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McNamara Papers

Travel brief - Middle East, March 5-16, 1975 / Burmester (United Arab Emirates)

Folder 5 of 5

UNITED ARAB
EMIRATES

Mr. Burmester

During RSM visit March 15, 1975

For the Record April 10, 1975

Saad S. El Fishawy

UNITED ARAB EMIRATES: Mr. McNamara's Visit - March 15, 1975

Summary of the Meeting with H.E. Sheikh Ahmad Khalifa Al-Sweidi, Minister of Foreign Affairs

Others present were Sheikh Soroor Ibn Hamdan, Vice Chairman of the Abu Dhabi Fund for Economic Development, Chief of Protocol and Director of the Power Department, and Messrs. El Fishawy and Burmester.

Mr. McNamara explained the purpose of his visit and elaborated on each of the three topics he came to discuss, in the same way as he did previously in Kuwait, Saudi Arabia and Qatar 1/.

1 - Capital Increase:

Minister Al-Sweidi thanked Mr. McNamara for his efforts and said that giving a bigger and more important role to OPEC countries in the Bank was only "just and right". The United Arab Emirates could be counted on as a strong proponent of the special capital increase for OPEC countries. He inquired how effective an increase up to 15% would be. Mr. McNamara explained that this increase would be only one step in the direction of increasing the power of the developing countries in the Bank. After such an increase, the developing countries including the OPEC countries would have about 44% of the voting power in the Bank. If to this were to be added about 8% or 9% of European countries, which quite often voted on several issues along the same lines as the developing countries, such as the Netherlands and the Nordic countries, a majority would be reached.

2 - "Third Window":

Minister Al-Sweidi said that the UAE has extended large amounts of aid to the developing countries. They feel that they have overcommitted themselves. For this, they have been accused of being the "big spenders". But the UAE was doing all this out of a feeling of moral committment towards the developing world of which they feel they are a part. He said that the UAE had no selfish motive in doing that. It was a small country which had no political amibitions and had no industrial exports to promote through aid. He added that this sympathy with the developing countries could be attributed to the Ruler, who is deeply convinced of the need to assist the poor. He stated that "he supported the "Third Window" scheme and hoped to obtain the approval of the government on it soon."

3 - Borrowing Program:

Minister Al-Sweidi said that the UAE supported the Bank's efforts and would continue lending to the Bank. He wanted to know whether Mr. Butter

1/ Cf. my memos on Summaries of Meetings in Kuwait, Saudi Arabia and Qatar on March 8, 11 and 13, respectively.

expressed interest in lending to the Bank for FY1976. El Fishawy said that Mr. Butter had expressed strong interest particularly in lending in a basket of currencies equivalent to SDR's.

Sheikh Soroor said that he appreciated that the Bank was sending a power expert to look into their power sector and inquired whether a power expert from the Bank could be seconded to his department for a year or two. Mr. McNamara asked El Fishawy to follow up on this request in Washington and inform him of the outcome.

SElFishawy/rh

cc: Messrs. McNamara
Knapp
Cargill
Benjenk
Kochman
Burmester

Mr. Burmester

For the Record

April 10, 1975

Saad S. El Fishawy

UNITED ARAB EMIRATES: Mr. McNamara's Visit - March 15, 1975

Summary of the Meeting with H.H. Sheikh Hamdan Ibn Rashid Al Maktoom, Deputy Prime Minister and Minister of Finance, Economy and Industry.

Others present were Messrs. R.J. Scott, Managing Director, United Arab Emirates Currency Board, Sadek A. Wissa, Director General, Ministry of Finance, Economy and Industry, El Fishawy and Burmester.

Mr. McNamara explained the purpose of his visit and elaborated on each of the three topics he came to discuss, in the same way as he did previously in Kuwait, Saudi Arabia and Qatar 1/.

1 - Capital Increase:

Mr. McNamara explained that here the Bank was responding to a wish expressed by Minister Habroush to Mr. Cargill, when he visited Abu Dhabi last December, for the increase of the OPEC countries' role in the Bank Group. Minister Al Maktoom said that the UAE was grateful for the Bank's positive response and asked Mr. McNamara to go ahead with his efforts to negotiate an increase in the voting power of the OPEC countries to 15%.

2 - "Third Window":

Mr. McNamara elaborated on the compelling reasons for introducing this intermediary lending facility. The Minister inquired about the purposes for which the additional one billion dollars would be lent. Mr. McNamara explained that the money would be used almost exclusively for projects designed to increase the productive capacity of developing countries with the emphasis on food production. He stressed that the Bank was not a charity organization, but a "hard-headed" investor. The Minister said that he supported the "Third Window" scheme in principle and that the Council of Ministers would consider very shortly the Bank's request for a 20 million dollars contribution.

3 - Borrowing Program:

Mr. McNamara explained that the Bank borrows at commercial rates from surplus capital markets. The main source up to 1968 was the U.S. market; then Germany starting from 1969 and then Japan starting from 1971. Lately and for the coming years, there have been and would be trade surplus balances in the OPEC countries and the Bank would continue to borrow from them. The total borrowing program of the Bank's FY1976 would be about

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1/ Cf. my memos on Summaries of Meetings in Kuwait, Saudi Arabia and Qatar on March 8, 11 and 13, respectively.

four billion dollars, and borrowings from the UAE at the level of 300 million dollars' equivalent have been included. The Minister said that the UAE "will not be stongy" with the Bank. He would like, however, to postpone the decision on specific transactions till the end of April, when the outlook of oil revenues would become clearer. He asked in what currency the Bank would be borrowing. Mr. McNamara said either in dollars or in a basket of currencies equivalent to SDR's.

SElFishawy/rh

cc: Messrs. McNamara
Knapp
Cargill
Benjenk
Kochman
Burmester

Summary Notes Abu Dhabi, March 15, 1975

Meeting with the Minister of State for Foreign Affairs, Messrs. McNamara, El Fishawy, Burmester, 9:30 a.m.

This was a courtesy visit in which Mr. McNamara explained the purpose of the trip with respect to capital increase, Third Window, and borrowing program. The Minister explained that Abu Dhabi now had an extensive aid program. Grants of $11 million to Mauritania, $5 million to Bangladesh and $12 million to Pakistan had recently been extended. Loans of $50 million at 2-1/2% to India and $20 million to Bangladesh had been signed. The Abu Dhabi Fund for Development had made commitments of $56 million in 1974 and $170 million in 1975 at 4-1/2%. It was estimated that these loans would be disbursed over 5-6 years. In total the UAE had made commitments of $1,280 million which could potentially be disbursed in one year. The Government now attempted to stretch this period to at least two years. The Minister felt that the Government had overstretched itself.

Mr. McNamara enquired about the oil production. The Minister said that the production was again rising after having been down to 450,000 barrels per day out of a capacity production of 1.6 million barrels per day. The average production for 1975 was now forecast at 700,000 barrels per day.

Meeting with the Minister of Finance and Mr. Scott at the Currency Board, 10:00 a.m. and Messrs. McNamara, El Fishawy, Burmester

Mr. McNamara explained the three subjects he had come to discuss. The Minister said that the UAE would like to see an increase in OPEC voting power from 5%-15% and asked Mr. McNamara to go ahead with negotiations on this basis.

The Minister enquired how the $1 billion in the Third Window would be spent. Mr. McNamara explained that the money would be used almost exclusively for projects. The need to increase food production in developing countries would be stressed. He emphasized that the Bank was not a charity organization but a "hard-headed investor." The Minister said that he welcomed the Third Window in principle and would respond to the Bank's request for $20 million the following week.

Mr. McNamara asked whether the UAE would be willing to lend the Bank $300 million in FY76. The Minister said that he would like to postpone the decision on a definite amount until the end of April when the outlook for oil revenues would become clearer. He promised, however, that the UAE "will not be stingy with the Bank."

Mr. Scott said that there was a difference between the UAE and other OPEC countries. The UAE still consisted in part of poor undeveloped Emirates. He said that the UAE borrowed for the development of these Emirates at 12%, while lending to the IBRD at 8%. Mr. McNamara said that he appreciated that but that he still felt that the UAE had an obligation towards other LDCs.

Meeting with the Vice Chairman of the Abu Dhabi Fund for Development, Sheikh Sarror, and the Minister of Foreign Affairs, Sheikh Ahmad Khalifa al-Sweidi, and Messrs. McNamara, El-Fishawy and Burmester, 11:15 a.m.

Mr. McNamara repeated his explanation of the possible increase in OPEC voting power. The Minister thanked Mr. McNamara for his efforts. He felt that it was "just and right" that OPEC got more influence in international financial institutions. He therefore supported the increase to 15%. He enquired how effectively such an increase would strengthen OPEC power. Mr. McNamara said that this increase was only one step in the direction of increasing the power of LDCs. However, the OPEC countries, along with the other LDCs, would, after such an increase, have 44% of the voting power in the Bank.

With respect to the Third Window, The Minister said that the UAE had extended large amounts of aid to the poorest countries and was now being accused of being "big spenders." But the UAE was part of the LDCs and had a duty to help. They had no selfish motive in this. As a small country their power would always be minimal and it was unlikely that the country would ever try to secure markets for exports of manufactured goods. Mr. McNamara said that he knew of "no country and no minister feeling more responsible towards the LDCs than you." The Minister said that this sympathy with the LDCs stemmed from The Ruler rather than from himself. On a confidential basis, he added that it was in fact only Abu Dhabi within the UAE that supported the aid program.

The Minister enquired whether Mr. Butter was interested in lending money to the Bank in FY76. Mr. El Fishawy said that Mr. Butter had been reluctant but his interest had increased when the possibility of lending in SDRs was mentioned.

The Vice Chairman of the Abu Dhabi Fund enquired whether a Bank power expert could be seconded for a year or two. Mr. McNamara asked Mr. El Fishawy to follow up on this request in Washington and inform Mr. McNamara.

cc: Mr. El Fishawy

SB
March 26, 1975

UNITED ARAB EMIRATES

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March 15 (Saturday)	Leave Abu Dhabi	1535

Meet with:

1. H.H. Sheikh Zayed bin Sultan Al-Nahyan
   President, United Arab Emirates

2. H.E. Prince Khalifa bin Zayed Al-Nahyan, Deputy Prime Minister of UAE, and
   Prime Minister and Finance Minister of Abu Dhabi

3. H.E. Mohammad Habroush
   Minister of State for Financial and Industrial Affairs, UAE

4. H.E. Sheikh Ahmad Khalifa Al-Sweidi
   Minister of Foreign Affairs, UAE

5. Dr. Hassan Abbas Zaki
   Vice Chairman, Abu Dhabi Fund for Arab Economic Development

6. Mr. John Butter
   Ministry of Finance, Abu Dhabi

B

UNITED ARAB EMIRATES

BACKGROUND NOTES

Population: 200,000 (1972 est.)
Capital: Abu Zaby (Abu Dhabi)

The seven United Arab Emirates (U.A.E.) are located on the eastern Arabian Peninsula, bounded on the north by the Persian Gulf. Formerly known as the Trucial Shaikhdoms, Trucial States, Trucial Coast, and Trucial Oman, the Emirates are comprised of Abu Zaby (Abu Dhabi), Dubayy (Dubai), Ash Shariqah (Sharjah), Ujman (Ajman), Umm al Qaywayn (Umm al Qaiwain), Ra's al Khaymah (Ras al-Khaimah), and Al Fujayrah (Fujairah). (The spelling in parenthesis is a common usage transliteration of the Arabic names.) With an area of about 32,000 square miles, the U.A.E. is approximately the size of Maine.

A barren, flat, island-dotted coast extends eastward from Khor al-Udayd (south of the boundary with Qatar) for about 400 miles. Inland, the coastal plain gradually gives way to rolling sand dunes that extend southward, eventually emerging into the great, virtually uninhabited, wasteland of the Rub al-Khali (Empty Quarter) of Saudi Arabia. At its eastern end the coast includes the western Hajar Mountains.

As a whole the area is characterized by a hot and dry desert climate, where shade temperatures reach 120° F. In the eastern mountains, however, the climate is cooler with enough rainfall (about 15 inches annually) to permit some cultivation.

THE PEOPLE

The U.A.E. has a population estimated at 200,000. (A percentage figure for the natural population growth rate is not available.) Population increase since 1968, especially in Abu Dhabi and Dubai, has been extremely rapid because of immigration. The 1968 census gave the following breakdown: Dubai—59,000; Abu Dhabi—46,000; Sharjah—31,500; Ras al-Khaimah—24,500; Fujairah—9,700; Ajman—4,200; and Umm al Qaiwain—3,700. Settlements are separated by barren stretches inhabited by bedouins. The six Emirates lying on the Persian Gulf are connected by a good coastal road, although the Abu Dhabi-Dubai segment is still under construction.

The inhabitants are primarily Arab. Various minority groups, principally Iranians, Baluchis, and Indians, live in the towns along the coast. A majority of the Arabs belong to the Sunni sect of Islam. Arabic is the predominant language with Persian and English spoken as secondary languages. The literacy rate is low although advancing rapidly with the introduction of new educational facilities.

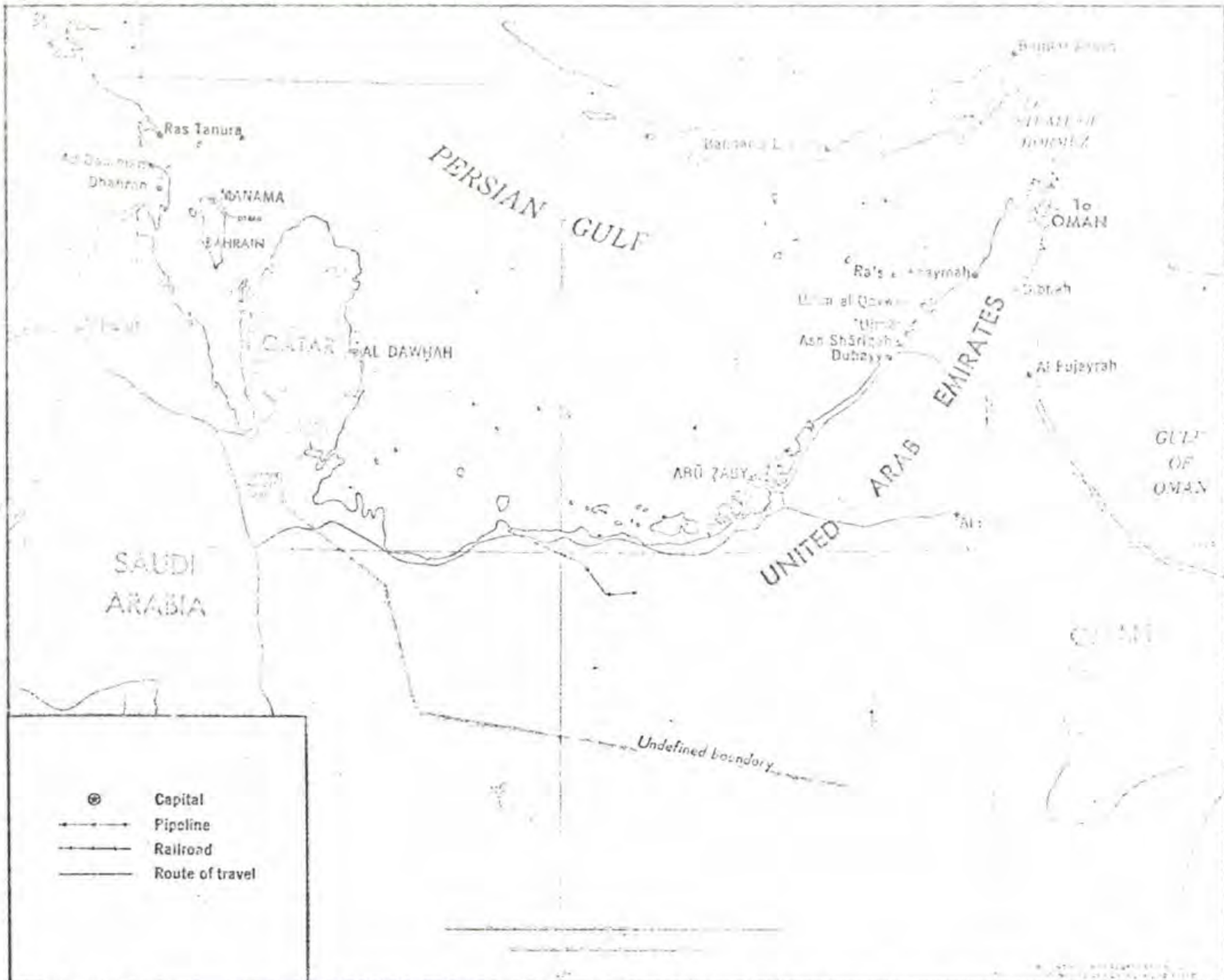
HISTORY

The Trucial Coast first came to historial prominence as a result of piracy; hence the former designation, the Pirate Coast. European and Arab pirates were active in the general area during the 17th, 18th, and 19th centuries. Earlier successful British expeditions against the pirates led to further British campaigns against pirate headquarters at Ras al-Khaimah and other harbors southwest along the Trucial Coast in 1819. The following year a General Treaty of Peace was signed to which all the principal shaikhs of the coast adhered. Intermittent piracy continued, however, and in 1835 the shaikhs agreed not to engage, under any circumstances, in hostilities at sea. This resulted in a treaty with the United Kingdom in 1853 under which the coastal shaikhs agreed to a "perpetual maritime truce." It was enforced by the United Kingdom, and disputes between shaikhs were referred to the British for settlement.

Primarily as a reaction to the ambitions of other European countries, the United Kingdom and the Trucial States established closer bonds in an 1892 treaty, similar to those entered into by the British with other Persian Gulf principalities. Under it the shaikhs agreed not to dispose of any territory except to the United Kingdom and not to enter into relationships with any foreign government other than the United Kingdom without British consent. The British promised to protect the Trucial Coast from all aggression by sea and to lend its good offices in case of land attack. In 1955 the United Kingdom effectively intervened on the side of Abu Dhabi in the latter's dispute with Saudi Arabia over the Buraimi Oasis (and other territory to the south of the Trucial States), control over which is now shared between Abu Dhabi and the Sultanate of Oman.

When the U.K. Government announced a policy decision in 1968 (and reaffirmed in March 1971) to end the treaty relationships with the Gulf shaikhdoms, the seven Trucial Shaikhdoms joined the other two states (Bahrain and Qatar) under British protection in an effort to form a union of Arab emirates. By mid-1971, however, the nine shaikhdoms still had not been able to agree on terms of union, and the termination date of the British treaty relationship was approaching (end of 1971). Bahrain and Qatar became independent as separate entities in August and September, respectively; the

UNITED ARAB EMIRATES



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British protective treaty with the Trucial Shaikhdoms ended on December 1, and they became fully independent. On December 2, 1971, six of them entered into a union, the United Arab Emirates; the seventh, Ras al-Khaimah, joined the union some weeks later.

GOVERNMENT

The pace at which local government in each of the Emirates is evolving from traditional to modern patterns is set primarily by the wealth, population, and economic/social progress of each. Under the U.A.E. Constitution, effective on December 2, 1971, considerable reserved powers remain to each Emirate, including control over mineral rights, taxation, and police powers.

The Constitution established the positions of President (Chief of State) and Vice President each serving 5-year terms; a Council of Ministers (cabinet) led by a Prime Minister (Head of Government); a Supreme Council of Rulers; and a National Council, a consultative body with weighted representation.

The Constitution makes provision for the establishment of a supreme judicial body.

Administratively, the U.A.E. is divided into the seven Emirates, each with its own Ruler.

POLITICAL CONDITIONS

The distribution of power among the Emirates is further reflected in the allocation of positions in the Federal Government. Shaikh Zayyid of Abu Dhabi, whose Emirate is by far the wealthiest and the rival of Dubai in population, was named President of the U.A.E.; his chief advisor was selected as the Foreign Minister. Shaikh Rashid of Dubai, which is the commercial center of the Trucial Coast and itself a rapidly growing oil producer, was named Vice President, and his son, Shaikh Maktum, was designated the Prime Minister.

The Trucial Oman Scouts, long the symbol of public order on the coast and commanded by British officers, were turned over to the U.A.E. as its Defense Force; however, the larger Emirates, notably Abu Dhabi, maintain relatively substantial defense establishments. The ability of the U.A.E. to maintain political order was tested successfully in early 1971 when the Defense Force joined local security forces in Sharjah in putting down a coup d'état attempt in which the Ruler of Sharjah was assassinated.

A basic concept behind the U.A.E. development is that a significant percentage of each Emirate's revenues (the substantial oil revenues of Abu Dhabi and growing oil income of Dubai) will be devoted to the U.A.E. central budget. The budget will include provision for economic and social development throughout the United Arab Emirates.

No political parties exist in the U.A.E. Arab nationalist feeling is developing, and there is growing sentiment, particularly among urban youth, in favor of liberalization of government and accelerated economic development. The great influx of wealth and modern technology in the oil-rich states has added "growing pains" of modernization to the United Arab Emirates. Workers from neighboring states also are flooding into these areas and adding the strain of a large foreign population to the other problems of development. Despite this and appeals by the Popular Front for the Liberation of the Arab Gulf and other small dissident or revolutionary groups for an abrupt change of regime, the internal situation of the U.A.E. appears generally stable.

ECONOMY

Until recently the U.A.E. constituted an economic backwater, although Dubai, serving as an entrepôt and commercial center for the entire area because of its relatively good harbor, had attained a degree of prosperity. Prior to 1958 the rulers of the Trucial Coast had a combined annual income of about U.S. $1.7 million, mainly from oil exploration rights and British Government grants. The area's economy was characterized by subsistence agriculture, sheep and goat herding, fishing, and trade. (Figures for gross national product and per capita income are not available.)

Oil strikes in Abu Dhabi (1958-60), first offshore and later on the mainland, heralded a decisive change. With the commencement of petroleum exports in 1962, Abu Dhabi suddenly emerged as the wealthiest of the seven shaikhdoms. Its oil reserves are known to be extensive, and its oil income may reach $1 billion annually by 1975.

With oil output at more than 900,000 barrels a day by the end of 1971 and still rising, Abu Dhabi has instituted a 5-year development plan that calls for $600 million to be spent on welfare projects, port improvements, water desalination, a refinery, and a cement plant. It has also allocated $60 million for projects in the other Emirates.

In mid-1971 oil was found in commercial quantities offshore Dubai by the Dubai Petroleum Co. By the end of 1971 production was running more than 100,000 barrels daily and rising rapidly. Before oil income began Dubai was a relatively prosperous commercial center.

Several companies presently hold oil concessions in the United Arab Emirates. These companies—by name, concession area, and ownership—are:

(1) Abu Dhabi Petroleum Co.; Abu Dhabi onshore; affiliate of Iraq Petroleum Co.; owned 23.75 percent each by Royal Dutch Shell, British Petroleum Co., and Cie. Française des Pétroles; 23.75 percent jointly owned by Mobil Oil Corp. and Standard Oil of New Jersey; and 5 percent by the Gulbenkian's Participations and Explorations Corp.

(2) Abu Dhabi Marine Areas, Ltd.; Abu Dhabi offshore; owned two-thirds by British Petroleum Co. and one-third by Cie. Française des Pétroles. Japanese interests have acquired a stake in part of this concession area.

(3) Phillips Petroleum Co.; three areas in Abu Dhabi onshore; operator of concession held jointly by Phillips, American Independent Oil Co., and Azienda Generale Italia Petroli (AGIP).

(4) Dubai Petroleum Co. Group; Dubai onshore; owned 55 percent by Continental Oil Co., 22.5 percent each by Sun Oil Co. and Deutsche Erdol-Aktiengesellschaft.

(5) Dubai Petroleum Co. Group and Dubai Marine Areas, Ltd. (DUMA); Dubai offshore; ownership shared equally by Dubai Petroleum Co. Group and DUMA (Hispanoil and Cie. Française des Pétroles). Continental Oil is the operating company for both Dubai concessions.

(6) Union Oil Co.; Ras al-Khaimah onshore and offshore; owned by Union Oil Co. of California and Southern Natural Gas Co. of Texas.

(7) Occidental Petroleum Co.; Ajman and Umm al Qaiwain offshore; concession held by this American firm.

(8) Sharjah Petroleum Co.; offshore Sharjah; owned by Buttes Oil Co., an American company.

Since 1955 the British Government has granted money to the Trucial Coast Development Fund, an agricultural school, and to health projects. The fund's budget has been about $650,000 annually and has been supplemented by grants from other Arab countries. Kuwait Government grants, extended through the Gulf Permanent Assistance Committee (GUPAC), have financed 45 schools and eight clinics since 1962 in the six poorer Emirates. Saudi Arabia has financed the coastal road to connect the Emirates from Dubai to Ras al-Khaimah.

Special economic features include substantial market-gardening activity in Ras al-Khaimah and Fujairah, which are blessed with more water than the other Emirates. Lack of water places a severe limit on agricultural development possibilities, but Abu Dhabi is fostering arid land agriculture research.

The legal currency of the U.A.E. is the Qatar-Dubai riyal, except in Abu Dhabi which uses the Bahraini dinar. Prior to the currency readjustment in the winter of 1971-72 the Qatar-Dubai riyal equaled U.S. $0.21 and the Bahraini (Abu Dhabi) dinar approximately U.S. $2.11; they follow generally the movement of the British pound sterling in relation to the U.S. dollar.

Exports from the U.A.E., except for some transshipments from Dubai, consist almost entirely of crude oil and result in substantial balance-of-trade surplus which finances imports coming largely from the United Kingdom, Japan, and other Western countries, including the United States. Imports in 1971 totaled approximately $250 million. (A figure for the U.A.E.'s total exports is not available.)

FOREIGN RELATIONS

The U.A.E. began its existence in an atmosphere of general acceptance by and friendly relations with the world community. It joined the United Nations and the Arab League and was immediately recognized by the United Kingdom, most Arab states and other neighbors, the United States, many Western countries, and Japan.

An obstacle to good Iranian-U.A.E. relations was cleared by an arrangement between Iran and the Sharjah Emirate on the disputed Persian Gulf island of Abu Musa.

In view of the long-standing dispute between Saudi Arabia and Abu Dhabi over Buraimi Oasis and other border areas, Saudi Arabia did not recognize the U.A.E. upon its establishment. However, there are reasonable prospects for resolution of this issue in an atmosphere of amicable negotiation.

U. S.-U. A. E. RELATIONS

For some years the United States enjoyed friendly informal relations with the Trucial Shaikhdoms, a relationship which was built on important and mutually advantageous private U.S. contacts in the area. In anticipation of the termination of the British protective treaty relationships with the Persian Gulf states, the United States, along with the United Kingdom and most Arab neighbors, urged the creation of the largest possible federation of the gulf states. Upon federation the United States promptly recognized the U.A.E. and agreed to establish formal diplomatic relations by accrediting the U.S. Ambassador to Kuwait as nonresident Ambassador to the U.A.E.

PRINCIPAL GOVERNMENT OFFICIALS

President: Ruler of Abu Dhabi—Shaikh Zayyid bin Sultan

Vice President: Ruler of Dubai—Shaikh Rashid bin Said al-Maktum

Prime Minister—Shaikh Maktum bin Rashid

Ruler of Sharjah—Shaikh Sultan bin Muhammad al-Qasimi

Ruler of Ajman—Shaikh Rashid bin Humaid

Ruler of Umm al-Qaiwain—Shaikh Ahmad bin Rashid

Ruler of Ras al-Khaimah—Shaikh Saqr bin Muhammad

Ruler of Fujairah—Shaikh Muhammad bin Hamid al-Sharqi

Ambassador to the U.N.—Ali Humeidan

PRINCIPAL U. S. OFFICIALS

Ambassador—William A. Stoltzfus, Jr. (also accredited to and resident in Kuwait)

Chargé d' Affaires—Phillip Griffin

The U.S. Embassy in the U.A.E. is located in Abu Dhabi.

READING LIST

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C

LIST OF CABINET MINISTERS

*H.H. Sheikh Zayed bin Sultan Al-Nahyan	President
H.E. Sheikh Maktoum bin Rashid Al-Maktoum	Prime Minister
H.E. Sheikh Khalifa bin Zayed Al-Nahyan	Deputy Prime Minister
H.E. Sheikh Hamad bin Muhammad el-Sharqi	Minister of Agriculture and Fisheries
H.E. Muhammad Sa'id al-Mulla	Minister of Communications
H.E. Sheikh Muhammad bin Rashid al-Maktoum	Minister of Defense
H.E. Sheikh Sultan bin Ahmad al-Mu'alla	Minister of Economy and Trade
H.E. Abdallah bin Omran Tiryam	Minister of Education
H.E. Sheikh Abdallah bin Humayd al-Qasimi	Minister of Electricity and Water
H.E. Sheikh Hamdan bin Rashid Al-Maktoum	Minister of Finance, Economy and Industry
*H.E. Sheikh Ahmad Khalifa Al-Sweidi	Minister of Foreign Affairs
H.E. Sheikh Sayf bin Muhammad Al-Nahyan	Minister of Health
H.E. Sa'id bin Abdallah bin Salman	Minister of Housing
H.E. Sheikh Ahmad bin Hamid Al-Nahyan	Minister of Information
H.E. Sheikh Mubarak bin Muhammad Al-Nahyan	Minister of Interior
H.E. Thani bin Isa bin Harib	Minister of Islamic Affairs
H.E. Sheikh Ahmad bin Sultan al-Qasimi	Minister of Justice
H.E. Sheikh Muhammad bin Sultan al-Qasimi	Minister of Labor and Welfare
H.E. Sheikh Mani Sa'id al-Utayba	Minister of Oil and Mineral Wealth
H.E. Muhammad Khalifa al-Kindi	Minister of Planning
H.E. Sheikh Hamdan bin Muhammad Al-Nahyan	Minister of Public Works

* Those likely to meet Mr. McNamara.

H.E. Sheikh Abdel Aziz bin Muhammad al-Na'imi	Minister of Social Affairs
H.E. Sheikh Rashid bin Humayd al-Na'imi	Minister of Sports and Youth
H.E. Utayba Abdallah al-Utayba	Minister of State for Cabinet Affairs
*H.E. Muhammad Habroush	Minister of State for Financial and Industrial Affairs
H.E. Sayf bin Ghubash	Minister of State for Foreign Affairs
H.E. Sa'id al-Ghayth	Minister of State for Information
H.E. Hamuda bin Ali	Minister of State for Interior Affairs
H.E. Sheikh Abd al Malik al-Qasimi	Minister of State for the Supreme Council
H.E. Sheikh Hamad Said al-Sharqi	Minister of State
H.E. Ahmed Sultan bin Sulayam	Minister of State

* Those likely to meet Mr. McNamara.

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February 14, 1975

LIST OF SENIOR OFFICIALS
WHO MIGHT BE MET BY MR. MCNAMARA

Dr. Hassan Abbas Zaki	Vice Chairman and Managing Director, Abu Dhabi Fund for Arab Economic Development
John Butter	Director of Finance, Government of Abu Dhabi
Sadek A. Wissa	Director General, Federal Ministry of Finance, Economy & Industry
R. J. Scott	Managing Director, UAE Currency Board

EM1DA
February 14, 1975

BIO DATA

Sheikh Zayed bin Sultan Al-Nahyan

President of UAE

Sheikh Zayed was born in 1916. He is the youngest of the four sons of a Sheikh of the Nahyan family (formerly Bu Falah), who have been the Rulers of Abu Dhabi since 1761. He has been educated through private tutors.

Sheikh Zayed deposed his brother, Shakhbut, as the Ruler of Abu Dhabi on August 6 1966. Until then, Sheikh Zayed was the Governor of the Eastern Province of Abu Dhabi.

The Sheikh realizes the importance of maintaining friendly relations with both Saudi Arabia and Iran. As a former Governor of the Eastern Province, he has long been closely involved in the dispute over that region with Saudi Arabia. He has also been one of the main motivating forces for the creation of the United Arab Emirates, of which he is now President. Since becoming Ruler, the Sheikh has maintained that Abu Dhabi has a role to play in the economic and social developments of its poorer neighbours and has provided economic assistance to many of them.

Sheikh Zayed is a devout Sunni Muslim who personifies the traditional desert Sheikh with his hospitality, generosity and accessibility. He speaks only Arabic and is well-versed in tribal lore and politics. He is fond of hunting and camping with the bedouins. He has a remarkable memory for names and places and is reputed to be a very shrewd judge of characters and situations. The Sheikh has several wives and numerous children.

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BIO DATA

Prince Khalifa bin Zayed Al-Nahyan

Deputy Prime Minister of UAE, and
Prime Minister and Finance Minister of Abu Dhabi

(No bio data on Prince Khalifa bin Zayed Al-Nahyan are available from the U.S. Department of State, the Embassy of the UAE in Washington, or biographical sources such as Who's Who in the Arab World. To the extent possible, bio data will be provided in the field by Mr. El-Fishawy.)

EM1DA
February 14, 1975

BIO DATA

Muhammad Habroush

Minister of State for Financial and Industrial Affairs

Mr. Habroush was born in Abu Dhabi in 1946. After being schooled in Abu Dhabi, he graduated from the Baghdad University in 1968, specializing in public administration.

He commenced his career with the Government by becoming the Deputy Director of the Abu Dhabi Ruler's Office in 1969. In the same year, he was also made a member of the Abu Dhabi Planning Board. He remained in these offices until 1971, when he was made the Minister of State for Financial and Industrial Affairs in the Federal Cabinet of the United Arab Emirates.

Mr. Habroush has travelled extensively abroad and speaks fluent English.

EM1DA
February 14, 1975

BIO DATA

Sheikh Ahmad Khalifa Al-Sweidi

Minister of Foreign Affairs

Sheikh Ahmad Khalifa Al-Sweidi was born in Abu Dhabi, in 1938. When his family fell out of favor with Abu Dhabi's former Ruler, Sheikh Shakhbut, they moved to Qatar. Al-Sweidi spent much of his early life in Qatar and lived in Doha for about 10 years. He began his education in Abu Dhabi and later attended Cairo University, where he received a degree in political science. When Sheikh Zayed bin Sultan Al-Nahyan came to power in 1966, Al-Sweidi returned to Abu Dhabi and became the Head of Sheikh Zayed's Cabinet. Al-Sweidi was the first educated Abu Dhabi citizen to hold a key position in the government.

After Abu Dhabi obtained full sovereignty in December 1971, and the subsequent formation of the United Arab Emirates, Al-Sweidi was appointed as Minister of Foreign Affairs of the new Federation. He headed his country's first Delegation to the UN General Assembly in September 1972. Al-Sweidi is one of the closest advisers to Sheikh Zayed, the President of the UAE and Ruler of Abu Dhabi. Al-Sweidi has visited the U.S. on several occasions, and he speaks some English. He and his Government are interested in developing friendly ties with the U.S.

EM1DA
February 14, 1975

BIO DATA

Dr. Hassan Abbas Zaki
Vice Chairman and Managing Director, Abu Dhabi Fund

Dr. Zaki is an Egyptian by nationality. He was born in 1917 and educated in Egypt. He holds a Bachelor of Science degree and also a doctorate in economics.

He commenced his career in the civil service in Egypt and gradually rose to positions of increasing responsibility. He was Commercial Secretary in 1952 in the Egyptian Embassy in Washington, the Director-General of the Exchange Control Department in the Ministry of Economy between 1955 and 1958, and the Under-Secretary in the Ministry of Treasury from 1958 to 1961. He became the Minister of Economy and Supply in 1961 and the Minister of Economy and Foreign Trade from 1966 to 1970. In the interim period from 1962 to 1966, he served as Egypt's Ambassador to Romania. In 1970, Dr. Zaki left Egypt to become the Principal Financial Advisor to Sheikh Zayed in Abu Dhabi and the Managing Director of the Abu Dhabi Fund.

Dr. Zaki is primarily a technician although he has enjoyed ministerial positions in Egypt. He was a strong advocate of better balance in Egypt's external economic relationships, including closer relations with the Bank and the U.S.

EM1DA
February 14, 1975

BIO DATA

John H. Butter

Director of Finance, Government of Abu Dhabi

Mr. Butter is a British national, born in 1916. After completing his education at Oxford, he joined the Indian Civil Service (1939-47), and later the Administrative Service of Pakistan (1947-50). From 1950 to 1969, he worked in the Civil Service of Kenya where he became Permanent Secretary to the Treasury (1959-65) and later, after Kenya's independence, Financial Adviser to the Kenya Treasury (1965-69). In 1970, he was appointed to his present position of Director of Finance of the Government of Abu Dhabi.

EM1DA
February 14, 1975

D

1. Political Background and Situation

1. The United Arab Emirates (UAE), located on the eastern Arabian Peninsula and bounded on the north by the Persian Gulf, on the south by Saudi Arabia and on the east by Oman, came into being on December 2, 1971. It originally comprised of the six Trucial Sheikhdoms of Abu Dhabi, Dubai, Sharjah, Ajman, Fujairah and Umm al Qaiwain, to which the Sheikhdom of Ras al-Khaimah was formally admitted on February 10, 1972.

Background

2. The Sheikhdoms forming part of the UAE were gradually established in the eighteenth century, with the settlement over barren stretches of desert by the bedouins. The British influence over this area commenced in 1853, with the signing of a Treaty of Peace between the various sheikhs on the Trucial Coast and Great Britain, to protect them against European and Arab pirates who were active in that area.

3. Following further treaties, a closer bond between Great Britain and the Trucial Sheikhdoms was established in 1892 through a Treaty of Protection, similar to those which the former had entered into with some of the other countries on the Persian Gulf. In return for protection against all attacks, these Sheikhdoms agreed not to dispose of any of their territories except to Great Britain and not to enter into diplomatic relationships with any foreign government, without British consent. Under this treaty, Great Britain effectively intervened in 1955, on the side of Abu Dhabi in the latter's dispute with Saudi Arabia over the Buraimi Oasis, the control of which is now shared betweeen Abu Dhabi and the Sultanate of Oman.

4. When Great Britain decided in 1968 to gradually withdraw from the Gulf, the Trucial Sheikhdoms, along with Bahrain and Qatar, joined the British-sponsored abortive Temporary Federation of Arab Emirates. Bahrain and Qatar wished to cede from the Union, since they and the other Sheikhdoms could not agree on the terms of the Federation. Bahrain and Qatar proclaimed independence in late 1971, and six of the Trucial Sheikhdoms formed the United Arab Emirates, which came into being on December 2, 1971.

Present Political Framework and Recent Developments

5. Sheikh Sultan Al-Nahyan, the Ruler of Abu Dhabi (which is by far the wealthiest Emirate in the Union), became the first President of UAE. Sheikh Rashid al-Maktoum, the Head of the rival emirate of Dubai, was named Vice President and his son Sheikh Maktoum bin Rashid, appointed Prime Minister. Under UAE's constitution, the President and the Vice President each serve a term of five years; the Council of Ministers, led by the Prime Minister, administers the Federation. The Federal National Consultative Assembly, acts as UAE's legislature and is also charged with the duty of

assisting the Cabinet in formulating laws, which are then submitted to the Supreme Council of Rulers for approval and ratification. The Assembly consists of eight members each coming from Abu Dhabi and Dubai, six each from Sharjah and Ras al-Khaimah and four each from Ajman, Fujairah, and Umm al Qaiwain, all nominated by the Sheikhs of each of the Emirates.

6, No political parties exist in the UAE, although Arab nationalism is developing and there is popular pressure from the youth of the country in the favor of a more liberal government and accelerated economic development.

7. The federal capital is temporarily located at Abu Dhabi, but the establishment of a permanent capital is contemplated somewhere between the boundaries of Abu Dhabi and Dubai. Federal responsibility extends to foreign affairs, education, health, essential public utilities, justice and communications. Ten percent of the income of each of the federating emirates is contributed to meet the federal expenditures. Considerable power still remains with each of the emirates, including control over education, mineral rights and security. However, the pace at which each of the emirates is moving from the traditional to a modern pattern of socio-economic development, is primarily set by the wealth and population of each of them.

8. The federation has so far functioned without serious political differences. Nevertheless, the prosperous emirates of Abu Dhabi and Dubai overshadow their smaller and less-prosperous partners. Recent oil discovery in the emirate of Sharjah and its emergence as a rapidly increasing oil producer, is being used by its Ruler to increase this State's influence within the federation. The non-oil producing emirates, which are fortunately blessed with more water, could be developed agriculturally. However, their economic development has fallen considerably behind that of the said three emirates.

9. Intense personal rivalries still continue between Abu Dhabi and Dubai. These have so far precluded an effective economic integration of the federation, as well as a regional approach to the development of all the Gulf countries. Dubai's wealth, accumulated over several generations through a policy of low tariffs and liberal incentives to attract trade and commerce, is being used by its Sheikh Rashid to develop Dubai further as a supermarket for the Gulf, including through a huge dry-dock and a new and modern port named after himself. On the other hand, Sheikh Zayed -- well aware of his position as the absolute Ruler of one of the richest countries in the world today, namely Abu Dhabi -- is pouring his emirate's vast oil revenues into rapidly transforming Abu Dhabi from a nation of bedouins and fishermen, to a prosperous and modern state. He is however also channelling oil revenues to provide some aid to other members of the federation, as well as to less-developed Arab and other countries.

Foreign Relations

10. UAE became a member of the UN and the Arab League almost immediately after it came into being. It has established cordial relations with most of the countries in the world. Uneasy relations still however continue with Saudi Arabia, because of the long-standing dispute between that country and Abu Dhabi over the Buraimi Oasis. Following the arrangement in 1973 between Iran and the Sharjah Emirate on the disputed Persian Gulf island of Abu Musa, the obstacle between friendly relationships with Iran appears to have been removed. The UAE, and particularly Abu Dhabi, has been providing financial assistance to the Arab "front-line countries" in their conflict with Israel, and has also been supporting their efforts for economic development.

EMIDA
February 14, 1975

2. Economic Background and Situation

1. Established in December 1971, the United Arab Emirates (UAE) covers an area of about 77,700 square kilometers, roughly the size of Austria. Most of it is low-lying, sandy and barren land. Climatic conditions are severe during summer months, with maximum mean temperature exceeding 40 centigrades and high humidity, especially along the coast. The cooler winter months may bring sporadic rainfall, usually concentrated on a few days, but total precipitation rarely exceeds 120 mm a year.

Resource Base

2. Water resources and soils suitable for agriculture are scarce and little is known about natural resources other than oil and gas - the dominant resource base of the economy. There is as yet, no significant industry. Trading activities give only Dubai, traditionally a major international trading center, a somewhat broader economic base.

Population

3. The total population is estimated for 1974, at approximately 340,000. A sizeable proportion consists of expatriates from other Arab states, Iran, Pakistan and India. Population growth in recent years has been at a rate possibly as high as 12 percent a year, mainly due to immigration. As a result of both immigration and domestic migration towards the major coastal cities, urbanization has been increasing at a spectacular pace. Abu Dhabi Town and Dubai now account for over 55 percent of UAE's population. In both cities, native population is in a minority.

Dominance of Oil

4. Rapidly increasing oil production and oil revenues have greatly changed the economic structure and prospects of the UAE. Oil shipments commenced in 1962 in Abu Dhabi - by far the wealthiest of the emirates, in 1969 in Dubai and 1974 in Sharjah. Oil exports reached a combined volume of 81 million metric tons in 1974, equivalent to about 8 percent of the Middle East oil production. Total revenues from oil reached about $1,000 million in 1973, and are estimated at $6.13 billion on an accrual basis or $5.26 billion on a cash basis in 1974.

5. While national accounts and other basic statistical data are as yet lacking in the UAE, it is estimated that the oil sector's contribution to GNP was nearly 65 percent in 1973, giving a total GNP in that year of about $1.6 billion. Other important sources of income were government services, construction industries and, mainly in Dubai, trade. However, recent oil price increases and the expected growth in oil output are changing the volume and composition of GNP dramatically. The GNP for 1974 is estimated at $6.8 billion, with GNP per head increasing from roughly $5,000 in 1973 to about $20,000 in 1974. It is evident, however, that these global indicators are misleading, since the multiple increase in oil revenue in such a short period cannot be reflected in advancement of economic development. Clearly for this

reason, they also cannot provide any valid indication as to the representative average per capita income in the UAE. Existing disparities in income distribution both within and among emirates reduce the significance of the per capita concept further.

Economic Integration in the Federation

6. Since its establishment in 1971, the UAE has successfully moved towards political and economic integration of the individual emirates. Federal authority has gained competence in many fields and cohesion among emirates is increasing, especially after recent changes in the Federal Government aimed at greater participation of individual emirates in various federal matters. Important past achievements were the establishment of a common foreign policy, the introduction of a common currency and the progress made in unifying policies in the fields of education, health, posts and telecommunications, among others. Yet, much remains to be done, as the federal administration is still it its infancy, facing serious staffing problems. Also, up to the present, the individual emirates have retained a fairly high degree of autonomy within the federation involving considerable variation in handling economic and social affairs. Most importantly, the oil-producing emirates continue to exercise full control over their oil revenues, which under present circumstances, has further strengthened the position of Abu Dhabi within the UAE. Abu Dhabi has, so far, been virtually the only contributor to the federal budget.

Recent Developments and Their Implications

7. The role of the federal budget (which is financed by 10 percent of each member emirate's revenue for the previous year) in UAE's development is still relatively small, and consolidation of the budgetary accounts of the seven emirates is not feasible due to serious data gaps. However, the bulk of official expenditures in the UAE are based on the oil revenues of Abu Dhabi and Dubai; with Abu Dhabi providing most of the funds for the federal administration and the development of the smaller non-oil producing emirates. Abu Dhabi's oil revenues form the overwhelming component of budgetary revenues (97 percent in 1973) and have grown from Dh 633 million ($162 million) in 1969 to Dh 3,043 million ($780 million) in 1973 and are projected by the Bank to be about Dh 17,400 million1/ ($4.5 billion) in 1974. Dubai's oil revenues on the other hand accounted for only 30 percent of total revenues in 1969, but have since become the predominant component of budget revenues (91 percent in 1973). They increased from Dh 14.8 million ($3.8 million) in 1969 to Dh 550 million ($141 million) in 1973 and are projected to be about Dh 3,0[illegible] million2/ ($750 million) in 1974. The rapid growth in oil revenues has resulted in both emirates experiencing revenue surpluses continuously since 197[illegible], despite substantial increases in development expenditures, higher spending on defense and security and (in the case of Abu Dhabi) rapid rises in financial assistance to Arab countries and other friendly states. Abu Dhabi's total expenditures were

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1/ Cash basis. Accrual basis Dh 20,300 million ($5.13 billion)

2/ Cash basis. Accrual basis Dh 3,400 million ($8[illegible] million) budgeted at Dh 5,200 million ($1.3 billion) in 1974; which if actually maintained over the year would mean a revenue surplus of over $3 billion.

8. Rising oil revenues have therefore been the main engine behind the rapid growth of the UAE economy, which - in real terms - was almost 30 percent a year during 1970-73. By facilitating heavy investments in physical and social infrastructure, the oil wealth generated employment and income in many other sectors, especially in trade, construction industries and a wide range of public services.

9. Due to the lack of national accounts, the growth record of non-oil sectors can, however, only be described in general terms. Trading and related activities have probably been growing most in recent years. Dubai with its well established merchant class and banking sector expanded and consolidated its position as the leading trading center in the UAE. But trading activities have also expanded in Abu Dhabi, mainly because of the emergence of a new business-minded community of merchants and improved port facilities. Moreover, major infrastructure and housing projects, initiated a construction boom not only in Abu Dhabi and Dubai, but also to a lesser extent, in other emirates. Public administration also witnessed considerable expansion, particularly in Abu Dhabi, as social services were greatly improved. Abu Dhabi Town is still the seat of the newly established federal asministration.

10. These developments have created numerous new job opportunities, which, due to the small size of the national population and the shortage of skilled manpower, could only be filled by hiring labor from abroad. As a result, manual work at construction sites, for example, is now mostly carried out by workers from Pakistan, India and Iran. For public administration and social services, UAE depends on Palestinian, Egyptian, Iraqi and other Arab expatriates. However, the liberal provision of jobs to expatriate manpower has led to a substantial imbalance in the structure of the resident population, involving possible problems of national alienation.

11. In physical terms, achievements have been quite impressive. Major infrastructure projects completed, include modern ports and airports in Abu Dhabi and Dubai, a major power and desalination plant in Abu Dhabi, a four-lane highway linking Abu Dhabi Town with Al Ain, and a two-lane road from Abu Dhabi to Ras al-Khaimah - connecting all emirates of the UAE with the exception of Fujairah. Particular emphasis was also given to urban development. Low-cost housing, electricity, water and all essential facilities in the fields of education and health were provided. These services are made available at nominal or no cost to the population. The recent progress, for example, is illustrated by the fact that the number of schools and enrollments, hospital beds, motor vehicles and telephones, and the quantity of water and electricity produced all more than doubled in Abu Dhabi and Dubai within the 1971-73 period.

12. The fast development pace of recent years has, however, not been without problems. Rapid expansion of public spending, particularly in Abu Dhabi, has faced absorptive limitations and accentuated existing bottlenecks in supplies of various goods and services, thus fanning domestic inflation. Price increases for construction materials, and connected herewith, rent hikes were the main factors behing an inflation rate, which, in Abu Dhabi, is estimated to have exceeded 30 percent during 1973. Also, hastened development efforts have unavoidably resulted in some deterioration in the quality of construction work. For example, roads need to be re-surfaced prematurely and houses show early signs of deterioration.

13. In the absence of comprehensive economic planning, most decisions are being taken on an ad hoc basis with little coordination and concern about their long-term implications. Decisions are frequently dictated by suddenly emerging bottlenecks in supplies, itself a consequence of the rapid and often under-estimated growth in demand. Shortcomings have also to be seen against the background of the short history of the Federation in which full cooperation and harmonization of development efforts cannot be expected to emerge all at once. Particularly so, since the new federal ministries can only gradually assume the responsibilities designated to them.

EM1DA
February 14, 1975

BASIC DATA

UNITED ARAB EMIRATES

Area:	77,700 sq. km.
Population (1974 estimate):	340,000
Population Growth, 1968/74:	about 12 percent p.a.
Current Population Growth Rate of Native Population:	3.0-3.5 percent p.a.
Per Capita Oil Revenue:	1973 - about [illegible] 1974 - about $ 18,000 (accrual basis) about $ 15,500 (cash basis)
Primary school enrollment, 1974:	85 percent (est.)
Total enrollment in public schools, 1974:	about 50,000
Number of teachers at public schools, 1974:	about 2,700
Population per physician, 1973:	1,520
Population per hospital bed, 1973:	250

Government Finance (in Dh million)

	Federal Government		Dubai		Abu Dhabi		
	1972 1/	1973 2/	1972	1973 3/	1972	1973	1974 4/
Current Receipts	206.4	510.0	380.2	605	2,184.6	3,193.8	8,700
Current Expenditures	184.0	327.9	50.0	84	1,274.4	1,728.6)	5,200
Development Expenditures	19.0	180.9	60.0	88	461.2	748.8)	
Overall Surplus	3.4	1.2	270.2	433	449.0	716.4	3,500

Money and Credit (in Dh million at end of period)

	1970	1971	1972	June 1973
Money and Quasi Money	645	873	1,265	1,691
Bank Credit to Public Sector (net)	-245	-404	-638	-862
Bank Credit to Private Sector	598	712	932	1,246

Balance of Payments 5/ (in Dh million)

	1970	1971	1972	1973 6/	Projection 1974
Oil Sector Transactions	1,027.6	1,898.6	2,511.9	3,596.2	20,500
Exports and Re-exports (other than oil) 7/	713.8	788.6	1,079.0	1,593.8	2,200
Imports of Goods, c.i.f.	1,293.3	1,486.7	2,178.1	3,312.4	5,600
Trade Balance	448.1	1,200.5	1,412.8	1,877.6	17,100
Services, Transfers and Non-monetary Capital	-295.2	-295.7	-530.0	-169.0	..
Changes in Reserves (- increase)	-152.9	-904.8	-882.9	-1,708.6	..

Rate of Exchange
US$1.00 = Dh 3.90
Dh 1.00 = US$0.2564

1/ Provisional actuals
2/ Budget
3/ Preliminary estimates
4/ Oil receipts were estimated at Dh 8,500 million out of total current receipts estimated at Dh 8,700 million in preliminary budget submissions for 1974. Bank projections put Abu Dhabi's oil revenues in 1974 at about Dh 20.3 billion on an accrual basis or Dh 17.4 billion on a cash basis.
5/ Abu Dhabi and Dubai, excluding intra-emirate transactions.
6/ Provisional estimates.
7/ Virtually all re-exports.

ABU DHABI

Area: 67,350 sq. km. - largest of all emirates
Population (1974 estimate): 122,000 - about 35 percent of UAE population

Wealthiest and socially most progressive emirate of the UAE. Wealth based on oil revenues (1973 about $550 million). Most important non-oil sectors are public services and construction. Agriculture, confined to the Buraimi (Al Ain) and Liwa Oases is of little significance.

DUBAI

Area: 3,900 sq. km.
Population (1974 estimate): 95,000 - about 28 percent of UAE population

Most important sources of income are oil (1973 estimate: about $140 million) and trade. Dubai has a long tradition as trading center of the region. Emerging center of oil-servicing industries in the Middle East.

SHARJAH

Area: 2,600 sq. km. - including possessions on the East coast at Dibba, Kalba and Khor Fakkan
Population (1974 estimate): 70,000 - about 20 percent of UAE population

Major activities are trading and, mainly on the East coast, agriculture and fisheries. In 1974, the emirate became the third oil producer of the UAE.

AJMAN

Area: 250 sq. km. - smallest in size of all emirates
Population (1974 estimate): 8,500 - approximately 2 percent of UAE population

The main occupation is fishing.

UM AL-QAIWAIN

Area: 750 sq. km.
Population (1974 estimate): 6,400 - smallest in population of all emirates (less than 2 percent of UAE)

Largely dependent on fisheries, limited agriculture at one small oasis.

BASIC DATA (Cont'd)

RAS AL-KHAIMAH

Area:	1,700 sq. km.	
Population (1974 estimate):	26,500	- approximately 8 percent of UAE population

Most important activities are agriculture, fishing and quarrying. The emirate is estimated to account for 85 percent of agricultural output of the UAE.

FUJAIRAH

Area:	1,150 sq. km.	
Population (1974 estimate):	11,700	- about 3 percent of UAE population

Only emirate situated entirely on the East coast. Major economic activities are agriculture and fishing. Possibly the poorest of all emirates.

EM1DA
February 14, 1975

D. The Petroleum Sector

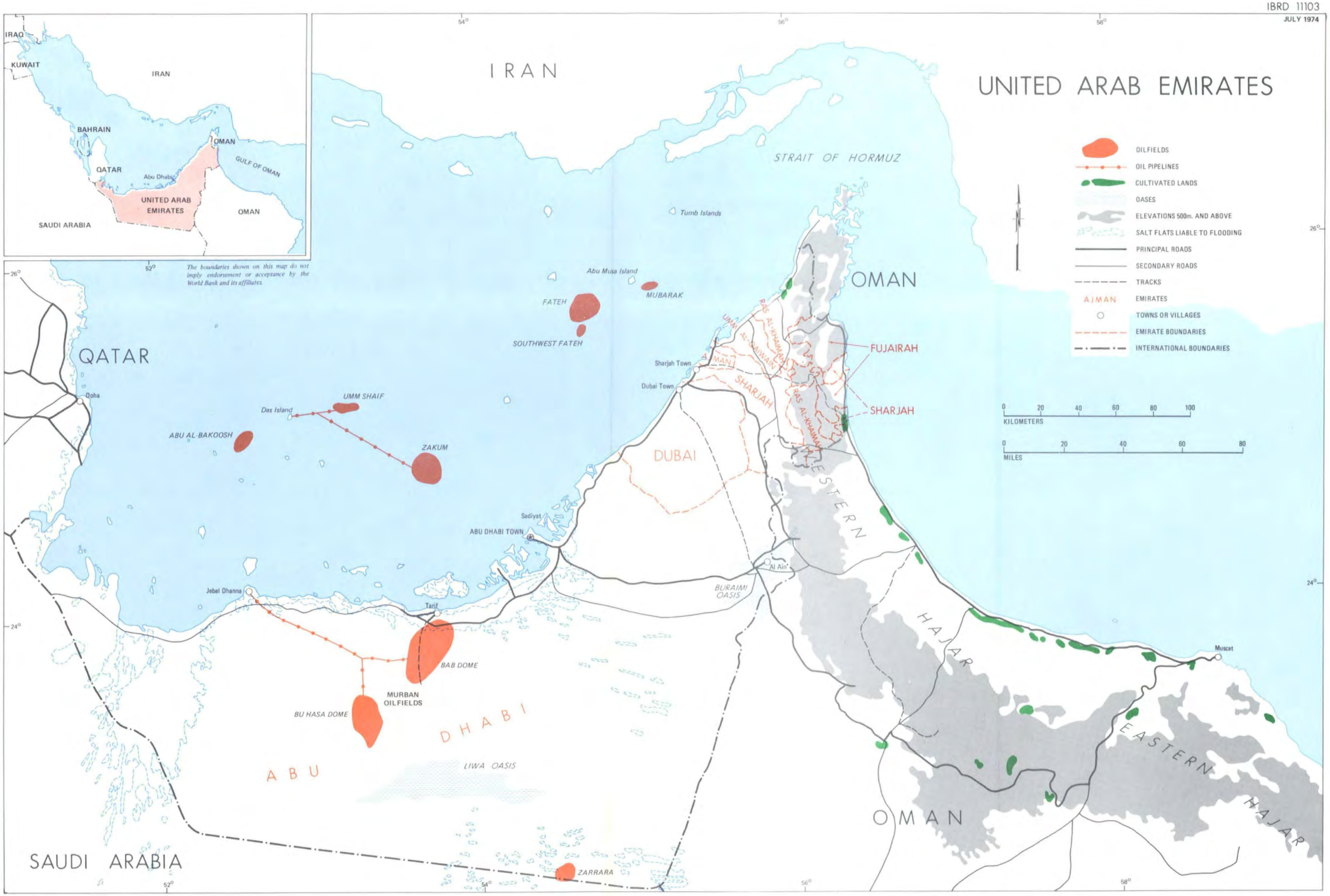
1. Oil and gas have become the dominant resource base of the UAE economy and the major source of GNP. 1974 revenues from oil are estimated at $6.1 billion as a result of production of about 81 million metric tons of crude. However, only three of the emirates (Abu Dhabi, Dubai and Sharjah) are oil producers. Abu Dhabi is the largest with 1974 production estimated at 68 million metric tons and corresponding oil revenues of about $5.2 billion. Dubai's oil production capacity is much lower and is estimated for 1974 at about 11.5 million metric tons, which yielded about $880 million to the state. Sharjah started oil production only in 1974 and produced about 1.4 million tons during the course of the year. The Sharjah fields are located on Abu Musa island and revenues therefrom are shared equally between Iran and Sharjah. Sharjah's share accordingly is estimated at $40 million in 1974.

Oil Concessions and Exploration

2. There are currently four producing oil companies in the UAE, all of which are affiliated with major foreign oil firms. The group comprises the Abu Dhabi Petroleum Company (ADPC), the Dubai Marine Areas Company (ADMA), the Abu Dhabi Oil Company (ADOC) and the Dubai Petroleum Company (DPC). Two more companies, the Crescent Petroleum Company of Sharjah and the Abu al-Bakoosh Oil Company of Abu Dhabi, also started production in 1974.

3. Of the four major oil companies in the UAE, (ADMA, ADPC, ADOC and DPC), ADMA was the first to discover oil in commercial quantities. The discovery occured at the end of 1959 at the Umm Shaif field, situated offshore some 30 km. east of Das Island, and oil shipments started in July 1962. In 1963, the Zakum oil field, some 90 km. southeast of Das Island, was discovered and also linked by submerged pipeline to Das. By 1973 ADMA's total offtake was from 69 producing wells at an average rate of about 507,000 b/d. Development drillings in preparation for eventual water injections could lead to a further increased level of output in the near future, even in the absence of new discoveries of oil.

4. ADPC began successful drilling works in 1958 in the Murban field situated about 160 km. southwest of Abu Dhabi Town. Development efforts concentrated on the Bab dome, which provided the first ADPC crude for export in December 1963. In 1962, the Bu Hasa dome was discovered and subsequently connected with the main pipeline to the oil terminal at Jebel Dhanna. Successful exploratory drilling also began at Zarrara in the disputed border area with Saudi Arabia, but works were stopped in early 1971, while waiting for a settlement of the territorial dispute. In 1973 oil in commercial quantities was also discovered in the area of Jurn Yafour, only 25 km. from Abu Dhabi Island, and in Asab, some 85 km. southeast of Murban. The Asab field appears particularly promising. It has an estimated initial capacity of about 450,000 b/d and could feed into the existing Murban-Jebel Dhanna pipeline system. From the technical point of view, it could be brought into stream in 1975.



IBRD 11103
JULY 1974
UNITED ARAB EMIRATES
OILFIELDS
OIL PIPELINES
CULTIVATED LANDS
OASES
ELEVATIONS 500m. AND ABOVE
SALT FLATS LIABLE TO FLOODING
PRINCIPAL ROADS
SECONDARY ROADS
TRACKS
AJMAN
EMIRATES
TOWNS OR VILLAGES
EMIRATE BOUNDARIES
INTERNATIONAL BOUNDARIES
0 20 40 60 80 100
KILOMETERS
0 20 40 60 80
MILES
IRAQ
KUWAIT
IRAN
BAHRAIN
OMAN
GULF OF OMAN
QATAR
Abu Dhabi
UNITED ARAB EMIRATES
OMAN
SAUDI ARABIA
The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.
IRAN
STRAIT OF HORMUZ
Tumb Islands
Abu Musa Island
FATEH
MUBARAK
SOUTHWEST FATEH
OMAN
FUJAIRAH
SHARJAH
QATAR
Doha
Sharjah Town
Dubai Town
UMM SHAIF
Das Island
ABU AL-BAKOOSH
ZAKUM
DUBAI
Sadiyat
ABU DHABI TOWN
Al Ain
BURAIMI OASIS
Jebel Dhanna
Tarif
BAB DOME
MURBAN OILFIELDS
BU HASA DOME
ABU DHABI
LIWA OASIS
ZARRARA
WESTERN HAJAR
EASTERN HAJAR
Muscat
OMAN
SAUDI ARABIA

5. DPC began to develop its Fateh field, about 100 km. off Dubai's shore in 1967, after it had struck on oil in 1966. Production from Fateh commenced on a limited scale in 1969. In late 1970, Southwest Fateh, the second oil field of DPC, was discovered and began producing in October 1972. ADOC discovered the first oil in its concession in 1969 and started producing from Mubarraz field, some 30 km. from the shore, in June 1973.

6. Two additional oil producers are expected to go into production in 1974. The Crescent Petroleum Company, operating in a Sharjah offshore concession since 1969, discovered in 1972 the Mubarak oil field, located some 60 km. offshore near Abu Musa Island. Production from this field is now scheduled to start in June 1974, making Sharjah the third oil producing emirate of the UAE. The initial offtake will be at 60,000 - 80,000 b/d, but production is expected to rise to about 240,000 b/d by 1975. Crescent has completed two high-capacity production wells of 110,000 b/d each and is currently drilling another two and is also assembling a floating storage tank of 650,000 barrels capacity.

Commercial Production and Exports

7. The volume of oil exports in the UAE is virtually identical to crude oil production since there are no oil refining facilities. Production (and export) which had started only in 1962, has since been growing rapidly and reached 81 million metric tons in 1974. About half of the total offtake came from ADPC's Murban field and one-third from ADMA's marine fields. Total oil production of the UAE in 1974 was equivalent to about 7 percent of the Middle East oil production, excluding Libya.

8. The high quality of UAE oil makes it highly sought after in world markets, particularly in markets with high anti-pollution standards. Murban crude has a light gravity of 39° API and the lowest sulphur content (0.75 percent) of any crude in the Middle East. ADMA's marine crudes from Zakum and Umm Shaif, are also light, with 40° and 37° API, but they have a slightly higher sulphur content (0.95 percent and 1.4 percent) than that of Murban. Mubarras crude of ADOC has a gravity of 39° API and a sulphur content of about 0.8 percent and DPC's Fateh crude has about 32° API and 1.2 percent sulphur content.1/

9. The principal markets for Abu Dhabi's oil prior to the oil embargo were Western Europe (over 50 percent) and Japan (about 30 percent). Destinations of Dubai crude are not available.

10. Data on crude oil production, costs, prices and aggregate revenues are attached (Attachments I - VIII).

1/ The oil that the Crescent Petroleum Company is going to produce from Sharjah's offshore area has 36° API and 1.6 percent sulphur content, which makes it roughly comparable to Saudi Arabian Light.

Government - Company Relationships

11. The concession agreements in the various emirates of the UAE are in their majority believed to conform with OPEC guidelines, although only Abu Dhabi is a member of OPEC. The UAE emirates have implemented participation agreements with the oil companies that have increased their participation to 60 percent. However, recent reports indicate that the UAE will follow Qatar in a 100 percent take-over of the assets of all foreign oil companies producing in Qatar.

Recent Trends in Abu Dhabi's Oil Production and Exports

12. Recent press reports indicate that oil companies have curtailed oil production in the last two months to about 700,000 b/d in February 1975 (compared to last July's record level of 1.65 million b/d), since there is some crude surplus in the international markets. However, the Government is apparently quite concerned, and is reported to have ordered the companies in February to immediately restore production to at least 1.3 million b/d. Negotiations on this point, as also about future pricing of Abu Dhabi's oil exports, have just commenced.

EM1DA
February 14, 1975

Attachments:

I. Estimated crude oil production in 11 OPEC countries, 1973)
II. Estimated crude oil production in 11 OPEC countries, 1974)
III. Estimated Government oil revenue accruing from 11 OPEC countries, 1973) See Briefing
IV. Estimated Government oil revenue accruing from 11 OPEC countries, 1974) on Kuwait, F 3
V. Abu Dhabi: Prices and costs of Murban (39°) on-shore crude oil F.O.B. Jebel Dhanna, 1974
VI. Abu Dhabi: Prices and costs of Umm Shaif Marine (37°) crude oil F.O.B. Das Island, 1974
VII. Dubai: Prices and costs of Dubai crude oil (32° API) F.O.B. Fateh, 1970-73

ATTACHMENT V

ABU DHABI: PRICES AND COSTS OF MURBAN (39°) ONSHORE CRUDE OIL F.O.B. JEBEL DHANNA, 1974

(U.S.$ per barrel)

	January 1, 1974	March 1, 1974	June 1, 1974	July 1, 1974 a/	October 1, 1974 a/	November 1, 1974 b/ Government Export Price as percentage of posting. 94.86%	November 1, 1974 b/ Government Export Price as percentage of posting. 93.0%	1974 Weighted Average c/
I. FOREIGN OIL COMPANIES								
A. Equity Crude Oil								
Posted Price	12.636	12.636	12.636	12.636	12.636	12.236	12.236	12.569
less: production cost	0.204	0.204	0.204	0.204	0.204	0.204	0.204	0.204
royalty	1.580	1.580	1.580	1.832	2.106	2.447	2.447	1.833
Net taxable Income	10.853	10.853	10.853	10.600	10.326	9.585	9.585	10.532
Income tax	5.969	5.969	5.969	5.830	6.789	8.147	8.147	[illegible]
add: royalty	1.580	1.580	1.580	1.832	2.106	2.447	2.447	1.833
Government share	7.548	7.548	7.548	7.662	8.895	10.594	10.594	8.200
add: production cost	0.204	0.204	0.204	0.204	0.204	0.204	0.204	0.204
Tax-paid cost	7.752	7.752	7.752	[illegible]	9.099	10.798	10.798	8.404
B. Participation Oil d/								
Buy-back price	11.870	11,870	11,980	11.960	11,751	11,607	11.607	11,852
C. Total Availability								
Average cost of equity and participation oil	10.123	10.123	10.187	9.535	10.425	11.202	11.202 11.088	[illegible]
Profit margin					0.575	0.405	0.177	
Price to affiliates and others e/					11.000	11.607	11.379	
II. GOVERNMENT UNIT REVENUE								
A. Participation Oil								
Oil bought back from foreign partners	11.870	11.870	11.980	11.960	11.751	11.607	11.607	11.852
Sales to third parties	11.870	11.870	11.980	11.960	11.751	11.607	11.379	11.852
Weighted average price	11.870	11.870	11.980	11.960	11.751	11.607	11.552	11.852
less: production cost	0.204	0.204	0.204	0.204	0.204	0.204	0.204	0.204
Government net revenue	11.666	11.666	11.776	[illegible]	11.547	11.403	11.328	[illegible]
B. Foreign Companies' Equity Oil								
Government share	7.548	7.548	7.548	7.662	8.895	10.594	10.594	8.200
C. Average Government Revenue from participation & equity oil	10.019	10.019	10.085	10.131	10.486	11.080	11.035	10.269
III. EXPORT PRICES								
Foreign partners						11.607	11.379	
Government to third parties	11.87	11.87	11.98	11.98	11.751	11.607	11.379	11.852
Weighted average						11.607	11.379	
Memorandum: spot prices f/								
	----------	----------	----------	----------	percent	----------	----------	----------
IV. ADPC PRODUCTION SHARES								
Foreign partners' equity oil		40.0		40.0	40.0	40.0	40.0	40.0
Participation oil								
Sold to foreign partners		54.3		27.3	40.0	40.0	40.0	43.89
Sold to third parties		5.7		32.7	20.0	20.0	20.0	16.11
Total allowable production		100.0		100.0	100.0	100.0	100.0	100.0
				(million b/d)				
V. ADPC PRODUCTION		January - June actual average		Allowable	Allowable			
Foreign partners' equity oil		0.386		0.44	0.36	0.36	0.36	0.393
Participation oil								
Sold to foreign partners		0.524		0.30 g/	0.36	0.36	0.36	0.426
Sold to third parties		0.055		0.36 g/	0.18	0.18	0.18	0.163
Total allowable production		0.965		1.10 g/	0.90	0.90	0.90	0.982

a/ In line with OPEC decisions in 1974, Abu Dhabi increased (a) royalty from 12.5% to 14.5% effective July 1 and to 16.67% effective October 1, 1974, and (b) income tax from 55.0% to 65.75% effective October 1, 1974.

b/ Effective November 1, 1974 Abu Dhabi cut the posted price by 40 cents but increased the royalty rate to 20% and the tax rate to 85%. It is believed that participation oil will be sold to foreign partners at 94.86% of posted price. The prices are stated to last until July 31, 1975.

c/ The 1974 average assumes that participation oil will be sold to foreign partners and third parties at 94.86% of posting during November-December, 1974.

d/ Abu Dhabi set the price for participation oil sold back to foreign partners at 94.0% for January - May, 1974, 94.8% for June-September, 93.0% for October, and (reportedly) 94.86% for November-December.

e/ Price to affiliates and others range according to foreign partners, in some cases retroactively to cover costs of revised participation arrangements.

f/ Spot price are reported for short-term sales in a thin market by foreign partners and brokers; they have not been weighted into the average export price but are a useful indicator of price trends. Reported prices are complicated credit terms which are now roughly equivalent 10 cents per barrel for every 30 days' credit.

g/ During September, Abu Dhabi cut ADPC's production from 1.1 million b/d to 900,000 b/d. The reduction is all make against government participation oil to third parties which becomes 160,000 b/d; the level of foreign partners' equity oil and buy-back oil is untouched. During October-December, 1975, Abu Dhabi kept ADPC's production at 900,000 b/d, of which the foreign partners have 40% equity oil (360,000 b/d) and 40% to be bought back from the Abu Dhabi National Oil Company (ADNOC). The latter is seeking to sell the balance of 20% (180,000 b/d) to third parties.

ABU DHABI: PRICES AND COSTS OF UMM SHAIF MARINE (37^{o}) CRUDE OIL F.O.B. DAS ISLAND, 1974

(US$ per barrel)

	January 1, 1974	March 1, 1974	June 1, 1974	July 1, 1974 a/	October 1, 1974 a/	November 1, 1974 b/ Government Export Price as percentage of posting: 94.86%	November 1, 1974 b/ Government Export Price as percentage of posting: 93.0%	1974 Weighted Average c/
I. FOREIGN OIL COMPANIES								
A. Equity Crude Oil								
Posted Price	12.086	12.086	12.086	12.086	12.086	11.686	11.686	12.019
less: production cost	0.255	0.255	0.255	0.255	0.255	0.255	0.255	0.255
royalty	1.511	1.511	1.511	1.752	2.015	2.337	2.337	1.752
Net taxable income	10.320	10.320	10.320	10.079	9.816	9.094	9.094	10.012
Income tax	5.676	5.676	5.676	5.543	6.454	7.730	7.730	6.051
add: royalty	1.511	1.511	1.511	1.752	2.015	2.337	2.337	1.752
Government share	7.187	7.187	7.187	7.295	8.469	10.067	10.067	7.803
add: production cost	0.255	0.255	0.255	0.255	0.255	0.255	0.255	0.255
Tax-paid cost	7.442	7.442	7.442	7.550	8.724	10.322	10.322	8.058
B. Participation Oil d/								
Buy-back Price	11.361	11.361	11.463	11.463	11.240	11.085	11.085	11.338
C. Total Availability								
Average cost of equity and participation oil	9.699	9.699	9.757	9.137	9.983	10.703	10.703	9.754
Profit margin						0.382	0.164	
Price to affiliates & others e/						11.085	10.868	
II. GOVERNMENT UNIT REVENUE								
A. Participation Oil								
Oil bought back by foreign partners	11.361	11.361	11.463	11.463	11.240	11.085	11.085	11.338
Sales to third parties	11.361	11.361	11.463	11.463	11.240	11.085	10.868	11.338
Weighted average price	11.361	11.361	11.463	11.463	11.240	11.085	10.976	11.338
less: production cost	0.255	0.255	0.255	0.255	0.255	0.255	0.255	0.255
Government net revenue	11.106	11.106	11.208	11.208	10.985	10.830	10.721	11.083
B. Foreign Companies' Equity Oil								
Government share	7.187	7.187	7.187	7.295	8.469	10.067	10.067	7.803
C. Average Government Revenue from Participation and Equity Oil	9.539	9.539	9.600	9.643	9.379	10.525	10.460	9.772
III. EXPORT PRICES								
Foreign Partners						11.085	11.085	
Government to third parties	11.361	11.361	11.463	11.463	11.240	11.085	10.868	11.338
Memorandum: spot prices f/						11.085	10.868	
					percent			
IV. A.D.M.A. PRODUCTION SHARES f/								
Foreign partners' equity oil	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Participation oil:								
Sold to foreign partners	54.3	54.3	54.3	27.3 g/	40.0	40.0	40.0	43.89
Sold to third parties	5.7	5.7	5.7	32.7 g/	20.0	20.0	20.0	16.11
Total production	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
					(million b/d)			
Foreign partners' equity oil				0.214	0.168	0.168	0.168	
Participation oil:								
Sold to foreign partners				0.146 g/	0.168	0.168	0.168	
Sold to third parties				0.175 g/	0.084	0.084	0.084	
Total production				0.535 g/	0.420	0.420	0.420	

a/ In line with OPEC decisions in 1974, Abu Dhabi increased (a) royalty from 12.5% to 14.5% effective July 1 and to 16.67% effective October 1, 1974, and (b) income tax from 55.0% to 65.75% effective October 1, 1974.

b/ Effective November 1, 1974 Abu Dhabi cut the posted price by 40 cents but increased the royalty rate to 20% and the tax rate to 85%. It is believed that participation oil will be sold to foreign partners at 94.86% of posted price. The prices are stated to last until July 31, 1975.

c/ The 1974 average assumes that participation oil will be sold to foreign partners and third parties at 94.86% of posting during November-December, 1974.

d/ Abu Dhabi set the price for participation oil sold back to foreign partners at 94.0% for January-May 1974, 94.8% for June-September, 93.0% for October, and (reportedly) 94.86% for November-December.

e/ Price to affiliates and others range according to foreign partners, in some cases retroactively to cover costs of revised participation arrangements.

f/ Spot prices are reported for short-term sales in a thin market by foreign partners and brokers; they have not been weighted into the average export price but are a useful indicator of price trends. Reported prices are complicated credit terms which are now roughly equivalent 10 cents per barrel for every 30 days' credit. ADMA's offshore production shown here is for both Umm Shaif and Zakum crude oils.

g/ Effective September 10, Abu Dhabi cut ADMA's production from 535,000 b/d to 420,000 b/d. The reduction is all made against government participation oil to third parties which become 60,000 b/d; the level of foreign partners' equity oil and buy-back oil is untouched. During October-December 1973, Abu Dhabi will sell back 168,000 b/d to the foreign partners.

ATTACHMENT VII

DUBAI: PRICES AND COSTS OF DUBAI CRUDE OIL (32° API) F.O.B. FATEH, 1970-73

(US$ per barrel)

	Sept. 1969-Nov.13,1970	Nov.14,1970 Jan.1, 1970	February 15, 1971		Jan. 20, 1972 /b	Jan. 1, 1973 /c	Apr. 1, 1973	June 1, 1973 /e	July 1, 1973	Aug. 1, 1973	Oct. 1, 1973	Oct. 16, 1973	Nov. 1, 1973	Dec. 1, 1973
			Feb.15, 1971 /a	June 1, 1971										
I. Foreign Oil Companies														
A. Equity Crude Oil														
Previous posted price	1.680	1.680	1.680	2.130	2.233	2.423	2.534	2.695	2.834	2.889	-	-	-	-
add: general increase	-	-	0.330	-	-	-	-	-	-	-	-	-	-	-
freight disparity	-	-	0.020	-	-	-	-	-	-	-	-	-	-	-
gravity adjustment	-	-	0.100	-	-	-	-	-	-	-	-	-	-	-
Base Posting	-	-	2.130	2.130	2.233	2.423	2.534	2.695	2.834	2.889	-	-	-	-
add: escalation of 2.5%	-	-	-	0.053	-	0.061	-	-	-	-	-	-	-	-
escalation of 5 cents	-	-	-	0.050	-	0.050	-	-	-	-	-	-	-	-
Geneva supplement	-	-	-	-	0.190	-	0.161	0.139	0.055	0.109	-	-	-	-
Posted price	1.680	1.680	2.130	2.233	2.423	2.534	2.695	2.834	2.889	2.998	2.944	5.205	5.060	4.923
less: gravity allowance	0.022	0.025	-	-	-	-	-	-	-	-	-	-	-	-
percent allowance	0.059	0.034	-	-	-	-	-	-	-	-	-	-	-	-
marketing allowance	0.005	0.005	-	-	-	-	-	-	-	-	-	-	-	-
production cost	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350
royalty	0.210	0.210	0.266	0.279	0.303	0.317	0.337	0.354	0.361	0.375	0.368	0.626	0.633	0.615
Net Taxable Income	1.034	1.056	1.514	1.604	1.770	1.867	2.008	2.13	2.178	2.273	2.226	4.229	4.077	3.958
Income Tax 55%	0.517	0.581	0.833	0.882	0.974	1.027	1.104	1.171	1.198	1.250	1.224	2.216	2.242	2.177
add: royalty	0.210	0.210	0.266	0.279	0.303	0.317	0.337	0.354	0.361	0.375	0.368	0.626	0.633	0.615
Government share	0.727	0.791	1.099	1.161	1.277	1.344	1.441	1.526	1.559	1.625	1.592	2.842	2.875	2.792
add: production cost	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350	0.350
Tax-paid cost	1.077	1.141	1.449	1.511	1.627	1.694	1.791	1.876	1.909	1.975	1.942	3.192	3.225	3.142
B. Participation Oil														
Bridging oil price /d	-	-	-	-	-	2.075	2.187	2.287	2.324	2.401)	2.738	4.655	4.706	4.578
Phase-in oil price /d	-	-	-	-	-	2.034	2.131	2.216	2.249	2.315)				
C. Total Availability														
Average cost of equity and participation oil /f	1.077	1.141	1.449	1.511	1.627	1.694	1.791	1.876	1.909	1.975	2.126	3.529	3.567	3.473
Profit margin	0.223	0.219	0.211	0.249	0.243	0.356	0.509	0.524	0.521	0.525				
Price to affiliates & others	1.30	1.36	1.66	1.76	1.87	2.05	2.30	2.40	2.430	2.500				
II. Government Unit Revenues														
A. Participation Oil														
Bridging oil /d	-	-	-	-	-	2.075	2.187	2.287	2.324	2.401)	2.738	4.655	4.706	4.578
Phase-in oil /d	-	-	-	-	-	2.034	2.131	2.216	2.249	2.315)				
Sales to third parties	-	-	-	-	-	2.05	2.30	2.40	2.430	2.500	2.738	4.655	4.706	4.578
Weighted average price	-	-	-	-	-	2.06	2.21	2.30	2.32	2.34	2.738	4.655	4.706	4.578
less: production cost	-	-	-	-	-	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Government revenue	-	-	-	-	-	1.710	1.86	1.95	1.97	1.99	2.388	4.305	4.356	4.228
B. Foreign Companies' Equity Oil														
Government share	0.727	0.791	1.099	1.161	1.277	1.344	1.441	1.526	1.559	1.625	1.592	2.842	2.875	2.792
C. Average Government Revenue from Participation and Equity Oil	0.727	0.791	1.099	1.161	1.277	1.436	1.546	1.633	1.662	1.717	1.791	3.208	3.245	3.151
III. Export Prices														
Foreign partners	1.30	1.36	1.66	1.76	1.87	2.05	2.30	2.40	2.43	2.50	-	-	-	-
Government to third parties	-	-	-	-	-	-	-	-	-	-	2.738	4.655	4.706	4.578
Weighted Average	1.30	1.36	1.66	1.76	1.87	2.05	2.30	2.40	2.43	2.50	-	-	-	-
IV. Share of Production /c	(percent)													
Foreign partners' equity oil	100.0	100.0	100.0	100.0	100.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Participation oil	-	-	-	-	-	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
a. Foreign partners 'bridging oil'	-	-	-	-	-	18.75	18.75	18.75	18.75	18.75)				
b. Foreign partners 'phase-in oil'	-	-	-	-	-	3.75	3.75	3.75	3.75	3.75)	22.5	22.5	22.5	22.5
c. Sold to third parties	-	-	-	-	-	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5

/a Dubai was not party to but obtained benefits of the Teheran Agreement of February 15, 1971; the base postings for the Gulf exports of Abu Dhabi, Iran, Iraq, Kuwait, Qatar and Saudi Arabia were increased on February 15, 1971, by 33¢ per barrel, and were to rise on June 1, 1971 and on each January 1, 1973-1975 by 2.5% for inflation plus 5¢ for general escalation. They also rose by 0.5¢ for general escalation. They also rose by 0.5¢ for every degree below 40° down to 30° API and by 2¢ for freight disparities, plus an additional increase of 1¢ for Iranian Heavy, Arbian Medium and Kuwait Crudes.

/b Under the Geneva Agreement of January 20, 1972 posted prices for the above Gulf exporters were increased that date by 8.49% to compensate for the international currency realignment of December 1971. The increase is close to the revaluation of sterling to the US dollar; sterling was the currency used for oil revenue payments by most Gulf exporters other than Saudi Arabia. The Agreement includes a parity index, designed to compensate for another major realignment in average exchange rates for currencies of nine industrial countries with US dollar, revised to 11 countries on June 1, 1973.

/c Under the participation agreements in Saudi Arabia, Kuwait, Abu Dhabi and Qatar (Dubai obtaining equivalent financial benefit) the governments acquired a 25% equity above in oil production effective January 1, 1973. Foreign partners bought back 18.75% of oil production as bridging crude and 3.75% as phase-in crude; the remaining 2.5% was sold by governments to third parties.

/d For Dubai crude oil, it is assumed that the bridging price was quarter-way price (25% posted price and 75% tax-paid cost) plus 19.8 cents per barrel, phase-in price was tax-paid cost plus 34.0 cents per barrel from January-September 1973; and both prices were 93% of posted price September-December 1973.

/e The Geneva Agreement was revised on June 1, 1973 to reflect more closely the adjustment of the US dollar with eleven industrial countries' currencies.

/f In 1973 this is the weighted average of 0.75 barrels of equity oil (at tax-paid cost), 0.1875 barrels of bridging oil and 0.0375 barrels of phase-in oil, all divided by 0.975 barrels.

4. Aid Flows from the United Arab Emirates

1. The United Arab Emirates set up its own development fund (The Abu Dhabi Fund for Arab Economic Development) in July 1971 with an initial capital of $125 million to assist the Arab countries in developing their economies. With the rise in Abu Dhabi's surplus oil revenues, the capital of the Abu Dhabi Fund was increased in 1974 to $500 million and the scope of its activities was extended to cover non-Arab developing countries. The total aid committed by Abu Dhabi, which is the richest member of the United Arab Emirates Federation, amounted to $2,016 million in 1974 as compared to $969 million in 1973 and $71 million in 1972. The amounts disbursed were $651 million in 1974, $36 million in 1973 and $25 million in 1972. Of the total aid committed by Abu Dhabi in 1974, bilateral aid accounted for by far the larger proportion and was mostly in the form of official development assistance advanced through bilateral agreements and by means of financing operations of the Abu Dhabi Fund.

2. The UAE has provided relief assistance to the Sahel countries and has announced a $80 million grant for Somalia. Financial assistance to the amount of $15 million was also granted to Tunisia. Together with Saudi Arabia, the UAE participates in a consortium for the financing of a high dam in Niger and is believed to be providing bilateral assistance to Pakistan. Recently the UAE has pledged $80 million in aid to Bahrain to implement major development schemes which include a housing project, a medical center and extension of electricity supplies. An agreement was also signed between the Abu Dhabi National Oil Company and the West Pakistan Industrial Development Corporation in November 1973, providing for the establishment of an Abu Dhabi-Pakistan Fertilizer Plant at Multan. Under the venture agreement a company was established with an authorized capital of $33 million, of which Abu Dhabi National Oil Company owns 30%. The Bank is lending $35 million toward this same project. It is reported that the UAE has agreed to participate in Egyptian development projects to the amount of $258 million. The Egyptian Suez Canal authority will receive a $23 million soft loan from Abu Dhabi. It is also reported that the UAE would contribute $25 million to a joint investment company to finance development projects in agriculture and industry. The UAE would back the company with a $200 million guarantee. The UAE also undertakes private investments in Egypt, Pakistan, Somalia and Sudan and has established jointly with Algeria and Libya the Arab Commercial and Investment Bank.

3. The UAE joined with Libya for the establishment of a Libya-UAE Fund for African Development with an authorized capital of $250 million, of which the UAE contributed one-half in 1973. It has contributed to the Arab Fund for Economic and Social Development, the Arab Bank for Economic Development in Africa, the UN Emergency Special Account, the Arab Special Fund for Africa, the Special Fund for Africa and UN agencies. Abu Dhabi has also contributed in 1974 $132 million to the Islamic Bank, $121 million to the IMF Oil Facility and $79 million to IBRD.

5. THE ABU DHABI FUND FOR ARAB ECONOMIC DEVELOPMENT [1/]

1. The Abu Dhabi Fund for Arab Economic Development (Abu Dhabi Fund) was established on July 15, 1971 along the same lines as the Kuwait Fund.

2. The initial authorized capital was set at 50 million Bahraini Dinars ($125 million), of which paid in capital amounted to BD 8 million. With the rise in the country's surplus oil revenues, the capital of the Abu Dhabi Fund was quadrupled to $500 million, and the scope of its operations was extended to non-Arab countries in Asia and Africa.

3. The Fund has the power to borrow with or without government guarantee up to twice the amount of its authorized capital plus reserves (up to 20% of capital), which brings its potential lending capacity to about $1,200 million.

4. The Abu Dhabi Fund's lending policy requires that loans should be made either to governments or should be guaranteed by governments and, except in very special circumstances, loans are to be denominated, disbursed and repaid in pound sterling; loans to any given project should not exceed 10% of the authorized capital; financing should not exceed 50% of the total cost of a project and should be limited to a project's foreign exchange cost. The following table presents the list of loans approved by the Abu Dhabi Fund by country and project:

1/ For tables listing past co-financing operations between the World Bank Group and the Abu Dhabi Fund, as well as co-financing operations presently under consideration, see multi-country briefing section F, Tables 11 and 12.

ABU DHABI FUND FOR ARAB ECONOMIC DEVELOPMENT

List of Loans Approved by the Board of Directors

Borrowing Country and Project	Amount
Yemen	
Sana'a Water Supply Project 1/	$ 1,000,000
Tunisia	
Gerba Village Project	TD 1,000,000
Jordan	
El-Azraq Road Project Jordan/Saudi Frontiers	DH 5,000,000
King Talal Dam Project 2/	DH21,500,000
Syria	
Mehardeh Thermal Power 1/	$15,000,000
Cattle Breeding Station Project 3/	DH 5,000,000
Egypt	
Omar El-Khayyam Hotel	$ 2,500,000
Talkha Urea Project 4/	$10,200,000
Bahrain	
Sitra Power and Water Station 2/	$10,130,000

1/ In association with the I.B.R.D.

2/ In association with the Kuwait Fund.

3/ In association with the Arab Fund.

4/ In association with the I.B.R.D., the Arab Fund and the Kuwait Fund.

E

1. Capital Subscriptions to IBRD, IDA and IFC and Bank Bond Holdings

I. IBRD Capital Subscription

Shares	1944 $	1973 $
128	12,800,000	15,441,000

II. IDA

The UAE is not a member of IDA.

III. IFC

The UAE is not a member of IFC.

IV. Outstanding Bank Bonds

Abu Dhabi*

1. Two-Year Bond Issues

Interest	Due on	Amount ($)
6-3/4%	March 15, 1975	500,000
8-5/8%	Sept. 15, 1975	2,000,000
6.9%	March 15, 1976	2,000,000
9%	Sept. 15, 1976	1,000,000
	Total	5,500,000

2. Private Placement with the Government of Abu Dhabi (in UAE Dirham)

Interest	Year of Issue	Maturity	Outstanding Amount (UAE Dirham)	Equivalent in Current $
8%	1974	1980-89	300,000,000	75,600,000

3. Public Bond Issues

None.

* No Bank bonds have been purchased by the Federal Government of the UAE.

EM1DA
February 14, 1975

ABU DHABI

IBRD Borrowings

1. In May 1974, the Government of Abu Dhabi signed an agreement to purchase the Bank's 8% 15-Year Bonds of 1974, due 1980/89. The Bonds, amounting to United Arab Emirates Dirhams 300 million, were purchased in May and June 1974. The United Arab Emirates Currency Board is the fiscal agent for the Bonds. The entire issue is outstanding and amounts to $75.6 million equivalent at the current exchange rate.

2. Purchases of Two Year Bonds by the Government of Abu Dhabi have amounted to $11.0 million, of which $5.5 million is presently outstanding ($0.5 million thereof will mature on March 15, 1975).

3. The total amount presently outstanding of Bank bonds purchased directly by the Government of Abu Dhabi is $81.1 million equivalent.

2/21/75
JPUhrig

2. IFC OPERATIONS

To be provided by Mr. von Hoffmann.

3. Existing Technical Assistance Activities

1. At present, there are no ongoing technical assistance operations in the UAE.

2. However, in the last 4 years, the Government made three requests to the Bank for technical assistance, which the Bank has willingly provided. These are summarized below.

(a) In September 1971, the Government of Abu Dhabi requested the visit of Bank experts to review the requirements and administration of power services in Abu Dhabi. The Bank sent two staff members in October 1971. During their visit, the scope of the review was extended to include: (i) the reasonableness of the number and duration of interruptions to power supply in Abu Dhabi, and the suitability of gas turbines as a means of power generation; (ii) power demand in Abu Dhabi in 1972 and 1973, and the adequacy of existing generating facilities to meet such demand; (iii) the adequacy of the organizational set-up in the Department of Power in Abu Dhabi; and (iv) the method of dealing with long-term power requirements and management aspects related thereto. The mission's findings on each of these matters, including the recommendation to employ consultants to undertake the analysis of future power demand and the most effective means of meeting it, as well as to investigate the organizational and managerial requirements of Abu Dhabi Power Department, were submitted to the Government in late 1971.

(b) The Bank's aforementioned recommendations on the long-term development of power requirements in Abu Dhabi, led to a request in May 1972 to review the terms of reference for consultants invited to submit proposals to undertake the analysis of future power demand in Abu Dhabi, recommend the most effective means of meeting it and advise on the organization and management requirements of the Abu Dhabi Power Department. The scope of this request was extended by the Government in the draft terms of reference, sent to the Bank for comments only in October 1972, to include Engineering Proposals for Power and Desalination System Development Plans (1974-85). The Bank immediately responded, with detailed comments on these terms of reference.

(c) During Mr. McNamara's visit to UAE in February 1973, the Ruler of Abu Dhabi requested Bank's technical assistance to advise the Government on a grazing project in Al-Ain Oasis. The Bank responded by arranging for one of its senior livestock specialists to visit Abu Dhabi. Since his discussions led to the conclusion that there was no possibility of improving the grazing potential of that Oasis without an increase in efficient use of irrigation waters, the Government followed up by requesting a visit of a specialist in the use of saline waters for irrigation and production of forage crops. A consulting specialist visited UAE in October 1973. This was followed by the obtaining of soil and water samples from Abu Dhabi, their analysis in the U.S., together with the submission of the expert's report in May 1974. The report included recommendations for a follow-up survey on the availability of groundwater in Abu Dhabi, land classification studies with respect to irrigation suitability of lands, projections of water for municipal and industrial use, regulations regarding water rights and allocations, and further coordination of research efforts in the field of crop production in the country. The Bank also offered its assistance for the implementation of these recommendations.

3. The Government, however, did not respond to this report. However, we learned that soon after the submission, the UAE had approached the UNDP with a proposal for Water Resources Management Project, to be done under the UNDP/FAO auspices. This proposal substantially includes measures recommended by the Bank for study.

4. A first economic mission visited the UAE in February 1974. Its report was sent to the UAE Government in July 1974 for its comments, which have not yet been received.

EM1DA
February 14, 1975

4. Prospective Technical Assistance Activities

1. During discussions with Government representatives in the course of the economic mission in February 1974, and later during the September 1974 Annual General Meetings, the Bank reconfirmed its willingness to provide technical assistance which the UAE may need for its economic development.

2. During the visit of the economic mission, the Government specifically requested the Bank's technical assistance to the Federal Ministry of Electricity and Water to unify the power systems and policies in the UAE. It also requested Bank's technical assistance in critically reviewing the report of the Government's consultants on the power situation in the country. While forwarding the draft economic report for the Government's comments in July 1974, the Bank reconfirmed its willingness to provide the requested assistance (July 31 letter attached hereto), as well as to organize and supervise a power sector study for the whole of UAE -- to identify the future supply and demand position for power, manpower and investment requirements therefor, related organizational, financial and other policy measures.

3. In that letter, the Bank also recommended four other possible areas, for the Government's consideration, where the Bank could provide technical assistance to UAE. We also offered to send a mission led by a senior member of the Projects Department, at a time convenient to the Government, to discuss the scope of technical assistance activities and the detailed arrangements for their implementation. The areas suggested for the Government's consideration included the following:

(i) assistance with the creation of a central planning apparatus, to coordinate with the planning authorities at the federal and emirate levels in the evaluation of macro and micro economic targets, and recommend specific proposals which could be implemented by UAE to achieve these targets;

(ii) further assistance in the field of agriculture, particularly in the use of saline water for forage production referred to in Part 3 of this Annex;

(iii) assistance with a transport survey to provide UAE with a master plan for the coordinated development of a transportation system, to identify future priority transport investments and to recommend organizational and related improvements in this sector; and

(iv) assistance in studying measures to conserve the scarce water available in the country and to provide adequate waste water treatment facilities.

4. During discussions at the Annual Meetings, the government representatives appreciated the Bank's offer and indicated that they would respond to the Bank's initiative early in 1975, after which the Bank could perhaps plan on sending the proposed mission to UAE. However, so far, the Government has not yet responded to this letter, nor sent comments on the draft economic report.

5. Meanwhile, in late 1974, the Government of Abu Dhabi requested Bank's further technical assistance to the Abu Dhabi Department of Electricity and Water. The Bank has responded (December 23 letter attached hereto) that it is willing to assist with this request, as well as with the earlier request for assistance in the preparation of development plans and policies for the power and water sectors in the UAE. A mission is tentatively scheduled for March 1975.

6. It is possible that in calendar year 1975, the Bank may get involved with some or all, of these prospective technical assistance activities. However, this will very much depend on the Government's decision as to the scope and extent of technical assistance it wishes to obtain from our institution.

EM1DA
February 14, 1975

December 23, 1974

His Excellency
Sheikh Soroor bin Mohammed Al Nahyan
Chairman
Presidential Court
Manhal Palace
Abu Dhabi
United Arab Emirates

Excellency:

I refer to your request for further technical assistance from the World Bank to the Abu Dhabi Department of Water and Electricity which Mr. Omar Dajany communicated to me last month. I should like to assure you of our continued interest in assisting Abu Dhabi in reviewing the above Department's work with respect to development of the power sector. The Bank economic mission which visited UAE in February 1974 had discussions with Mr. Habib Ahmed, Technical Director General of the Department, and obtained some information on matters concerning power supply in Abu Dhabi.

We had hoped to be able to send one or two power engineers to Abu Dhabi in December 1974, but as communicated to your Excellency in our cable of December 17, 1974, because of other travel commitments by our staff, we are currently working towards arranging for our staff to visit Abu Dhabi in early 1975. We trust that this schedule will be convenient for the Department. As indicated in the aforementioned cable, the work of our staff would be considerably facilitated if we could receive from the Department as early as possible the details of the Department's specific requirements, the type of work envisaged for the mission, and any relevant documentation which should be reviewed before the mission arrives in Abu Dhabi.

In this context, I should like to add that we have also agreed in principle to a request from the UAE Ministry of Electricity and Water for technical assistance in the preparation of development plans and policies for the power and water sectors at the federal level and the associated organizational requirements.

His Excellency
Sheikh Soroor Bin Mohammed Al Nahayan

December 23, 1974

I am confident that the work envisaged by the Department for our staff has been prepared in coordination with the Federal Ministry.

Sincerely yours,

M. P. Benjenk
Vice President
Europe, Middle East and North Africa Region

Cleared by and cc: Messrs. Paijmans, Haynes, Fish, Aiyer

cc: Messrs. Cargill, Paijmans, Wyatt, El Darwish, Maiss, Lachman, Ali
Division

WWhipplinger:mh

July 31, 1974

His Excellency
Hamdan Bin Rashid Al Maktum
Minister of Finance and Industry
Abu Dhabi
United Arab Emirates

Dear Mr. Minister:

I would like to thank you, and through you the officials of your Government, for the hospitality and the cordial cooperation extended to the World Bank economic mission which visited the United Arab Emirates during February 1974. As indicated in Mr. Benjenk's letter of January 9 to His Excellency Asayed Ahmed Alsowaidi, the purpose of the mission was to assess the economic position and prospects of the United Arab Emirates and the need for any technical assistance from the Bank Group.

The mission's report, "The Economy of the United Arab Emirates," is being dispatched under separate cover to the Government for comments. In accordance with the discussions with the mission, the report outlines areas of possible cooperation between the Bank Group and the United Arab Emirates in respect of technical assistance towards your Government's development activities.

As requested by your Government when the mission was in the field, we would be happy to arrange for a mission led by a senior member of Projects Department to visit United Arab Emirates at a time convenient to you in the fall to further discuss with you the scope of such assistance activities and the detailed arrangements for the implementation.

While in the United Arab Emirates, our economic mission identified the following possible areas where the Bank Group may usefully work with the Government.

Overall Economic Planning

The mission observed that considerable efforts are underway towards strengthening the Federation. According to the mission, priority is given by your Government to: (i) balanced development in all regions through the distribution of national wealth to all parts of the Federation; (ii) diversification of the economy to lessen its dependence on oil; and (iii) further expansion and improvement of economic and social infrastructure throughout the United Arab Emirates. These are areas in which the Bank Group has worked with other member countries, and would be pleased to assist the United Arab Emirates if your Government so desires. It is the mission's belief that the planning organizations, which are entrusted with the responsibility of achieving this task, would benefit from specialized expertise. To enable them to assume a stronger role, the planning apparatus appears to need assistance with respect to institutional arrangements, including definition of responsibility and staffing requirements, coordination between the planning authorities at the federal and the Emirate levels in evaluation of macro- and micro-economic targets, and on the specific proposals which would have to be implemented to achieve the targets.

Agriculture and Fisheries

In this sector, we have already had the opportunity of extending technical assistance to the respective authorities. You may recall that at the request of His Highness Shaikh Zayed during Mr. McNamara's visit, the World Bank sent special missions to the United Arab Emirates to study the possibilities of a grazing project and for the use of saline water for forage crop production. The mission recommended further Bank assistance in this field, with the cooperation of the UNDP.

Transport

The economic mission has reported upon the considerable progress in all modes of transport (road, sea and air). Also, in view of the importance of this sector to the accelerated development of the United Arab Emirates as well as for bringing about speedy social and economic integration between the member emirates, the further investment anticipated by your Government appears justified. The mission feels, however, that until recently investment decisions in this sector have been made by each individual emirate independently, resulting in different types of highway systems, regional imbalances in transport development, and duplication of projects and consequently in underutilization of their capacities. In view of the heavy future investment proposed for all modes of transport and to avoid possible misallocation of resources, the mission recommends a survey of the transport sector to provide the United Arab Emirates with a master plan for the development of a coordinated transport system, and to identify future priorities for transport investments and the organizational improvements necessary together with any technical assistance required for the staff responsible for each mode of transport. This survey may indeed be extended to cover the whole Gulf region. This is another field in which the Bank Group has been active in most of our member countries, and we are working on a similar survey being carried out in Saudi Arabia. We would be happy to provide any assistance that you may request in this respect.

Public Utilities (Electric Power)

In the power sector, during September 1971 and November 1972, we have already had the opportunity to carry out a survey of power services in Abu Dhabi and review and advise on invitations for engineering proposals for power and desalinization system development plans for the period 1974-1985. While considerable progress has been made in providing adequate supplies of power, the mission noticed with concern the possibility of power shortages this year or in the forthcoming year in several parts of the United Arab Emirates. The mission also observed some inadequacies in the power sector, about which the Bank Group missions specifically cautioned in 1971-1972, such as lack of long-term planning and inadequate institutional arrangements. The mission believes that these inadequacies could be remedied if steps are taken towards a unified federal power policy to replace the present diffuse power policies and systems.

The mission was informed that the Federal Ministry of Electricity and Water, which is to be made responsible for unifying the power systems and policies, is especially in need of expert assistance. The World Bank, through the economic mission, was specifically asked by the Federal Ministry of Electricity and Water to provide a critical review of recent consultants' reports on the power situation in the United Arab Emirates, and this is underway. It is our belief that, should your Government so request, the Bank Group can provide a positive contribution to this sector through participation in improving the institutional set up of the sector and by arranging for a power sector study for the whole of the United Arab Emirates to identify future supply and demand for power, manpower and investments required, and related organization, financial and other policy measures.

Public Utilities (Water Supply and Sewerage)

The sharp rise in urban water consumption is related to the accelerated urbanization as well as to the extravagant water use. As a result, underground reserves of water are being used up more rapidly than the rate of replenishment. Also, the mission learned that waste water treatment facilities in the town of Abu Dhabi are no longer adequate, thus causing health hazards in some areas. It would be extremely appropriate and timely to study the situation in detail towards arriving at measures to conserve water consumption and to provide adequate waste water treatment facilities.

Other Sectors

We understand that UNDP and other UN agencies are already engaged in providing the Government with the technical assistance required in other sectors.

In closing, I would like once again to assure you of the Bank's readiness to assist your Government as outlined in this letter towards implementing its development program. I look forward to receiving your comments on the draft economic report and on the points raised in this letter with regard to possible areas of cooperation between the Bank and the United Arab Emirates.

In view of their interest in this matter, I am sending copies of this letter to the Ministers of Planning, Public Works, and Foreign Affairs, as well as the Minister of State for Financial and Industrial Affairs.

With kind regards.

Sincerely yours,

Willi A. Wapenhans
Acting Vice President
Europe, Middle East and North Africa Region

cc: Messrs. Knapp, Cargill

Cleared with and cc: Messrs. Dajany, Maiss, Wyatt

cc: His Excellency
Asayed Ahmed Alsoweidi
Minister of Foreign Affairs

His Excellency
Hamdan ibn Muhammad Al Nahyyan
Minister of Public Works

MAli/MSAiyer:mh

His Excellency
Muhammed Khalifa Al Kindi
Minister of Planning

His Excellency
Muhammed ... Habrush
Minister of State for Financial and
Industrial Affairs

5. Possible contribution of United Arab Emirates to the financing of the Riverblindness program in West Africa

See attached memorandum of February 20, 1975 from Mr. E. Peter Wright to Mr. McNamara on Abidjan Meeting on Riverblindness.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 20, 1975

FROM: E. Peter Wright, Director, WA1

SUBJECT: Abidjan Meeting on Riverblindness

1. The first meeting of the Joint Coordinating Committee for riverblindness, which was held in Abidjan last week, went off well - thanks to the strong support of the Ivory Coast Government, the expert chairmanship of Dr. Candau and the excellent preparatory work done by the WHO/IBRD secretariat, in which Mr. Garff played a very active part. The meeting was attended by representatives of nine donor Governments, the seven participating countries and seven international agencies. After a preliminary session at which I handed over the chair to Dr. Candau, the meeting was opened by President Houphouet-Boigny with much attendant publicity in the press and on T.V. Dr. Candau held a press conference, which was given front-page coverage, and the riverblindness film was shown on national television along with a round-table discussion between representatives of the sponsoring agencies, in which Mr. Bazin gave a distinguished performance. This was the first time that the riverblindness program had really been brought to public attention in the Ivory Coast, and the Government is now very much committed to support of the program, including some contribution (not yet specified) to the financing of local costs.

2. The meeting adopted, with minor modifications, the Memorandum of Understanding incorporating the management structures for the program (copy attached). The representative of the Technical Advisory Committee (now re-named the Scientific and Technical Advisory Committee) endorsed the approach adopted for the control of the disease and presented a brief report containing among other things recommendations for extended entomological research. WHO reported on the progress of vector control operations and was able to announce that spraying had now been resumed following the accidents to the two aircraft. However, the performance of the aircraft contractor (Evergreen Helicopters of Oregon), though not discussed at the meeting, continues to cause us some concern. Both accidents appear to have been due to mechanical failure, and whether or not the contractor was at fault (we do not have an official report on the accidents), he appears to have underestimated the difficulties of operating in this part of the world. Evergreen, which is one of the leading companies engaged in this kind of business, has promised to do everything in its power to carry out its undertakings under the contract, but some parts of the contract may have to be renegotiated (e.g., to provide for changes in the type of aircraft employed), particularly as Evergreen could be exposed to a charge of deliberately underbidding in order to win the contract (the price quoted by the next lowest bidder was one-third higher).

3. Getting the participating African Governments organized for the economic development phase of the program, and the sponsoring agencies properly coordinated to assist them, continues to be an uphill struggle, but we were able to make some progress at the meeting in discussions with the countries principally concerned at this stage (Ghana, Ivory Coast and Upper

Volta), each of which was well represented and took an active part in the proceedings. Mali is something of a problem at the moment because of its dispute with Upper Volta, which has resulted among other things in its imposing a ban on program aircraft crossing the frontier between the two countries. Dahomey was also on the fringe of the meeting because of the recent change of government, and Niger has never been closely involved in the program, since only a very small part of its territory will be covered by the vector control operations. Togo is interested, but not yet deeply involved. UNDP, FAO and ourselves will be holding further meetings in the course of the next two or three months with the planning authorities in most of these countries to try and agree on the pre-investment studies needed and on how they are to be executed. Meanwhile, and subject to some reservations on the part of UNDP, we have approached Mr. Paul-Marc Henry, now President of the OECD Development Centre, with a view to his assuming the chairmanship of the Economic Development Advisory Panel, which is designed to provide the JCC with a critical evaluation of the economic development activities related to the program.

4. On the financing side, we have now managed to get most of the principal donors to commit themselves, subject to various provisos, to support the vector control program through its first six-year phase, costs of which are estimated at \$54 million, including provision for price and physical contingencies. Kuwait announced its pledge of \$6 million at the meeting and the African Development Bank has come in with a grant of U.A.900,000 or just over \$1 million. The French announced a firm contribution of FF26 million, to be paid in more or less equal annual instalments; the U.S. for the first time mentioned \$6 million as the figure they had in mind for the six years, with \$2 million now firmly committed and the rest subject to annual appropriation by Congress; the U.K., also for the first time, said that it was thinking in terms of covering 10 percent of the costs so long as everything went all right; Canada confirmed that a contribution of Can.\$3 million had now been approved for the six years. The Netherlands and Japan, which were represented by their local embassies, limited their statements to the contributions they would be making for 1975 (\$500,000 each); however, on the basis of previous assurances from the Hague, we can reasonably expect a Netherlands contribution of at least 10 percent over the six years, and we should be able to count on \$500,000 a year from Japan (Mr. Soejima is hoping for more). The Belgians always have difficulty in getting aid authorized, but their Delegate is hoping that they can be persuaded to put up BF10 million a year in addition to the BF5 million committed for 1974.

5. I restated the position of the Bank Group, namely that you would be prepared to recommend to the Executive Directors a contribution of up to 10 percent of costs for the six years, but said that we wanted to keep our contribution in reserve, along with other funds (such as those provided by Kuwait) which were not tied to annual budgetary appropriations. This appeared to satisfy the French, who had been pressing for proportionate contributions by all donors for each year of the program. I also made the point that we wanted to keep the door open for additional donors, so that it was impracticable at this stage to establish a precise cost-sharing formula. Moreover, we did not want to have large accumulations of cash in the Fund.

6. If currencies are converted on the basis of present exchange rates, financing for the six years now looks like this:

Donor	US$ Equivalent	Remarks
Belgium	1.6 million	Only $136,000 firmly committed.
Canada	3.0	Firm
France	6.0	Firm
Germany	5.5	Firm
Iraq	Neg.	Single contribution of $50,000.
Japan	2.5	Assumes $500,000 p.a. starting in 1975, but could be more.
Kuwait	6.0	Firm
Netherlands	5.4	Only $1.5 million firmly committed.
U.K.	5.4	Probable, but not yet firm.
U.S.A.	6.0	$2 million firm: remainder reasonably assured.
Total donor governments	41.4	
African Development Bank	1.1	Firm
UNDP	2.4	Estimated cost of training and chemotherapeutic research.
IBRD/IDA	5.4	Up to 10 percent of costs.
Total all present donors	50.3	

To cover the remaining gap of about $4 million we have in mind contributions from the United Arab Emirates, with which we are already in contact, and from the European Development Fund, which has promised that it will come in when the Fourth FED is finally established. We should get about $500,000 from the participating Governments, and there is always a possibility of a larger contribution from Japan. Equally, of course, costs may exceed the estimates, but we cannot easily make provision for that now. There is no urgent need in these circumstances to press additional donors to come in, but if the occasion arises during your forthcoming visit to the Middle East, you may want to suggest that some of the other OPEC countries support the program (e.g., Saudi Arabia). It would in any case be helpful if you would mention the program when you are in Abu Dhabi (copies of a letter to the United Arab Emirates and of a memorandum to Mr. Al Atrash are attached for reference); a grant of $3-4 million from the

U.A.E. would be welcome, and we would like to have it in a form in which it could be drawn upon at any time according to need.

7. It should be possible to meet the financial requirements of the program in 1975 without any further contribution from the Bank Group. Advances to be made to WHO from the Onchocerciasis Fund during the year are expected to total about $7 million, which will be more than covered by payments that have been promised as follows:

	$ million
Carry-over from 1974 contributions	1.9
African Development Bank	0.3
Belgium (BF10 million)	0.3
Canada	0.5
France (FF4 million)	0.9
Germany (DM3 million)	1.1
Japan	0.5
Netherlands	0.5
United Kingdom (10% of total)	0.7
U.S.A.	1.0
TOTAL	7.7

This means that we shall not have to make any further use of the transfer of Bank net income to IDA during the current fiscal year ($375,000 already drawn), though something may be needed in FY76. We shall also be including in the FY76 Budget for the Western Africa Regional Office provision of about 2-1/2 man/years of staff time, together with some money for consultants and travel, for continuing administrative support to the JCC, participation in the inter-agency Steering Committee and work on the economic development aspects of the program.

8. The next meeting of the JCC will be held on December 3-4, 1975, at the Bank's Paris Office. We are presently working on a final draft of a new Onchocerciasis Fund Agreement which we aim to have ready for signature in a few weeks. After that our main efforts in the Bank will be concentrated on the economic development aspects of the program where very little has yet been achieved.

Attachments

cc: Messrs. Knapp
Chaufournier
Hoffman, International Relations
Adler, Programming and Budgeting
Gabriel, Controller
de la Renaudiere, Director, WA2
Paijmans, EMENA CP1 ✓
Thalwitz/Rowe, West Africa Projects
Delaume, Legal
Bazin/Garff, WA1
Ewing, CPS

EPWright:erl

Mr. Muhammad Al-Atrash, Executive Director February 4, 1975

E. Peter Wright, Director, WA1

Control of Riverblindness in West Africa

1. We spoke the other day about the interest of the United Arab Emirates in contributing to the campaign for the control of riverblindness in West Africa, and you have since passed to me a letter from the Finance Minister of Iraq concerning the Iraqi contribution. The following notes may be of assistance to you in pursuing the subject with Governments which you represent.

2. The program for the control of onchocerciasis in West Africa is planned to extend over twenty years at an estimated cost of the order of \$200,000,000 (Mr. McNamara will be talking about this in his interview with Bill Moyers scheduled to appear on Channel 26 on Thursday evening this week). In organizing external financing for the program - a responsibility assumed, as you know, by the World Bank - it has been agreed that we should concentrate initially on the first six-year phase (1974-79), for which costs are estimated at \$54 million (see attached Budget prepared by WHO for the forthcoming meeting in Abidjan). To start the program off, an Advance Fund was established to cover commitments to be entered into during the first year, and contributions received in 1974 were credited to this Fund under the Onchocerciasis 1974 Fund Agreement, of which a copy is also attached. Iraq was a signatory to this Agreement and as such is automatically eligible to become a member of the Joint Coordinating Committee, the Inter-Governmental body set up to exercise general supervision over the program, which will hold its first meeting in Abidjan next week (February 11-12). Membership of the JCC in no way implies any commitment to contribute to the financing of the program in subsequent years, and we were assuming that Iraq would wish to be represented at the Abidjan meeting, although it is under no obligation in this respect. If Iraq does not wish to become a member of the JCC, we will not trouble the Government with any further communications on the subject, and it would be helpful if you could find out for us what the Finance Minister's preferences would be.

3. Currently, we are engaged in mobilizing external financing for the second and subsequent years of the program, and here we are faced with the problem that, while some donors are ready to make commitments for the full six years, others can only commit themselves for a year at a time. The Federal Republic of Germany, which made a firm commitment of DM13 million for the six years, and Kuwait, which has made a grant of \$6 million to be drawn upon at any time during this period, fall into the former category. Similarly, the French Government and the World Bank Group have each indicated that they will be ready to consider covering up to 10 percent of the costs of the program during the full six-year period. We are expecting comparable contributions (of the order of \$1 million a year) from the Netherlands and the United States and \$500,000 a year from Canada, but these are not binding commitments. Japan is also expected to become a donor, but we have not yet been officially informed of its intentions. All those donors which are contributing on a continuing basis will be asked to sign a new Onchocerciasis Fund Agreement which will provide a legal basis for contributions beyond 1974, and we plan to have this Agreement ready for signature in March or April.

4. So far as the United Arab Emirates are concerned, we very much welcome the interest they have expressed in participating in the program and, as indicated in my letter of January 2 to H.E. Saif Bin Ghubash, we are ready at any time to discuss with the Government the amount and timing of their contribution. Meanwhile, I suggested that the U.A.E. might be interested in sending an observer to the Abidjan meeting, since this would be a good way of getting acquainted with the program. I have not yet received a reply to my letter, and it would be most helpful if you could call Mr. Ghubash and find out how he would wish to proceed. With respect to the amount of the U.A.E. contribution, a grant of any amount up to $6 million would be extremely useful in covering the gap still remaining in the financing of the first six-year phase of the program, which is of the order of $10-15 million.

Attachments

cc (without attachments): Messrs. Cargill
Chaufournier
Benjenk
Hoffman, International Relations
Bazin, WA1
Delaume, Legal
Aguirre-Sacasa, WA2
Burmester

EPWright:crl

January 2, 1975

His Excellency
Saif Bin Ghubash
Minister of State
for Foreign Affairs
Abu Dhabi, United Arab Emirates

Excellency:

I have just heard from M. Jean Audibert of the French Ministry of Cooperation that your Government would be interested in helping to finance the program for the control of onchocerciasis (riverblindness) in West Africa. This is welcome news.

As I think you know, the program is being sponsored by four international agencies, namely the FAO, the World Bank, the WHO and the UNDP, with WHO as executing agency. By agreement with the other agencies the World Bank has taken the lead in mobilizing external finance for the program, and as a first step we organized last year advance financing of \$7.5 million to cover commitments to be entered into during 1974. Contributions were obtained in the form of grants from the Governments of Canada, France, the Federal Republic of Germany, the Netherlands, the United Kingdom and the United States, from the UNDP and from the World Bank Group, and an Onchocerciasis 1974 Fund Agreement was signed by the initial contributors, with Germany adhering later and being joined subsequently by Belgium and Iraq. A copy of this Agreement is enclosed for your information together with a number of other documents relating to the program (Reports of Proceedings of Meetings on the Control of Onchocerciasis in West Africa held in Paris in June 1973 and June 1974; and Papers for the 1974 Meeting, including a budget for 1974-79).

While the program has been designed to extend over a period of 20 years, we are at present concentrating on mobilizing the external resources needed to cover the first six-year phase (1974-79), the cost of which is provisionally estimated at about \$54 million in terms of current prices. Firm commitments for the whole six-year period have been made by the Federal Republic of Germany (DM 13 million) and in recent weeks also by the Kuwait Development Fund (\$6 million). Most of the other donors already mentioned have indicated their continued support for the program, subject to annual legislative approval or other appropriate action, but they are not in a position to commit themselves for more than one year at a time. There is thus a good prospect that upwards of 60 percent of the required financing can be obtained from the existing donors, and we are also expecting contributions from the African Development Bank and, after 1975, from the European Development Fund. However, there will still be an uncovered gap, which might be anywhere from $5-10 million, and additional contributions would be most welcome. If therefore your Government would like to make a grant for the program, we would be happy to discuss this with you in more detail whenever it would be convenient to you.

Meanwhile, the donor and participating Governments and sponsoring agencies have formed a Joint Coordinating Committee to exercise general supervision over the program, and the first meeting of this Committee will be held in Abidjan in the Ivory Coast on February 11-12, 1975, under the chairmanship of Dr. M.G. Candau, former Director General of the WHO. In case your Government would like to send an observer to this meeting, I am enclosing a notice of the meeting and a provisional agenda which have just been issued and will arrange for the documents to be forwarded to you as soon as they are ready.

Yours sincerely,

E. Peter Wright
Program Director
Western Africa

Enclosures

cc: Messrs. Cargill
Chaufournier
Hoffman, International Relations
Davar, EMENA
Bazin, WA1
Delaume, Legal
Gué, WA2
Burmester

EPWright:erl

NOTES ON PERSONALITIES

ABU DHABI

Abu Dhabi - February 1973

Habroush. Financial Secretary. Able.

Dr. Pachachi. Iraqi. Economic advisor, formerly an Iraqi Minister. Bright and able.

Sheik Zaid. The warmest Arab leader I have met. Generally interested (although technically limited) in advancing the welfare of his own people, as well as the development of other Middle Eastern nations and other nations throughout the world. He deposed his brother in 1966, after which, for three years, his younger brother blackmailed him by threatening to tell their mother, until finally the Sheik informed their mother himself and threw out the younger brother.

4.

Files March 16, 1973

Omar Dajany

Mr. McNamara's Visit To The United Arab Emirates

Mr. McNamara visited the United Arab Emirates from February 12 to February 14. He was accompanied by Mrs. McNamara, Mr. and Mrs. Mohamed Shoaib, Mr. Anders Ljungh and Mr. Omar Dajany. Mr. Munir Benjenk joined the party early in the morning of February 14. During this visit Mr. McNamara met with the President of the United Arab Emirates, H.H. Sheikh Zayed Ben Sultan Al-Nahyian; the Ruler of Dubai, H.H. Sheikh Rashed Ben Said Al-Maktoum and had a business meeting with a delegation representing the United Arab Emirates headed by H.E. Ahmed Khalifa Alsowaidi, Minister of Foreign Affairs.

In addition, Mr. McNamara visited the new port of Abu Dhabi, took a boat trip to have a better view of the port project, was entertained to a dinner in his honor by the Head of State at Moubarak Palace, traveled on the newly completed road to Dubai where he was received by Sheikh Rashed, the Ruler; who also was his host at a luncheon in his honor at the Guest House in Dubai. Before the lunch, Mr. McNamara had visited with the Ruler who explained to him the details of the port and drydock projects as well as the proposed tunnel project linking both sides of the city. Following this meeting, Mr. McNamara and his party visited the site of the drydock and toured the city of Dubai before taking a special plane to return to Abu Dhabi on their way to Saudi Arabia.

1) Meeting with H.E. Ahmed Khalifa Alsowaidi, Minister of Foreign Affairs of the United Arab Emirates

This meeting took place in the evening of February 13 at the Khobaira Palace where Mr. McNamara and his party were staying. With Mr. McNamara were Messrs. Shoaib, Ljungh and Dajany. Mr. Alsowaidi, on the other hand, brought with him Their Excellencies Mohamed Habroush, Minister of State for Financial Affairs in the Abu Dhabi Government and Minister of State in the United Arab Emirates Government; Dr. Adnan Pachachi, formerly Minister of Foreign Affairs in Iraq and for several years Iraq's representative at the United Nations but who is now Minister of State in the Government of Abu Dhabi; and Hassan Abbas Zaki, General Manager of the Abu Dhabi Fund for Arab Economic Development who also holds a couple of other positions in an advisory capacity to Sheikh Zayed.

Mr. Alsowaidi welcomed Mr. McNamara to the United Arab Emirates and said that they had been looking forward to his visit which unfortunately is too short. He asked if the program for the visit was agreeable to Mr. McNamara and added that a change had been made whereby H.H. the President of the United Arab Emirates would host Mr. McNamara and his party at dinner at the Moubarak Palace that evening.

Mr. McNamara said he was glad to be in the United Arab Emirates, thanked Mr. Alsowaidi for all the arrangements they had made and added that he was looking forward to meeting His Highness later on. It was agreed to devote this meeting to business matters, the context of which Mr. Alsowaidi will report to the President prior to the dinner.

Mr. McNamara began by saying that although the United Arab Emirates joined the Bank only last September, there has been a lot of contact with the Bank and an excellent relationship has been developed in the past three or four years. He cited the Economic Survey Mission of 1969 which made a comprehensive economic study of all the nine Emirates, the request for which was initiated by Abu Dhabi. Also the Government of Abu Dhabi has participated in the last four of our two-year bond issues and an understanding reached between Mr. Habroush and Mr. Dajany to have a large special bond issue in the currency of the United Arab Emirates as soon as a currency board is formed and the new currency issued. He also recalled that when Abu Dhabi requested the Bank's assistance in advising the government about the power problem, the Bank responded by rushing two experts who studied the problem and made the necessary recommendations. Such a relationship, started prior to the United Arab Emirates' membership, can only lead to closer and stronger relations now that the United Arab Emirates is a member.

Mr. McNamara spoke then about the activity of the World Bank in the Arab countries and mentioned that in the past five years the Bank has made commitments of approximately $1 billion in eleven Arab countries involving some sixty projects. He realizes, he said, that countries like the United Arab Emirates, Kuwait, Qatar and Saudi Arabia will not need any financial assistance from the Bank. But what the Bank can do, and will be glad to do, is provide technical assistance and advice when needed. Technical assistance on specific projects or economic problems, and advice on planning and long-term investment.

Mr. Alsowaidi thanked Mr. McNamara on the assistance received from the Bank in the past and on its willingness to provide technical assistance in the future. The United Arab Emirates, he said, is willing to cooperate fully with the Bank and he praised the Bank staff who have dealt with them so far. With that established as a basis, he wanted to mention a few points which form the principal direction of the United Arab Emirates policy.

Although Abu Dhabi is blessed with wealth from oil, the rest of the Emirates which form the United Arab Emirates are not so fortunate. It should be understandable, therefore, that the wealth of the United Arab Emirates as a whole should first be directed toward putting ones own home in order. A lot is needed in all the seven member Emirates and the first duty of the government would be to direct its wealth toward the welfare of its own people. 2) When that is accomplished it would only be normal to start thinking of helping others and, naturally, one starts with his immediate neighbors and then go on to the neighbors of his neighbors and so on. In this phase, assistance would encompass primarily Arab countries. However, that does not mean that assistance to other Arab countries would not be started until the completion of Phase 1. As a matter of fact, the Government of Abu Dhabi has and is continuing to assist other Arab countries with substantial amounts. Also, the creation of the Abu Dhabi Fund for Arab Economic Development was specifically intended to begin developmental assistance in the Arab countries along the lines of the Kuwait Fund. When Phase 1 is completed, the magnitude of both the direct governmental assistance and that of the Abu Dhabi Fund would both be substantially stepped up. 3) Phase 3 of their policy involves the build up of reserves which so far they have not been able to do. 4) The last phase in their planning is Phase 4 which involves investment in long-term plans which would form the basis of diversification of their economy so that they would not be totally reliant on oil in the future.

Mr. McNamara said that he agreed with this line of thinking and in fact has been saying so to officials in Kuwait and Qatar. He did, however, have a couple of comments to make. With regard to the Abu Dhabi Fund, he would recommend some form of liaison between the various Funds such as the Abu Dhabi Fund, the Kuwait Fund, the Arab Fund and the Qatar Fund (if and when it is created), in order to ensure coordination and avoid waste and duplication. The Bank, he said, is in touch with the Kuwait Fund and the Arab Fund and has in the past and will continue to provide assistance to them and undertake joint projects with them. The Bank looks forward to the same relationship with the Abu Dhabi Fund and is prepared to provide it with any assistance it can if needed.

On the question of the build up of reserves and the long-term investment policies, Mr. McNamara had definite strong views. Reserves are essential and, as a matter of fact, he would recommend that allocations to a reserve be started as early as possible, simultaneous perhaps with Phase 2 of Mr. Alsowaidi's plan. As to the long-term investment he feels that emphasis should be on investing in long-term plans both in and outside of the United Arab Emirates, selected in such a way as to provide a truly diversified investment program. The Bank, he said, would be very happy to borrow larger amounts in Abu Dhabi but lending the Bank should only be one channel of a number of other possibilities when the time comes, and if we are requested we could perhaps assist them in their long-term investment plans.

Mr. Habroush said that 1973 is going to be a difficult year because of their commitment under the oil participation agreement which requires them to pay approximately $152 million. However, beginning in 1974 their liquidity will improve and he hopes that the United Arab Emirates will become a larger participant in the Bank bond activity. He confirmed that he is in close touch with Mr. Dajany with whom he hopes to work out the appropriate and mutually convenient timing for a special bond issue in the new currency of the United Arab Emirates. At this point Mr. McNamara pointed to the advantages of having a bond issue in their local currency and cited as an example the Kuwaiti dinar which has been lent by the Bank to some thirty-two countries all over the world who in turn have to service these loans in Kuwaiti dinars and thus keep it in constant demand.

Dr. Pachachi asked Mr. McNamara if it would be possible for the Bank to conduct another economic study of the United Arab Emirates. The economic survey of 1969 was made on a premise which has not materialized. It was made on the assumption that there was going to be a federation of all the Emirates which included Bahrain and Qatar. Now that the United Arab Emirates is composed of only seven Emirates it would be a great help to them if another study is made for the country as it is. Mr. Alsowaidi promptly endorsed this request and Mr. McNamara said that the Bank would be happy to do so. Because of the heavy work load at the Bank and due to previous commitments of its staff, it may not be possible to mount such a mission very soon but he believed that the Bank could do so some time early in 1974.

2) Meeting with H.H. Sheikh Zayed Ben Sultan Al-Nahyian; President of the United Arab Emirates and Ruler of Abu Dhabi

Sheikh Zayed received Mr. McNamara and his party at Moubarak Palace. With Sheikh Zayed was the Crown Prince of Abu Dhabi, his eldest son, Sheikh Khalifa Ben Zayed Al-Nahyian. Also present were a number of cabinet members of the United Arab Emirates and other cabinet members of the Government of Abu Dhabi. Soon after the introduction and cordialities, Mr. Alsowaidi sat by Sheikh Zayed and briefed him on the discussion held earlier with Mr. McNamara.

Sheikh Zayed then began by extending a warm welcome to Mr. McNamara regretting at the same time that his visit is so brief. He said that he had heard and read a lot about Mr. McNamara and is delighted that he was able to come to and visit the United Arab Emirates. Mr. McNamara said he was happy to be in Abu Dhabi and that he too is impressed with what Sheikh Zayed has done in developing the country in such a short period. Sheikh Zayed said that until he became Ruler, a little over five years ago, Abu Dhabi was nothing but a vast desert and all the revenues from oil were hoarded by individuals who did not wish to share the wealth with the people nor care about the development of the country. This is perhaps why people like this are no longer in power. He has great faith and belief in God and feels that God dictates upon every head of state to share the wealth of the country with the people who constitute the country. People who do this, like he is trying to do, will live better and happier with God; within themselves; and with their people. This is always why, he added, selfish despots are unceremoniously removed and quickly forgotten whereas, those who share with the people and work for their welfare are respected, cherished and long remembered. Mr. McNamara agreed with Sheikh Zayed's views and said that he admired his philosophy. Countless examples in history have confirmed this philosophy and yet it is surprising how many men, once in power, are blinded by it and fail to learn the lesson.

He said that he could not be happier at hearing what Sheikh Zayed said and supports him wholeheartedly in his approach and philosophy.

It was evident that a strong personal affinity had instantly developed between the two men which characterized the atmosphere throughout the meeting, at dinner, and when they parted.

At dinner Mr. McNamara related the highlights of the discussions with Mr. Alsowaidi and when he mentioned the economic study which was requested and which he had promised for early next year, Sheikh Zayed said that early 1974 may be too late in relation to the pace of their present development. If the mission is to come early in 1974, by the time they conduct the study and write their report it may take too long and may be too late to permit them to take full advantage of the Bank's recommendations and incorporating them in their present rapidly growing development program. He asked Mr. McNamara if he could arrange to send the mission as early as possible this year and Mr. McNamara promised to do his best to arrange an earlier timing.

Other than the economic study, Mr. McNamara told Sheikh Zayed that the Bank would also be happy to advise them on specific economic or developmental problems that they may encounter either prior to or subsequent to the economic study. Sheikh Zayed was quick to react by saying that he had one specific problem on which he would very much appreciate the Bank's service. He said there was sufficient water at Al-Ain and other places in the United Arab Emirates and wanted to explore the possibility of starting grazing areas where possible. Mr. McNamara said that this was a highly specialized matter on which the Bank would have to do a lot of studying and consultation with other international organizations. However, it was not an impossible task and he gave Mauritania as an example where such a project was successfully undertaken by drilling wells at various points thus realizing vast areas for grazing. Sheikh Zayed again repeated his request that the Bank try to help in this matter as soon as possible and independently of the economic study. Mr. McNamara promised to consider this with a sense of urgency as soon as he returned to Washington.

The farewell between Sheikh Zayed and Mr. McNamara was extremely warm and friendly. Sheikh Zayed walked his guest to the door and in an obvious gesture of friendship and esteem clutched his hands and said to Mr. McNamara that this is one day he will never forget and a meeting he thoroughly enjoyed. Mr. McNamara was equally warm in conveying his reciprocal feelings.

cc: Mr. McNamara (2), Mr. Aldewereld, Mr. Shoaib, Mr. Benjenk (2),
Mr. Hotberg

ODajany:dlh

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UNDP ACTIVITIES

1. UNDP does not have a separate resident mission for the UAE. This country, as other Gulf states, is covered by the Regional Resident UNDP Mission, headquartered in Riyadh. This Mission has, however, a Deputy Regional Resident Representative residing in Bahrain, who is in charge of UNDP activities in Gulf states, including the UAE.

2. The UNDP Indicative Planning Figure (IPF) in the Country Program for the UAE, for the period 1972-76, is $1,000,000. However, the estimated costs of the ongoing and proposed UNDP projects for this period amount to $1,383,000. Of this, $803,000 will be contributed by UNDP, with the Government providing the balance. The Government's contribution will cover local costs and part of the foreign costs. Since this Country Program is barely underway, as of September 1974, less than 7% of the budgeted expenditures have been disbursed.

3. Under this Program, besides the use of the IPF monies for fellowships and on-the-job training of UAE nationals, nearly 69% of the funds are allocated to agriculture. The main project in this field is a Water and Soil Investigations for Agricultural Development Project. It will assist the Government in the correct use of water and soil resources for efficient and economic agricultural production using adequate soil and water conservation and management practices.

4. For ready reference, the names and addresses of the UNDP Regional Representative and Deputy Regional Representative responsible for the UAE are given below:

Mr. Abdullatif Succar
Regional Representative of the UNDP
for Saudi Arabia and the Gulf Area
P. O. Box 558
Riyadh, Saudi Arabia

Cable address:

UNDEVPRO
RIYADH (SAUDI ARABIA)

Phone: 22564
26807

Mr. Per Sjogren
Deputy Regional Representative of
the UNDP in Bahrain
P. O. Box 814
Manama, Bahrain

Cable address:

UNDEVPRO
BAHRAIN

Phone: 8687
8688

EM1DA
February 14, 1975

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NNNN
#WXA006 NVC375

0905 :DEVELOPMENT:

DUBAI, FEB. 28, REUTER -- THE RULER OF DUBAI, SHEIKH RASHID BIN SAID AL MAKTUM, TODAY SET UP A NEW FUND HERE TO MAKE LOANS AT LOW INTEREST FOR DEVELOPMENT IN THIS UNITED ARAB EMIRATES MEMBER STATE.

THE CAPITAL OF THE NEW DEVELOPMENT BOARD IS 200 MILLION DIRHAMS (21.4 MILLION STERLING), DUBAI RADIO REPORTED.

REUTER CF

FORM NO. 155.01 (3-70) INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

NEWS SERVICE

INFORMATION AND PUBLIC AFFAIRS DEPARTMENT

This news story appeared on page 1 of the 21 February 1975 issue of:

- [ ] THE NEW YORK TIMES
- [ ] THE WALL STREET JOURNAL
- [ ] THE JOURNAL OF COMMERCE
- [x] THE WASHINGTON POST
- [ ] THE CHRISTIAN SCIENCE MONITOR
- [ ] THE TIMES
- [ ] THE FINANCIAL TIMES
- [ ]

Abu Dhabi Lifts Output, Hits Oil Bloc

By Jim Hoagland
Washington Post Foreign Service

BEIRUT, Feb. 20—In a move that could push down the price of its high-quality crude oil, Abu Dhabi has ordered Western oil companies to increase petroleum production in that Persian gulf sheikhdom immediately.

The move, disclosed in a television interview in Abu Dhabi last night by Petroleum Minister Mana Oteiba, is another indication that Middle East oil producers are facing serious problems in keeping prices at their current high levels because of surpluses resulting from reduced consumer demand.

Oteiba criticized the oil companies and, more significantly, complained that the Organization of Petroleum Exporting Countries had failed to coordinate its members' production schedules to prevent surpluses in the world market.

The Trans-Arabian Pipeline Co. confirmed yesterday that Saudi Arabia had stopped pumping oil to Zahrani, the Mediterranean terminal, Feb. 9 because of a lack of demand in Europe. Zahrani-exported oil commands a $2 per barrel premium because of the terminal's proximity to Europe and is not competitive in the current surplus market.

Last month Algeria and Libya shaved the premiums on their oil exports for the same reason, and the increase ordered by Oteiba is almost certain to drop the price of Abu Dhabi's oil, industry experts said.

The Associated Press reported earlier this week that Abu Dhabi, which would net more than $4.5 billion this year at its maximum production rate of 1.8 million barrels a day, has a severe cash shortage because of extensive spending and aid-giving.

Oil sources in Tokyo were reported last week to have said that Abu Dhabi was already selling its low-sulphur oil at 40 cents a barrel below the OPEC-set price, and Oteiba's remarks last night increased speculation here that Abu Dhabi might scrap the premium charge altogether.

A pro-government daily newspaper said in Abu Dhabi that Oteiba had ordered the companies to raise production to 1.3 million barrels a day but did not give current production. Oteiba is also demanding "compensation" from the companies for revenue losses.

[Egypt's Middle East News Agency reported, according to UPI, that Oteiba said the foreign consortiums agreed to lift the production cuts they made last month and return output from its present 700,000 barrels a day to its pre-January level of 1.2 million barrels.]

Production has been scaled back or held constant in all OPEC countries as the surplus on the market has built up. Oteiba disputed Western estimates that the surplus is 5 million to 6 million barrels a day, saying that it was only 2 million.

Surpluses could be avoided if OPEC kept its members briefed on each other's output, Oteiba said.

[OPEC, at its meeting in Vienna next week, will consider two proposals to end calculation international oil prices in dollars, a Kuwait official said, according to the Associated Press. Kuwait will propose relating the price to the dollar, the Japanese yen and five West European currencies. Algeria and Iraq will propose basing the price on currencies other than the dollar.

No. 155
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INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

PRESS CLIPPING SHEET

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Oil-Rich Persian Gulf State Seen Running Low on Funds

By John Bonar
Associated Press

ABU DHABI, United Arab Emirates, Feb. 16 —This Persian Gulf sheihkdom isin danger of going into debt, despite huge oil revenues that topped $4 billion last year.

Part of the reason for the turnabout, changing this country of about 60,000 citizens from one of the four major holders of surplus oil funds to a potential borrower, is the spending of the ruler, Sheikh Zayed bin Sultan Nayhan.

The Bedouin sheikh has poured funds into needy countries such as Bangladesh and Somalia and has given cash support to the Arab frontline states of Egypt, Syria and Jordan. He is considered an easy touch for every nationalist movement from the Philippine Moslems to the Eritrean Liberation Front.

The oil companies have reduced production from Abu Dhabi oil fields by 50 per cent in recent months, according to Oil Minister Mana Oteiba.

"At the current production levels this country is going to be short of money," said one Western observer.

Last year Abu Dhabi gave away in foreign aid 30 per cent of its total expenditures, according to sources in the Emirates' currency board, which acts as central banker to the union. The other countries in the union, formed in 1971, are Dubai, Sharjah, Ajman, Um al Qaiwain, Ras el Khaimah and Fujairah.

Abu Dhabi provides the union with 10 per cent of its total income and finances ambitious and widespread domestic development programs including office complexes, apartment blocks and luxury hotels.

One Western diplomat who monitors the movement of oil funds said: "There are not any surplus funds around here. The money is going out like water through a sieve, and the way it is going out is excessive to the rate of income."

Observers believe that Sheikh Zayyad will not take kindly to informing President Sadat of Egypt and President Mujibur Rahman of Bangladesh that a reduction in his aid commitments is necessary.

Government frustration has so far been directed at the foreign oil companies, which operate in partnership with the state-owned Abu Dhabi National Oil Co. The two main companies are Abu Dhabi Petroleum Co., with a 40 per cent share held by Iraq Petroleum Co., and Abu Dhabi Marine Areas, which operates offshore and has British and French partners.

Abu Dhabi is preparing for negotiations to take over 100 per cent ownership of both companies, and Oteiba has accused the companies of cutting back production in an attempt to pressure the government.

The reduction appears to be attributable to the glut of oil in Europe and an overall reduction in oil exports.

According to the Beirut-based Arab Press Service, per cent. Kuwait's 10 per cent, Iraq's 14 per cent, Libya's 20 per cent and Algeria's 16 to 18 per cent.

Abu Dhabi has had particularly severe reductions because of its price, the highest in the Arabian Gulf, due to a 7[illegible] cent premium for low sulphur content.

BUSINESS International

A squeeze on Abu Dhabi today could be a squeeze on Britain tomorrow

While Mr Henry Kissinger [illegible] again [illegible] solve the world's oil [illegible] (see page 44), a group of [illegible] companies is putting pres[illegible] Abu Dhabi to break the world [illegible] of oil. The companies have cut [illegible]on in Abu Dhabi, which was 1.[illegible] barrels a day last July, to about [illegible] barrels a day and plan to cut it fur[illegible].

Largely because of the [illegible]ending ways of its ruler, Sheikh [illegible] bin Sultan al Nahayan, the [illegible] Dhabi government cannot afford [illegible] serious drop in oil revenues, and [illegible] searching [illegible] ways to increase oil pro[illegible]. One [illegible] to take complete [illegible]ol of the country's oil industry. [illegible] owing Abu Dhabi to reduce the [illegible] its oil without violating the [illegible] of the Organisation of Petroleum Exporting Countries (Opec).

But Abu Dhabi would [illegible] follow Saudi Arabia, rather than [illegible] lead, on 100 per cent participa[illegible]. However, Sheikh Ahmed Zaki Yam[illegible] Saudi oil minister who largely [illegible]d his country's demand for 1[illegible] per cent participation, is fighting [illegible] job. If he goes the Saudis may chan[illegible] course.

Zayed is being squeezed

Oil companies operating in Abu Dhabi claim that production has been cut for purely economic reasons. They point out that production has also been cut in Saudi Arabia and Iran, the two largest producers, whose output in January was 10 per cent down on December and is expected to fall 5 per cent further this month. And Libyan production last month was 850,000 barrels a day, against 1.58m in July. The companies say that Abu Dhabi has been hit hardest because its oil is more expensive.

While the price of Abu Dhabi oil has surely hurt it, few observers believe that this is the whole story. Most of Abu Dhabi's oil comes from its on-shore fields, where the same consortium operates that goaded Iraq into nationalising its Kirkuk field in 1972 by drastically cutting production there. The consortium members are British Petroleum, Royal Dutch/Shell, Compagnie Française des Pétroles, Exxon, Mobil and the Gulbenkian interests.

Will it help the oil consuming countries to try to smash the Opec cartel by tactics of this kind? The cartel is coming under increasing pressure anyway. Some members are cheating the Opec rules by cutting prices—so far only by the backdoor device of giving extended credit. There is growing resentment against Saudi Arabia for letting companies buy spot crude to make up for the cuts they have made in less amenable countries. Kuwait is the most resentful; it has called for an emergency Opec meeting to discuss the fall in the value of the dollar (in which Opec countries are largely paid) and so, presumably, to try to find a reason for hoisting prices. The slump in oil demand has cut Opec production from 33m barrels a day in May to 28m barrels a day last month. But consuming countries who might be tempted to think that Opec is now ready for a knockout blow, should note the reasons for the drop in oil demand. Some of it has come because 1973's rise in price always was bound to create some glut of oil by now. But most has come because of the mild winter in Europe and the worldwide economic slowdown. With an upturn in economic activity, and perhaps a cold winter next year, production could quickly recover. If and when it does, the Opec countries will take their revenge for attempts to break their unity by picking on Abu Dhabi.

Since the companies' power to negotiate with the oil producers has largely been turned over to consuming governments anyhow, some oilmen think that the companies would do well to avoid provocation of this kind in the run-up to the meeting of consumers and producers. This meeting can be a success only if the consuming countries unite. The first reactions to Mr Kissinger's new proposals do not suggest that they will. Doubts are strongest about a floor price for oil to protect the huge investments needed to develop alternative energy sources. No specific price was mentioned but it would probably be around $7 a barrel. This is triple the price of oil before the Yom Kippur war, and Britain is one of the countries that has an interest in seeing that it is not pitched any lower. Most North Sea oilfields would become unprofitable if the world price sank below $6 or $7 a barrel. Britain will also need such a price to justify much of its new investment in coal and nuclear power.

French oil

Crude treatment

Paris

Mr Kissinger's proposals came two days after the French government had announced a revised long-term energy plan. It has decided to halt the coal industry's rundown and maintain coal's place in the country's fuel mix. So the 1985 target for oil consumption has been lowered by 12m tons to 97m tons, against 105m tons consumed last year. This is particularly bad news for the international oil companies operating

REUTERS
World Bank Service

Monday, December 23, 1974

Prepared by the Information & Public Affairs Department

NEWS SUMMARY

PARIS: The World Bank has announced approval of five loans totaling $107.5 million to help finance agricultural and livestock development in Nigeria. The Bank also announced at the weekend loans totaling $48.2 million for three other member countries -- Morocco, Tunisia and Yugoslavia.

WASHINGTON: The World Bank has announced a $6 million loan to Yugoslavia to help finance a water supply and improved wastewater systems in Dubrovnik. Noting that Dubrovnik was the main center for Yugoslavia's tourist industry, the Bank said on Friday that the project would also improve the environmental protection of coastal waters in the southern Adriatic.

NEW DELHI: Britain has made India an interest-free loan of 177,500,000 rupees (about 9.5 million sterling) for debt relief under an agreement signed in New Delhi today.

KUWAIT: Kuwait has saidit now effectively owns the whole of the Kuwait Oil Company (KOC) which British Petroleum and Gulf Oil of the U.S. have stakes. Speaking at a company ceremony at the weekend, Kuwaiti Finance Oil Minister Abdel-Rahman Al-Atiqi said that, in the new situation, the two firms now only had the status of most favored customers.

LISBON: Portugal formally handed over power at the weekend to an African-led transitional government in the Sao Tome and Principe Islands which lie in the Gulf of Guinea about 150 miles off the coast of Gabon.

BRUSSELS: The European Common MarketCommission has approved five new aid projects for African states totaling 10,542,000 units of account (about 5,270,000 sterling). According to an EEC statement released yesterday the grants from the European Development Fund would be spent on five aid projects -- one in Mali and two each in Upper Volta and the Malagasy Republic.

The European Common Market Commission and the European Investment Bank have agreed to lend Zaire 5,803,000 units of account, equivalent to 3,500,000 zaires, on special conditions to finance enlargement of the water distribution system in Kinshasa. The new scheme will include more than 28 kilometers of water mains and a reservoir of 12,000 cubic meters, the EIB said in a statement.

UAE

DACCA: The United Arab Emirates (UAE) will give Bangladesh a $50 million soft loan to help overcome the Bengali Nation's economic crisis, according to Prime Minister Sheikh Mujibur Rahman. The Bangladesh Prime Minister said on his return on Friday from a visit to Abu Dhabi that the UAE would extend another $20 million credit to help Bangladesh buy its industrial raw materials and spare parts.

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