minerals may account for as much as 30 per cent of G.N.P. in the long-term future.

Apart from developments under the auspices of Petromin, it is proposed under the Economic Development Plan to establish 31 new industrial concerns, involving a total investment of 236 million riyals. The cement, food and beverage, textile and clothing and paper industries will account for nearly 70 per cent of the investment in new enterprises under the plan.

## TRANSPORT

Until 1964 the only surfaced roads, besides those in the oil network, were in the Jeddah-Mecca-Medina area. Since then roads have been given priority with 20 per cent of the development budget. By 1970 there were over 4,705 miles of asphalted road, compared with 4,262 miles at the end of the previous year, and nearly 1,300 miles were under construction. In addition the total length of rural road reached over 2,450 miles compared with 1,574 miles in the previous year. Under the Economic Development Plan, 3,918.7 million riyals, or 58 per cent of 57,092 million riyals allocated to the transport and communications sector. are to be spent on the construction of roads. Under the plan, 2,680 miles of main road and 1,240 miles of rural road are to be built during 1970-75, bringing the total length of main road to nearly 7,400 miles and that of rural road to 3,700 miles.

There are three chief ports: Jeddah and Yanbou on the Red Sea and Dammam on the Gulf. During 1969 a total of 1,851 ships called at these ports with a cargo of 2 million tons. These ports have been undergoing expansion and improvement in recent years. Jeddah, for example, has been modernized with the construction of six new piers at a cost of 134 million riyals. Projects are in hand for the development of al-Qatif and Jubail ports. Under the Economic Development Plan, 823 million riyals will be spent on the development of ports and major projects include the expansion of the annual capacities of Jeddah and Damman ports to 1.7 and 2.8 million tons respectively.

The chief international airports are Jeddah, Dhahran and Riyadh. Although both Jeddah and Riyadh have been considerably improved in recent years, schemes are under way for the future development of Riyadh and the building of a new airport to the north of Jeddah at a total cost of some $150–200 million. The Government operates Saudia–Saudi Arabian Airlines which links important Saudi cities, with regular flights to many foreign countries. The airline flew 226 million passenger-km. in 1968.

The government operates a modern railway system connecting the port of Dammam on the Gulf with Riyadh, the capital, some 370 miles inland. Work is proceeding on the rebuilding of the historic Hejaz railway, which ran from Damascus through what is now Jordan to Mecca, but little progress has been made since the 1967 Palestine war.

## FOREIGN TRADE

The total value of the country's exports in 1970 amounted to 10,907 million riyals, an increase of nearly 15 per cent on 9,496 million riyals in 1969. Exports consist almost entirely of oil: in 1970 oil exports amounted to 10,877 million riyals. Western Europe is the major market for Saudi oil and accounted for 44 per cent of total exports in 1970, of which two-thirds went to EEC countries. Exports to Asia were about 31 per cent of the total, of which over two-thirds went to Japan. Other important sources of foreign exchange derive from the local expenditure of Aramco and from the pilgrimage traffic.

In 1970 the total value of imports was 3,197 million riyals compared with 3,377 million in 1969. Imports cover a wide range of manufactured goods, particularly machinery, vehicles and transport equipment (accounting for 32 per cent of total imports in 1970) and foodstuffs (31 per cent). Other significant imports are building materials (12 per cent), chemical products

(6 per cent) and textiles and clothing (4 per cent). The pattern of imports reflects the Saudi development effort and the country's poor agricultural resources. The U.S.A. has been the leading exporter to Saudi Arabia in recent years, accounting for 17.8 per cent of Saudi imports in 1970, followed by Japan and Germany (each accounting for 9.8 per cent) and the U.K. (7.2 per cent). Lebanon, which accounted for 11.4 per cent of imports in 1970, has an important entrepôt trade with Saudi Arabia. There was a surplus on current account of $59 million in 1970, in contrast with an average current account deficit of $114 during the two preceding years. The rapid rise in oil exports and other reciepts (chiefly Aramco royalties and the pilgrimage traffic) of 17.4 per cent in 1970 exceeded the rise in investment income payments and government expenditure abroad, which were also partly offset by the decline in imports. The capital account for 1970 shows an inflow of direct investment capital of $3 million plus $101 million in suppliers' credits, which were largely offset by an increase in the foreign exchange reserves of SAMA and the commercial banks plus errors and omissions representing an unrecorded excess of payments over receipts.

## FINANCE

The unit of currency is the riyal, subdivided into 20 qursh. After the devaluation of sterling in November 1967, parity was 10.8 riyals to the £ sterling, and, the devaluation of the dollar in December 1971, after 4.145 riyals per U.S. $. New riyal notes were introduced in June 1961, replacing the "Pilgrims Receipts" which had previously been in circulation. The Saudi Arabian Monetary Agency, established in 1952, is the Central Bank, its total holdings of gold and foreign exchange in September 1970 amounting to 2,917 million riyals, compared with 2,916 million in September 1969 and 3,373 million in September 1968.

In 1971 Saudi Arabia's quota in the IMF stood at $134 million and its subscription to the World Bank at $114 million. Most of the country's international financial business is transacted in Jeddah.

The largest Saudi commercial bank, the National Commercial Bank, has branches in most of the principal towns. The Agricultural Bank has a capital of 53 million riyals and has five branches: since its establishment in 1964, it has granted 17,458 loans totalling 69.6 million riyals for investment in the agricultural sector. The Saudi Credit Assistance Bank, set up with the purpose of granting interest-free loans to persons of limited means unable to borrow through normal banking channels, was chartered in 1971 with an initial authorized capital of 5 million riyals.

## BUDGET AND ECONOMIC DEVELOPMENT PLAN

A very large part of the government's revenue consists of tax and royalty in oil. Thus the budget for the fiscal year 1971–72 provided for a total revenue of 10,782 million riyals. Of this, oil royalties amounted to 2,227 million riyals, or nearly 20 per cent of the total, while income tax, much of it from the oil industry, amounted to 7,728 million riyals, or nearly 72 per cent of the total. This was a balanced budget and expenditure included 1,138 million riyals for Ministry of Defence and National Guards (10.5 per cent of the total), 5,036 million riyals for Development Projects (46.7 per cent of the total), 1,031 million riyals for the Ministry of Education and Schools (9.6 per cent of the total), 850 million riyals for the Ministry of the Interior (7.9 per cent of the total) and 250 million riyals for the Ministry of Health (2.3 per cent of the total).

The first Economic Development Plan, which covers the period 1970–75, aims at diversifying the Saudi economy and lessening its dependence on oil. It envisages a 9.8 per cent annual increase in gross domestic product during the plan period to 26 billion riyals in 1975. A total of 41,314 million riyals have been earmarked for expenditure under the plan, with projects spending accounting for 18,383 million riyals and recurrent expenditures for 22,931 million riyals.

## DEFENCE

**Defence Budget (1970-71):** 1,723 million riyals.

**Military Service:** voluntary.

**Total Armed Forces:** 41,000: army 35,000; navy 1,000; air force 5,000.

**Paramilitary Forces:** 30,000.

## JUDICIAL SYSTEM

Justice throughout the kingdom of Saudi Arabia is administered according to Islamic law by a Chief Judge, who is responsible for the Department of Sharia Affairs. Sentences in the kingdom are given according to the Koran and the Sunna of the Prophet.

The judicial system provides for three grades of court and a Judicial Supervisory Committee:

**The Judicial Supervisory Committee.** The Committee consists of three members and a president appointed by the King. It supervises all the other courts and is situated at Mecca.

**Chief Justice, Mecca:** Sheikh ABDULLAH IBN HASSAN.

**Courts of Appeal (Courts of Cassation).** There are several courts of appeal in Hijaz and Najd, having jurisdiction to hear appeals from the *Mahkamat al-Sharia al-Koubra.*

**Mahkamat al-Sharia al-Koubra.** The competence of these courts extends to all cases not covered by the above. They are situated in Mecca, Medina and Jeddah. Appeal may be made to the Courts of Cassation.

**Mahkamat al-Omour al Mosta'jalah.** These courts, which are held throughout the country, deal with cases of minor misdemeanours and actions in which the value does not exceed S.R. 30. Other branches of these courts deal exclusively with affairs of the Bedouin tribes with the same competence. The decisions of these courts are final.

## RELIGION

Arabia is the centre of the Islamic faith and includes the holy cities of Mecca and Medina. Except in the Eastern Province, where a large number of people follow Shi'a rites, the majority of the population are of the Sunni faith. The last fifty years have seen the rise of the Wahhabi sect, who originated in the eighteenth century, but first became unified and influential under their late leader King Ibn Sa'ud. They are now the keepers of the holy places and control the pilgrimage to Mecca.

**Mecca:** Birthplace of the Prophet Muhammad, seat of the Great Mosque and Shrine of Ka'ba visited by a million Muslims annually.

**Medina:** Burial place of Muhammad, second sacred city of Islam.

**Chief Qadi and Grand Mufti:** (Vacant).

## THE PRESS

Since 1964 most newspapers and periodicals have been published by press organizations administered by boards of directors with full autonomous powers, in accordance with the provisions of the Press Law. These organizations, which took over from small private firms, are privately owned by groups of individuals widely experienced in newspaper publishing and administration (*see* Publishers).

There are also a number of popular periodicals published by the government and by the Arabian American Oil Co. and distributed free of charge. The press is subject to no legal restriction affecting freedom of expression or the coverage of news.

### DAILIES

**al-Bilad:** King Abdul Aziz St., Jeddah; Arabic; published by al-Bilad Publishing Corporation; Editor ABDULMAJID AL-SHUBUKSHI; circ. 10,000.

**al-Medina al-Munwara:** Jeddah, P.O.B. 807; f. 1937; Arabic; published by al-Medina Publishing Organization; Editor OSMAN HAFEZ; circ. 20,000.

**al-Nadwah:** Mecca; f. 1958; Arabic; published by Mecca Press and Information Organization; Editor HAMED MUTAWI'E; circ. 10,000.

**Replica:** P.O.B. 2043, Jeddah; English; daily newsletter from Saudi newspapers and broadcasting service.

**al-Riyadh:** Riyadh; Arabic; published by Yamamah Press Organization; Editor AHMED HOSHAN; circ. 10,000.

**al Ukadh:** Jeddah; circ. 3,500.

### WEEKLIES

**Akhbar al-Dhahran** (*Dhahran News*): Dammam; f. 1958; Editor 'ABD AL-AZIZ AL-ISA; circ. 1,500.

**al-Dawa:** Riyadh; Arabic.

**al-Jazirah:** P.O.B. 354, Apt. 88, Municipality Bldg., Safat, Riyadh; Arabic; circ. 5,000.

**al-Khalij al-'Arabi** (*The Arabian Gulf*): Al-Khobar; f. 1958; Editor 'ABD ALLAH SHUBAT; circ. 1,200.

**News from Saudi Arabia:** Press Dept., Ministry of Information, Jeddah; f. 1961; news bulletin; English; Editor IZZAT MUFTI; circ. 22,000.

**News of the Muslim World:** Mecca; English and Arabic; published by Muslim World League; Editor FUAD SHAKER.

**Oil Caravan Weekly:** Aramco, Dhahran; Arabic; published by the Arabian American Oil Co.

**al-Qasim:** Riyadh; f. 1959; Editor 'ABD ALLAH AL SANE'; circ. 1,000.

**Quraish:** Mecca; f. 1959; Editor AHMED SIBA'I; circ. 1,000

**al-Ra'id:** Jeddah; f. 1959; Editor 'ABDUL-FATTAH ABU MADYAN; circ. 2,000.

**al-Riyadhah:** Mecca; f. 1960; for young men; Editor MUHAMMAD 'ABD ALLAH MALIBARI; circ. 500.

**Sun and Flare:** Aramco, Dhahran; English; published by the Arabian American Oil Co.

**Umm al-Qura:** Mecca; f. 1924; Editor; 'ABDUL RAHMAN SHIBANI; published by the Government; circ. 5,000.

**al-Yamamah:** Riyadh; f. 1952; Dir. AHMED EL-HOSHAN; circ. 1,000.

**al-Yaum** (*Today*): P.O.B. 565, Dammam; f. 1965; Dir. ABDUL AZIZ AL-TURKY.

### PERIODICALS

**al-Manhal:** 44 Arafat Street, Jeddah; f. 1937; monthly; literary; Editor 'ABDUL QUADDOS ANARIS; circ. 3,000.

**al-Mujtama:** P.O.B. 354, Apt. 88, Municipality Bldg., Safat, Riyadh; f. 1964; Arabic; monthly; Dir.-Gen. SALEH SALEM.

**al-Tijarah:** Jeddah; f. 1960; monthly; for businessmen; Editor AHMAD ISA TAHKANDI; circ. 1,300.

**Hajj** (*Pilgrim*): Mecca; f. 1947; Arabic and English; Editor MUHAMMAD SAID AL 'AMOUDI; published by the Government Ministry of Pilgrimage and Endowments; circ. 5,000.

**Rayat al-Islam:** Riyadh; f. 1960; monthly; religious; Editor Sheikh ABD AL-LATIF IBN IBRAHIM; circ. 1,000.

# PUBLISHERS

**al-Bilad Publishing Organization:** King Abdul Aziz St., Jeddah; publishes *al-Bilad*; Dir.-Gen. ABDULLAH DABBAGH.

**Dar al-Yaum Press and Publishing Establishment:** P.O.B. 565, Damman; publishes *al-Yaum*; Dir.-Gen. OMAR ZAWAWI.

**al-Jazirah for Press Printing and Publishing:** P.O.B. 354, Riyadh; f. 1964; 28 mems.; publishes *al-Jazirah* (weekly) and *al-Mujtama* (monthly); Dir.-Gen. SALEH SALEM.

**al-Medina Publishing Organization:** P.O.B. 807, Jeddah; publishes *al-Medina al-Munwara*; Dir.-Gen. AHMED SALAH JAMJOON.

**Saudi Publishing House:** 30–31 Shurbatly Bldg., Gabel St., P.O.B. 2043, Jeddah; books in Arabic and English; Man. Dir. MUHAMMAD SALAHUDDIN.

**Yamamah Press Organization:** Riyadh; publishes *al-Riyadh*, *al-Yamamah* and *New Eve*; Dir.-Gen. AHMED HOSHAN.

# RADIO AND TELEVISION

## RADIO

**Saudi Arabian Broadcasting Co.:** Ministry of Information, Airport Rd., Jeddah; three stations at Jeddah, Riyadh and Dammam broadcast programmes in Arabic and English; overseas service in Urdu, Indonesian, Persian and Swahili; Dir.-Gen. Sheikh A. F. GHAZAWI.

There are about 87,000 receivers in the country.

**ARAMCO Radio:** Dhahran; broadcasts programmes in English for the entertainment of employees of Arabian American Oil Company.

## TELEVISION

**Saudi Arabian Government Television Service:** Information Ministry, Riyadh; stations at Riyadh, Jeddah, Medina, Dammam, and Qassim operate 6 hours daily; major stations and relay points are under construction to serve all principal towns; Dir.-Gen. A. S. SHOBAIL.

**ARAMCO-TV:** P.O.B. 1359, Dhahran; f. 1957; non-commercial, private company; 12 kW. transmitter at Dhahran, limited range transmitter at Hofuf; Producer S. A. AL-MOZAINI; 4–5 hours a day.

There are about 50,000 TV sets.

# FINANCE

## BANKING

The Saudi Arabian banking system consists of the Saudi Arabian Monetary Agency as central note-issuing and regulatory body, three national banks, one specialist bank (The Agricultural Credit Bank) and ten foreign banks. Charter for an industrial Bank and a Bank for people of small means have been drawn up; both are expected to be set up in the near future.

Saudi Arabia had no central monetary authority until 1952. Previous to this, foreign merchant companies (Gellatly Hankey, Netherlands Trading Society) had acted as bankers to the government, with such functions as the issue of currency being the responsibility successively of the General Finance Agency (set up in the late 1920s) and the Ministry of Finance (established 1932).

The rising volume of oil revenues imposed a need for modernization of this system, and in 1952 on American advice the Saudi Arabian Monetary Agency (SAMA) was established in Jeddah. SAMA complies with a Muslim law prohibiting the charging of interest. Instead, its services are paid for by a commission charged on all transactions. SAMA's functions include: bankers to the government, stabilization of the value of the currency; administration of monetary reserves; issue of coin and notes; and regulation of banking.

From 1959 all banks were obliged to hold with SAMA a sum equivalent to 15 per cent of their deposit liabilities. This figure was reduced to 10 per cent between 1962 and 1966, when a new banking law came into force, which reintroduced the 15 per cent level. This could, however, be varied, at the Agency's discretion within the limits of 10 and 17.5 per cent. In addition every bank must maintain a liquid reserve of not less than 15 per cent of its deposit liabilities, which may be increased to 20 per cent by the SAMA. In addition banks must be organized as limited liability companies, and may not trade for purposes other than banking. A minimum of RIs 2.5m. equivalent is set for paid-up capital; banks' deposit liabilities may not exceed 15 times their paid-up capital and reserves; and all banks must plough back 25 per cent of profits before dividends to build up their reserve funds.

The intention of the 1966 law, besides strengthening the control of SAMA, is to encourage foreign banks to open branches in Saudi Arabia in an atmosphere of financial stability and assured growth potential.

(cap.=capital; p.u.=paid up; dep.=deposits; m.=million; amounts in Saudi Riyals)

### CENTRAL BANK

**Saudi Arabia Monetary Agency:** P.O.B. 394, Airport St., Jeddah; f. 1952; gold, foreign exchange and investments 4,328m. (March 1972); Pres. and Gov. ANWAR ALI; Vice-Gov. JUNAID A. BA-JUNAID; Controller-Gen. ABDUL WAHAB M. S. SHEIKH; publs. *Statement of Affairs* (bi-weekly), *Annual Report*, *Statistical Summary*; 10 brs.

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**Agricultural Credit Bank:** Jeddah; f. 1964; cap. 31.5m.; Dir.-Gen. IZZAT HUSNI AL-ALI.

**Ibrahim I. Zahran Bank:** Jeddah.

**National Commercial Bank:** P.O.B. 104, Jeddah; f. 1938; cap. 30m.; Partners Sheikh SALEH ABDULLAH MOSA ALKAAKI, Sheikh ABDULAZIZ MUHAMMAD ALKAAKI, Sheikh SALIM AHMED BIN MAHFOOZ (Gen. Man.); brs. throughout Saudi Arabia and in Beirut.

**Riyad Bank Ltd.:** P.O.B. 1047, Jeddah; f. 1957; cap. p.u. 37.5m.; dep. 339m. (Aug. 1971); Chair. H.E. Sheikh ABDULLA IBN ADWAN; Man. Dir. H.E. Sheikh ABDUL RAHMAN AL-SHEIKH; Gen. Man. J. A. COURT; 18 brs., 3 sub-brs.

### FOREIGN BANKS

**Algemene Bank Nederland, N.V.:** Amsterdam; P.O. Box 67, Jeddah; Alkhobar; Dammam.

**Arab Bank Ltd.:** Amman, Jordan; Jeddah; 6 branches.

**Bank Melli Iran:** Jeddah.

**Banque de l'Indochine:** Paris; Jeddah; Al-Khobar.

**Banque du Caire:** Cairo, Egypt; 3 brs.

**Banque du Liban et d'Outre-Mer S.A.:** Beirut, Lebanon; Jeddah.

**British Bank of the Middle East:** London, E.C.4; Jeddah; Damman; Alkhobar.

**First National City Bank:** New York; Riyadh, P.O.B. 833, Al Batha St.; Man. W. L. ROBERTS, Jr.; Jeddah, P.O.B. 490; Man. M. Y. WYSKIEL; 2 brs.

**National Bank of Pakistan:** Karachi; Jeddah; principal foreign branches in London, New York, Hong Kong; Man. Sheikh INAYAT ALI.

**United Bank Ltd.:** Jeddah.

### INSURANCE COMPANY

**Saudi National Insurance Co. Ltd.:** P.O.B. 106, Al-Khobar; f. 1958; Pres. HAMAD AHMAD ALGOSAIBI; Gen. Man. A. A. ALGOSAIBI.

## TRADE AND INDUSTRY

### CHAMBERS OF COMMERCE

**Chamber of Commerce and Industries:** Jeddah, P.O.B. 1264; f. 1950; Pres. (vacant); Dir. YOUSUF M. BANNAN; publ. *Al-Tijara.*

**Chamber of Commerce and Industry:** S. G. Saleh Tuimi, P.O.B. 596, Riyadh; Chair. Sheikh ABDUL AZIZ MUQAIREN.

**Dammam Chamber of Commerce:** P.O.B. 719, Dammam.

**Mecca Chamber of Commerce:** P.O.B. 2, Mecca.

**Medina Chamber of Commerce:** P.O.B. 443, Medina.

### CO-OPERATIVE SOCIETIES

Trade unions are prohibited but since 1962 several Co-operative Societies have been formed by workers in particular trades.

## OIL

**General Petroleum and Mineral Organization (PETROMIN):** Riyadh; f. 1962 to establish oil and mineral industries and collateral activities in Saudi Arabia; Gov. Dr. ABDUL HADI TAHER.

The following projects have been set up by Petromin:

**Arabian Drilling Co.:** f. 1964; shareholding 51 per cent, remainder French private capital; undertakes contract drilling for oil, minerals and water; working offshore concessions in Neutral Zone and Red Sea coast areas.

**Arabian Geophysical Survey Co. (ARGAS):** f. 1966; shareholding 51 per cent, remainder provided by *Cie. Générale de Géophysique*; exploration and discovery of natural resources; is setting up a nation-wide geodetic survey network.

**Jeddah Refining Co.:** Jeddah; f. 1968; shareholding 75 per cent, remainder held by Saudi Arabian Refining Co. (SARCO); the refinery at Jeddah, Japanese-built and American-staffed, has a capacity of 8,000 bbl./day; distribution in the Western Province is undertaken by Petromin's **Department for Distribution of Oil Products.**

**Petromin Oil Lubricating Co.:** Jeddah; f. 1968; joint venture with Mobil to set up a blending plant handling 75,000 bbl./year.

**Saudi Arabian Fertilizer Co. (SAFCO):** Dammam; f. 1965; 49 per cent shareholding, remainder open to public subscription; the plant at Dammam has a capacity of about 1,100 tons of urea and 35 tons of sulphur a day; construction and management have been undertaken by Occidental Petroleum Co. of U.S.A.

Agreements have also been concluded with Jefferson Lake Sulphur Co. to set up a sulphur extraction plant at Abqaiq in Eastern Province, with Richard Costain to build a steel rolling mill in Jeddah using local iron ores (completed Nov. 1967), with McDermot Co. of U.S.A. for construction of a naval oil installation, and with United Tankers of U.S.A. to set up **Petromin Tankers** with two ships of 100,000 tons capacity each.

Petromin has exploration concessions in the Empty Quarter (being operated by the Italian state enterprise AGIP) and along the Red Sea coast (operated by an American-Pakistani consortium).

### FOREIGN CONCESSIONAIRES

**Arabian-American Oil Co. (Aramco):** Dhahran; f. 1933; present name 1944; holds the principal working concessions in Saudi Arabia, covering 105,000 square miles; production (1971) 219.9 million long tons; Pres. F. JUNGERS.

**Arabian Oil Co. Ltd.:** P.O.B. 335, Riyadh; f. 1958; holds concession for offshore exploitation of Saudi Arabia's half interest in the Kuwait-Saudi Arabia Neutral Zone; production (1969) 16,150,000 long tons; Chair. T. ISHIZAKA; Dir. in Saudi Arabia TAKASHI HAYASHI.

**Getty Oil Co.:** P.O.B. 363, Riyadh; office in Mina Saud; f. 1928; present name 1956; holds concession for exploitation of Saudi Arabia's half-interest in the Saudi Arabia-Kuwait Partitioned Neutral Zone, both onshore and in territorial waters; total Zone production (1971) 9,652,144 long tons, Getty's share being half of this; Pres. J. P. GETTY.

### REFINERIES

The following refineries are in operation:

| LOCATION | CAPACITY (bbl./day) |
|---|---|
| Ras Tanura | 255,000 |
| Mina Saud | 50,000 |
| Khafji | 30,000 |
| Jeddah | 8,000 |
| *Projected but not built:* | |
| Riyadh | 15,000 |

## TRANSPORT

### RAILWAYS

**Saudi Government Railroad Organization:** Dammam; Gen. Man. KHALID M. ALGOSAIBI.

The Saudi Government Railroad is a single track, standard gauge line patterned to the specifications of the Association of American Railroad standard and uses modern diesel locomotive power with a route length of 610 km. (379 miles). Actual construction of the line started in September 1946 and completed in October 1951. It connects the Port of Dammam on the Arabian Gulf with Riyadh, the capital, and was built by Aramco on behalf of the government. There is a daily passenger train in each direction to and from Riyadh; a daily freight train is also scheduled as required, and certain trains are run daily between intermediate points to serve the needs of individual companies. The Organization is an independent entity with a board of directors headed by the Minister of Communications. In addition to working the railways the Organization is also responsible for managing the Port of Dammam.

The historic Hedjaz railway running from Damascus to Medina has been the subject of a reconstruction project since 1963; however, little progress has been made since the war of June 1967.

### ROADS

Asphalted roads link Jeddah to Mecca, Jeddah to Medina, Medina to Yanbu, Taif to Mecca, Riyadh to

# THE ARAB LEAGUE

**Midan Al Tahrir, Cairo, Egypt**

The League of Arab States is a voluntary association of sovereign Arab states designed to strengthen the close ties linking them and to co-ordinate their policies and activities and direct them towards the common good of all the Arab countries.

### MEMBERS

| | | |
|---|---|---|
| Algeria | Lebanon | Sudan |
| Bahrain | Libya | Syria |
| Egypt | Morocco | Tunisia |
| Iraq | Oman | United Arab Emirates |
| Jordan | Qatar | Yemen Arab Republic |
| Kuwait | Saudi Arabia | Yemen People's Democratic Republic |

## ORGANIZATION

### THE COUNCIL

The supreme organ of the Arab League. Meets in March and September. Consists of representatives of the fourteen member states, each of which has one vote, and a representative for Palestine.

#### PERMANENT COMMITTEES

There are ten Permanent Committees for Political, Cultural, Economical, Social, Military, Legal Affairs, Information, Health, Communications and Arab Human Rights.

### SECRETARIAT

**Secretary-General:** MUHAMMAD ABDEL-KHALEK HASSOUNA (Egypt).

**Assistant Secretaries-General:** Dr. S. NOFAL (Egypt), AREF ZAHER (Iraq), ASSAD EL ASSAD (Lebanon), SELIM EL YAFI (Syria).

**Military Assistant Secretary:** Gen. SA'AD EL DIN EL SHAZLY (Egypt).

**Economic Assistant Secretary:** AREF ZAHER (Iraq).

The Secretariat has departments of Economic, Political, Legal, Cultural, Social and Labour affairs, and for Petroleum, Finance, Palestine, Health, Press and Information, Secretariat, Communications, and Protocol.

### ECONOMIC COUNCIL

Established in 1950; first meeting 1953; composed of the Ministers of Economic Affairs or their representatives.

### COUNCIL OF ARAB ECONOMIC UNITY

In June 1957 the Economic Council approved a Convention for Economic Unity; the Economic Unity Agreement has been signed by Jordan (1962), Syria (1962), U.A.R. (1962), Kuwait (1962), Morocco (1962), Iraq (1963), Yemen (1963) and Sudan (1968). It has been ratified by Kuwait (1962), U.A.R. (1963), Syria (1964), Iraq (1964), Jordan (1964), Yemen (1967) and Sudan (1969). After ratification by five members a *Council of Arab Economic Unity* was set up in June 1964: the aims of the Arab Economic Unity Agreement include removal of internal tariffs, establishing common external tariffs, freedom of movement of labour and capital, and adoption of common economic policies; Sec.-Gen. ABDEL MUNEIM EL BANNA (*see below:* text of Arab Economic Unity Agreement, and further details).

In August 1964 U.A.R., Iraq, Kuwait, Syria and Jordan ratified a resolution establishing the *Common Market of Arab States*, to operate from January 1st, 1965. Kuwait's National Assembly voted against implementation of the agreement in July 1965. A further common market agreement between Iraq, Syria and the U.A.R. came into force on January 1st, 1971.

#### SPECIALIZED AGENCY

**Arab Educational, Cultural and Scientific Organization:** Cairo; proposed by Charter of Arab Cultural Unity, Baghdad 1964; aims to promote the ideals of Arab Cultural Unity (*see below*) and particularly to establish specialized institutes propagating Arab ideals and preparing research workers specializing in Arab civilization.

**Director-General:** Dr. ABDEL-AZIZ EL SAYED.

An Arab League Permanent Delegation has been established at UNESCO, and may act on behalf of Arab states not having delegates at UNESCO.

Each member state submits an annual report on progress in education, cultural matters, and science.

First session of General Conference was held in Cairo, July-August 1970.

The Organization includes:

**Arab Regional Literacy Organization:** Cairo.

**Institute of Arab Research and Studies:** Cairo.

**Institute of Arabic Manuscripts.**

**Permanent Bureau for Co-ordination of Arabization in the Arab World:** Rabat.

**Museum of Arab Culture:** Cairo.

#### OTHER BODIES

**Joint Defence Council:** Established in 1950 to implement joint defence; consists of the Foreign Ministers and Defence Ministers, or their representatives.

**Permanent Military Commission:** Established 1950; composed of representatives of army General Staffs; main purpose: to draw up plans of joint defence for submission to the Joint Defence Council.

**Arab States Broadcasting Union:** Cairo.

**Federation of Arab News Agencies:** Beirut; f. 1965; this Federation will work on the establishment of an Arab Central News Agency.

**Arab Financial Institution for Economic Development:** A resolution was passed in 1957 to establish an Arab Development Bank; Egypt, Yemen, Saudi Arabia, Jordan, Lebanon, Libya, Iraq and Kuwait signed the resolution; capital £20 million in gold; Kuwait has declared she will contribute a further £E 5 million.

**Arab Postal Union:** 28 Adly Street, Cairo, Egypt; f. 1954; Aims: to establish more strict postal relations between the Arab countries than those laid down by the Universal Postal Union, to pursue the development and modernization of postal services in member countries; Dir. Dr. ANOUAR BAKIR. Publs. *Bulletin* (monthly), *Review* (quarterly), *News* (annual) and occasional studies.

**Arab Telecommunications Union:** 83 Ramses Street, Cairo, Egypt; f. 1958; to co-ordinate and develop telecommunications between member countries; to exchange technical aid and encourge research. Mems.: Arab League countries; Pres. MAHMOUD MUHAMMAD RIAD.

**Permanent Commission for the Problems of the Arab Gulf Emirates:** Established in 1965 to assist the economic development of the Gulf states; Chair. KHALED AL BADR.

**Arab Labour Organization:** Arab League Building, Midan Al Tahrir, Cairo; established in 1965 for co-operation between member states in labour problems; unification of labour legislation and general conditions of work wherever possible; research; technical assistance; social insurance; training, etc.; Dir. of Social and Labour Affairs of the Arab League Dr. ABDEL-WAHHAB EL-ASCHMAOUI.

**Arab Board for the Diversion of the Jordan River:** Cairo; f. 1964 to co-ordinate engineering aspects of diverting the headwaters of the River Jordan, to deprive Israel of water; main projects include the Mukhaiba Dam on the River Yarmuk (Jordan), to be linked by tunnel to the East Ghor Irrigation Scheme, and to serve as a storage dam for water diverted from rivers farther north (Litani, Hasbani, Wazzani and Banias); the activities of the Board have been interrupted by the Arab-Israeli hostilities.

**Arab Unified Military Command:** Cairo; f. 1964 to co-ordinate military policies with regard to the liberation of Palestine.

**Arab Organization for Standardization and Metrology (ASMO):** 11 Mohamed Marashly St., Zamalek, P.O.B. 690, Cairo, Egypt; f. 1968 to assist in the establishment of national standardization and metrology bodies in the Arab States, co-ordinate and unify specifications and standards; to unify technical terms and symbols, methods of testing, analysis, measurements, calibration and quality control systems; and to co-ordinate Arab activities in these areas with corresponding international efforts. Mems.: Algeria, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Saudi Arabia, Sudan, Syria. Sec.-Gen. Dr. MAHMOUD MOHAMAD SALAMA (Egypt). Publs. *Annual Report* (in French and English), *Standardization and Metrology* (in Arabic), reports, recommendations and information pamphlets.

**Arab Council for Civil Aviation:** 10 El Nil St., Cairo; f. 1967 to control and co-ordinate the technical aspects of aviation between member countries.

**Arab Air Carriers' Organization (AACO):** 707 South Bloc, STARCO, rue George Picot, Lebanon; f. 1965 to co-ordinate and promote co-operation in the activities of Arab airline companies; Pres. (1970–71) Gen. ZOUHEIR AKEEL; Sec.-Gen. SALIM A. SALAAM.

**Arab Union of Automobile Clubs and Tourist Societies:** 8 Kasr El Nil St., Cairo; f. 1965.

**Arab Engineering Union:** 81 Ramses St., Cairo; co-operates with the Arab League in matters concerning the engineering profession; holds a conference on scientific engineering studies every two years.

**Arab Cities Organization:** P.O.B. 4954, Kuwait; f. 1967; deals with the scientific, cultural and social aspects of town development, planning, administration, etc.; holds conferences every two years—last Conference Tunis, summer 1971; the main Arab Town Councils are members; 44 were represented at the First Conference in Beirut; Dir. TALEB AL-TAHER.

**Arab Organization for Administrative Sciences:** 8 Salaheldin St., Cairo; f. 1969 to develop administrative sciences and improve administrative machinery and financial affairs related to administration; Pres. Dr. HASSAN TEWFIK.

**Administrative Tribunal of the Arab League:** Cairo; f. 1964; began operations 1966.

## SPECIAL BUREAUX

**Bureau for Boycotting Israel,** Damascus; Director-General MUHAMMAD MAHGOUB.

**Pan-Arab Organization for Social Defence against Crime:** Arab League Bldg., Midan Al Tahrir, Cairo; Sec.-Gen. Dr. ABDEL-WAHHAB EL-ASCHMAOUI.

**The International Arab Bureau for Narcotics:** Cairo; Dir.-Gen. Gen. AHMAD AMEN ALHADIQAH (Egypt).

**The International Arab Bureau for Defence against Crime:** Baghdad; Dir.-Gen. AMER AL-MOKTAR (Iraq).

**The International Arab Bureau for Police dealing with Crime:** Damascus; Dir.-Gen. ASHEK ELDEERY (Syria).

**Information Offices:** New York (with branches at Washington, Chicago, San Francisco, Dallas), Geneva, Bonn, Rio de Janeiro, London, New Delhi, Rome, Ottawa, Buenos Aires, Tokyo, Paris, Dakar and Nairobi. Offices are planned in Addis Ababa, Ankara, Lagos, Copenhagen and Madrid.

## BUDGET

CONTRIBUTIONS (%)
(1971)

| | | | |
|---|---|---|---|
| Egypt | 15.16 | Tunisia | 4.67 |
| Kuwait | 15.00 | Sudan | 4.25 |
| Saudi Arabia | 12.47 | Lebanon | 3.00 |
| Iraq | 12.20 | Jordan | 1.50 |
| Morocco | 7.25 | Libya | 13.30 |
| Syria | 3.00 | Yemen A.R. | 1.00 |
| Algeria | 6.20 | Yemen P.D.R. | 1.00 |
| | | | 100.00 |

EXPENDITURE 1970–71

| | £E | $ |
|---|---|---|
| General Secretariat | 758,739 | 3,238,750 |
| Institute of Arab Research and Studies | 79,073 | 18,500 |
| Pan-Arab Organization for Social Defence against Crime | 18,329 | 66,112 |
| Permanent Bureau for Co-ordination of Arabization in the Arab World | — | 226,378 |
| Industrial Development Centre | 139,175 | 617,260 |
| Arab Regional Literacy Organization | 69,365 | 180,760 |
| TOTAL | 1,064,681 | 4,347,760 |

# RECORD OF EVENTS

1945 **Pact of the Arab League signed, March.**

1946 **Cultural Treaty signed.**

1950 **Joint Defence and Economic Co-operation Treaty.**

1952 Agreements on extradition, writs and letters of request, nationality of Arabs outside their country of origin.

1953 Formation of Arab Telecommunications and Radio Communications Union.
Agreements for facilitating trade between Arab countries.
Founding of Institute of Advanced Arab Studies, Cairo.

Convention on the privileges and immunities of the League.
First Conference of Arab Education Ministers, Cairo, December.

1954 Formation of Arab Postal Union.
Nationality Agreement.

1956 Agreement on the adoption of a Common Tariff Nomenclature. Establishment of the Arab Potassium Company.

1957 Agreement on the creation of Arab Financial Institution for Economic Development, June.

Cultural Agreement with UNESCO signed, November.

1958 Co-operation Agreement between the Arab League and the International Labour Organisation.

1959 First Arab Oil Congress, Cairo, April.

1960 Inauguration of new Arab League HQ at Midan Al Tahrir, Cairo, March.

Second Arab Petroleum Congress, Beirut, October.
Co-operation Agreement between the Arab League and the Food and Agriculture Organization of the UN.

1961 Agreement to establish a Universal Arab Airline.

Third Arab Petroleum Congress, Alexandria.

Kuwait joins League.

Arab League force sent to Kuwait.

Syrian Arab Republic rejoins League as independent member.

Agreement on the establishment of the Arab Organization for Administrative Sciences.

Agreement with WHO on exchange of medical information, May.

1962 Agreement to establish economic unity (*see below:* sections on Council of Arab Economic Unity and on Arab Economic Unity Agreement).

Council Meeting at Shtoura, Lebanon in August, to hear Syrian complaints against the U.A.R.

U.A.R. announced intention of leaving Arab League.

Council Meeting re-convened at Cairo in September to reappoint Secretary-General. Boycotted by U.A.R.

1963 Arab League decides to withdraw troops from Kuwait, leaving only token force, January–February.

U.A.R. resumes active membership of League, March.

1963 Agreement to establish an Arab Navigation Company, December.

Agreement on establishment of an Arab Organization on Social Defence against Crime.

Fourth Arab Petroleum Congress, Beirut, November.

1964 Cairo conference of Arab leaders on the exploitation by Israel of the Jordan waters, January.

Second Conference of Arab Education Ministers, Baghdad, February.

First session of the Council of Arab Information Ministers, Cairo, March.

Arab Common Market approved by Arab Economic Unity Council, August.

Second meeting on Jordan waters, September.

First Conference of Arab Ministers of Communications, Beirut, November.

1965 Arab Common Market established, January.

Emergency meeting on German recognition of Israel, March.

Fifth Arab Petroleum Congress, Cairo, March.

Second session of the Council of Arab Information Ministers, Amman, April.

Third Meeting on Jordan waters, May. Tunisia absent.

Casablanca Conference of Arab leaders, September. Tunisia absent.

Establishment of Arab Air Carriers' Organization. Agreement on Arab Co-operation for the Peaceful Uses of Atomic Energy.

Establishment of Arab Union of Automobile Clubs and Tourist Societies, October.

1966 Third Session of the Council of Arab Information Ministers, Damascus, February.

Cairo Conference of Arab leaders, March. Tunisia absent.

Cairo Conference of Arab leaders, June.

Cairo Conference of Arab Foreign Ministers, September. Tunisia absent.

First session of Arab League Administrative Court, September.

1967 Fourth session of the Council of Arab Information Officers, February.

Sixth Arab Petroleum Congress, Baghdad, March. Meeting of Arab Foreign Ministers, Kuwait, June, Cairo meeting of Heads of State of Algeria, Iraq. Sudan, Syria, U.A.R., July.

Meeting of Arab Foreign Ministers, Khartoum, August. Topics discussed included Arab oil embargo against U.S.A. and U.K., and preparations for a meeting of Arab leaders.

Conference of Arab leaders in Khartoum, August. It was decided to resume oil supplies to the West. Syria absent.

Extraordinary Session of the Council of Arab Information Ministers, Bizerta, September.

Meeting of Arab Economic Ministers, Algiers, November.

1967 Meeting of Arab Foreign Ministers, Cairo, December.

Establishment of Civil Aviation Council for Arab States.

Agreement to establish an Arab Tanker Company, December.

1968 First Conference of Arab Tourist Ministers, Cairo, February.

Third Conference of Arab Education Ministers, Kuwait, February.

Meeting of Arab Foreign Ministers, Cairo, September. Tunisia absent.

Establishment of an Arab Fund for Economic and Social Development.

1969 Permanent Council of Co-operation Experts established to promote co-operative movement in Arab States, January.

First Session of the Arab States Broadcasting Union (ASBU), Khartoum, February.

Fifth session of the Council of Arab Information Ministers, Cairo, February.

Emergency meeting of Foreign Ministers, Cairo, August. Planned response to the Al Aqsa mosque fire and called for an Islamic Summit Conference to be held in September.

Meeting of Joint Defence Council, November. Discussed acceleration of military mobilization against Israel.

Summit Meeting held in Rabat, December. Heads of State unable to agree on the question of member states' commitments to a joint military contingency plan.

Establishment of the Industrial Development Centre for the Arab States.

First Conference of Arab Health Ministers, Cairo.

1970 Sixth session of the Council of Arab Information Ministers, Cairo, January.

Establishment of the Arab Organization for Agricultural Development.

Establishment of the Arab Educational, Cultural and Scientific Organization.

Seventh Arab Petroleum Congress, Kuwait, March.

1971 Seventh session of the Council of Arab Information Ministers, Cairo, February.

First Conference for Arab Social Affairs Ministers, Cairo, March.

Council of Arab Economic Unity Meeting, Cairo, May and August.

Conference on Arab Place Names, Beirut, August.

Bahrain, Qatar and Oman admitted to Arab League, September.

Meeting of Foreign Ministers, Cairo, November, to consider diplomatic confrontation with Israel.

Arab League Defence Council meets, Cairo, November.

**PUBLICATIONS**

Daily and fortnightly *Bulletin* (Arabic and English).

New York Office: *Arab World* (monthly), and *News and Views*.

Geneva Office: *Le Monde Arabe* (monthly), and *Nouvelles du Monde Arabe* (weekly).

Buenos Aires Office: *Arabia Review* (monthly).

Rio de Janeiro Office: *Oriente Arabe* (monthly).

Rome Office: *Rassegna del Mondo Arabo* (monthly).

London Office: *The Arab* (monthly).

New Delhi Office: *Al Arab* (monthly).

Bonn Office: *Arabische Korrespondenz* (fortnightly).

Ottawa Office: *Spotlight on the Arab World* (fortnightly); *The Arab Case* (monthly).

# THE PACT OF THE LEAGUE OF ARAB STATES

(March 22nd, 1945)

*Article 1*

The League of Arab States is composed of the independent Arab States which have signed this Pact.

Any independent Arab state has the right to become a member of the League. If it desires to do so, it shall submit a request which will be deposited with the Permanent Secretariat-General and submitted to the Council at the first meeting held after submission of the request.

*Article 2*

The League has as its purpose the strengthening of the relations between the member states; the co-ordination of their policies in order to achieve co-operation between them and to safeguard their independence and sovereignty; and a general concern with the affairs and interests of the Arab countries. It has also as its purpose the close co-operation of the member states, with due regard to the organization and circumstances of each state, on the following matters:

(*a*) Economic and financial affairs, including commercial relations, customs, currency, and questions of agriculture and industry.

(*b*) Communications: this includes railways, roads, aviation, navigation, telegraphs and posts.

(*c*) Cultural affairs.

(*d*) Nationality, passports, visas, execution of judgments, and extradition of criminals.

(*e*) Social affairs.

(*f*) Health problems.

*Article 3*

The League shall possess a Council composed of the representatives of the member states of the League; each state shall have a single vote, irrespective of the number of its representatives.

It shall be the task of the Council to achieve the realization of the objectives of the League and to supervise the execution of agreements which the member states have concluded on the questions enumerated in the preceding article, or on any other questions.

It likewise shall be the Council's task to decide upon the means by which the League is to co-operate with the international bodies to be created in the future in order to guarantee security and peace and regulate economic and social relations.

*Article 4*

For each of the questions listed in Article 2 there shall be set up a special committee in which the member states of the League shall be represented. These committees shall be charged with the task of laying down the principles and extent of co-operation. Such principles shall be formulated as draft agreements, to be presented to the Council for examination preparatory to their submission to the aforesaid states.

Representatives of the other Arab countries may take part in the work of the aforesaid committees. The Council shall determine the conditions under which these representatives may be permitted to participate and the rules governing such representation.

*Article 5*

Any resort to force in order to resolve disputes arising between two or more member states of the League is prohibited. If there should arise among them a difference which does not concern a state's independence, sovereignty, or territorial integrity, and if the parties to the dispute have recourse to the Council for the settlement of this difference, the decision of the Council shall then be enforceable and obligatory.

In such a case, the states between whom the difference has arisen shall not participate in the deliberations and decisions of the Council.

The Council shall mediate in all differences which threaten to lead to war between two member states, or a member state and a third state, with a view to bringing about their reconciliation.

Decisions of arbitration and mediation shall be taken by majority vote.

*Article 6*

In case of agression or threat of aggression by one state against a member state, the state which has been attacked or threatened with aggression may demand the immediate convocation of the Council.

The Council shall by unanimous decision determine the measures necessary to repulse the aggression. If the aggressor is a member state, his vote shall not be counted in determining unanimity.

If, as a result of the attack, the government of the State attacked finds itself unable to communicate with the Council, that state's representative in the Council shall have the right to request the convocation of the Council for the purpose indicated in the foregoing paragraph. In the event that this representative is unable to communicate with the Council, any member state of the League shall have the right to request the convocation of the Council.

*Article* 7

Unanimous decisions of the Council shall be binding upon all member states of the League; majority decisions shall be binding only upon those states which have accepted them.

In either case the decisions of the Council shall be enforced in each member state according to its respective basic laws.

*Article* 8

Each member state shall respect the systems of government established in the other member states and regard them as exclusive concerns of those states. Each shall pledge to abstain from any action calculated to change established systems of government.

*Article* 9

States of the League which desire to establish closer co-operation and stronger bonds than are provided by this Pact may conclude agreements to that end.

Treaties and agreements already concluded or to be concluded in the future between a member state and another state shall not be binding or restrictive upon other members.

*Article* 10

The permanent seat of the League of Arab States is established in Cairo. The Council may, however, assemble at any other place it may designate.

*Article* 11

The Council of the League shall convene in ordinary session twice a year, in March and in September. It shall convene in extraordinary session upon the request of two member states of the League whenever the need arises.

*Article* 12

The League shall have a permanent Secretariat-General which shall consist of a Secretary-General, Assistant Secretaries, and an appropriate number of officials.

The Council of the League shall appoint the Secretary-General by a majority of two-thirds of the states of the League. The Secretary-General, with the approval of the Council shall appoint the Assistant Secretaries and the principal officials of the League.

The Council of the League shall establish an administrative regulation for the functions of the Secretariat-General and matters relating to the Staff.

The Secretary-General shall have the rank of Ambassador and the Assistant Secretaries that of Ministers Plenipotentiary.

The first Secretary-General of the League is named in an Annex to this Pact.

*Article* 13

The Secretary-General shall prepare the draft of the budget of the League and shall submit it to the Council for approval before the beginning of each fiscal year.

The Council shall fix the share of the expenses to be borne by each state of the League. This share may be reconsidered if necessary.

*Article* 14

The members of the Council of the League as well as the members of the committees and the officials who are to be designated in the administrative regulation shall enjoy diplomatic privileges and immunity when engaged in the exercise of their functions.

The building occupied by the organs of the League shall be inviolable.

*Article* 15

The first meeting of the Council shall be convened at the invitation of the head of the Egyptian Government. Thereafter it shall be convened at the invitation of the Secretary-General.

The representatives of the member states of the League shall alternately assume the presidency of the Council at each of its ordinary sessions.

*Article* 16

Except in cases specifically indicated in this Pact, a majority vote of the Council shall be sufficient to make enforceable decisions on the following matters:

(*a*) Matters relating to personnel.

(*b*) Adoption of the budget of the League.

(*c*) Establishment of the administrative regulations for the Council, the Committees, and the Secretariat-General.

(*d*) Decisions to adjourn the sessions.

*Article* 17

Each member state of the League shall deposit with the Secretariat-General one copy of every treaty or agreement concluded or to be concluded in the future between itself and another member state of the League or a third state.

*Article* 18

If a member state contemplates withdrawal from the League, it shall inform the Council of its intention one year before such withdrawal is to go into effect.

The Council of the League may consider any state which fails to fulfil its obligations under this Pact as having become separated from the League, this to go into effect upon a unanimous decision of the states, not counting the state concerned.

*Article* 19

This Pact may be amended with the consent of two-thirds of the states belonging to the League, especially in order to make firmer and stronger ties between the member states, to create an Arab Tribunal of Arbitration, and to regulate the relations of the League with any international bodies to be created in the future to guarantee security and peace.

Final action on an amendment cannot be taken prior to the session following the session in which the motion was initiated.

If a state does not accept such an amendment it may withdraw at such time as the amendment goes into effect, without being bound by the provisions of the preceding article.

*Article* 20

This Pact and its Annexes shall be ratified according to the basic laws in force among the High Contracting Parties.

The instruments of ratification shall be deposited with the Secretariat-General of the Council and the Pact shall become operative as regards each ratifying state fifteen days after the Secretary-General has received the instruments of ratification from four states.

This Pact has been drawn up in Cairo in the Arabic language on this 8th day of Rabi' II, thirteen hundred and sixty-four (March 22nd, 1945), in one copy which shall be deposited in the safe keeping of the Secretariat-General.

An identical copy shall be delivered to each state of the League.

### Annex Regarding Palestine

Since the termination of the last great war the rule of the Ottoman Empire over the Arab countries, among them Palestine, which had become detached from that Empire, has come to an end. She has come to be autonomous, not subordinate to any other state.

The Treaty of Lausanne proclaimed that her future was to be settled by the parties concerned.

However, even though she was as yet unable to control her own affairs, the Covenant of the League (of Nations) in 1919 made provision for a regime based upon recognition of her independence.

Her international existence and independence in the legal sense cannot, therefore, be questioned, any more than could the independence of the other Arab countries.

Although the outward manifestations of this independence have remained obscured for reasons beyond her control, this should not be allowed to interfere with her participation in the work of the Council of the League.

The states signatory to the Pact of the Arab League are therefore of the opinion that, considering the special circumstances of Palestine and until that Country can effectively exercise its independence, the Council of the League should take charge of the selection of an Arab representative from Palestine to take part in its work.

### Annex Regarding Co-operation with Countries which are not Members of the Council of the League

Whereas the member states of the League will have to deal in the Council as well as in the committees with matters which will benefit and affect the Arab world at large;

And whereas the Council has to take into account the aspirations of the Arab countries which are not members of the Council and has to work toward their realization;

Now therefore, it particularly behoves the states signatory to the Pact of the Arab League to enjoin the Council of the League, when considering the admission of those countries to participation in the committees referred to in the Pact, that it should do its utmost to co-operate with them, and furthermore, that it should spare no effort to learn their needs and understand their aspirations and hopes; and that it should work thenceforth for their best interests and the safeguarding of their future with all the political means at its disposal.

# SUMMARY OF CHARTER OF ARAB CULTURAL UNITY

The Charter of Arab Cultural Unity supersedes the Cultural Treaty of 1945.
It was drawn up in Baghdad on February 29th, 1964.

## PREAMBLE

**Concerning the common basis of the cultural and intellectual heritage of the Arab States and the value of co-operation in education, culture and science to the insurance of Arab human rights and the building and advancement of human civilization.**

*Article* 1. The aims of education in bringing up a generation in Arab ideals.

*Article* 2. Agreement between Member States for co-operation and exchange of personnel, organization of conferences and co-ordination of activities in educational and technical matters.

*Article* 3. Agreement to develop and merge the Cultural Department, Institutes of Arabic Manuscripts and the Institute of Higher Arabic Studies to be included in framework of Arab League and to be called The Arab Educational, Cultural and Scientific Organization.

*Article* 4. On standardization of education methods and qualifications, teacher training and administration of educational institutes.

*Article* 5. On co-ordination in higher education; aim to establish a federation of Arab Universities.

*Article* 6. On co-operation in the endeavour to make primary education compulsory and improve secondary education.

*Article* 7. On exchange of specializations.

*Article* 8. On the endeavour to bring up the younger generation adherent to religious principles.

*Article* 9. On promoting the education of women.

*Article* 10. Arabic to be the common language of instruction wherever possible.

*Article* 11. On the endeavour to spread knowledge of all aspects of the Arab countries among member states.

*Article* 12. On the production of a "master book" as main reference book for education in Arab history, etc.

*Article* 13. On the spiritual, national, professional and scientific basis for the education of teachers.

*Article* 14. On the establishment of a teachers' association.

*Article* 15. On revival, safeguarding and dissemination of Islamic Arab culture, language and script.

*Article* 16. On translation of ancient and foreign books, and encouragement of intellectual production.

*Article* 17. On the unification of scientific and civilization terms to assist Arabization.

*Article* 18. On the establishment of a council for Academics.

*Article* 19. On the endeavour to improve relations between public libraries, museums and art galleries, and on archaeological co-operation.

*Article* 20. On co-operation in the arts and mass media.

*Article* 21. On co-operation to issue special literary, scientific and artistic copyright laws for Arab League Countries.

*Article* 22. On the establishment of a publication registration centre in each country; bibliographical information to be sent to the Arab Educational, Cultural and Scientific Organization.

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*Article* 22. On the establishment of a publication registration centre in each country; bibliographical information to be sent to the Arab Educational, Cultural and Scientific Organization.

*Article* 23. On regulations governing the exchange of professors, teachers and experts.

*Article* 24. On the interchange of pupils and students and interim agreements on the equality of certificates pending implementation of Article 4.

*Article* 25. On general co-operation.

*Article* 26. On encouraging travel for cultural, scouting, and sporting purposes in the Arab countries.

*Article* 27. On bringing closer together and unifying where possible separate legislative trends; and on introducing comparative legal studies of Arab countries in schools and universities.

*Article* 28. On co-operation in the co-ordinating of efforts internationally and especially with UNESCO.

*Articles* 29–32. On procedures for ratification, membership of non-Arab League countries, and method of withdrawal.

# ARAB ECONOMIC UNITY AGREEMENT

The Economic Unity Agreement between the member states of the Arab League was drawn up in Cairo on June 6th, 1962, and subsequently came into effect on April 30th, 1964. The Agreement was signed in 1962 by Jordan, Kuwait, Morocco, Syria and U.A.R., in 1963 by Iraq and Yemen, and in 1968 by Sudan. It has been ratified by Kuwait (1962), U.A.R. (1963), Iraq, Jordan and Syria (1964), Yemen (1967) and Sudan (1969). The Unity Council held its first meeting in Cairo on June 3rd, 1964.

The Agreement is summarized below.

## OBJECTS

### *Preamble*

The Governments of the member-states of the Arab League, desirous of organizing between them and unifying their relations on bases accommodating to the natural and historical ties between them, and for the purpose of creating the best conditions for the growth of their economy, for promoting their riches, and for ensuring the prosperity of their peoples, have agreed on creating a complete unity between them, to be achieved gradually with the maximum possible speed ensuring the transition to the desired situation without causing harm to their essential interests.

### *Article* 1

The main objective of the Agreement is to attain complete Arab Economic Unity. The Arab State will thus have a unified, integrated, proportionate Arab economy guided by one single economic policy for all the component parts. The member-states and their nationals are guaranteed equality in the following:

(1) Freedom of movement of persons and capital.

(2) Freedom of exchange of domestic and foreign goods and products.

(3) Freedom of residence, work, employment, and exercise of economic activities.

(4) Freedom of transport and transit and of using means of transport, ports and civil airports.

(5) Rights of ownership, of making one's will, and of inheritance.

## METHODS

### *Article* 2

The Arab states are required to work for accomplishing the following:

(1) The Arab states should be made one customs zone subject to a single administration. Customs tariffs, legislations, and regulations applied in these states should be standardized. This is to be achieved by gradual abolition of customs duties between the Arab states for ensuring the exchange of Arab-made goods and the eventual removal of duties altogether. In addition customs duties should be adjusted between the Arab states so as to arrive at standard rates in respect of the outside world. In this way, the Arab states would be converted into one market where both home-produced and imported goods could move without being subject to any duties other than those imposed in respect of the outside world.

(2) The Arab states should work for standardizing their import-export policies and all relevant regulations. It is a prerequisite for the creation of one Arab market to have import-export policies and regulations unified and co-ordinated.

(3) Standardizing transport and transit systems. As the means of transport will enjoy freedom of movement between all parts of the Arab homeland, they should necessarily become subject to standard regulations.

(4) Trade agreements and payments agreements with outside countries are to be concluded collectively by the Arab states. The creation of one Arab market makes it necessary to have such agreements concluded jointly. Relations with the outside world will be unified.

(5) Policies related to agriculture, industry and internal trade should be co-ordinated. Economic legislation should be standardized in a manner ensuring equal terms to all nationals of the contracting countries in respect of work in agriculture, industry, or any other calling. The co-ordination of these policies and legislations is an inevitable sequence to the creation of the United Arab Market where Arab nationals are to be guaranteed the right of taking up any profession or any economic activity anywhere in the Arab world.

(6) Steps should be taken to co-ordinate labour and social legislation. In so far as Arab workers are to enjoy

the freedom of working anywhere they please in the Arab homeland, it is necessary to make them all subject to one labour law and to the same social security rules.

(7) (*a*) Steps should be taken to co-ordinate legislation concerning government and municipal taxes and duties and all other taxes pertaining to agriculture, industry, trade, real estate, and investments in a manner ensuring equal opportunities.

(*b*) Measures should be taken to prevent the duplication of taxes and duties levied on the nationals of the contracting countries.

(8) The monetary and fiscal policies and all relevant regulations of the contracting countries should be co-ordinated before the standardization of currency.

(9) Standardizing the methods of the classification of statistics.

(10) All necessary measures should be taken to ensure the attainment of the goals specified in Articles 1 and 2 of the Agreement.

It is however possible to by-pass the principle of standardization in respect to certain circumstances and certain countries—this being made with the approval of the Arab Economic Unity Council.

## ORGANIZATION

*Articles* 3–10

Article 3 provides for the establishment of a body with the name of "The Arab Economic Unity Council". This Council will have its centre in Cairo and will be composed of a full member from each of the contracting parties. Decisions are taken by a two-thirds majority. Each state has one vote.

The Council has been vested with all necessary powers for implementing the rules of the Agreement and its protocols, for running the subsidiary committees and establishments and for appointing members of staff and experts.

Branching from the Unity Council are a number of permanent and provisional committees.

The permanent committees are:

(1) The Customs Committee, whose task will be to handle customs technical and administrative affairs and transit affairs.

(2) The Monetary and Financial Committee. This Committee will undertake the handling of affairs pertaining to monetary matters, banking taxes, duties and other financial affairs. Two Sub-Committees have been formed:

(*a*) Sub-Committee on Financial and Taxation Affairs;

(*b*) Sub-Committee on Monetary Affairs.

(3) The Economic Committee. It will be the duty of this Committee to handle matters pertaining to agriculture, industry, trade, transport, communications, labour and social affairs. Five Sub-Committees have been formed:

(*a*) Agricultural Growth Sub-Committee; (*b*) Industrial Co-ordination and Mineral Wealth Development Sub-Committee; (*c*) Planning and Trade Co-ordination Sub-Committee; (*d*) Planning and Transport and Communications Co-ordination Sub-Committee; (*e*) Social Affairs Sub-Committee.

The Council and its subsidiaries enjoy financial and administrative autonomy. The Council will have a special budget to which the member-states will subscribe at the rate of their subscriptions to the budget of the Secretariat-General of the Arab League. The Council has been entrusted with the tasks of formulating regulations and legislations aiming at the creation of a unified Arab customs zone and at co-ordinating foreign trade policy. The conclusion of trade agreements and of payments agreements has been made subject to the approval of the Council. The Council is also entrusted with the task of co-ordinating economic growth, laying down programmes for the attainment of common economic development plans, co-ordinating policies for agriculture, industry and external trade, working out transport and transit regulations and unification of regulations on labour and social security, and harmonizing financial and monetary policies with the purpose of standardizing currency. It will also formulate all other legislation necessary for the achievement of the purposes of the Agreement.

## IMPLEMENTATION

*Articles* 11–20, *Protocols*

The implementation of the Agreement is to take place in successive stages and in the shortest possible time. The Council has been required to draw up a practical plan for the stages of implementation and to define the legislative, administrative and technical measures necessary for each stage taking into consideration the appendix concerning the necessary steps for the realization of Arab Economic Unity, which is attached to the Agreement and constitutes an integral part of it. Article 15 stipulates that any two or more of the contracting parties have the right to conclude agreements for economic unity wider than that provided for under the Agreement.

The Council shall exercise its powers in accordance with resolutions which it will pass, which will be executed by the member-states in accordance with their constitutional rules.

The Governments of the contracting parties have pledged not to promulgate any laws, regulations or administrative decisions of a nature which might conflict with the Agreement or its Protocols. However, the contracting parties have been given the freedom, under the Agreement's First Protocol, to conclude bilateral economic agreements, for extraordinary political or defensive purposes, with outside parties, provided that such bilateral agreements contain nothing prejudicial to the objectives of this Agreement.

The Agreement's Second Protocol places limitations on the powers of the Arab Economic Unity Council. In the course of an initial period not exceeding five years (but which can be renewed for up to ten years) the Council is required to study the necessary steps for co-ordinating the economic, financial and social policies and for the attainment of the following objectives:

(*a*) The freedom of the movement of persons and the freedom of work, employment, residence, ownership, making one's will, and inheritance.

(*b*) Giving unrestricted and unqualified freedom to the movement of transit goods without any restrictions in respect of the type or nationality or the means of transport.

(*c*) Facilitating the exchange of Arab goods and Arab products.

(*d*) The freedom of exercising economic activities—it should be understood that this should cause no harm to the interests of some of the contracting parties at this stage.

(*e*) The freedom of using ports and civil airports in a manner guaranteeing activation and development.

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At its first session held in Cairo from June 3rd–6th, 1964, the Economic Unity Council decided to interpret the time periods suggested in the Second Protocol in such a manner as to speed up the accomplishment of the various phases. Thus the Council considered the five-year period proposed as a maximum limit for the completion of the necessary studies. The Council also resolved to benefit from the rule established in Article 4 of the Protocol, which provided for the following:

"Two parties or more can, if they so desire, agree on ending the introductory stage or any other stage, and move directly to comprehensive economic unity."

The Council has therefore begun by studying the practical steps to be taken for the achievement of economic unity. It was decided that the Arab Common Market project should be accomplished as quickly as possible. A Technical Committee was assigned with the study of the subject, and its detailed report was debated and approved by the Council at its second meeting on August 7th, 1964.

The resolution passed at that meeting called for exempting from customs duties all agricultural and animal products as well as natural resources and industrial goods exchanged between the members of the Arab Market. This exemption will be either complete or gradual. It was also resolved that, in the case of gradual exemption, the rate should be ten per cent in respect of industrial goods and twenty per cent for agricultural products, to be effective from the beginning of 1965.

The Arab Common Market came into operation on January 1st, 1965, with U.A.R., Iraq, Syria, Jordan and Kuwait as members. However, the Kuwait National Assembly voted against ratification of the Agreement in July 1965. The four remaining members of the Council met again in Amman in November 1965.

In mid-1966 the Economic Unity Council adopted a resolution calling for the creation of an ***Arab Payments Union***. The purpose of the projected Union is to reduce or eliminate non-tariff restrictions, imposed by national governments for balance of payments reasons.

In May 1968 at a meeting of the Economic Unity Council it was agreed that free movement of industrial products between member states should be achieved by 1971, and tariffs on agricultural products were to be completely abolished during 1969.

Wall Street Journal Jan 23 '72



# Oil & Money

## Western Nations Fret As Arabs Accumulate Massive Sums From Oil

### U.S., Other States Worry How Funds Will Be Used, Fear Monetary Instability

### 'Up, Up Into the Stratosphere'

By RAY VICKER
*Staff Reporter of* THE WALL STREET JOURNAL

RIYADH, Saudi Arabia—Thanks to their oil, Arab nations are accumulating undreamed-of wealth—which, of course, makes them happy. And they now have successfully put the squeeze on the West to get even more money for their oil—which makes them even happier.

But not everyone is happy. The flood of dollars and other Western currencies into Saudi Arabia and other oil nations threatens to become the "No. 1 problem of the world monetary system during the next decade," says an international economist for a major New York bank. The key question: How can the money be used? In the most pessimistic view, this new situation could mean monetary instability or oil shortages—or both.

At the very least, major changes in international relationships are likely in the long run,

*The huge amounts of money that Arab nations will get from selling their oil could imperil the world monetary system and spur the U.S. to new political activity in the Mideast. This is the first of two stories examining the situation.*

according to officials interviewed in this Saudi Arabian capital; in Jedda, the nation's diplomatic center; and in Dhahran, its oil center. Western central bankers may have to find a seat for this nation at their councils. Arab money may become a new source of investment in the U.S. oil industry. America's exporters may have to work harder if the U.S. is to stem a dollar drain because of oil imports. And, like it or not, Washington may have to pay more attention to Arab wishes and sensitivities—because by 1985 it is estimated the U.S. will be importing about half of its oil, and most of this will come from the Middle East. (Right now, the U.S. imports 23% of its oil, mostly from Latin America and Canada.)

In another decade, this desert nation of five million to eight million persons is likely to have reserves of about $30 billion in gold and foreign exchange. That would be more than double the present American total, and it clearly would turn this developing country into a monetary giant. At the same time, Saudi Arabia and other Persian Gulf nations will become industrial giants. They signed an agreement with Western oil companies giving those nations a 25% equity interest in the firms' oil production, effective Jan. 1 of this year. Companies in Saudi Arabia currently produce about six million barrels of oil a day—roughly half the output of the Arab states of the Persian Gulf.

#### The Need for Cooperation

So what will happen? In an interview here in Riyadh, Sheikh Ahmed Zaki Yamani, Saudi Arabia's Harvard-trained minister for oil, declares:

"We don't believe in the use of oil as a political weapon in a negative manner—embargoes and things like that. We believe the best way for Arabs to employ their oil is as a basis for true cooperation with the West, notably with the U.S."

In the Saudi view, cooperation should include opportunities for Arab investments in refining and marketing of oil. This month representatives of nine Arab nations took the first steps at a Kuwait meeting to launch a tanker-fleet company. And Abdullah Absi, director of petroleum affairs for the neighboring sheikhdom of Abu Dhabi, is talking with interests in Pakistan and Malaysia about possible joint-venture refineries there. He says he has received "several offers" from the U.S. for joint-venture refineries on the American East Coast that would be served with Abu Dhabi oil.

Non-Arab Iran, another Persian Gulf state, isn't involved in participation takeovers because it nationalized its oil industry two decades ago. Still, it also is going into other operations. It now has part of a refinery in South Africa, has plans for other joint refineries in Belgium and Greece, and is even looking for oil in the North Sea in cooperation with British Petroleum Co.

If the Arabs are sounding conciliatory on matters of oil, so, too, are they on matters of money. Anwar Ali, the governor of Saudi Arabia's monetary agency, which is based in Jedda, says, "International cooperation on a broad scale will be necessary to minimize the disruptive effect of a massive accumulation of foreign reserves by Arab nations in the Middle East. We realize it is to our advantage to handle our surplus funds in a manner that doesn't disrupt the system. Stability is as important to us as it is to the Western world. You must help us by providing opportunities for us to invest our surplus funds."

#### Monetary Repercussions

But can the U.S. and other nations provide such investment opportunities? The answer isn't clear yet. Saudi Arabia's offer to invest in the U.S. oil industry is conditional: The U.S. must lift all duties and import restrictions on petroleum from Saudi Arabia. This arrangement would help tie down surplus Arab funds and would ease the U.S. balance-of-payments deficit. But it would be opposed by other oil producers, such as Iran, which also want privileges in the U.S. market. In addition, Washington doubts that such close financial arrangements with any foreign power are wise.

Walter J. Levy, an oil consultant based in New York, told a recent meeting of the American Petroleum Institute that it is "most unlikely" that the U.S. or any other developed country "would permit continued massive foreign investments on a scale that would progressively result in foreign takeovers of important companies and industries."

If the Arab money stays in short-term financial holdings, as at present, and continues to grow, billions could be transferred quickly from one Western nation to another for whimsical reasons, raising monetary havoc. Unless this vast accumulation of funds can be immobilized, Sen. Hubert Humphrey warns: "The sheikhs of Arabia will control the dollar."

In less alarmist terms, Mr. Levy, the oil consultant, says the short-term money markets couldn't handle "such excessive and most likely very volatile funds without undermining the world's monetary arrangements." He sees the risk of "severe international repercussions."

So a lot of people are worried. In Western Europe, some central-bank officials realize that the $30 billion reserve figure projected for Saudi Arabia within a decade is about the size of the flow of "hot money" that helped upset the old monetary system in 1971. Hot money refers to funds that are transferred across borders to take advantage of higher interest rates, safe money havens or other short-term factors.

Bankers also remember how in the 1960s, when Britain's pound sterling was weak, the Arabs made periodic, politically inspired threats to transfer funds out of England to bring down the pound. At that time the principal funds consisted of the more than $1 billion holdings by Kuwait—peanuts by the standards of the 1970s.

As a result of all this, Mr. Levy, the oil consultant, sees the possibility of "potentially extensive restrictions on the free flow of capital." He adds, however, that any international restrictions on capital or short-term movements of funds would harm the monetary system. "In the affected Middle East and capital-surplus countries," he asserted in his speech, "any restrictions on their investments abroad would probably be accompanied by restrictions on the output of oil."

As the economy in the U.S. thrives, the dollar is picking up some strength. But with Saudi Arabia and, to a lesser extent, Abu Dhabi, Kuwait and Libya promising to become nations with big balance-of-payments surpluses, it remains to be seen whether the dollar can remain strong.

By 1980 fuel imports are expected to cost the U.S. a net $10 billion more annually; thus the U.S. would have to take in vast new hard currency earnings just to maintain the status quo in its international payments. And with this year's deficit estimated to be $15 billion by one leading measurement, Washington already considers the payments imbalance unacceptable.

#### Skirting the Issue

In preliminary discussions about revision of the monetary system, the Committee of 20 has skirted the issue of monetary imbalances. The committee consists of officials from 20 nations whose task is to recommend new rules and procedures for maintaining international monetary stability. The U.S., for instance, would like a system that would compel any nation accumulating huge surpluses to make an immediate upward revaluation of its currency. However, any such system wouldn't work with Saudi Arabia or sister states; oil payments are designated in dollars with provisions for automatic increases if the dollar's value deteriorates. And, anyway, European nations aren't ready to accept the U.S. proposal.

Jan 23 1973

# Oil & Money: West Frets as Arabs Pile Up Massive Revenues From Oil

The new participation agreements with the oil companies are adding even more money to the accelerating revenue of the Persian Gulf nations. Abu Dhabi, for instance, estimates that participation will add another $220 million in the next three years. Kuwait puts its net additional gain at $300 million. The nations are buying 25% of the companies' holdings at a price of about $1 billion. The states' percentage is to rise in steps to 51% by 1982. Involved are Saudi Arabia, Kuwait, Abu Dhabi and Qatar, with Iraq likely to follow.

In 1971, oil-producing nations of the Middle East earned $7.1 billion in revenues. In the 1972-75 period, they are expected to take in a total of $79 billion or so. And by 1980, according to the reckoning of the Conference Board in New York, these nations will be collecting about $30 billion a year.

Saudi Arabia's gold and foreign-exchange reserves totaled $2.5 billion last Nov. 6, the latest date for which figures are available. This is a rise of $794 million from Jan. 1, 1972, Mr. Ali says. The buildup is expected to continue under the triple combination of rising oil prices, much higher production and a larger share of revenue going to the country rather than the companies.

The monetary agency estimates that Saudi Arabian oil revenues in the year ending next August will be $2.9 billion, without making any allowance for the "substantial revenue increase" expected to stem from the participation agreement. The year-earlier total was $2.3 billion. Saudi officials are reluctant to do much forecasting, but some sources predict that oil revenues will double from the current level by around the middle of the decade and may double again by the end of the decade.

One Western banker who has been operating as a money adviser here says, "Saudi Arabia's reserves will be going up and up, right into the stratosphere."

Much of the oil that the U.S. is likely to take from the Middle East in the future will probably come from Saudi Arabia. Oil Minister Yamani summarizes the situation this way: "The U.S. is the world's biggest oil market. We are the world's biggest oil supplier. It is natural that we should cooperate with each other."

A U.S. Commerce Department report says:

"With U.S. dependence on foreign oil increasing and with Saudi Arabia fast becoming a leading supplier of our requirements, it is only a matter of time before the U.S., for the first time in the history of its trade with Saudi Arabia, slips into a net deficit." The report adds: "The aggressive selling on the part of U.S. exporters that might possibly prevent this from occurring has yet to develop."

**Output Is Rising**

Because of rising taxes and royalties and the recent participation agreement, major international oil companies with operations in this part of the world are experiencing an increase in the per-barrel costs of their oil. So they raised their average price level to consumers by about 10 cents a barrel, and consumers are likely to face a steady rising price trend in the years ahead. Some oil sources say consumer prices in 1980 will be at least double what they are today, and even higher than that if inflation is added to raise crude prices.

Saudi Arabia is pushing its production hard. In 1972, the country's output was 5.73 million barrels a day, up 28% from 1971. Expectations are that production this year should average about 7.3 million barrels a day. And in 1975 the country is expected to be producing at a level of 10 million barrels—a figure that would exceed U.S. output. By the early 1980s, Saudi Arabia's daily production may rise to 20 million barrels. With proven reserves of more than 150 billion barrels, the country has the capacity for such increases.

Mr. Ali says that such increases are "conditional upon receipt of cooperation from the Western world so that oil may be produced and delivered at reasonable prices in a situation agreeable to both producers and consumers." He adds that a "just settlement" of the Arab-Israeli question would be one of the best ways to assure the cooperation of the Arab world, and some sources in this part of the world believe that such talk is spurring the U.S. to seek a solution to the Mideast dispute.

WASHINGTON POST




By William Perkins—The Washington Post

# 'Camel Money'

*By Ronald Koven*
Washington Post Staff Writer

AT A RECENT conference of European and American opinion leaders, former Under Secretary of State George W. Ball, now a Wall Street investment banker, facetiously offered an easy solution to the problems of the Middle East. "Let the Arabs buy out Israel for $100 billion," Ball proposed. "That would come out to about $250,000 per family of five. And then resettle the Israelis in Northern Ireland."

"I have another idea," interjected John J. McCloy, former U.S. high commissioner in Germany and former chairman of the Chase Manhattan Bank. "Why not let the Arabs buy up all the big Western corporations—GM, Imperial Chemical and so forth. Then we'll expropriate them. Without compensation, of course."

The jokes were about a very serious problem that is only beginning to attract the attention of Western leaders. As American, Japanese and European petroleum needs periodically redouble and other sources of supply dwindle, Middle Eastern desert oil sheikhdoms are going to find themselves amassing billions of dollars more than they need for improving the lot of their tiny populations, let alone for buying themselves more air-conditioned palaces, Cadillacs, yachts and executive jets.

The mischief-making possibilities of all that loose "camel money," as the New Yorkers call it, can be nightmarish. It is easy to imagine tiny sheikhdoms using their funds as war chests to manipulate Western currencies, to withhold oil for months or years as political blackmail or to finance armed insurgencies. The possibilities are endless; but the likelihood of all or even most of them occuring is uncertain.

As the House Foreign Affairs Near East subcommittee put it in September, in the first congressional report on U.S. interests in the Persian Gulf: "Never before in the history of mankind have so many wealthy, industrialized, militarily powerful and large states been at the potential mercy of small, independent and potentially unstable states which will provide, for the unforseeable future, the fuel of advanced societies."

## Many Imponderables

AMERICANS are used to thinking of the Arab world as a single unit of more than 100 million people. But the desert Arabs who are amassing the great bulk of the oil revenues number 10 to 12 million in Libya and the Persian Gulf. Saudia Arabia, which sits atop a quarter of the world's known petroleum resources, is the largest, with fewer than 8 million people, but no one knows the exact numbers in some of the remote emirates of the southern Gulf.

The accumulation of massive oil revenues in states with such small populations is an aspect of the world energy crisis that has received little attention so far. McCloy, who has broad, high-level contacts in the Nixon administration, complains that he has yet to meet anyone in government who has given the matter serious thought. In fact, however, a small but growing number of officials at the White House, the Treasury and State Departments and the International Monetary Fund are thinking, talking and writing about the problem—largely among themselves.

Except in some academic circles, few conclusions are offered. Official estimates must be based on all kinds of assumptions about the future — the price of oil, the amounts needed and produced, the spending and saving proclivities of the sheikhs, the Arab-Israeli conflict and the leftward drift of the Arab world.

One estimate, perhaps the highest, is that the Middle Eastern oil producing countries will earn $1 trillion in less than 30 years. But this estimate, recently cited by Robert O. Anderson, chairman of the Atlantic-Richfield Oil Co., seems to presume an unmodified continuation of all present upward trends.

The Middle East's monetary reserves have risen more than 50 per cent in the past 12 months. Saudi Arabia, for instance, has tripled its central bank reserves since January, 1971, to more than $2 billion.

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George A. Lincoln, director of the Office of Emergency Preparedness, referred to this in testifying before the Senate Interior Committee this month that "certain of the oil states are accruing large revenues which will eventually permit them to risk losses of revenue for considerable periods of time for political ends." But Lincoln's warning was against organized oil boycotts, not against the damage that use of the money itself could do.

## Money Beats Oil

OIL BOYCOTTS head most lists of the potential disasters that the Arab world could inflict on the West. But many students of the matter consider an effective Arab oil boycott an iffy possibility at best. When it was tried after the Arab-Israeli war of 1967, the oil "leaked" in great streams from consuming countries not being boycotted to the nations the Arabs were trying to punish.

The State Department view, however, is that after 1975, boycotts — even by one supplier at a time—could become more effective. This is because a consuming country's ability to switch to alternate sources of supply will become severely restricted as the world's spare producing capacity rapidly declines.

Nevertheless, money may prove a far more effective weapon than oil. Most oil boycott scenarios involve a group of oil producers acting in concert. But a single country can apply monetary muscle against anyone; to do as much damage with a production boycott, it first must make a consuming nation vulnerable by becoming its regular source of oil.

Even the strongest currencies can be subject to periods of weakness, and a sophisticated central banker can lie in wait for such a critical point to cause a run on another country's money. Money, in many ways, is a commodity like any other obeying the laws of supply and demand. When a particular currency is a glut on the market at a given rate, the pressure is on for devaluation. Dumping more of the currency on the market, or even threatening to do so, leads to panic selling. Such behavior was a standard part of the foreign-policy weaponry among the nations of prewar Europe.

In the 1960s, Charles de Gaulle used France's reserves (then $6 billion, now $10 billion) to hurt the United States by cashing in French dollar holdings for gold. His example, it is generally accepted, was closely watched by Middle Eastern governments. It is alleged by some bankers that Israel subsequently turned the general's own monetary tactics against him, orchestrating the dumping of francs at a weak moment to retaliate against de Gaulle's embargo on arms for Israel.

A variant of such tactics was discussed recently at an Arab oil conference in Kuwait, according to James E. Akins, head of the State Department's Office of Fuels and Energy: "The suggestion was put forward that Arabs should move their money around from bank to bank within a country 'as a warning' if the host governments were suspected of taking anti-Arab actions. If this government, where the money was being held, persisted in its 'hostile' actions, the funds would be withdrawn."

Another nightmare possibility is that Arab governments would enter Wall Street with the objective of political manipulation, buying stocks and dumping them, taking over companies that deal with Israel and so on.

## Games Libyans Play

PUNITIVE shifting of funds has already been employed by Libya's mercurial Muammar Qaddafi. A year ago, angered over Britian's allowing Iran to occupy three islands in the Persian Gulf, Qaddafi ordered Libyan funds converted out of pounds sterling. Estimates of the amount involved range anywhere from $300 million to $1.2 billion—precise intelligence in such matters is hard to come by. He now is said to be shifting his holdings into Eurodollars.

Qaddafi's monetary reserves total about $3 billion, which may not sound like a lot in these days of a $1 trillion U.S. economy. But Washington currently holds about $13 billion in reserves for a population of 210 million, while Libya's $3 billion is supposed to cover the contingencies of a population of fewer than 2 million. U.S. reserves are enough to cover what economists consider a healthy minimum of three month's worth of American imports; Libya's reserves would cover 15 months of imports.

Obviously, the Libyans can afford to play games and the Americans cannot. The Libyans are already hard at work trying to make some of the Western nightmares come true. The political pressure of the Libyan example seems to have induced conservative Saudi Arabia to do some of the same.

Qaddafi has announced that Libyan money bought arms for Irish Republican army terrorists in Ulster. He pledged support for Malta in its negotiations to get more money from NATO for the allied naval base on the strategic Mediterranean island. And there are signs that Libyan money has recently been used to sever Israel's ties to African nations.

As one highly placed Arab put it, "Why do you think all these African countries are suddenly cutting their relations with Israel? They didn't get a messenger from God. They got oil money."

In the case of Chad, Qaddafi publicly pledged about $90 million for the sparsely populated country. Saudi Arabia's King Faisal recently visited Niger, another of the five African countries that have broken with Israel. The king reportedly left behind $10 million as a gift.

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## Funds For Fatah

ARAB OIL MONEY has already been in use for some time to finance the Palestinian guerrilla movements and their terrorist offshoots. There is so much loose change in the Persian Gulf that even a small fraction of it devoted to guerrilla activities can produce significant results.

In the Arab oil sheikhdoms, the distinction between governmental money and the income of ruling families and their cousins is not always strict. Palestinian fund raisers are said to do the circuit of the Persian Gulf emirates, as one U.S. official put it, "just like the United Jewish Appeal canvasses American Jewish businessmen, in search of 'conscience money.'"

The Palestinian fund raisers are effective not only because of the obvious appeal that they are in the front line of the Arab nation's struggle, but also because Palestinians have become a potent source of skilled professional manpower throughout the region. In comparison with other Arabs, the dispossessed Palestinians are both highly educated and underemployed. They therefore serve as a pool of advanced expertise for the Gulf states, whose populations are largely illiterate and only beginning to enter the 18th century.

In Kuwait, by far the most advanced Gulf state, the governmental apparatus has become largely dependent on Palestinian bureaucratic talent, which helps explain why that tiny oil state has become one of the Palestinian movement's major bankrollers.

There is a limit, however, to how many bazookas and submachine guns the Palestinian groups, as presently constituted, can absorb. It must at least have crossed the minds of the Israelis that future Arab oil revenues could be used for huge expansions of the arsenals of the Arab armies. Some private authorities actually suggest that encouragement of heavy arms purchases would be a logical way of sopping up excess oil revenues.

The State Department's Akins pointed out in a recent speech that Iraq has already spent hard currency to buy Soviet bombers capable of "hitting Rome and returning without refueling."

"Should Iraq, or indeed any country with almost unlimited income from oil," he observed, "decide to buy sophisticated armaments, there would seem to be no practical limits on how much of this could be spent—as depressing as it may seem. I suppose that Iraq could spend $8 billion of its $10 billion a year on arms. These new weapons might enable the government to exterminate the Kurds . . ."

But, Akins added, he found it difficult to believe that even this kind of arms buying could affect Israel's position in the next few years because "training troops, pilots, tank commanders takes a long time."

## Husbanding Resources

FOR THE WORST of the West's nightmares about "camel money" to come true, a series of assumptions about future trends would have to be borne out. These assumptions turn out to contain varying degrees of probability:

• *The first assumption: that oil production will continue to expand at the present fantastic rates for the rest of the century.*

There are already signs that Arab governments view oil as a finite source of wealth which must be husbanded.

Kuwait, whose 66 billion barrels in proven reserves are exceeded only by Saudi Arabia's 145 billion (and the Soviet Union's mostly remote 75 billion), has already announced that it will stop expanding production. It is a tiny territory, and almost all of its oil must have been found by now. The population of 750,000 already has welfare state benefits rivaling Sweden's, no income taxes and two air conditioners per capita. Combined monetary reserves are slightly more than the Saudis'—enough to cover 40 months' imports. Under the circumstances, it is not surprising that the Kuwaitis are thinking of preserving their "national patrimony" for furture generations.

Partly to spite the British, Libya has restricted production. Iran plans to establish a production plateau at less than double the present levels. Even the Saudis, whose annual oil discoveries still exceed annual production, are talking about eventual limits, albeit at four times the present levels. Saudi Oil Minister Sheikh Zaki Yamani has said that his country will continue to double and redouble production only "provided it can find adequate uses for its income at home and satisfactory investment opportunities abroad."

Yamani was serving notice that Saudi Arabia will not be satisfied to add more than $1 billion a year to its monetary reserves indefinitely. The Saudis say they would rather see their money earning 10 or 12 per cent from investments rather than let foreign banks cream off half the earnings for managing Saudi funds. Money that is tied up in long-term investments would not be available for the kind of monetary fun and games that must be rapidly organized.

Assuming present trends hold, Akins calculates that Arab monetary reserves would increase tenfold by 1980 over the present total of $10 billion. "This is staggering," he adds, "but I do not believe there is any chance this will be achieved. Long before that point, the money will have been spent or invested or, if it cannot be, production would have been cut back."

## Will Prices Keep Rising?

• *The second assumption: that the price of a barrel of Middle East oil will continue to rise, and that the producing governments' share will also continue to rise.*

The assumption of indefinitely rising prices for a barrel of oil ignores the need for the oil producers to hold price levels below those of alternate energy sources lest such still uneconomic schemes as extracting oil from shale or from heavy petroleum tar are made profitable. Oil's real future rival is, of course, atomic energy. But, with the international producers' cartel, the Organization of Petroleum Exporting Countries (most of the Arab oil states plus Iran, Venezuela, Nigeria and Indonesia), the sellers have created an effective, centrally controlled oil-pricing system that seems to insure a price advantage for petroleum at least until the end of the century.

There are also those who have predicted that oil prices would drop sharply. Prof. Morris Adelman of the Massachusetts Institute of Technology predicted in 1963 that prices would drop to $1 a barrel. (They are now reaching for $6.)

In a recent article in Foreign Policy magazine, Adelman said his prediction would have been correct in strictly economic, supply-and-demand terms, but that he had not expected "the consuming countries, especially the United States, to cooperate so zealously" with OPEC in negotiating higher prices under the threat of production boycotts.

## How Much Dependency?



• *The third assumption: that the United States will eventually become dependent on the Middle East for more than half its oil.*

What gives this assumption—and many of the others—a special impact is an often unstated set of Western beliefs about the Arabs: They are fundamentally unstable. They are governed by passion. They are vindictive. They are childlike. Even the most committed Arabists, sooner or later, seem to betray a paternalistic, and therefore condescending, attitude.

Justified or not, the all-pervasiveness of this attitude led one State Department man to remark, "I can't help wondering if we would worry so much about this problem if the oil were not in the Middle East. We don't worry much, after all, about the other oil in underdeveloped countries—Nigeria, Venezuela, Indonesia. And those countries are not any more fundamentally stable than the Arab states."

As an expression of this attitude, the report in early 1970 of the President's Task Force on Oil Import Controls headed by then-Secretary of Labor George P. Shultz said that dependence on Middle East oil for more than 10 per cent of U.S. needs would be dangerous. The group predicted that that point would not be reached before 1985. In fact, Middle East oil already represents 15 per cent of U.S. consumption, and more than 80 per cent of Western Europe's. Last September's House Near East subcommittee report estimated that the United States would need to import half its petroleum by 1980, and that two-thirds of the imports would be Middle Eastern.

The dominant thinking in the U.S. government seems to be that the United States, the world's biggest fuel burner, must take steps to reverse the trend to Middle East oil at home. This involves a variety of approaches—increased exploration for Alaskan and offshore oil, diversification of energy sources, research and development, an alliance with the ecology movement to encourage European-style automobiles with more-miles-to-the-gallon, Western Hemisphere preferences for Venezuelan as well as Canadian oil, etc. It all spells an eventual plateau in the U.S. demand for Arab oil.

"Threats to use oil as a political weapon made by the government of Libya and others are of considerable assistance," says Akins, "in getting popular acceptance of the proposed belt-tightening."

## "Turban in Your Tank"

• *The fourth assumption: that the Arab oil states will simply stockpile money, while—in something of a contradiction—they simultaneously acquire the high degree of monetary sophistication needed to manipulate the world's money market.*

Sheikh Yamani, who is also OPEC's chief negotiator, has offered one way to tie down the loose cargo of Arab oil money. He has proposed what one Washington wag calls the "Put a Turban in Your Tank" solution—a Saudi guarantee of a large, specified supply in exchange for the elimination of tariffs and import quotas and the granting of the right for Saudi Arabia to invest in "downstream" oil operations of U.S. companies: tankers, refineries, marketing and distribution systems and, ultimately, the corner gas pump. U.S. officials have publicly responded that the Saudis are welcome to invest, but that a long-term government-to-government oil treaty is out.

The reason seems obvious. What Yamani is asking for is that Washington grant Saudi Arabia a monopolistic preponderance in supplying oil to the United States. While Americans, as the world's largest energy consumers, will probably become dependent on the Saudis in any case, a formal contract would only accentuate the weakness of the U.S. position.

The Saudis, in fact, defend their growing relations with the United States against radical Arab criticism by pointing out that a strong Saudi-American economic connection would eventually give the Arabs far more political leverage over U.S. policy than any amount of revolutionary, anti-American rhetoric.

The influence of Arab money on Wall Street seems inevitable. Students of such phenomena say that the strong pro-Israeli influence on the Street would have made unthinkable four or five years ago the now frequent listing of Kuwaiti banks in announcements of underwriters for new corporate stock and bond issues. Sheer financial weight has won the Kuwaitis that place.

But the Arabs risk eventually provoking the same kind of Gaullist-style nationalistic backlash that finally met once-welcome U.S. investors in Western Europe.

George Lincoln testified that "perhaps there may be a point beyond which such (Arab) investments would become undesirable, but that is certainly a long way off."

Investments in America and Europe will undoubtedly sop up many of the Arab oil dollars. This is now positively viewed by the U.S. government as an offset for the $10 billion yearly outflow projected by 1980 for U.S. oil imports and because it will give the Arabs a stake in the American economy. "It will give us something to expropriate if they expropriate us," was the way one official put it. It will also give the oil companies the investment capital they desperately need and will no longer be able to finance out of their reduced profits as the Arab governments take the lion's share of revenues.

But the real potential market for the "camel money" is in the Arab world itself, American experts think. They look forward to the establishment of a Middle Eastern "Arabodollar" market, like the Eurodollar market, where dollars are trapped in a closed European circuit and rarely come home.

Arabodollars are already at work to some extent. The new apartment houses of Beirut are largely a sheikhly preserve. The sheikh's appreciate the virtues of blue chip real estate. Kuwait is estimated to have distributed $1 billion in grants, loans and gifts to less-fortunate Arab countries.

The real expansion of the Arabodollar market is waiting, however, for the conversion of the Egyptian economy from a war footing to peaceful development. Egypt, the region's political giant, is an economic pygmy. With a population of more than 30 million, Egypt has a gross national product of $5 billion. If Egypt's federation with Libya becomes a reality, Qaddafi will find that meeting Egypt's overwhelming needs will more than absorb his oil revenues, much diminishing his capacity to rock the international monetary system.

But Egypt's needs are so great that they are bound to suck Saudi money into the economic vacuum also. There are those who think the process is already beginning. It is said to be hard to get a hotel reservation in Cairo nowadays because of all the visiting sheikhs looking over the investment and other opportunities. A match between the Arab world's leading petroleum power and its leading political, population and cultural power would only need peace and a moderate government in Cairo to take place almost automatically, many American experts believe.

## Support for Israel

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• *A final assumption: that economic self-interest both on the U.S. and Arab sides will be subordinated to politics, with the Americans continuing to support Israel at the risk of inciting the Arabs to a more anti-Western stance and with at least some of the Gulf states—possibly even Saudi Arabia—cutting themselves off from their natural Western customers by following the revolutionary path of Libya and Iraq.*

The Israelis have generally taken the position that U.S. oil policy has no real relationship to the Arab-Israeli conflict. So far, the U.S. oil companies, acting as spokesmen for their Arab suppliers, have not had any measurable impact on the pro-Israeli aspects of U.S. policy, but the pressures are mounting. As George Lincoln put it, "a total energy policy" requires a number of U.S. measures, including "foreign policy actions to further the stabilization of the Middle East."

That can mean only one thing: pressing harder for an Arab-Israeli settlement.

Lincoln was testifying before Senate Interior Committee Chairman Henry M. Jackson (D-Wash.), one of the most vocal supporters of Israel in U.S. public life. Jackson recently returned from a visit to Saudi Arabia, the first in five years by a U.S. senator. While Jackson is not known to have modified his views on Israel, the Saudis see his willingness to come and listen to them as a favorable straw in the wind.

Inevitably, there will be an erosion of U.S. support for a stand-pat position in which Israel prefers to sit pretty with the territory it now holds to making a compromise with the Arabs. The future U.S. dependency on Arab oil, the coming Arab shareholding in the U.S. economy and the still-latent fear of Arab monetary warfare, quite aside from the desire to reduce Soviet opportunities for intervention in the Middle East, will all converge to create a stake in the kind of Arab moderation represented by Saudi Arabia's Faisal.

It has often been argued that the trend to radical, "revolutionary" regimes in the Arab world has been fostered by the struggle against Israel, that deposed rulers like Egypt's King Farouk, Libya's King Idris and the Imams of Yemen proved themselves incapable of meeting the Israeli challenge. Not that the revolutionaries have done any better, but they seem to have convinced Arab opinion that at least they mean business. This is the basis for the assumption that sooner or later one or more of the Persian Gulf emirates will go the way of Libya, Iraq and Syria. The U.S. stake in maintaining moderate regimes is bound eventually to start tipping against the American commitment to Israel.

**As the guardian of the Moslem holy places, even Faisal must be ideologically committed to opposing unqualified Israeli control of Jerusalem. He is therefore vulnerable to Palestinian appeals for help, even when they come from self-proclaimed Marxist revolutionaries. He helps finance Al Fatah, the main guerrilla group. But he has demonstrated no fundamental opposition to an accommodation with Israel — especially since it might well ease some of the radical pressures on his highly traditional society.**

That very traditionalism, with its inbred lack of worldy expertise, is another of the forces expected to militate against the political exploitation of "camel money" in the international arena. The head of the Saudi monetary agency, who was here recently to discuss with the likes of Chase Manhattan, First National City Bank and the International Monetary Fund how Faisal's reserves should be invested, is a Pakistani, not a Saudi.

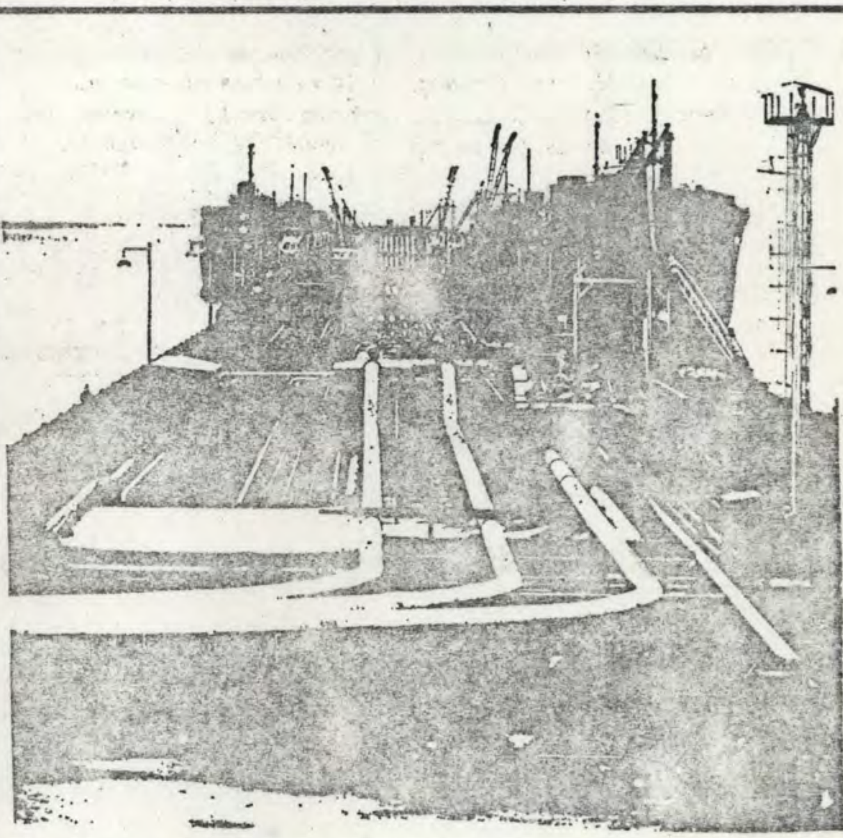
The oil revenues do mean that there should be plenty of scholarships to send natives of the Gulf states to the Wharton School and Harvard Business to learn how to run their own national monetary agencies. The Saudi government provides 1,000 U.S. scholarships a year for future civil servants. The products of such educations are not very likely to become Arab revolutionaries inclined to play Samson with the international monetary system.

In any case, the oil states are still so strapped for qualified personnel that there are not even any petroleum affairs experts to serve with Saudi embassies in such key oil-consuming countries as the United States, Britain and Japan. University graduates with assured jobs to come home to do not have the same radical temptation as the students of other Third World countries like India or Egypt, where the educated simply join the uneducated in the pool of unemployed.

THERE IS a feeling of relief at the IMF, where the problem of how to deal with excessive central bank reserves in any reform of the world monetary system has been under discussion. Treasury Secretary Shultz has been pressing for a system of penalties, such as automatic revaluation of heavily backed currencies, aimed at discouraging West German and Japanese accumulation of reserves.

But the representatives of the OPEC states in the IMF's Group of 20, in a reaction some officials hope is a clue to healthy future attitudes toward their reserves, have argued that such penalties should not be applied to them, because their reserves are not reserves in the traditional sense but long-term investment funds.

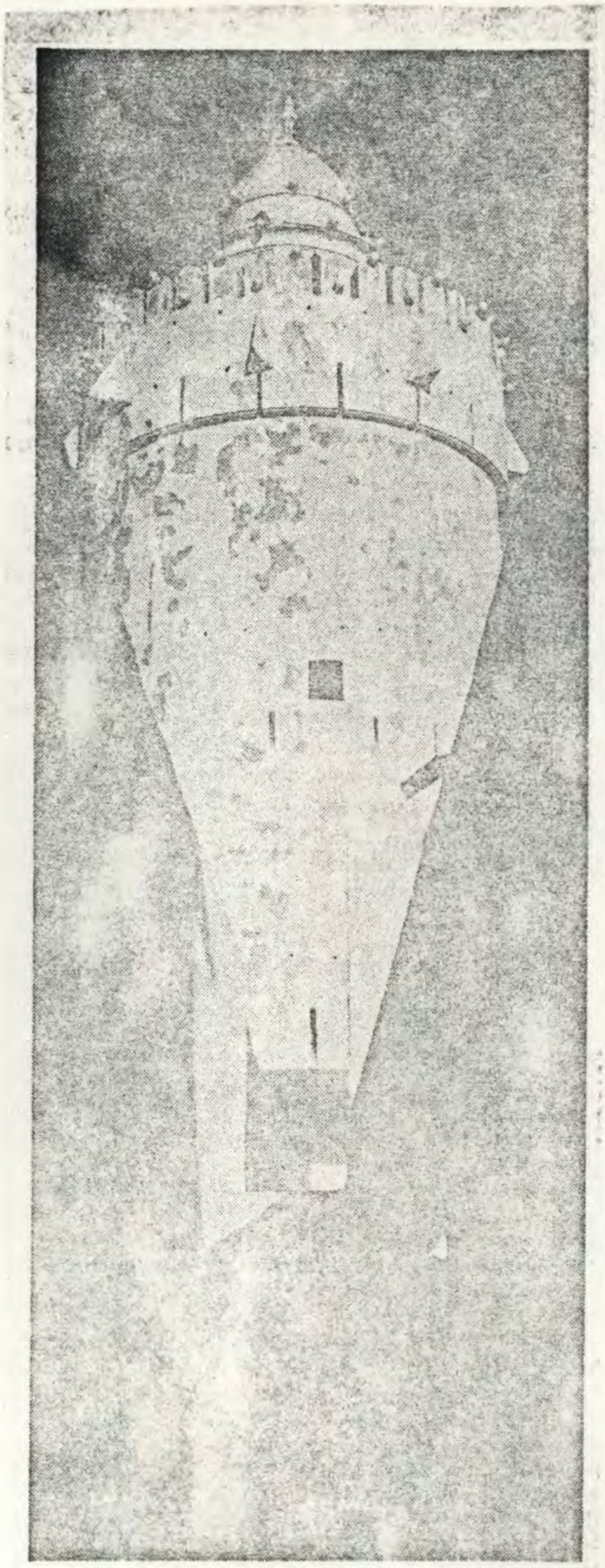
**Yet even the most optimistic U.S. officials volunteer that the magnitude of the funds expected to accrue to the Gulf states is such that even if 95 per cent were put to economically productive uses, the potential for political blackmail in the small unproductive balance is still enough to cause nightmares in the West.** 5.



**GOVERNMENT OIL REVENUES**
(In millions of dollars)

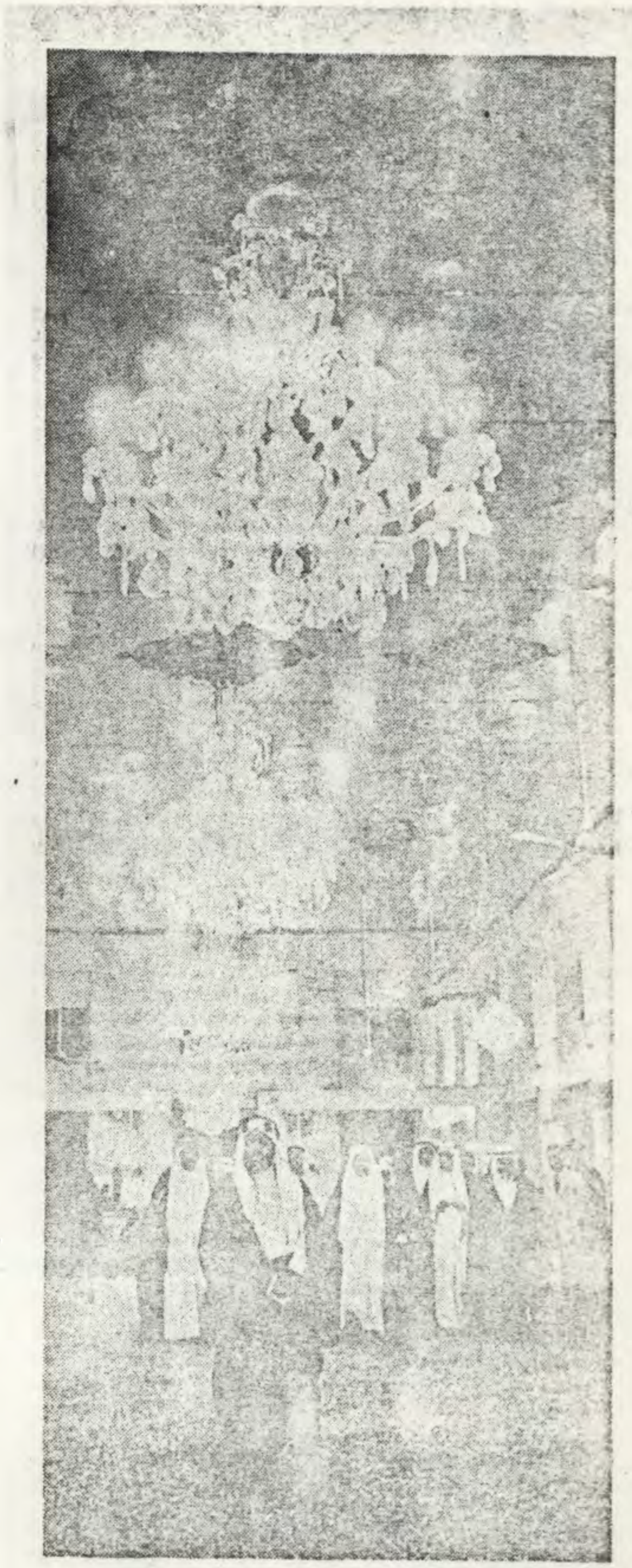
| Year | Kuwait | Saudi Arabia | Iran | Iraq | Dhabi | Qatar | *Others | Total Mideast | Libya |
|---|---|---|---|---|---|---|---|---|---|
| 1961 | 464 | 400 | 301 | 266 | ... | 53 | 13 | 1,498 | 3 |
| 1962 | 526 | 451 | 334 | 267 | 3 | 56 | 13 | 1,649 | 39 |
| 1963 | 557 | 502 | 398 | 325 | 6 | 60 | 13 | 1,861 | 109 |
| 1964 | 655 | 561 | 470 | 353 | 12 | 66 | 14 | 2,131 | 197 |
| 1965 | 671 | 655 | 522 | 375 | 33 | 69 | 16 | 2,342 | 371 |
| 1966 | 707 | 777 | 593 | 394 | 100 | 92 | 19 | 2,682 | 476 |
| 1967 | 718 | 852 | 737 | 361 | 105 | 102 | 24 | 2,898 | 631 |
| 1968 | 766 | 966 | 817 | 476 | 153 | 110 | 83 | 3,370 | 952 |
| 1969 | 812 | 1,008 | 938 | 484 | 191 | 115 | 118 | 3,666 | 1,132 |
| 1970 | 897 | 1,200 | 1,076 | 513 | 231 | 122 | 150 | 4,189 | 1,295 |

Source: Petroleum Press Service, from the Washington Papers volume, "Oil, The Middle East and the World," by Charles Issawi.
*Bahrain, Oman (beginning in 1967) and Dubai (beginning in 1969).



By Horst Faas—Associated Press

*Former Sheikh Shakhbut of Abu Dhabi, deposed in 1966 by his brother, hoarded his oil wealth in biscuit cans kept under his bed in a castle watchtower.*



By Horst Faas—Associated Press

*The ruler of Bahrain, Sheikh Isa bin Sulman al-Khalifa, leaves the gold damask-lined reception hall of his palace after holding an audience.*

*King Faisal (left) seeks Saudi investments in the West; President Qaddafi spends Libyan funds for IRA arms.*

Mr Richardson

The Emirs and Sheiks of the Arab oil producing countries are of bedouin origin and (except perhaps in Bahrein) are still strongly stamped by bedouin culture despite their extensive contact with modern material culture and with foreigners in recent years. Particular values of this culture include pride, manliness, courtesy, individualism, generosity and loyalty to clan, but also unreliability in relations with people outside the clan, and often wiliness and deviousness. Intellectualism is not appreciated, but qualities of leadership are abundant. In Saudi Arabia and Qatar, the Sheiks tend to be more conservative and apparently puritanical (as part of the Wahabi sect tradition). In Kuwait and even more Bahrain they tend to be more urbane and are more familiar with the ways of commerce. In Abu Dhabi and Dubai, the bedoin stamp is still predominant although the commercial and seafaring experience have produced a unique mixture in the intelligent personality of the Sheik of Dubai, while desert fighting experience has influenced the generous personality of the Sheik of Abu Dhabi. Their generally limited formal education and knowledge of foreign languages, combined with the pressure of interested people since oil money flooded them has rendered most of the sheiks very suspicious and reluctant to confide in any but the closest friends or advisors. They may, however, relax with other Arabs of a certain standing if their personality appeals to them.

EYAsfour:jcb
January 25, 1973