McNamara Papers

Travel
Tebr.



Folder 6 of 8

A

## UNITED ARAB EMIRATES

### Note on Itinerary

Mr. Dajany suggests the following order of visits in Abu Dhabi and Dubai respectively:

Abu Dhabi

1. The Ruler Sheikh Zayed
2. The Foreign Minister and Principal Adviser Mr. Al-Suwaydi
3. The Minister of Defense and Eldest Son of the Ruler Sheikh Khalifah
4. The Minister of Petroleum and Industry Mr. Utayba
5. The Minister of Finance Mr. Habroush and his British Financial Adviser Mr. John Butter
6. The Minister of Education and Chairman of the Planning Committee Mr. Al-Kindi
7. Vice President of the Abu Dhabi Fund Mr. Hassan Abbas Zaki

Dubai

1. The Ruler Sheikh Rashid
2. UAE Minister of Finance and Son of the Ruler Sheikh Hamdan
3. His Excellency Mr. Mahdi Al-Tajir, UAE Ambassador to London and Principal Advisor to the Ruler.

EMENA Region
Division 1D
January 26, 1973

CABINET OF GRAND CHAMBRLAIN
ABU-DHABI (U.A.E.)

PROGRAMME OF THE VISIT OF
Mr.McNAMARA TO ( U. A. E.)
FROM TUESDAY 13 FEBRUARY
TO WEDNESDAY 14 FEBRUARY
1973.

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PARTY:

| | | |
|---|---|---|
| Mr. & Mrs. McNAMARA | - | PRESIDENT OF THE INTERNATIONAL BANK. |
| Mr. & Mrs. SHOAIB | - | VICE-PRESIDENT. |
| Dr. OMAR DAJANI | - | |
| Mr. GUNGH | - | PRIVATE SECRETARY |
| Mr. BENJEK | - | HEAD OF MIDDLE EAST DEPARTMENT. |

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TUESDAY 13 Feb.

1215 PM. - ARRIVING TO ABU-DHABI AIRPORT.

1330 - PRIVATE LUNCH AT "KHAUBEIRA" .

1600 - THE PROCESSION PROCEDE TO THE PORT, A FREE TOUR IN THE TOWN.

1800 - H.E. AHMAD SUEDY " MINISTER OF FORIEGN AFFAIRS", & fin. officials CALLS ON Mr. McNAMARA IN "KHAUBEIRA" .

2000 At home dinner with ruler ~~- OFFICIAL DINNER GIVEN BY "H.E. MINISTER OF FORIEGN AFFAIRS AT " ALAIN HOTEL".~~

2200 - THE DELEGATION CALLS ON " H.H. THE HEAD OF STATE".

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WEDNESDAY 14 Feb.

1000 AM. - THE PRIVATE PLANE TAKE OFF TO "DUBAI" .

1100 AM. - TOUR IN THE TOWN .
Meeting with Sheikh Rashid

____ PM. - LUNCH. with Sheik Rashid

____ PM. - LEAVING "DUBAI" TO " ABU-DHABI".

~~1800~~ - THE PLANE TAKE OFF FROM ABU-DHABI AIRPORT .

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N.F./A.N.

ديوان كبير الأمنـــاء

## برنامج زيارة السيد / مكنمـــــارا
## رئيس البنك الدولــــي للانشاء والتعميــــر

**أسماء أعضاء الوفـــد :**

١ـ السيد مكنمارا والسيده حرمــــه — رئيس البنك الدولـي
٢ـ السيد محمد شعيب والسيده حرمــه — نائب رئيس البنـــك
٣ـ السيد الدكتور عمر الدجاني
٤ـ السيد يونــــــــــج — سكرتير خـــاص
٥ـ السيد منير بنجـــــك — رئيس دائرة الشرق الاوسط

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### اليوم الاول
### الثلاثاء ١٣ فبراير ١٩٧٣

| د | س | | |
|---|---|---|---|
| ١٥ | ١٢ | ظهرا | ـ يصل الوفد بطيران الخليـــــج |
| ٣٠ | ١ | | ـ غداء خاص بالخبيـــــــــره |
| ٠٠ | ٤ | مساء | ـ جولــــه بالمدينــــــة |
| ٠٠ | ٦ | مساء | ـ يقوم معالي الاستاذ احمد السويدى وزير الخارجية بزيارة الوفـــد بقصر الخبيـــــــره |
| ٠٠ | ٨ | مساء | Dinner by the President at his house<br>ـ عشاء رسمي يقيمه معالي وزير الخارجيـــة احتفاء بالوفد بفندق العين. |
| ٠٠ | ١٠ | مساء | ـ زيارة صاحب السمو رئيس الدولـــة. |

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### اليوم الثاني
### الاربعاء ١٤ فبراير ١٩٧٣

| د | س | | |
|---|---|---|---|
| ٠٠ | ١٠ | صباحا | ـ تتحرك الطائرة المقلة للوفد من المطار ~~العسكري~~ المدني الى دبـــــي . |
| | | | ـ جولة بالمدينــــة . |
| | | | ـ غـــــــــداء. |
| | | بعد الظهر | ـ عودة الى مطار أبوظبي الدولـــــي . |
| ٠٠ | ٦ | مساء | ـ تتحرك الطائرة الخاصـــة المقلة للوفـــــــــد . |

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/عن

B

Not delivered

REMARKS AT AIRPORT UPON ARRIVAL IN ABU DHABI

I am very happy to be here in Abu Dhabi. This is my first visit. I look forward to seeing the achievements in this fast developing country.

His Highness Sheikh Zayid has been most kind to invite me, and I hope to learn from him and from the officials of the United Arab Emirates the ways in which the World Bank can cooperate most effectively with your Governments to assist in your development. We have already gained some insights through our economic mission in 1969 and through our recent cooperation with you in planning the long-term development of the electric power sector; I hope that these efforts will be fruitful.

The World Bank shares the interest of Abu Dhabi and the United Arab Emirates in assisting economic development in the less fortunate countries in the Arab World. Looking towards this goal, we have had discussions at various times with the Abu Dhabi Fund, and Abu Dhabi has contributed to the resources of the World Bank even before Abu Dhabi became a member of the United Arab Emirates. Thus we are really partners in the task of improving the quality of life of the people through the instrument of economic development.

C

DEPARTMENT OF STATE

APRIL 1972

# 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.

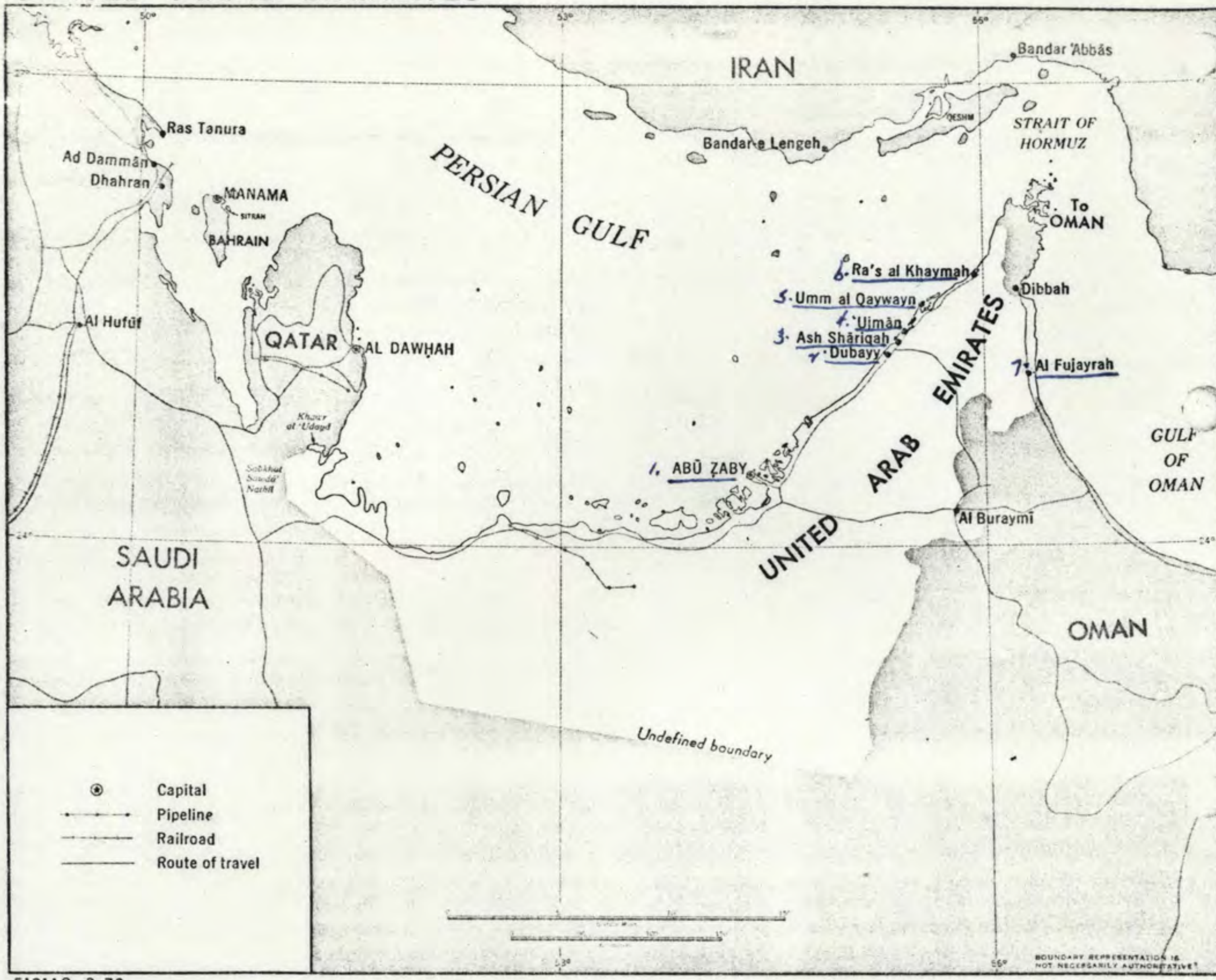
## HISTORY

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

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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.

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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.

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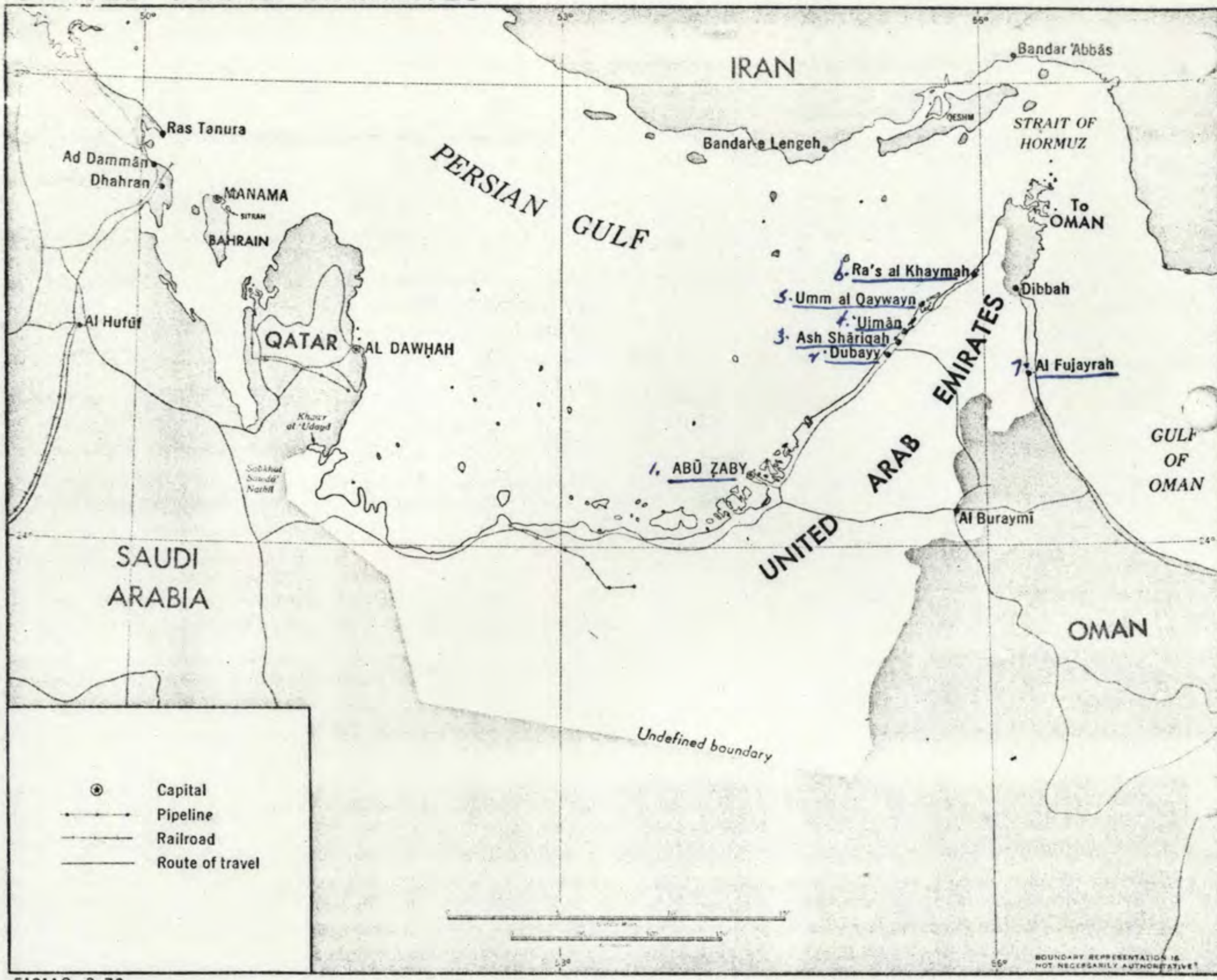


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The legal currency of the U.A.E. is the Qatar-Dubai rival, except in Abu Dhabi which uses the Bahraini dinar. Prior to the currency readjustment in the winter of 1971-72 the Qatar-Dubai rival equaled U.S. $0.21 and the Bahraini (Abu Dhabi) dinar approximately 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.

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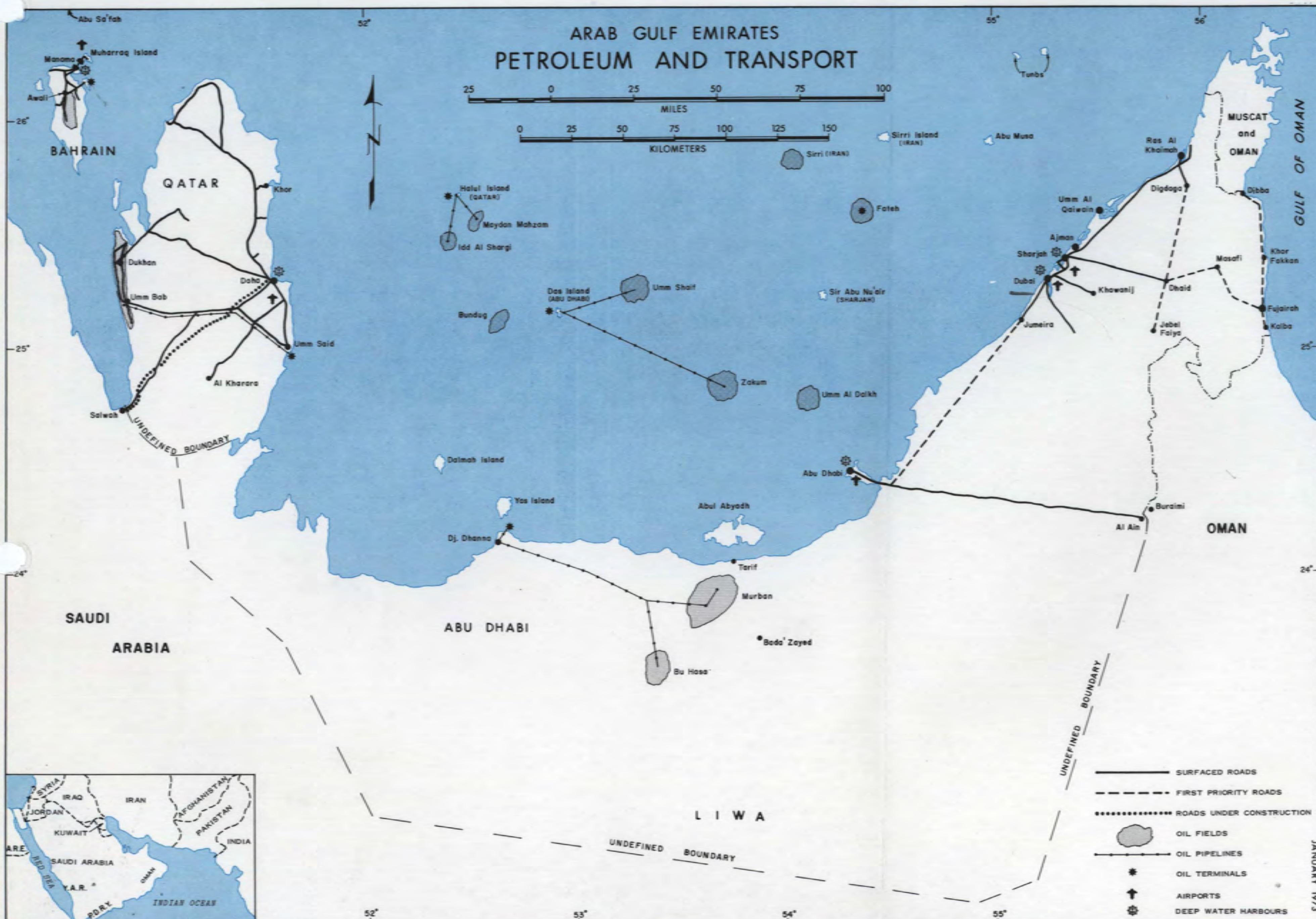
Office of Media Services
Bureau of Public Affairs


ARAB GULF EMIRATES
PETROLEUM AND TRANSPORT
MILES
KILOMETERS
BAHRAIN
QATAR
SAUDI ARABIA
ABU DHABI
LIWA
OMAN
MUSCAT and OMAN
GULF OF OMAN
UNDEFINED BOUNDARY
Abu Sa'fah
Muharraq Island
Manama
Awali
Khor
Dukhan
Umm Bab
Doha
Umm Said
Al Kharara
Salwah
Halul Island (QATAR)
Maydan Mahzam
Idd Al Shargi
Das Island (ABU DHABI)
Umm Shaif
Bunduq
Zakum
Umm Al Dalkh
Sirri (IRAN)
Sirri Island (IRAN)
Abu Musa
Tunbs
Fateh
Sir Abu Nu'air (SHARJAH)
Dalmah Island
Yas Island
Dj. Dhanna
Abul Abyadh
Tarif
Murban
Bada' Zayed
Bu Hasa
Abu Dhabi
Ras Al Khaimah
Digdaga
Umm Al Qaiwain
Ajman
Sharjah
Dubai
Khawanij
Jumeira
Dhaid
Masafi
Dibba
Khor Fakkan
Fujairah
Kalba
Jebel Faiya
Buraimi
Al Ain
SURFACED ROADS
FIRST PRIORITY ROADS
ROADS UNDER CONSTRUCTION
OIL FIELDS
OIL PIPELINES
OIL TERMINALS
AIRPORTS
DEEP WATER HARBOURS
SYRIA
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INDIA
A.R.E.
SAUDI ARABIA
RED SEA
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OMAN
INDIAN OCEAN
IBRD 2687R
JANUARY 1973

D

UNITED ARAB EMIRATES

CABINET

| | |
|---|---|
| President of State | Nuhayan, Zayid ibn Sultan Al |
| Prime Minister | Falasa, Maktum ibn Rashid |
| Dep. Prime Minister | Falasa, Hamdan ibn Rashid al- |
| Min. of Agriculture and Fish Wealth | Sharki, Hamad ibn Muhammad al- |
| Min. of Communications | Na'imi, 'Abd al-'Aziz ibn Rashid al- |
| Min. of Defense | Falasa, Muhammad ibn Rashid al- |
| Min. of Economy | Falasa, Hamdan ibn Rashid al- |
| Min. of Education | Tiryam, 'Abdallah ibn 'Umran |
| Min. of Electricity | Qasimi, Abdallah ibn Hamud al- |
| Min. of Finance | Falasa, Hamdan ibn Rashid al- |
| Min. of Foreign Affairs | Suwaydi, Ahmad Khalifa al- |
| Min. of Health | Mu'alla, Sultan ibn Ahmad al- |
| Min. of Housing | Salman, Sa'id ibn'Abdallah ibn |
| Min. of Industry | Falasa, Hamdan ibn Rashid al- |
| Min. of Information | Nuhayan, Ahmad ibn Hamid Al |
| Min. of Interior | Nuhayan, Mubarak ibn Muhammad Al |
| Min. of Justice | Qasimi, Ahmad ibn Sultan al- |
| Min. of Labor and Social Affairs | Harib, Thani ibn 'Isa ibn |
| Min. of Planning | Kindi, Muhammad al- |
| Min. of Public Works | Qasimi, Muhammad ibn Sultan al- |
| Min. of Youth & Sports | Humayd, Rashid ibn |
| Min. of State | Suwaydi, Muhammad Habrush al- |
| Min. of State for Affairs of the Council of Ministers | 'Utayba, Utayba ibn 'Abdallah al- |
| Min. of State for Affairs of the Supreme Council | Qasimi, 'Abd al-Malik al- |
| Min. of State for Affairs of the Union and Gulf | Mulla, Muhammad Sa'id al- |
| Min. of State for Financial and Economic Affairs | Sulayim, Ahmad ibn Sultan ibn |

EMENA Region
January 25, 1973

BIOGRAPHIC SKETCH

DUBAI — Rashid ibn Sa'id ibn Maktum al-Falasah

Ruler

Shaykh Rashid ibn Sa'id ibn Maktum al-Falasah was proclaimed Ruler of Dubai on 4 October 1958, following the death of his father. He has overcome virtual illiteracy to become one of the most capable and enlightened rulers of the Trucial States.

Shaykh Rashid comprehends the political and economic winds stirring in the Persian Gulf. He has increasingly cultivated the friendship of his neighbors and from time to time has attempted to mediate in the feuds of the Trucial States.

Since the Ruler granted an oil concession to an American company in 1963, he has almost singlehandedly converted Dubai into a flourishing city-state. As the Venice of the Persian Gulf, Dubai is rapidly becoming the dynamic commercial center of the lower gulf. Shaykh Rashid has succeeded in modernizing Dubai with his sharp business acumen and the use of a free enterprise system. He has an excellent grasp of commercial matters and is well acquainted with the technical details of oil operations. The Ruler spends a high percentage of his income on the development of his shaykhdom.

Shaykh Rashid al-Falasah was born in 1910 and received a minimum amount of education. He served as regent for his father from 1938 until the latter's death.

In 1959 Shaykh Rashid took his first trip beyond the Persian Gulf region, a 3-month journey through the Near East and Europe. Shaykh Rashid has visited Iran on numerous occasions since 1957, sometimes to hunt and at the invitation of the Iranian government. Shaykh Rashid has visited Kuwait, Saudi Arabia, Lebanon, the United Kingdom and Geneva.

Shaykh Rashid is widely loved and admired by his people, and is well liked abroad. He is a strong, progressive, imaginative, and a hard worker. The Ruler is a man of considerable charm and his quiet, gracious bearing makes a favorable impression. He is friendly and pleasant with an unfailing, informal courtesy. He is tolerant of foreign habits, attitudes and customs.

Shaykh Rashid has only one wife, Latifa, the daughter of a former Ruler of Abu Dhabi. Rashid has four sons and one daughter: the daughter, Miriam, is married to Shaykh Ahmad ibn 'Ali al-Thani, the deposed Ruler of Qatar.

Shaykh Rashid is an avid hunter and falconer. He is a Sunni Muslim. Shaykh Rashid speaks only Arabic but often seems to catch the drift of an English conversation.

BIOGRAPHIC SKETCH

UNITED ARAB EMIRATES | Zayid ibn Sultan al-Nuhayan

President

Shaykh Zayid ibn Sultan al-Nuhayan replaced his disposed brother, Shakbut, as Ruler of Abu Dhabi on August 6, 1966. Until his accession, Shaykh Zayid was Governor of the Eastern Province (Buraymi).

Shaykh Zayid is friendly toward the United States and desires close relations with this country. He also realizes the importance of friendly relations with Iran and Saudi Arabia. As former Governor of Buraymi, he has long been closely involved in the dispute over that region with Saudi Arabia.

Since becoming Ruler, Shaykh Zayid has maintained that Abu Dhabi has a role to play in the economic and social development of its poorer neighbors and its support of Yemen and Oman is proof of his intentions in this field.

The Ruler has travelled widely in the Middle East.

Shaykh Zayid was born about 1916 in Abu Dhabi. He was the youngest of four sons of a Shaykh of the Nuhayan (formerly Bu Falah) Family, rulers of Abu Dhabi since 1761.

Shaykh Zayid personifies the traditional desert shaykh; he is hospitable, generous and accessible. Zayid is well versed in tribal lore and politics. The Ruler spends much of his time in the desert, hunting and camping with the bedouin. He has a remarkable memory for names and places. He has good leadership ability and is a shrewd judge of character.

Shaykh Zayid has three wives and numerous children. In effect he lives with the third wife, who is also the youngest. He is a very devout Sunni Muslim and made the pilgrimage to Mecca in 1964. He speaks only Arabic. His hobbies are hunting and camel and horse racing.

January 23, 1973
Source: US State Department

BIOGRAPHIC SKETCH

Ahmad bin Khalifa al-SUWAYDI

United Arab Emirates
Minister of Foreign Affairs

Ahmad bin Khalifa al-Suwaydi is one of the closest advisors to UAE President Shaykh Zayid bin Sultan al-Nuhayan. Prior to UAE independence in December 1971, Suwaydi had been Director of Zayid's office while the latter was Ruler of Abu Dhabi only. Suwaydi was the first educated Abu Dhabian to hold a key position in government.

Suwaydi was born about 1938. His family fell out of favor with Abu Dhabi's former Ruler, Shaykh Shakhbut, and moved to Qatar. Suwaydi spent much of his early life in Qatar and lived in Doha for 10 years. He began his education in Abu Dhabi and later attended Cairo University, receiving a degree in political science. When Shaykh Zayid came to power in 1966, Suwaydi returned to Abu Dhabi.

Suwaydi headed his country's first UNGA Delegation in September 1972. He has visited the United States on several occasions, and he speaks some English. He and his Government are interested in developing friendly ties with the United States.

BIOGRAPHIC SKETCH

ABU DHABI                                        Mani' Sa'id al-UTAYBA

Minister of Petroleum and Industry

Mani' al-Utayba was appointed Minister of Petroleum and Industry in Abu Dhabi's first Cabinet, formed on July 1, 1971. He was formerly deputy head of the Department of Petroleum Affairs.

'Utayba was educated in Iraq; he was the first Abu Dhabian to receive a college degree, which he obtained in economics from the University of Baghdad in June 1969 on a scholarship from the Qatar Government. He was a member of the Supreme Planning Council, a cross-departmental body that at one time acted as comptroller for development projects.

'Utayba is a nephew of the Ruler's personal secretary and is only 27 years old.

January 22, 1973
Source: US State Dept.

E

# UNITED ARAB EMIRATES

Topics Which Government May Raise

1. Planning. The Planning Advisor in Abu Dhabi, Dr. Mahmaud Hassan Juma'a (an Iraqi) indicated to Mr. Upper in November 1972 that Abu Dhabi (and, by implication, the UAE) had an interest in Bank advice and assistance in planning.

Suggested Answer: The Bank's resources are very limited in this area but in principle this is the type of assistance we would be glad to give.

2. Use of Consultants. The Government, as well as the Abu Dhabi Fund, have in the last few years come to recognize the value of independent consulting services. Dr. Juma'a also expressed interest in having Bank advice on using consultants.

Suggested Answer: We would be glad to send a Bank specialist on a short-term assignment to advise them.

3. Sector Planning and Project Preparation. The Bank advised the Government on the planning of the long-term power and water desalination system development plan in Abu Dhabi. Bank help seems to be much appreciated, although some criticism was voiced. Hope was expressed that the Bank staff would continue to advise during the carrying out of the study.

Suggested Answer: We would be glad to continue this assistance.

4. Economic Missions. The Government may request a Bank economic mission for the UAE next year, as we have planned for Qatar and Bahrain.

Suggested Answer: The earliest we could mount such a mission would be January/February 1974, but we would be glad to do that.

EMENA Region
Division 1D
January 23, 1973

F

UNITED ARAB EMIRATES

Political Situation

Introduction. Perhaps the best briefing on the United Arab Emirates (UAE) is the official "advertisement" which appeared in the Sunday New York Times on January 14, 1973. This can be found under press clippings. It may be worth noting also that the attitude of many UAE officials towards their new flow of income is that they have a lot of catching up to do with their neighbors who have enjoyed oil income for a longer period. They speak in terms of having "a new suit, but not yet a wardrobe". The rationale of this attitude is reflected in the section on the Abu Dhabi economic situation.

Political Situation in Abu Dhabi and Dubai

Abu Dhabi and Dubai are the two most important members of the UAE. Other members are Sharjah, Ras Al-Khaimah, Ajman, Fujairah, and Um al-Qaiwain. The UAE was constituted as a sovereign, independent, federal state on December 2, 1971. As a sovereign state, the UAE has one flag and speaks with one voice in foreign affairs. It became a member of the Arab League and of the United Nations in December 1971 and has since established diplomatic relations with 17 other countries.

Both Abu Dhabi and Dubai are in the process of moving from traditional to modern form of government. Under the United Arab Emirates Constitution, effective on December 2, 1971, there are 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.

Abu Dhabi and Dubai, being the richest Emirates, control the main offices of the United Arab Emirates. Shaikh Zayed of Abu Dhabi, whose Emirate is by far the wealthiest and the rival of Dubai in population, is the President of the United Arab Emirates. Shaikh Rashid's son, Shaikh Maktum is Prime Minister. The Chief Advisor to Shaikh Zayed is the Foreign Minister of Abu Dhabi, Ahmed Al-Suwaydi.

No political parties exist in the United Arab Emirates. Arab nationalist feeling is developing, and there is a growing sentiment, particularly among urban youth, in favor of liberalization of government and accelerated economic development. Workers from neighboring states also are flooding into these areas and adding the strain of large foreign population to the problems of development. Despite 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 both Abu Dhabi and Dubai appears very stable.

What is the outlook are there [illegible] control

An obstacle to Iranian-UAE 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 the Buraimi Oasis (actually a series of oases, including Al-Ain) and other border areas, Saudi Arabia did not recognize the UAE upon its establishment. However, there are reasonable prospects for resolution of this issue in an atmosphere of amicable negotiation.

What are the prospects

EMENA Region
Division 1D
January 26, 1973

ABU DHABI

Economic Situation

Under the reign of Sheikh Shakbut until August 1966, economic development based on oil revenues was considered detrimental to Bedouin dignity. The assumption of leadership by Sheikh Zayed marked a change in political philosophy. He soon prepared a Five-Year Development Plan, covering the period 1967-1972 with total planned investment of $622 million allocated largely to communications (24 percent), industries (20 percent), and the remainder to other sectors. It is the only long-term development plan in the area.

From 1965-1971 oil revenues increased at an average rate of approximately 50 percent per year and may amount to more than $400 million in 1972, resulting in GNP per capita of more than $6,000, the highest in the world. Oil was first struck by ADMA (Abu Dhabi Marine Areas Company owned two-thirds by British Petroleum and one-third by the Compagnie Française des Petroles) in offshore concessions in 1958. The first oil onshore was found in 1960 by the Abu Dhabi Petroleum Company (owned by Iraq Petroleum Company). Apart from these two producers, new concessionaires to the area are: Phillips Petroleum Company (with joint interests of ENI-AGIP, Amin Oil), Abu Dhabi Oil Company (with joint interests of several Japanese groups) and Middle East Oil Company (Japanese Mitsubishi Group). By the end of 1971, the Minister of Petroleum and Industry announced plans to set up a national oil company with the aim of increasing the government's participation in operating foreign-owned companies and of taking over the concessions from foreign-owned when they expire.

Development projects executed over the last five years consist of: (a) the construction of power stations; (b) new pipelines for water supply from wells; (c) distillation plants for water supply; (d) construction of the main road networks within the state, most of them having two or more lanes; (e) development of a sewerage project; (f) dredging and land reclamation on the island of Abu Dhabi; (g) reclamation of soil in Al Ain and the introduction of modern techniques of farming; (h) construction of housing in Abu Dhabi; (i) construction of schools; (j) new modern airport. Not much attention appears to have been paid to the economic justification of some costly projects. Prestige and the ready availability of capital might be behind the building of a four-lane highway from the capital to the oasis Al Ain (about 120 miles), the modern airport with limited daily flights, and the construction of palaces. As the result of the rapid expansion of town, imbalances have emerged in sectors. For example, power is in short supply, owing to a jump in demand from 3,000 KW to over 40,000 KW in a period of only four years.

Projects being prepared or implemented at the beginning of 1972 include: (a) a 200,000 tons p.a. cement factory, to be run by the government with some participation by the private sector; (b) a sulphur recovery plant including a sulphuric acid unit for domestic supply and exports; (c) a petrochemical plant, a joint venture with French and British interests; (d) a major aluminium factory; (e) additional transport and communications projects such as the Abu Dhabi-Qatar road, an electronic telephone exchange system, annexes to the airport, a deep water harbor; and (f) more power plants.

The arid climate impedes the development of agricultural production. Agriculture is heavily subsidized by the Government which has provided free equipment (pumps) and low cost seeds and fertilizers. Production is confined to a few oases where vegetables, fruit and barley are cultivated. Pearling is dying off, as it is in the other parts of the area. No special effort has been made to modernize fishing, despite the reported potential of the Gulf. What is outlook

The total population in 1971 is estimated to be around 70,000, about half of it expatriate. In the City of Abu Dhabi expatriates represent about 77 percent of the active population. Limited national skills and heavy investments during the past five years are factors accounting for the influx of foreigners. Population is centered in the capital and Al Ain together accounting for approximately 70 percent of the population and the remainder consists of nomadic Bedouins. The educational system has expanded rapidly during the last few years, particularly focusing on the construction of new schools for primary education.

Our knowledge of the budgetary position is at present fragmentary. In 1969 there was a budget deficit amounting to some 15 percent of expenditures. A policy of economic consolidation introduced at the end of 1969 resulted in fewer new contracts and the introduction of certain austerity measures. Partly due to these steps (for which the Government must be given credit), but mainly because of increased oil production and posted prices, subsequent budgets have been in surplus. For 1972 budget revenues are estimated at US$490 million, and expenditures at US$435 million. Current expenditures are put at US$167 million, and national development expenditures at US$176 million. In addition, US$92 million for "UAE budget and other international obligations" is allocated.

It seems unlikely that Abu Dhabi would have substantial "surplus" funds for investment outside the Arab region (e.g., in World Bank bonds), at least for the next three years or so. Her own appetite for real or prestigious infrastructure is probably not yet satiated, her future contributions to the UAE may well rise, and, finally, there is the newly established (July 1971) Abu Dhabi Arab Development Fund, which will have a capital of US$115 million to be paid in by the Government in installments of US$23 million in the first year and about US$18.3 million every subsequent year until it is fully paid up. Abu Dhabi's assistance to Arab countries is to be channeled through this fund. what are plans for its opers.

EMENA Region
Division 1D
January 26, 1973

# DUBAI

## Economic Situation

Apart from oil projections (attached), we have only fragmentary information regarding the economic and financial situation of Dubai. The best reference is The Middle East and North Africa, 1972-73 extract, which can be found in the readings section under Gulf Region.

EMENA Region
Division 1D
January 26, 1973

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

# OFFICE MEMORANDUM

TO: Files

DATE: January 26, 1973

FROM: John Foster

SUBJECT: ABU DHABI: Contribution of Oil and Gas to the Economy

## Sources of Production

1. Production is from concessions held onshore by Abu Dhabi Petroleum Company (ADPC) and offshore by Abu Dhabi Marine Areas (ADMA).

2. ADPC is an affiliate of the Iraq Petroleum Company and is owned 23.75% each by BP, Shell, CFP and Near East Development (50:50 Exxon and Mobil) and 5% by Participations and Explorations (Gulbenkian). Abu Dhabi is acquiring a 25% share in ADPC through its signature of the General Agreement on Participation (paragraph 22).

3. ADMA was held 2/3 by BP and 1/3 by CFP until January 1, 1973 when Abu Dhabi acquires a 25% participation in ADMA under the General Agreement. On December 26, 1972 BP agreed to sell 45% of its interest to Overseas Petroleum Corporation, representing some 30 Japanese companies. However, the Minister of Petroleum and Industry, Mana'al-Otaiba, announced on January 9 that the deal still required the approval of Abu Dhabi, which "reserved the right to its full share in the amount of compensation that BP will receive from this deal". The Ruler, Sheikh Zayed Ben Sultan, is reported to have expressed displeasure at not being consulted on the sale. BP states that the Government was kept fully informed of negotiations. The deal is a significant one, as it indicates the strong Japanese concern to secure oil supplies from the Middle East. It would also ease the cash flow constraint on BP which has large capital needs in the North Sea and the U.S. Overseas Petroleum thereby would acquire a net interest of 30% in ADMA, but this would be reduced to a net 22.5% by reason of Abu Dhabi's 25% participation and presumably would be further reduced proportionately as Abu Dhabi contractually increases its own share step by step to 51% from January 1, 1978-1982. Overseas Petroleum's purchase price is $780 million. It stands in contrast to that of $81 million estimated as Abu Dhabi's purchase price for its 25% participation, valued on the basis of the updated book value in the General Agreement on Participation. Prior to the Japanese deal, negotiations had been broken off between BP and the German group Deminex whereby the latter might have purchased an indirect net interest of 13.2% in ADMA for $190 million.

4. The Abu Dhabi Oil Company (ADOCO) is owned by a Japanese group including Maruzen, Daikyo, Nippon Mining and the government-owned Japan Public Petroleum Development. Its concession includes the onshore Mubarraz field which is scheduled to come into production by the end of March 1973.

5. Concessions are held by three other groups which have so far not found commercially exploitable oil. They are the Phillips/Agip/Aminoil group, MEOC (held by Mitsubishi) and the Amerada Hess/Pan Ocean/Bow Valley Industries/Wington Enterprises group. Several concessionaires have recently

contractually relinquished acreage in Abu Dhabi (ADPC, ADMA, Phillips and MEOC). In December 1972 the Government invited international bids for participation in offshore acreage relinquished by ADMA.

6. The Abu al-Bakhush structure in the ADMA concession is an extension of the Sassan field in production offshore Iran and is thought to be commercially exploitable. A new company is being formed by CFP 51% and New England Petroleum (NEPCO) 49% to take over and develop al-Bakhush; BP is not interested in taking a share. Abu Dhabi plans to take a 25% participation, thereby reducing the foreign partners' share.

Reserves of Oil and Gas

7. Proven recoverable reserves of oil in Abu Dhabi at end-1972 are estimated at about 20.8 billion barrels, which is about 3% of estimated world reserves and would provide about 57 years of oil at the current rate of output. Proven recoverable reserves of gas are about 12.0 trillion cubic feet which is about 0.6% of world reserves.

Production

8. Crude oil production first started in 1962 from ADMA's concession offshore and in 1964 from ADPC's concession onshore. By 1971 total production had grown to an average 931,000 b/d (44.5 million tons p.a.), an increase of 33% over 1970. By late 1972 production exceeded 1 million b/d. 1/ There are about 115 wells in production. As is generally the case in the Middle East, output per well is high, averaging 8,700 b/d at end-1972 compared with 70 b/d worldwide. Total production could rise from 1.1 million b/d in 1972 to over 3 million b/d by 1980 and 5 million b/d by 1985 (paragraphs 9-12 below and Table 1).

9. ADPC continues to be the largest producing group in Abu Dhabi. Production comes from two separate domes -- Bab and Bu Hasa -- in the Murban field with a light gravity of 39.0$^{o}$ API and the lowest sulphur content (0.75%) in the Middle East. This makes it highly sought after in the Japanese market. Production during 1971 averaged 570,000 b/d. A strike of Japanese seamen working in Japanese-flag ships, which took place from mid-April to mid-July, caused a cutback of oil imports into Japan during those months from the Middle East and Indonesia. About 45% of ADPC's production is exported to Japan and consequently sagged during those months. Output recovered to 667,000 b/d in August and somewhat less in September and October. During 1972 ADPC has been looping part of its pipeline system and expects to have the field's capacity increased to about 820,000 b/d by early-1973. During 1973 it is developing and putting into production its new Asab field

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1/ 1 million barrels per calendar day (b/d) equal approximately 50 million tons per year.

(formerly known as Abu Jida) with capacity of about 450,000 b/d of light oil. This it will export via its existing terminal at Jebel Dhanna which can load tankers only up to about 90,000 tons. Thus ADPC expects to be able to produce about 1.28 million b/d by early 1974, 1.65 million b/d in 1975 and 1.9 million b/d in 1978. Meanwhile it is exploring and drilling in the offshore part of its concession.

10. ADMA's production is from its offshore fields Zakum and Umm Shaif. The crudes are also light (40° and 37° respectively). They have a slightly higher sulphur content (0.95% and 1.4% respectively) than that of Murban and hence command a relatively lesser price premium in relation to other Middle Eastern crudes. Output in 1971 averaged 360,000 b/d. ADMA's export capacity from the Das Island terminal in 1971 was 420,000 b/d and rose in 1972 to reach 550,000 b/d by October. ADMA is installing a $600 million water injection program to boost capacity to 1.2 million b/d by 1978. ADMA has promising discoveries in the Nasser field and is test drilling in other structures. In announcing its deal with Overseas Development, BP stated that the production potential is estimated at 3 million b/d by some undisclosed future time.

11. The <u>El Bunduq</u> company was formed in 1970 by BP, CFP and a Japanese group (ADOCO and Qatar Oil, North Slope and Alaska Oil companies) one-third each, to develop the El Bunduq oilfield in the offshore border area between Abu Dhabi and Qatar. Under an agreement of March 1969 all government revenues from the operation will be divided 50:50 between the two nations. The field was found in 1965, but its prospects are said to be marginal; its capacity is reported to be on the conservative side of 40,000-100,000 b/d. If crude is produced, it would be delivered to the ADMA terminal on Das Island for export.

12. <u>ADOCO</u> is scheduled to bring its Mubarraz onshore field into production by end-March 1973 at 43,000 b/d initially to be expanded to 100,000 b/d or more by 1974-75. The crude under test has been light (33 - 41° API) and low in sulphur content (0.8%). The crude will be exported from Mubarraz Island. ADOCO is also testing a new discovery offshore Dalma Island.

<u>LNG Project</u>

13. The project is still subject to approval by the Governments of Abu Dhabi and Japan. The liquefied natural gas (LNG) project in Abu Dhabi could be the first to come on stream in the Middle East. Participants are understood to be the ADMA shareholders -- thus far BP (26-2/3%) and CFP (13-1/3%); the Japanese firms Bridgestone (4%) and Mitsui (36%); and ADNPC (20%). Gathering, liquefaction and loading facilities at Das Island would be completed by 1977 for an estimated cost of $300 million and is planned to be financed 20% by the participants as equity and 80% by

Japanese loan capital. The liquefaction plant would supply some 2 million tons yearly of LNG (equivalent to about 275 million cubic feet per day at atmospheric pressure and temperature) and 700,000 tons yearly of liquefied petroleum gas (LPG -- basically propane and butane).

14. Bridgestone and Mitsui would sell the gas under long-term contract to Tokyo Electric Power which would arrange for charter of LNG tankers and construction of regasification facilities in Japan. Details of prices and duration of contracts are understood to be in the stage of first negotiations. Prices are reported to be in the region of 50 cents per million BTU's FOB Das Island and $1 per million BTU's CIF Japan with escalation linked to future energy costs there. It is understood that income tax in Abu Dhabi would be based on the realized FOB sales price of LNG at the prevailing rate for crude oil, now 55%, and that the project would enjoy a 5-year tax holiday from date of first shipment. If this is true, Abu Dhabi would gain no tax revenue from the project until about 1982.

Role of ADNPC

15. The state enterprise Abu Dhabi National Petroleum Company (ADNPC) was formed in 1971 to act on behalf of the Government in all phases of the oil industry. It will therefore take up participation on behalf of the Government (i) in ADPC and ADMA and (ii) in other concessions where the agreements provide for such participation when commercial production is established. Such option exists for a 50% participation in the ADOCO, MEOC, Phillips and Amerada Hess concessions. ADNPC has exercised its option for the ADOCO venture, the first thus far to find commercially exploitable oil. Other oil and gas activities planned by ADNPC include a 20% participation in the LNG project within Abu Dhabi -- costing it about $60 million, a 25% share in the El-Bunduq field, and a 25% share in the new company being formed by CFP and Nepco to take over the al-Bakhush field. In addition ADNPC plans (i) to take an undetermined share in an LPG export scheme proposed by ADPC, (ii) to take a 10% share in the Arab tanker fleet company being promoted by OAPEC, (iii) to construct and operate a 15,000 b/d refinery to supply the domestic market, and (iv) to set up joint ventures with foreign partners in geophysical and seismic work, oilfield services and drilling. The oil Minister Mana'al-Otaiba has said that Abu Dhabi is interested in participating in refining and marketing outlets in consuming countries, thus securing outlets for government oil obtained from participating in concessions: Abu Dhabi had ample investment capital, but lacked manpower and technicians to develop major industrial projects locally.

16. Abu Dhabi and Pakistan have signed a joint protocol, under which they would cooperate on the possibility of agreeing to build a joint refinery project in northern Pakistan. The oil minister said in November 1972 that the project under consideration was the construction of a 40,000 b/d refinery at Multan, Pakistan; the refinery would use Abu Dhabi crude as feedstock. If the project is approved by both countries, a joint committee of experts will be appointed to follow up on implementation.

Government Revenues, 1962-1970

17. Oil revenues accruing to Abu Dhabi rose from US$2.0 million equivalent in 1962 when production began, to $233.1 million in 1970. This mostly reflected growth in export volumes, though government revenue per barrel increased a little with decreasing yearly production costs per barrel.

Teheran Agreement and 1971 Revenues

18. However, following upon the increases in September 1970 of posted prices (i.e. tax-reference prices) and tax rates of crudes exported from Mediterranean and Nigerian ports, tax rates of crudes exported from the Arabian Gulf including Abu Dhabi were raised from 50 to 55 percent effective November 14. The posted prices in Abu Dhabi remained unchanged at $1.88 per barrel for Murban (39.0°) FOB Jebel Dhanna and $1.86 for Marine (37.0°)FOB Das Island. Government "take" per barrel rose from 92.2 to 100.3 cents per barrel for Murban crude (see Table 2) and from 89.0 to 96.7 cents for Marine crude (see Table 3).

19. The Teheran Agreement, effective February 15, 1971 between governments of six countries including Abu Dhabi and oil companies for crude exports from the Persian/Arabian Gulf, resulted in a major increase in posted prices and consolidated tax rates at 55%. The above postings became $2.235 for Murban and $2.225 for Marine; and government revenue $1.272 and $1.239 respectively per barrel, increases of 27 and 28%. The agreement was to constitute a final settlement of Government "take" per barrel and companies' financial obligations until end-1975 and provided for contractual escalation of posted price during this period of 2.5% for inflation and 5 cents per barrel for general escalation on June 1, 1971 and each January 1, 1973-75. Thus the Abu Dhabi government oil revenue was $431 million equivalent in 1971, an increase of 85% over 1970.

Geneva Agreement and 1972 Revenues

20. Effective January 20, 1972 posted prices in these six countries were again increased by 8.49% under the Geneva Agreement in compensation for the international currency realignment of December 1971. The agreement includes a parity index, designed to compensate for another major realignment in average exchange rates for currencies of nine industrial countries with the US dollar; the index has not yet had been brought into use. Posted prices thereby rose to $2.540 and $2.529 per barrel for Murban and Marine crudes respectively, and government revenue per barrel to $1.548 and $1.423 respectively per barrel, increases of 14% over the weighted average for 1971. Crude oil exports are estimated at about 53 million tons in 1972 (1.1 million b/d), which is an increase of 19% over 1971. Thus government revenue is estimated at $589 million in 1972, up by 34% over 1971.

Government Revenues, 1973-1985

21. Before taking into account the additional income from "participation" (see below), government revenue is foreseen to rise by about 20% yearly to reach $2.5 billion by 1980 and by just under 13% thereafter to reach $4.5 billion by 1985 (Table 4). This assumes that production would rise as discussed in paragraph 8 and that government revenues per barrel may rise after 1975 on the lines of the then expired Teheran and Geneva Agreements, i.e., an increase of about 4.0% yearly. This seems the minimum likely increase, given the evident strength of producing versus consuming countries in the determination of prices. There could instead, for example, be a quantum jump in 1976, followed by yearly escalation tied in some way to terms of trade with developed countries.

Benefits to Abu Dhabi from Participation

22. In October 1972 a framework accord was concluded in New York on behalf of Arab States including Abu Dhabi for government participation in crude oil production facilities of companies operating in these countries. The accord was subsequently embodied in the General Agreement on Participation, which Abu Dhabi signed on December 20, 1972. The framework accord, General Agreement, and status of negotiations between governments and foreign companies are summarized in Attachment A to the memorandum on OPEC oil projections (in the Gulf Region section).

23. Effective from January 1, 1973 Abu Dhabi acquires an initial 25% participation in the crude oil production facilities of ADPC and ADMA for a sum of $81 million each. This was valued on the basis of the updated book formula in the General Agreement.

24. The formula for the prices at which foreign partners will buy back the Government's share of output follows the lines envisaged in the General Agreement. (See Attachment A to above memorandum.) The foreign partners are now negotiating with their customers to pass on the additional cost incurred in buying back such crude, which had been available to them at tax-paid cost prior to January 1, 1973. Their average cost of oil liftings -- including their own crude, bridging crude and phase-in crude -- is calculated to rise by about an average 13 cents per barrel for Murban and 9 cents for Marine crude (Tables 2 and 3). These increases are additional to those of about 7 cents per barrel also on January 1, resulting from escalation under the Teheran Agreement.

25. The revenue to Abu Dhabi from selling its share of output to foreign partners as bridging and phase-in crude and to third parties for export is estimated at about 10 and 14 cents per barrel of total output of Marine and Murban crudes respectively during 1973-77. This is additional to what it will obtain from royalty and taxation. The additional revenue could likely increase to about double by 1985. The groww annual benefit to Abu Dhabi from participation is hence about $60 million in 1973 and could rise progressively to about $220 million by 1980 and perhaps $380 billion by 1985 (Table 4).

26. Assuming payment over 3 years, the indicated installments of \$49 million in early 1973, \$65 million in early 1974 and \$60 million in early 1975 would represent about 70% of gross benefits on average in those years (see Table 4). Thereafter the option to increase the government participation to 51% would cost very little in relation to the additional gross revenue from participation, in view of the strong growth in Abu Dhabi oil production. The Government's net benefit from participation may be predicted to rise from \$14-40 million p.a. during 1973-75 to about \$185 million by 1980 and perhaps \$380 million by 1985.

cc: Messrs. Stern, Hayes, Tims, Price and Varon
Thompson, Karaosmanoglu, Asfour, Larsen, Maiss
Upper, Nijhof, Ali

Table 1

ABU DHABI: FORECAST OF CRUDE OIL PRODUCTION, 1973-1985

| | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (Million Metric Tons) | | | | | | | | |
| Total Output | 68.5 | 92.6 | 114.3 | 128.1 | 144.6 | 159.1 | 159.1 | 159.6 | 173.6 | 188.0 | 202.5 | 217.6 | 241.0 |
| | | | | | (000's Barrels per Day) | | | | | | | | |
| Total Output | 1,420 | 1,920 | 2,370 | 2,650 | 3,000 | 3,300 | 3,300 | 3,300 | 3,600 | 3,900 | 4,200 | 4,500 | 5,000 |
| ADPC | 820 | 1,270 | 1,650 | 1,700 | 1,800 | 1,900 | 1,900 | 1,900 | 1,900 | 1,300 | 1,900 | 1,800 | 1,800 |
| ADMA | 570 | 570 | 620 | 800 | 1,000 | 1,200 | 1,200 | 1,200 | 1,500 | 1,800 | 2,100 | 2,500 | 3,000 |
| Other | 20 | 80 | 100 | 100 | 150 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| | | | | | (Million Barrels) | | | | | | | | |
| Total Output | 518.3 | 700.8 | 865.1 | 969.9 | 1,095.0 | 1,204.5 | 1,204.5 | 1,207.8 | 1,314.0 | 1,423.5 | 1,533.0 | 1,647.0 | 1,825.0 |
| ADPC | 299.3 | 463.6 | 602.3 | 622.2 | 657.0 | 693.5 | 693.5 | 695.4 | 693.5 | 693.5 | 693.5 | 658.8 | 657.0 |
| ADMA | 208.1 | 208.1 | 226.3 | 292.8 | 365.0 | 438.0 | 438.0 | 439.2 | 547.5 | 657.0 | 766.5 | 915.0 | 1,095.0 |
| Other | 10.9 | 29.2 | 36.5 | 54.9 | 73.0 | 73.0 | 73.0 | 73.2 | 73.0 | 73.0 | 73.0 | 73.2 | 73.0 |
| | | | | | (Barrel of Output) a/ | | | | | | | | |
| Partners' Share in Output | | | | | | | | | | | | | |
| Foreign Share | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.70 | 0.65 | 0.60 | 0.55 | 0.49 | 0.49 | 0.49 | 0.49 |
| National Share | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.30 | 0.35 | 0.40 | 0.45 | 0.51 | 0.51 | 0.51 | 0.51 |
| -Bridging | 0.1875 | 0.125 | 0.0625 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Phase-in a/ | 0.0375 | 0.075 | 0.1250 | 0.175 | 0.1625 | 0.195 | 0.21 | 0.2225 | 0.2325 | 0.224 | 0.183 | 0.1675 | 0.1495 |
| -Retained a/ | 0.0250 | 0.050 | 0.0625 | 0.075 | 0.0875 | 0.105 | 0.14 | 0.1775 | 0.2175 | 0.286 | 0.327 | 0.3425 | 0.3605 |
| | | | | | (Barrel of Output) b/ | | | | | | | | |
| Foreign Partners' Liftings | | | | | | | | | | | | | |
| ADPC: | 0.975 | 0.95 | 0.9375 | 0.919 | 0.899 | 0.869 | 0.832 | 0.7927 | 0.752 | 0.685 | 0.649 | 0.643 | 0.627 |
| -Own Share | 0.75 | 0.75 | 0.75 | 0.75 | 0.750 | 0.70 | 0.65 | 0.60 | 0.55 | 0.49 | 0.49 | 0.49 | 0.49 |
| -Bridging Crude | 0.1875 | 0.125 | 0.0625 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Phase-in Crude b/ | 0.0375 | 0.075 | 0.1250 | 0.169 | 0.149 | 0.169 | 0.182 | 0.1927 | 0.202 | 0.195 | 0.159 | 0.153 | 0.137 |
| ADMA: | 0.975 | 0.95 | 0.9375 | 0.885 | 0.851 | 0.801 | 0.759 | 0.815 | 0.646 | 0.567 | 0.544 | 0.531 | 0.521 |
| -Own Share | 0.7500 | 0.750 | 0.7500 | 0.75 | 0.75 | 0.70 | 0.65 | 0.60 | 0.55 | 0.49 | 0.49 | 0.49 | 0.49 |
| -Bridging Crude | 0.1875 | 0.125 | 0.0625 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| -Phase-in Crude b/ | 0.0375 | 0.075 | 0.1250 | 0.135 | 0.101 | 0.101 | 0.109 | 0.115 | 0.096 | 0.077 | 0.054 | 0.041 | 0.031 |

TABLE 2

ABU DHABI: POSTED PRICE, GOVERNMANT REVENUE AND REALIZED PRICE PER BARREL OF MURBAN CRUDE OIL (39.0° API) F.O.B. JEBEL DHANNA

ESTIMATED FOR 1970-1972 AND FORECAST FOR 1973-1985

(U.S. cents per barrel)

| Effective date of agreement | Nov 13, 1970 | Nov 14, 1970 | February 15, 1971 /a | | January 20, 1972 /b | | | | Mission Assumptions /c | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date of price calculation | Jan 1, 1970 | Jan 1, 1971 | Feb 15, 1971 | June 1, 1971 | Jan 20, 1972 | Jan 1, 1973 | Jan 1, 1974 | Jan 1, 1975 | Jan 1, 1976 | Jan 1, 1977 | Jan 1, 1978 | Jan 1, 1979 | Jan 1, 1980 | Jan 1, 1981 | Jan 1, 1982 | Jan 1, 1983 | Jan 1, 1984 | Jan 1, 1985 |
| Posted price effective since 1968 | 188.0 | 188.0 | 188.0 | | | | | | | | | | | | | | | |
| add: general increase | - | - | 33.0 | | | | | | | | | | | | | | | |
| freight disparity | - | - | 2.0 | | | | | | | | | | | | | | | |
| gravity adjustment | - | - | 0.5 | | | | | | | | | | | | | | | |
| Base posting | - | - | 223.5 | 223.5 | 234.1 | 254.0 | 265.4 | 277.0 | 288.9 | 301.1 | 313.6 | 326.4 | 339.6 | 353.1 | 366.9 | 381.1 | 395.6 | 410.5 |
| add: escalation of 2.5% | - | - | - | 5.6 | - | 6.4 | 6.6 | 6.9 | 7.2 | 7.5 | 7.8 | 8.2 | 8.5 | 8.8 | 9.2 | 9.5 | 9.9 | 10.3 |
| escalation of 5 cents | - | - | - | 5.0 | - | 5.0 | 5.0 | 55.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| supplement of 8.49% | - | - | - | - | 19.9 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Posted price | 188.0 | 188.0 | 223.5 | 234.1 | 254.0 | 265.4 | 277.0 | 288.9 | 301.1 | 313.6 | 326.4 | 339.6 | 353.1 | 366.9 | 381.1 | 395.6 | 410.5 | 425.8 |
| less: gravity allowance | 5.0 | 5.6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| percent allowance | 6.6 | 3.8 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| marketing allowance | 0.5 | 0.5 | - | - | - | - | - | - | - | - | - | - | -- | - | - | - | - | - |
| production cost/1 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| royalty | 23.5 | 23.5 | 27.9 | 29.3 | 31.8 | 33.2 | 34.6 | 36.1 | 37.6 | 39.2 | 40.8 | 42.5 | 44.1 | 45.9 | 47.6 | 49.5 | 51.3 | 53.2 |
| Decutible costs | 50.6 | 48.4 | 42.9 | 44.3 | 46.8 | 48.2 | 49.6 | 51.1 | 52.6 | 54.2 | 55.8 | 57.5 | 59.1 | 60.9 | 62.6 | 64.5 | 66.3 | 68.2 |
| Net taxable income | 137.4 | 139.6 | 180.6 | 189.8 | 207.2 | 217.2 | 227.4 | 237.8 | 248.5 | 259.4 | 270.6 | 282.1 | 294.0 | 306.0 | 318.5 | 331.1 | 344.2 | 357.6 |
| | (@ 50%) | | | | | | | | | | | | | | | | | |
| Income tax at 55% | 68.7 | 76.8 | 99.3 | 104.4 | 114.0 | 119.5 | 125.1 | 130.8 | 136.7 | 142.7 | 148.8 | 155.2 | 161.7 | 168.3 | 175.2 | 182.1 | 189.3 | 196.7 |
| add: royalty | 23.5 | 23.5 | 27.9 | 29.3 | 31.8 | 33.2 | 34.6 | 36.1 | 37.6 | 39.2 | 40.8 | 42.5 | 44.1 | 45.9 | 47.6 | 49.5 | 51.3 | 53.2 |
| Government "take" | 92.2 | 100.3 | 127.2 | 133.7 | 145.8 | 152.7 | 159.7 | 166.9 | 174.3 | 181.9 | 189.6 | 197.7 | 205.8 | 214.2 | 222.8 | 231.6 | 240.6 | 249.9 |
| add: production cost/1 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Tax-paid cost of producer/1 | 107.2 | 115.3 | 142.2 | 148.7 | 160.8 | 167.7 | 174.7 | 181.9 | 189.3 | 196.9 | 204.6 | 212.7 | 220.8 | 229.2 | 237.8 | 246.6 | 255.6 | 264.9 |
| **Foreign Partners' Participation Cost** | | | | | | **12.9** | **11.7** | **10.8** | **9.6** | **8.7** | **10.1** | **11.4** | **12.6** | **13.9** | **14.8** | **12.8** | **12.4** | **11.3** |
| **Producers' margin** | | | | | | **44.4** | **45.6** | **45.3** | **45.1** | **45.4** | **45.3** | **44.9** | **45.6** | **44.9** | **45.4** | **45.6** | **45.0** | **45.8** |
| **Realized f.o.b. export price** | | | | | | **225.0** | **232.0** | **238.0** | **244.0** | **251.0** | **260.0** | **269.0** | **279.0** | **288.0** | **298.0** | **305.0** | **313.0** | **322.0** |

a/ Under the Teheran Agreement of February 15, 1971 the base postings for the Gulf exporters of Abu Dhabi, Iran, Iraq, Kuwait, Qatar and Saudi Arabia were increased on February 15, 1971, by 33¢ per barrel rising on June 1, 1971 and on each January 1, 1973 - 1975 by 2½% for inflation plus 5¢ for general escalation. They also rise by 0.5¢ for every degree below 40° down to 30° API and by 2¢ for freight disparities.

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 realigment ofDecember 1971. The increase is close to the revaluation of sterling to the US dollar; sterling is 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; the projections assume no change in the index.

c/ The Teheran and Geneva Agreements expire on December 31, 1975. Projections thereafter assume that the same provisions would continue through 1985.

1/ Based on estimates of Petroleum Intelligence Weekly of February 14, 1972, p.3.

HBothwell/JFoster:jl
January 25, 1973

Table 3

ABU DHABI: POSTED PRICE, GOVERNMENT REVENUE AND REALISED PRICE PER BARREL OF ABU DHABI (MARINE) CRUDE OIL ($37.0^{o}$ API) F.O.B. DAS ISLAND
ESTIMATED FOR 1970-1972 AND FORECAST FOR 1973-1985
(U.S. Cents per Barrel)

| Effective date of agreement | Up to Nov 13, 1970 | Nov. 14, 1970 | February 15, 1971 /a | | January 20, 1972 /b | | | | Mission Assumptions /c | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date of price calculation | Jan 1, 1970 | Jan 1, 1971 | Feb 15, 1971 | June 1, 1971 | Jan 20, 1972 | Jan 1, 1973 | Jan 1, 1974 | Jan 1, 1975 | Jan 1, 1976 | Jan 1, 1977 | Jan 1, 1978 | Jan 1, 1979 | Jan 1, 1980 | Jan 1, 1981 | Jan 1, 1982 | Jan 1, 1983 | Jan 1, 1984 | Jan 1, 1985 |
| Posted price effective since 1968 | 186.0 | 186.0 | 186.0 | | | | | | | | | | | | | | | |
| add: general increase | - | -- | 33.0 | | | | | | | | | | | | | | | |
| freight disparity | - | - | 2.0 | | | | | | | | | | | | | | | |
| gravity adjustment | - | - | 1.5 | | | | | | | | | | | | | | | |
| Base posting | - | - | 222.5 | 222.5 | 233.1 | 252.9 | 264.2 | 275.8 | 287.7 | 299.9 | 312.4 | 325.2 | 338.3 | 351.8 | 365.6 | 379.7 | 394.2 | 409.1 |
| add: escalation of 2.5% | - | - | - | 5.6 | - | 6.3 | 6.6 | 6.9 | 7.2 | 7.5 | 7.8 | 8.1 | 8.5 | 8.8 | 9.1 | 9.5 | 9.9 | 10.2 |
| escalation of 5 cents | - | - | - | 5.0 | - | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| supplement of 8.49% | - | - | - | - | 19.8 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Posted price | 186.0 | 186.0 | 222.5 | 233.1 | 252.9 | 264.2 | 275.8 | 287.7 | 299.9 | 312.4 | 325.2 | 338.3 | 351.8 | 365.6 | 379.7 | 394.2 | 409.1 | 424.3 |
| less: gravity allowance d/ | 4.4 | 5.0 | | | | | | | | | | | | | | | | |
| percent allowance d/ | 6.5 | 3.7 | | | | | | | | | | | | | | | | |
| marketing allowance | 0.5 | 0.5 | | | | | | | | | | | | | | | | |
| production cost e/ | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| royalty | 23.3 | 23.3 | 27.8 | 29.1 | 31.6 | 33.0 | 34.5 | 36.0 | 37.5 | 39.1 | 40.7 | 42.3 | 44.0 | 45.7 | 47.5 | 49.3 | 51.1 | 53.0 |
| Deductible costs | 54.7 | 52.5 | 47.8 | 49.1 | 51.6 | 53.0 | 54.5 | 56.0 | 57.5 | 59.1 | 60.7 | 62.3 | 64.0 | 65.7 | 67.5 | 69.3 | 71.1 | 73.0 |
| Net taxable income | 131.3 | 133.5 | 174.7 | 184.0 | 201.3 | 211.2 | 221.3 | 231.7 | 242.4 | 253.3 | 264.5 | 276.0 | 287.8 | 299.9 | 312.2 | 324.9 | 338.0 | 351.3 |
| | (@ 50%) | | | | | | | | | | | | | | | | | |
| Income tax at 55% | 65.7 | 73.4 | 96.1 | 101.2 | 110.7 | 116.2 | 121.7 | 127.4 | 133.3 | 139.3 | 145.5 | 151.8 | 158.3 | 165.0 | 171.7 | 178.7 | 185.9 | 193.2 |
| add: royalty | 23.3 | 23.3 | 27.8 | 29.1 | 31.6 | 33.0 | 34.5 | 36.0 | 37.5 | 39.1 | 40.7 | 42.3 | 44.0 | 45.7 | 47.5 | 49.3 | 51.1 | 53.0 |
| Government "take" | 89.0 | 96.7 | 123.9 | 130.3 | 142.3 | 149.2 | 156.2 | 163.4 | 170.8 | 178.4 | 186.2 | 194.1 | 202.3 | 210.7 | 219.2 | 228.0 | 237.0 | 246.2 |
| add: production cost e/ | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Tax-paid cost to producer e/ | 109.0 | 116.7 | 143.9 | 150.3 | 162.3 | 169.2 | 176.2 | 183.4 | 190.8 | 198.4 | 206.2 | 214.1 | 222.3 | 230.7 | 239.2 | 248.0 | 257.0 | 266.2 |
| **Foreign Partners' Participation Cost** | | | | | | 9.1 | 8.2 | 7.6 | 5.5 | 4.3 | 4.4 | 5.3 | 5.8 | 5.2 | 4.9 | 3.4 | 2.6 | 2.2 |
| **Producers' margin** | | | | | | 31.7 | 32.6 | 33.0 | 32.7 | 32.3 | 32.4 | 32.6 | 32.9 | 33.1 | 32.9 | 32.6 | 32.4 | 32.6 |
| **Realized f.o.b. export price** | | | | | | 210.0 | 217.0 | 224.0 | 229.0 | 235.0 | 243.0 | 252.0 | 261.0 | 269.0 | 277.0 | 284.0 | 292.0 | 301.0 |

a/ Under the Teheran Agreement of February 15, 1971 the base postings for the Gulf exporters of Abu Dhabi, Iran, Iraq, Kuwait, Qatar and Saudi Arabia were increased on February 15, 1971 by 33¢ per barrel rising on June 1, 1971 and on each January 1, 1973 - 1975 by 2½% for inflation plus 5¢ for general escalation. They also rise by 0.5¢ for every degree below $40^{o}$ down to $30^{o}$ API and by 2¢ for freight disparities.

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 is 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; the projections assume no change in the index.

c/ The Teheran and Geneva Agreements export on December 31, 1975. Projections thereafter assume that the same provisions would continue through 1985.

d/ OPEC percentage and gravity allowances apply to crude exports from Saudi Arabia, Iran, Kuwait, Qatar and Abu Dhabi (not Iraq) via the Gulf. They do not apply to Iraqi, Saudi Arabian or - since 1967 closure of Suez Canal - Libyan crudes loaded at Mediterranean ports. Percentage allowance was introduced in 1964 at 8.5% of posted price that year, 7.5% in 1965 and 6.5% in 1966. After review it was continued at 6.5% in 1967, 5.5% in 1968, 4.5% in 1969, 3.5% in 1970 and 2.0% in 1971. Gravity allowance was introduced in 1965 at 0.13235 US cents per barrel for each degree API exceeding $27^{o}$ and continued at 0.2647 cents yearly from 1966. Gravity allowance was revised in 1968 to include supplement of 0.059559 cents that year, 0.119118 cents in 1969, 0.178677 cents in 1970 and 0.238236 in 1971 per barrel for each degree exceeding $27^{o}$ but counting $38^{o}$ and over as $37^{o}$. Percentage, gravity and marketing allowances were eliminated effective from February 15, 1971.

e/ Based on estimates of Petroleum Intelligence Weekly of February 14, 1972, p.3.

HBothwell/JFoster:jl
January 24, 1973

TABLE 4

**ABU DHABI: FORECAST OF EXPORT RECEIPTS AND GOVERNMENT REVENUE, 1973-1985**
(US$ Million)

| | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross Export Receipts | 1,133.3 | 1,590.6 | 2,022.2 | 2,314.4 | 2,678.5 | 3,044.8 | 3,153.3 | 3,277.6 | 3,666.5 | 4,088.7 | 4,499.4 | 4,947.5 | 5,631.2 |
| Murban | 673.4 | 1,075.6 | 1,433.5 | 1,518.2 | 1,649.1 | 1,803.1 | 1,865.5 | 1,940.2 | 1,997.3 | 2,066.6 | 2,115.2 | 2,062.0 | 2,115.5 |
| Marine | 437.0 | 451.6 | 506.9 | 670.5 | 857.8 | 1,064.3 | 1,103.8 | 1,146.3 | 1,472.8 | 1,819.9 | 2,176.9 | 2,671.8 | 3,296.0 |
| Others | 22.9 | 63.4 | 81.8 | 125.7 | 171.6 | 177.4 | 184.0 | 191.1 | 196.4 | 202.2 | 207.3 | 213.7 | 219.7 |
| Government Revenues from Royalties & Taxes | 803.9 | 1,133.8 | 1,464.8 | 1,710.1 | 2,010.6 | 2,303.8 | 2,399.7 | 2,506.0 | 2,831.7 | 3,184.7 | 3,500.4 | 3,966.0 | 4,556.2 |
| Murban | 477.1 | 763.1 | 1,035.4 | 1,116.2 | 1,229.2 | 1,352.3 | 1,407.8 | 1,469.4 | 1,524.3 | 1,584.6 | 1,646.4 | 1,623.9 | 1,680.6 |
| Marine | 310.5 | 325.1 | 369.8 | 500.1 | 651.2 | 815.6 | 850.2 | 888.5 | 1,153.6 | 1,440.1 | 1,747.6 | 2,168.6 | 2,695.9 |
| Others | 16.3 | 45.6 | 59.6 | 93.8 | 130.2 | 135.9 | 141.7 | 148.1 | 153.8 | 160.0 | 166.4 | 173.5 | 179.7 |
| Government Benefit from Participation | | | | | | | | | | | | | |
| Additional Gross Revenues | 62.6 | 85.3 | 103.4 | 109.7 | 120.6 | 159.9 | 189.2 | 220.5 | 267.2 | 327.3 | 340.0 | 347.2 | 381.5 |
| Less Purchase Price of Share | 48.6 | 65.0 | 60.6 | -- | -- | 9.8 | 22.8 | 35.0 | 35.0 | 36.8 | 27.8 | 14.6 | -- |
| ADPC | 24.3 | 32.5 | 30.3 | -- | -- | 4.9 | 11.4 | 17.5 | 17.5 | 18.4 | 13.9 | 7.3 | -- |
| ADMA | 24.3 | 32.5 | 30.3 | -- | -- | 4.9 | 11.4 | 17.5 | 17.5 | 18.4 | 13.9 | 7.3 | -- |
| Net Benefit | 14.0 | 20.3 | 42.8 | 109.7 | 120.6 | 150.1 | 166.4 | 185.5 | 232.2 | 290.5 | 312.2 | 332.6 | 381.5 |

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

# OFFICE MEMORANDUM

TO: Files

DATE: January 26, 1973

FROM: John Foster

SUBJECT: Dubai: Contribution of Petroleum to the Economy

## Concessions

1. Crude oil production started in Dubai in 1969 from the offshore Fateh field. Proven recoverable reserves of oil at the end of 1972 are estimated at 2.0 billion barrels. The concession is held by a group comprising Continental Oil 30%, Wintershall (German) 45%, CFP (French) 25%, Hispanoil (Spanish) 25%, Deutsche Texaco 10%, and Sun Oil 5%. The operator is Continental Oil's subsidiary, Dubai Petroleum Company.

2. An onshore concession is held by three offshore participants - Continental Oil, Sun Oil, and Deutsche Texaco. Other off and onshore rights are held by Buttes Gas and Oil together with Clayco Petroleum.

## Production

3. Production in early 1972 averaged 130,000 b/d (6.5 million tons p.a.).1/ After a drop in the second quarter reflecting the Japanese seamen's strike, production recovered again to the previous level by August 1972. A project to expand output was to be completed by September 1972, bringing output to 300,000 b/d (15 million tons p.a.) by 1973.

4. The operation of the field is unusual in that crude oil is stored in three 500,000 barrel underwater tanks from which it is loaded into tankers via a single buoy mooring. A second such mooring is being built, capable of loading 300,000 dwt tankers.

## Government Revenues, 1969-1970

5. Oil revenues accruing to Dubai rose from US$2 million equivalent in 1969, when production began, to $23 million in 1970. This mostly reflected growth in export volumes, though government revenue per barrel increased a little with decreasing yearly production costs per barrel.

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

Teheran Agreement and 1971 Revenues

6. Dubai is not a member of OPEC. However, it has benefitted from the increases in tax rates and posted prices which took place generally in OPEC member countries since 1970. Tax rates of crudes exported from the Persian/Arabian Gulf including Dubai were raised from 50 to 55 percent effective November 14, 1970. The posted price (i.e. tax-reference price) in Dubai remained unchanged at $1.68 per barrel for 32° crude f.o.b. Fateh. Government "take" per barrel rose from 72.1 to 79.1 cents per barrel (see table 1).

7. The terms of the Teheran Agreement, effective February 15, 1971 were applied to Dubai and resulted in a major increase in posted price to $2.13 per barrel and consolidated the tax rate at 55%. Government revenue per barrel rose to an average of $1.099 per barrel, an increase of 39%. The Teheran Agreement provides for contractual escalation of posted price of 2.5% for inflation and 5 cents per barrel for general escalation on June 1, 1971 and each January 1, 1973-75. Thus the Dubai Government oil revenue is estimated at $50 million equivalent in 1971, an increase of 117% over 1970.

Geneva Agreement and 1972 Revenues

8. Effective January 20, 1972 the posted price was raised to $2.423, an increase of 8.49% in application of the Geneva Agreement, to compensate for the international currency realignment of December 1971.

9. Government revenue per barrel became $1.277, an increase of 16% over the weighted average for 1971. Crude oil exports are estimated at about 7.5 million tons in 1972 (150,000 b/d), which is an increase of 1.2% over 1971. Thus Government revenue is estimated at $70 million in 1972, up by 41% over 1971. Gross export receipts were about $100 million.

Government Revenues, 1973-1985

10. By way of magnitude, Government revenue could rise by about 16% yearly from 1972 to reach $233 million by 1980. It could rise to at least $285 million by 1985 (table 2). Gross export receipts could rise to the order of $320 million by 1980, and $375 million by 1985. These predictions are based on two assumptions: (i) Production would rise to about 17.5 million tons p.a. (340,000 b/d) by 1976 and remain at that level through 1985, on the grounds that secondary recovery techniques might in time be introduced to offset decline in output from the Fateh field. The picture would, of course, be improved by any future oil discoveries that might be commercially developed. (ii) Government revenues per barrel may rise after 1975 on the lines of the then expired Teheran and Geneva Agreements, i.e., an increase of about 4% yearly. This seems the minimum likely increase,

given the evident strength of producing versus consuming countries in the determination of prices. There could instead, for example, be a quantum jump in 1976, followed by yearly escalation tied in some way to terms of trade with developed countries.

11. It is not known whether Dubai intends to participate in concessions. It is therefore assumed that it would receive no additional income from participation during the period under review.

OAPEC

12. Dubai has withdrawn from the Organization of Arab Petroleum Exporting Countries (OAPEC). OAPEC is setting up an inter-Arab tanker fleet under an agreement ratified by seven Arab states including Saudi Arabia, Kuwait, Abu Dhabi and Qatar. Dubai is known to regret OAPEC's decision to locate a proposed dry dock in Bahrein rather than Dubai. It plans to have a $90/100 million dry dock built in Dubai with two berths capable of servicing 500,000 dwt tankers and a third berth with a capacity of up to 1 million tons. The British merchant bankers Lazard Brothers accordingly agreed on January 8 to open a $162 million line of credit to finance the project.

cc: Messrs. Stern, Hayes, Tims, Price and Varon
C.H. Thompson, Karaosmanoglu, Asfour, Larsen and Maiss
Upper, Nijhof and Ali.

TABLE 1

DUBAI: POSTED PRICE, GOVERNMENT REVENUE AND REALISED F.O.B. EXPORT PRICE OF DUBAI CRUDE OIL (32° API) F.O.B. FATEH, 1969-1972 AND FORECAST 1973-1985

(U.S. cents per barrel)

| | Sept.1969- Nov 13, 1970 | Nov 14, 1970 | February 15, 1971 /a | | January 20, 1973 /b | | | | Mission Assumptions /c | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan 1, 1970 | Jan 1, 1970 | Feb 15, 1971 | June 1, 1971 | Jan 20, 1972 | Jan 1, 1973 | Jan 1, 1974 | Jan 1, 1975 | Jan 1, 1976 | Jan 1, 1977 | Jan 1, 1978 | Jan 1, 1979 | Jan 1, 1980 | Jan 1, 1981 | Jan 1, 1982 | Jan 1, 1983 | Jan 1, 1984 | Jan 1, 1985 |
| Posted price effective since 1968 | | | 168.0 | | | | | | | | | | | | | | | |
| add: general increase | | | 33.0 | | | | | | | | | | | | | | | |
| freight disparity | | | 2.0 | | | | | | | | | | | | | | | |
| gravity and other adjustments | | | 10.0 | | | | | | | | | | | | | | | |
| Base posting | | | 213.0 | 213.0 | 223.3 | 242.3 | 253.4 | 264.7 | 276.3 | 288.2 | 300.4 | 312.9 | 325.7 | 338.8 | 352.3 | 366.1 | 380.3 | 394.8 |
| add: escalation of 2.5% | | | - | 5.3 | - | 6.1 | 6.3 | 6.6 | 6.9 | 7.2 | 7.5 | 7.8 | 8.1 | 8.5 | 8.8 | 9.2 | 9.5 | 9.9 |
| escalation of 5 cents | | | - | 5.0 | - | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| supplement of 8.49% | | | - | - | 19.0 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Posted price | 168.0 | 168.0 | 213.0 | 223.3 | 242.3 | 253.4 | 264.7 | 276.3 | 288.2 | 300.4 | 312.9 | 325.7 | 338.8 | 352.3 | 366.1 | 380.3 | 394.8 | 409.7 |
| less: gravity allowance | 2.2 | 2.5 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| percent allowance | 5.9 | 3.4 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| marketing allowance | 0.5 | 0.5 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| production cost /d | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 |
| royalty | 21.0 | 21.0 | 26.6 | 27.9 | 30.3 | 31.7 | 33.1 | 34.5 | 36.0 | 37.6 | 39.1 | 40.7 | 42.4 | 44.0 | 45.8 | 47.5 | 49.4 | 51.2 |
| Deductible costs | 64.6 | 62.4 | 61.6 | 62.9 | 65.3 | 66.7 | 68.1 | 69.5 | 71.0 | 72.6 | 74.1 | 75.7 | 77.4 | 79.0 | 80.8 | 82.5 | 84.4 | 86.2 |
| Net taxable income | 103.4 | 105.6 | 151.4 | 160.4 | 177.0 | 186.7 | 196.6 | 206.8 | 217.2 | 227.8 | 238.8 | 250.0 | 261.4 | 273.3 | 285.3 | 297.8 | 310.4 | 323.5 |
| | (@ 50%) | | | | | | | | | | | | | | | | | |
| Income tax at 55% | 51.7 | 58.1 | 83.3 | 88.2 | 97.4 | 102.7 | 108.1 | 113.7 | 119.5 | 125.3 | 131.3 | 137.5 | 143.8 | 150.3 | 156.9 | 163.8 | 170.7 | 177.9 |
| add: royalty | 21.0 | 21.0 | 26.6 | 27.9 | 30.3 | 31.7 | 33.1 | 34.5 | 36.0 | 37.6 | 39.1 | 40.7 | 42.4 | 44.0 | 45.8 | 47.5 | 49.4 | 51.2 |
| Government "take" | 72.7 | 79.1 | 109.9 | 116.1 | 127.7 | 134.4 | 141.2 | 148.2 | 155.5 | 162.9 | 170.4 | 178.2 | 186.2 | 194.3 | 202.7 | 211.3 | 220.1 | 229.1 |
| add: production cost /d | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 |
| Tax-paid cost to producer | 107.7 | 114.1 | 144.9 | 151.1 | 162.7 | 169.4 | 176.2 | 183.2 | 190.5 | 197.9 | 205.4 | 213.2 | 221.2 | 229.3 | 237.7 | 246.3 | 255.1 | 264.1 |
| Producers' margin /e | 27.3 | 24.9 | 25.1 | 24.9 | 25.3 | 35.6 | 35.8 | 35.8 | 35.5 | 36.1 | 35.6 | 35.8 | 35.8 | 35.7 | 35.3 | 35.7 | 35.9 | 35.9 |
| Realized f.o.b. export price /e | 135.0 | 140.0 | 170.0 | 176.0 | 188.0 | 205.0 | 212.0 | 219.0 | 226.0 | 234.0 | 241.0 | 249.0 | 257.0 | 265.0 | 273.0 | 282.0 | 291.0 | 300.0 |

/a Under the Teheran Agreement of February 15, 1971 the base postings for the Gulf exporters were increased on February 15, 1971 by 33¢ per barrel rising on June 1, 1971 and on each January 1, 1973 - 1975 by 2½% for inflation plus 5¢ for general escalation. They also rise by 0.5¢ for every degree below 40° down to 30° API and by 2¢ for freight disparities. The terms were extended to Dubai which was not a signatory.

/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 is 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; the projections assume no change in the index. The terms were extended to Dubai which was not a signatory.

/c The Teheran and Geneva Agreements export on December 31, 1975. Projections thereafter assume that the same provisions would continue through 1985.

/d Based on estimates of Petroleum Intelligence Weekly of February 14, 1972, p. 3.

/e Bank estimate.

HBothwell/JFoster:jl
January 18, 1973

Table 2: DUBAI: EXPORT RECEIPTS AND GOVERNMENT REVENUE FROM CRUDE OIL PRODUCTION, 1969-1972 AND FORECAST 1973-1985

| | 1969/a | 1970 | 1971 | 1972 estimated | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (......million tons......) | | | | | | | | | | | | | | | | |
| Production by weight | 0.5 | 4.3 | 6.2 | 7.5 | 15.0 | 15.1 | 16.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 |
| | (......million barrels......) | | | | | | | | | | | | | | | | |
| by volume b/ | 3.6 | 31.3 | 45.2 | 55.0 | 109.5 | 110.0 | 120.0 | 125.0 | 125.0 | 125.0 | 125.0 | 125.0 | 125.0 | 125.0 | 125.0 | 125.0 | 125.0 |
| | (......US$ per barel......) | | | | | | | | | | | | | | | | |
| Government revenue per barrel/d | 0.727 | 0.727 | 1.097 c/ | 1.271 c/ | 1.344 | 1.412 | 1.482 | 1.555 | 1.629 | 1.704 | 1.782 | 1.862 | 1.943 | 2.027 | 2.113 | 2.201 | 2.291 |
| Realized fob export price/d | 1.35 | 1.35 | 1.70 | 1.88 | 2.05 | 2.12 | 2.19 | 2.26 | 2.34 | 2.41 | 2.49 | 2.57 | 2.65 | 2.73 | 2.82 | 2.91 | 3.00 |
| | (......US$ million......) | | | | | | | | | | | | | | | | |
| Government revenue | 2.6 | 22.8 | 49.6 | 69.9 | 147.2 | 155.3 | 177.8 | 194.4 | 203.6 | 213.0 | 222.8 | 232.8 | 242.9 | 253.4 | 264.1 | 275.1 | 286.4 |
| Export receipts | 4.9 | 42.3 | 76.8 | 103.4 | 224.5 | 233.2 | 262.8 | 282.5 | 292.5 | 301.3 | 311.3 | 321.3 | 331.3 | 341.3 | 352.5 | 363.8 | 375.0 |

Notes: /a Production began in September 1969.
/b Conversion assumes 32.0° API gravity, i.e. 7.29 barrels per metric ton.
/c This is weighted average of government revenue per barrel.
/d Derived from Table 1.

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

# OFFICE MEMORANDUM

TO: Files

DATE: December 4, 1972

FROM: Jack L. Upper

SUBJECT: Abu Dhabi Fund

1. On November 20, I met in Abu Dhabi with Mr. Hassan Abbas Zaki, Deputy Chairman of the Abu Dhabi Fund, who had requested the Bank's advice on staff recruitment and on the use of consultants. I also met the chief of the Projects Department, Dr. M. A. Ghareeb, on leave from Cairo University, Department of Economics and a number of the junior staff of the Fund, mostly recent college graduates.

2. I presented Mr. Zaki with a list of possible Arabic-speaking candidates, compiled by the Bank's Personnel Department for his confidential use (not for attribution to the Bank) and gave him a copy of a report on a Seminar on Consulting Services held in the Bank in March, 1972 and various other Bank publications. Since his technical staff is still very thin and inexperienced (only Abu Dhabi citizens can be employed on a permanent basis), Mr. Zaki is looking for consultants to conduct most of his project appraisal and supervision work. I explained to him that we could supply him with the names of consultants only in various specific fields and for specific purposes. However, I am not sure he appreciates the complexity of this task, and as I mentioned in my memorandum on my visit to Kuwait and the Gulf States, I think it would be helpful if someone with extensive experience in this field like Mr. Finne were to advise Mr. Zaki directly. It might be useful if the Projects Director, Dr. Ghareeb, would visit Washington to acquaint himself with the Bank's experience and resources in this field.

3. The Abu Dhabi Fund has received a large number of project requests which it is just beginning to sort out. The countries of early emphasis will be the Yemen Arab Republic, Syria, Tunisia and the Sudan. Mr. Zaki said that he is interested in principle in joint operations with the Bank in any of these or other Arab countries. Available resources of the Fund are limited to Dinars 8 million for the time being, but I gather that the prospect for additional funds in the future could be substantial. Total authorized capital is Dinars 30 million ($100 million).

4. With respect to participation in the proposed consortium for the Rahad project in the Sudan, Mr. Zaki said that he was in principle agreeable, subject to the concurrence of his Board, but he was reluctant to commit funds to be disbursed in the early years. He estimated that the Abu Dhabi Fund could provide about $5 million over a five-year period, but said that the repayment terms would be relatively short (7-10 years) and the interest rate in the order of 3-1/2 to 4-1/2 percent. He feels that a concessionary repayment period would lead all of his potential borrowers to expect the same treatment; however, I got some intimation that the above loan might

be converted into a grant in due course. He spoke of confirming this commitment to the Rahad project at the Bank's Annual Meeting in Nairobi in 1973, hoping by then to have made prior project commitments in Yemen, Tunisia and Syria.

5. In the meantime, the Abu Dhabi Fund seems also to have an interest in direct projects in the Sudan, such as the Gedaref-Port Sudan road and a sugar mill in the Rahad area. Projects in other countries that Mr. Zaki specifically mentioned were hotels in Tunisia, a dam in Syria and a salt project in Egypt.

6. It is clear that the Abu Dhabi Fund is still very much in the formative phase and that technical help from the Bank will be needed and appreciated. In particular, Mr. Zaki said he would be grateful for further advice on the selection and use of consultants.

Postscript

7. We have subsequently corresponded with Mr. Zaki about lists of consultants that the Abu Dhabi Fund might use and have given some suggestions. We have also suggested that he send the head of his technical staff, an Egyptian economics professor, to Washington to discuss the use of consultants with our technical specialists, after which we would send an advisor to visit the Abu Dhabi Fund briefly to examine their set-up. We have not had a reply to this suggestion.

EMENA Region
Updated January 26, 1973
JLUpper:orp

HASSAN ABBAS ZAKI  Managing Director of the Abu Dhabi Fund

Mr. Zaki is of Egyptian origin and was born on January 2, 1971. He was educated in Egypt and has occupied various political and economic posts throughout his career. These include Commercial Secretary to the Egyptian Embassy in Washington, 1952; Director General of Exchange Control Department of the Ministry of Economy, 1955-58; Member of the National Assembly; Minister of the Treasury, 1958; Minister of the Economy and Supply, 1961; and Minister of Economy and Foreign Trade in 1966-70. Since 1970, Mr. Zaki has been a principal financial advisor to Sheikh Zayed. He has published various articles on monetary, international trade and cotton policies.

EMENA Region
Division 1D
January 24, 1973

G

UNITED ARAB EMIRATES

Technical Assistance and Economic Mission

The Bank has advised the Government during the past 18 months on preparing terms of reference for consultants to do a study of the long-term requirements of the power and water desalination system. The Government has requested that the Bank continue to advise during the carrying out of the study, and we would be prepared to do so. Preoccupation with the continuing short-term crash program needed to keep up with Abu Dhabi's spectacular development (jump in demand from 3,000 KW to over 40,000 KW in four years) would no doubt have obscured the longer-term perspective in the absence of the Bank's assistance. Some advice has also been given on the shorter-term needs.

The UAE Government may officially request a second Bank economic mission for the UAE next year. The first economic report on the UAE was sent to the Government in March 1970 and distribution both inside and outside the Bank was strictly limited at their request. This report covered Bahrain and Qatar as well as the present UAE states, and new economic missions are scheduled for Bahrain and Qatar this Spring 1973. At this juncture it would probably not be possible to launch a mission to the UAE before early 1974.

EMENA Region
Division 1D
January 30, 1973

SUBSCRIPTIONS

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

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

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

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

BOND ISSUES

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

EMENA Region
Division 1D
January 26, 1973

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

| | 5.20% of 1971 due March 15, 1973 | 6-1/2% of 1971 due Sept. 15, 1973 | 5.30% of 1972 due March 15.1974 | 5-7/8% of 1972 due Sept. 15, 1974 | Total |
|---|---|---|---|---|---|
| Abu Dhabi | $ .500 | $ 2.000 | $ 2.000 | $ 1.000 | $ 5.500 |
| Kuwait | $ 1.000 | $ 4.000 | $ 1.500 | $ 3.500 | $ 10.000 |
| Libyan Arab Republic | $ 10.000 | $ - | $ 7.000 | $ 8.080 | $ 25.080 |
| Qatar | $ .100 | $ .200 | $ .200 | $ .100 | $ .600 |
| Saudi Arabia | $ 5.000 | $ 10.000 | $ 10.000 | $ 8.080 | $ 33.080 |

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

H

UNITED ARAB EMIRATES: UNDP Country Program

UNDP's program for the United Arab Emirates (UAE) is still in the formative stage. UNDP is expecting to receive by early February a list of project proposals from its Resident Representative. UNDP activities in the UAE are under the guidance of the UNDP sub-office in Bahrain, and the UNDP representative there is Per Sjogren. The Regional Representative is Abdullatif Succar whose office is in Riyadh, Saudi Arabia.

At the present time UNDP Indicative Planning Figure (IPF) for the UAE is part of an "undistributed" IPF, a grouping which at this time includes only OMAN and UAE. The total amount "undistributed" in this region for the period 1972-76 is $5.0 million.

The following projects are presently identified as being "in the pipeline":

1) An FAO Agricultural Mission of up to six man months going to UAE in March to identify Agricultural Projects.

2) Organization of a Public Administration Institute, requiring the services of four experts for a considerable period. This was proposed by a United Nations Planning Adviser who visited UAE in May. UNOTC would be executing agency.

3) An expert on Cooperatives, requested for a period of three months.

4) A "large scale" vocational training scheme, requiring three or four ILO experts; this was suggested by an ILO mission in October but UNDP has only an unofficial request, so far.

The Government has also sought a Health Administration Expert but indications now are that this will be provided by WHO out of its "regular" program of Technical Assistance, rather than with UNDP funds.

January 17, 1973

1

# UNITED ARAB EMIRATES

## A Year of Unprecedented Achievement

The United Arab Emirates was constituted as a sovereign, independent, federal state on December 2, 1971. The State of the UAE embraces the seven Emirates of Abu Dhabi and Dubai, Sharjah and Ras al-Khaimah, Ajman, Fujairah and Umm al-Qaiwain and has a population estimated to total 300,000 at the end of 1972. As a sovereign state, the UAE has one flag and speaks with one voice in foreign affairs. It became a member of the Arab League and of the United Nations in December 1971 and has since established diplomatic relations with 17 other countries.

The UAE is governed by a Supreme Council composed of the Rulers of the seven Emirates, with Sheikh Zayed of Abu Dhabi as President and Sheikh Rashid of Dubai as Vice-President. There is an executive Council of Ministers and a consultative Federal National Council. The Provisional Constitution of the UAE, operative for a transitional period of five years, guarantees the individual's basic human, political and social rights and public duties, and defines the roles of the organs of federal government.

The UAE has an area of 91,000 square kilometers, with a coastline of 600 kilometers on the Gulf and the Sea of Oman. All the main towns, with the exception of Al-Ain, are on the coast and, apart from the Hajar mountain range in the north and the scattered oases, much of the UAE's territory is sandy desert and salt marshes. The rainfall is very low and the humidity on the coast extremely high. This is a region which was for long considered to be one of the least favored by nature, dependent on the sparse resources of desert, sea and mountain.

It is now just over a year ago since the creation of the United Arab Emirates, a federation of seven states—Abu Dhabi, Dubai, Sharjah, Ajman, Umm al Qaiwain, Ras al Khaimah and Fujairah.

Given the difficulties, it is remarkable how much has been achieved in developing a Union Government. The financial means only became available in February when the budget was passed and nearly all the sum of nearly £20m. allocated will be spent even though actual outlays may not be quite according to the allocations.

## Uniform Systems

British extraterritorial jurisdiction had for many years provided a uniform system of law for the whole Gulf, and while it came to an end with the formation of the UAE the new Constitution provides that all major legislation is to be the responsibility of the Union legislature, not the individual States; thus eventually the principle of uniformity of laws hitherto inherent in the outgoing British system will be preserved.

A great deal of legislation is needed, particularly commercial legislation, and in the meantime, since the provisions of the Constitution are not retroactive, reference must be made in each case to such laws as exist in the individual States.

## Union on the Map

Sheikh Zaid, President of the UAE, and Sheikh al Suedi have in their own travels put the Union on the map. Not to exclude Sheikh Ahmed al Suwaidi, the Foreign Minister, whose properly functioning department has won praise from diplomats on its handling of the art of protocol. Sheikh Rashid, vice president of the UAE, has always been a good businessman, and that in no way will hurt, but rather benefit the UAE. The Union currently has membership of all the main international agencies.

The UAE has been quick to make contacts with the republican, socialist Arab world which in turn has looked to it for the financial handouts of the sort which helped to establish the security of the traditional regime in Kuwait. President Assad of Syria visited the UAE in November, followed by Dr. Aziz Sidqi, the Egyptian Premier, in December, with the latter reported to have asked for $15-20m., Abu Dhabi's contribution to the collective Arab battle plan.

All the Rulers want to benefit from Abu Dhabi's oil wealth, but none of them want to lose any more independence than necessary, nor do they relish the submission that accepting Sheikh Zaid's munificence implies. With the exception of Dubai and probably also Sharjah —with commercial oil production now in prospect—all will remain heavily dependent on the Union or Abu Dhabi, whether they like it or not.

Abu Dhabi and Dubai are by far the largest and most important trading states among the seven Emirates of the UAE.

## Different Structures

The explanation of the different structures of Abu Dhabi and Dubai is in the difference in demand. Dubai is more consumer-oriented whereas Abu Dhabi is at a stage where construction is the main source of activity. The import trade in constructional material will inevitably fall when the present development phase is completed. The discovery of commercial oil in Dubai and Sharjah should however lengthen this phase for the Union, and in any event, even in Abu Dhabi, development has still a good way to go. It may be expected that trade in consumer goods will greatly increase as wealth spreads among the population as a whole.

With an aggregate population of some 300,000 people the UAE has now a full degree of internal free trade. Customs barriers between the Emirates have been abolished and Abu Dhabi has fixed its rate of import duty at 2 per cent.

Exports from the UAE to the outside world apart from crude oil are few and hardly significant though there is some export of dried fish. These exports could be greatly increased by the development of modern fishing techniques as there is little money in dried fish, but valuable markets in processed and frozen fish. And the introduction of a modern fishing industry would provide opportunities for the development of the smaller Emirates of Ajam, Umm al Qaiwain and Fujairah.

## Oil, Oil, Oil . . .

Until about a year ago, crude oil exports came only from Abu Dhabi, but they have now been augmented by Dubai's contribution and in about a year's time it is expected that Sharjah will be exporting crude. The United Kingdom is an important customer for Abu Dhabi's crude oil. In 1967 U.K. oil imports amounted to about £6m., but in the following year they rose to £14m., and in 1970 were almost £19m. In 1971 they rose sharply to almost £27m.

Adequate port facilities and efficient handling of cargoes are of fundamental importance to the UAE, which depends on imports to feed, clothe and maintain the living standards of the population as well as supplying motor vehicles, machinery and constructional materials necessary for development.

In this respect it can be said that the UAE is well equipped with its ports and air communications. Ports capable of handling the largest vessels using the Gulf, and international airports accommodating aircraft up to the size of Jumbo jets. At present the largest port is Port Rashid in Dubai, the construction of which was financed through loans from Lloyds Bank and the British Bank of the Middle East, backed by the Export Credits Guarantee Department in London.

### 1,059,000 b/d

In 1971 the combined crude oil production of the two producing members of the UAE, Abu Dhabi and Dubai, amounted to 1,059,000 barrels a day, placing them in an intermediate position behind the giants in the Gulf, such as Saudi Arabia and Kuwait, but ahead of other producers as Qatar and Oman. Plans for the development of currently producing fields and new discoveries indicate that a period of rapid growth is ahead, and that the UAE production by 1974-75 will reach a level of 2.5-million b/d or more.

The major part of this production comes from Abu Dhabi, where the two producing companies — Abu Dhabi Petroleum Company (ADPC) onshore and Abu Dhabi Marine Areas (ADMA) offshore — produced 934,000 b/d in 1971. ADPC, which owned by the same group of companies as the Iraq Petroleum Company (BP, CFP and Shell with 23.75 per cent each and Partex 5 per cent) produced 57,000 b/d of high gravity low-sulphur crude from the Murban field in 1971 and plans to double its production and export capacity to nearly 1.3-million b/d, and putting the new Asab field, some 85 kilometres southeast of Murban, into production at a rate of about 450,000 b/d. Farther south ADPC has discovered yet another field at Zarrara in the disputed border area with Saudi Arabia, but the work on the field was stopped in early 1971 while waiting for a settlement of the territorial dispute, and no further activity has been reported. In the meantime ADPC's exploration efforts are concentrated on the three-mile belt of territorial water around the coast and islands which is included in its concession.

ADMA, owned by BP (two thirds), produced 359,000 b/d in 1971 from Zakum and Umm Shaif fields in its offshore concession. Export capacity of the Das Island terminal for these two fields is to be raised to

**Oil Production, 1962-72** *(Million Long Tons)*

| | 1962 | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Abu Dhabi** | | | | | | | | | | | |
| ADMA | 0.7 | 2.3 | 3.0 | 4.3 | 5.1 | 5.7 | 8.7 | 11.5 | 12.6 | 16.9 | 21.5 |
| ADPC | – | 0.3 | 6.0 | 9.0 | 12.1 | 12.2 | 14.9 | 16.8 | 20.1 | 27.2 | 29.0 |
| **Dubai** | | | | | | | | | | | |
| DPC | – | – | – | – | – | – | – | 0.5 | 4.3 | 6.5 | 6.5 |
| | 0.7 | 2.6 | 9.0 | 13.3 | 17.2 | 17.9 | 23.6 | 28.8 | 37.0 | 50.6 | 57.0 |

**Estimated figures for full year 1972 based on January/September production.*

**DUBAI Imports, 1969-71** *(QDR Millions)*

| | 1969 | 1970 | 1971 |
|---|---|---|---|
| Household goods | 202 | 179 | 208 |
| Machinery | 187 | 156 | 192 |
| Foodstuffs | 114 | 133 | 150 |
| Building materials | 101 | 139 | 142 |
| Clothing & textiles | 164 | 145 | 134 |
| Oilfield equipment | 45 | 64 | 90 |
| Electrical goods | 44 | 63 | 55 |
| *Other categories* | *65* | *81* | *88* |
| **Total Imports** | **922** | **960** | **1,059** |

**ABU DHABI Imports, 1969-71** *(BD Millions)*

| | 1969 | 1970 | 1971 |
|---|---|---|---|
| Oilfield equipment | 0.1 | 1.1 | 8.5 |
| Machinery | 14.3 | 7.6 | 5.5 |
| Foodstuffs | 4.3 | 3.7 | 4.9 |
| Vehicles | 6.3 | 3.5 | 4.2 |
| Spare parts | 4.1 | 2.5 | 3.3 |
| Building materials | 5.2 | 2.1 | 2.3 |
| Electrical goods | 2.5 | 2.1 | 2.0 |
| Tools & hardware | 1.5 | 1.1 | 1.2 |
| *Other categories* | *21.0* | *11.5* | *15.0* |
| **Total Imports** | **59.3** | **35.2** | **46.9** |

around 500,000 b/d by the end of the year, and the company has informed the government that it expects to have a capacity of some 800,000 b/d by 1974-75, with most of the increase coming from Zakum and Umm Shaif. Aside from these two fields ADMA has a number of other promising prospects in its acreage, Abu al Bakhush, 40 kms. north of Das Island, is an extension of the Sassan field over the border in Iranian waters—which is currently producing 100,000 b/d—and is rated commercial.

## Conventional Agriculture

In another area of the Union's economy, conventional agriculture has been making steady planned progress for years. Where cultivation exists, water is provided by the Hajar mountains, which form the geographical spine of the Union. Where crops are grown for profit a second requirement besides water are good fast roads for the transport of perishable goods. Ras al Khaimah is the one State which has both plentiful water and now first-class highways to the south.

The Union's Minister for Agriculture and Fisheries, Sheikh Hamed bin Mohammed Al-Sharqi, comes from Fujairah, to the east of the Hajar Range and the only State with its entire seaboard on the Gulf of Oman. Fujairah is well watered—often there is too much of it in the winter. Many wadis are astonishingly fertile and besides the ubiquitous date, other exotic fruits such as citrus, mangoes and pomegranates grow abundantly.

At Ras al-Khaimah, an Agricultural Trials Station was established as far back as 1955. Under British supervision, the Station has developed steadily and now has an agricultural school, a veterinary clinic, a mechanical workshop and poultry houses. A Friesian herd has been introduced which now yields milk in sufficient quantities for marketing to other States. Varieties of fruits and vegetables have been tested and the work of the station is proving of immense benefit over a wide area of small-holdings.

## Modern Farming

At Al Ain, the Al Ain Experimental Farm provides instruction in modern farming methods, as well as demonstrating which varieties of crops, vegetables may best be grown. And on Sadiyat Island, about 2 kms from Abu Dhabi Town, the Arizona University has their Arid Lands Research Center which uses distilled sea-water to produce a controlled, highly humid atmosphere within huge zeppelin-shaped polythene envelopes. Soluble nutrients are mixed with irrigation water and drip-fed to each plant. The end result has been something to see. Single crop production of tomatoes now runs at 71 tons per acre (compared to 31 tons in the United States). cucumbers at 102 tons (to 12), eggplants at 107 (8.25) and lady's fingers at 23 (5).

Over 170 varieties of vegetables have been tried with equal success.

Emir Zaid astonished sceptics by successfully adopting two development schemes which most people would consider as something out of the pages of science fiction.

A French-Lebanese company, Forestation Consortium, with the French company Sogria as consultants, has been engaged to plant over 250,000 trees along the 100-mile desert highway between Al Ain and Abu Dhabi. The project will cost over 4.5m. Already about 60 hectares have been planted with hardy species some of which have reached the height of over 15 ft. Each tree is fed with water through a vast network of plastic piping connected to specially sunk wells.

The population of the Union is dependent on fish as a major contribution to its diet. Fishing is also a main preoccupation, particularly since the decline of pearling. The Union possesses a large proportion of the Gulf's open sea fishing launches which have been accustomed to land catches at Bahrain and Kuwait where prices are higher.

## Fisheries

It now requires 7,000 tons of fish annually to feed the populace, but in the case of a rapidly expanding population this figure may soon be doubled. Modern methods are clearly necessary if this figure is to be met. At least three missions have visited the United States in recent years to be advised on how this should be done. Very little research has been undertaken into fish resources in both the Gulf and the Gulf of Oman. Currently the Union has the services of a Fisheries expert, Mr. Alec White, on loan from the British Government.

But in the meantime much is being done to augment catches by the introduction of more and faster launches, the mechanisation of fishing equipment, the establishment of ice-factories and soon, refrigerated storehouses and the encouragement of fishermen's co-operatives, which in fact is nothing new in isolated sea-side villages.

The area of Umm al Qaiwain is roughly 300 square miles. Bordered to the south by Sharjah and by Ras al Khaimah to the north, with 15 miles of coastline forming the base and with the apex about 20 miles inland, forming a triangular shape.

Total population is about 4,000, most of whom live in the capital Umm al Qaiwain town.

High hopes had been set on oil exploration, but the State has been unfortunate in its experiences. Early in 1971 Shell drilled a dry onshore hole and then gave up the concession. Offshore, Occidental Oil now holds the concession, but when drilling was about to start, it was found that the structure was at a point also claimed by Sharjah and Iran. Drilling from Umm al Qaiwain was suspended.

Umm al Qaiwain has as fine beaches as any along the coast, but unlike Ajman it is not in close proximity to a heavily populated centre. There is no hotel in the capital, and a seaside motel, or row of overnight beach cabins might prove a profitable enterprise.

## In the Sea of Oman

To the rest of the Union Fujairah is the place everyone has heard of but has not visited, particularly because it is facing the Sea of Oman and is contained by the mountains, making travel difficult. Development which has boosted the prosperity of the west coast states has largely passed Fujairah by. So far it has not been able to provide those inducements which would entice the comfortable merchants of Dubai and Abu Dhabi to make the rough journey across the mountains. The lack of wealth is depressing; no oil, and it seems at times that even the fish spend most of their time off the west coast.

The not infrequent pronouncements that large gifts of money have been made to other countries do nothing to soothe east coast feelings.

But even now road communications through the mountains is slowly being improved, and eventually the linking of the Transpeninsular Road with the Oman coast road creeping out of Muscat will make Fujairah an important link on the highway between the Union and Oman proper.

Ajman lies on the coast line about ten miles north of Sharjah which surrounds its 100 square miles entirely.

The main occupation is fishing, and the State owns more of the larger deep-sea fishing vessels than any other on the coast. The Ajman fishermen voyage far and wide in the Gulf and land their catches for preference at Bahrain and Kuwait where prices are higher and where ice can be obtained.

The State has granted oil concessions both onshore and offshore, but no drilling has yet been done, nor likely that any offshore will be done, where the concession might well be disputed by both Sharjah and Iran.

Ras al-Khaimah covers an area of about 650 square miles. It is divided into a Northern and Southern Section separated by a narrow corridor of Fujairah territory. The Southern Section is entirely land locked, while the Northern Section has a coastline of some 40 miles.

Ras al-Khaimah did not elect to join the Union of Arab Emirates until February last year. This was after hopes of a major oil strike were dashed and after disputed possession of the two tiny Tunbs islands which command the Straits of Hormuz were taken by an Iranian invasion.

Even without oil the Ruler Sheikh Saqr bin Mohammed may well count his blessings, for Ras al Khaimah has immense development potential which can only be enhanced by a spread of Union riches.

6.

Discovery of oil in commercial quantities off the island of Abu Musa has come like a boost in the arm for Sharjah, and a boon to its young ruler Sheikh Sultan, who succeeded Sheikh Khaled. The State should now be able to live up to its expectations. The Sheikhdom has been increasingly overshadowed by its neighbor and until quite recently it was a rival to Dubai as a trading center. But when Sheikh Rashid was dredging and improving Dubai's Creek, Sharjah was letting its vital asset silt up.

Sheikh Sultan pressed ahead with a port whose first £1.5m. phase has been completed based on the foundation built by his predecessor.

But for Sharjah, finance has been a problem and everything has been done on a piecemeal basis. An annual revenue of only about £1m. has not been enough to cover much more of the current obligations and there was a limit to what Sheikh Khaled, could do.

At the age of 33, the new ruler Sheikh Sultan has kept a low profile politically and seems to lack the traditional sheikhly image. He is about half the average age of the others, and he is an honors graduate from Cairo University, where he studied agriculture.

Sharjah will start off life as an oil state already a developed, going concern with a good basic infrastructure. It now has its harbor with 1,000 feet of wharfs, a dredged entrance channel and roads which should be able to cover its costs.

There is an international airport already being used by three national carriers (Pakistan International, Saudi, and Syrian). It is connected by metalled road with Ras al Khaimah and the dual roadway to Dubai is being constructed. Power capacity should be adequate for several years and augmenting the water supply will be no problem.

All in all, Sharjah has a good potential; given a modest income from oil, Sheikh Sultan will meet the challenge head on.

H. H. Sheikh Sultan,
Ruler of Sharjah

H. H. Sheikh Saqr,
Ruler of Ras al-Khaimah

Ras al-Khaimah is considered scenically the most beautiful of all the Union States, and it is not surprising that it is attracting an increasing number of tourists with more modest ambitions. The beaches, particularly in the Sha'am area are becoming popular with campers for the steep shelf of the mountains into the sea keeps deep water close inshore, with fine opportunities for skin divers and spear-fishermen, making the development of tourism a most inviting possibility.

Fishing is a major activity and the Ras al-Khaimah fishermen are particularly adept at catching sharks. Fins are exported to the Far East and a small amount of shark meat, especially that of the unborn young, is eaten locally for medicinal reasons.

H. H. Sheikh Ahmed,
Ruler of Umm al Qaiwain

Two hundred years ago Umm al-Qaiwain was one of the more aggressive pirates' nests along the coast, but the present reign of Sheikh Ahmed, who succeeded in 1929, has been marked by tranquillity.

Payments from government funds are used to promote the fishing industry, resulting in the building of eleven launches. Now there is far more fishing in the open sea and a 10 per cent rise in the catch and a greater variety of fish caught.

Because it possesses fine beaches, it, like Ras al Khaimah, would profit from the building of overnight beach cabins, a seaside motel and hotel of which there is none in the capital

H. H. Sheikh Mohammed,
Ruler of Fujairah

To some, Fujairah is a reminder of a not too distant tribal and primitive past.

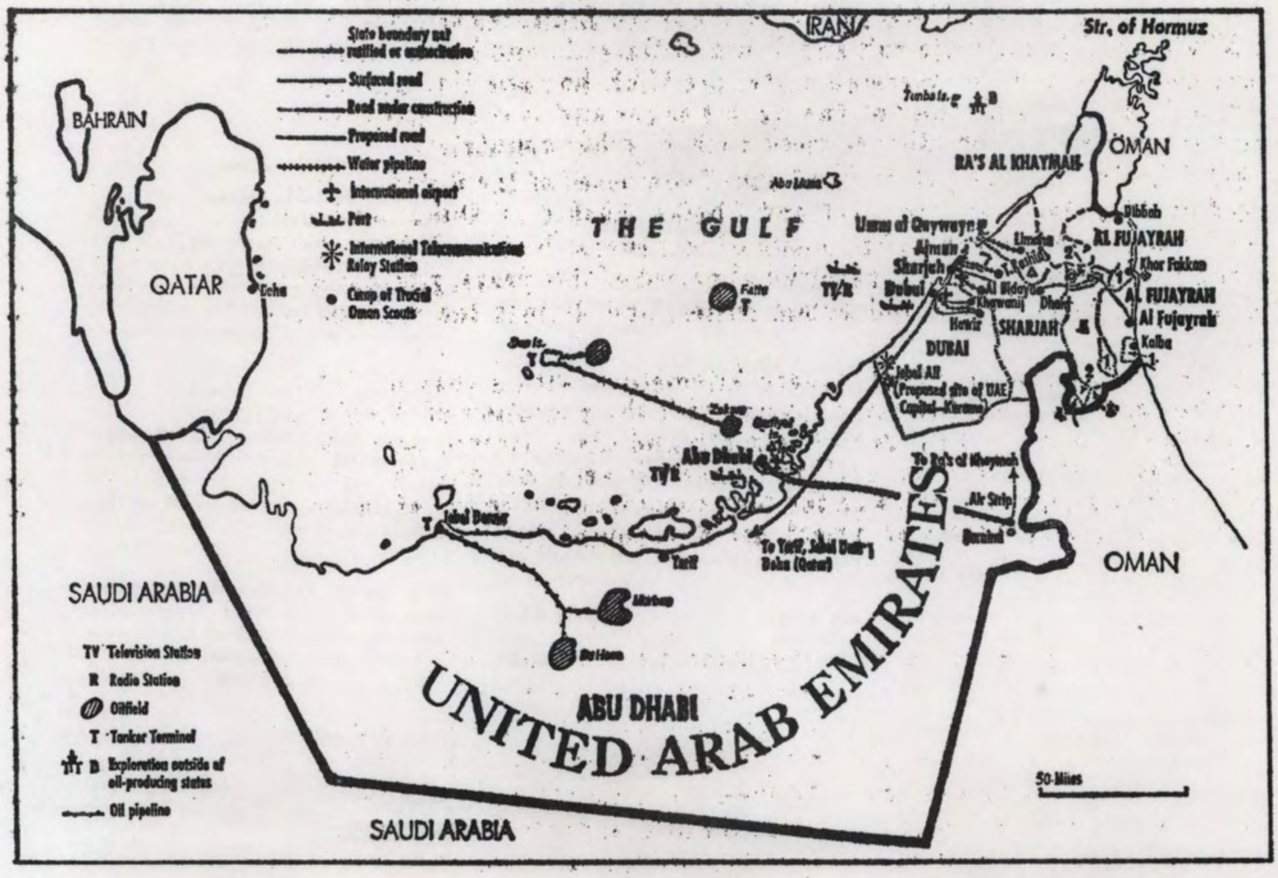
But in the past year, Fujairah has begun to emerge from its former obscurity. The Ruler, Sheikh Mohammed bin Hamid al Sharqi, has made his presence felt by securing the lion's share of the Union Development Budget for his Ministry of Agriculture and Fisheries.

And with the joining of Trans-Peninsular Road with the Oman coast road, Fujairah will be an important link on the highway between the Union and Oman proper.

H. H. Sheikh Rashid,
Ruler of Ajman

Ajman is just missed by the highway that connects Dubai and Sharjah. And while oil has brought wealth to other States, the state remains the smallest and the least wealthy of all the seven.

The state has facilities to turn it into a first class stopover for Sharjah and Dubai commuters. It was even favored by the Trucial States Development Office, while it was still functioning, as a site for a combined sea-water distillation center and power house for a unified water and electricity scheme stretching from Dubai to Umm al Qaiwain, when eventually such a measure becomes imperative for the coast. But because the State is so small there might not be enough room for both.

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

H. H. Sheikh Rashid bin Said al Maktoum, Vice-President of U.A.E.

A city scene in Abu Dhabi

Along the coast of Dubai.

#WXA104

CK 0345

#WXA106 EPG515

EMN (1) de Lusignan
(+ Aiyer)
Re Bandar Abbas

(2) Upper

0353 : DOCK:

DUBAI, JAN. 9, REUTER -- A DRY DOCK PROJECT FOR DUBAI HAS BEEN EXPANDED TO ALLOW FOR TANKERS OF UP TO ONE MILLION TONS.

A MEETING OF THE DUBAI DRY DOCK BOARD WHICH ENDED HERE YESTERDAY ALSO PUT THE FINANCING OF THE WHOLE PROJECT, EXPECTED TO COST 162 MILLION DOLLARS (65 MILLION STERLING), IN THE HANDS OF THE LONDON BANKERS LAZARD BROTHERS AND COMPANY.

A REPRESENTATIVE OF LAZARD'S SIGNED AN AGREEMENT WITH MR. MAHDI AL DAJER, WHO PRESIDED OVER THE MEETING IN THE ABSENCE OF THE CHAIRMAN, UNITED ARAB EMIRATES (UAE) DEPUTY PRIME MINISTER AND FINANCE, ECONOMY AND INDUSTRY MINISTER SHEIKH HAMDAN BIN RASHID AL MAKTUM.

A STATEMENT LAST NIGHT ON THE FOUR-DAY MEETING ALSO SAID THE REVISED PROJECT, ADDING A DRY DOCK FOR ONE MILLION TON TANKERS -- WHICH WOULD BE AMONG THE WORLD'S BIGGEST -- TO TWO FOR SHIPS HALF THAT SIZE, WOULD BE DRAWN UP BY JOHN M. MCMULLEN AND ASSOCIATES.

THIS IS THE COMPANY THAT PREPARED THE FEASIBILITY STUDY.

MORE JRF/LCS

The Bahrain announcement was made when I was in Tehran but PSO felt a market would still be available for a dock at Bandar Abbas. The possibility of Dubai entering the field was known to Industrial Projects and us but it now has to be seen how the Iranian's feasibility study treats the split of traffic - We will know in April.
Sriram Aiyer
Jan 17

NNNN

#WXA108 EPG516

0358 : DOCK 2 DUBAI:

ONCE THE NEW DESIGN WAS COMPLETE, THE STATEMENT SAID, THE CONSTRUCTION WORK WOULD BE PUT OUT TO INTERNATIONAL TENDER.

THE DUBAI DRY DOCK COMPLEX WILL EVENTUALLY BE ONE OF TWO IN THE GULF, THE OTHER BEING PLANNED FOR BAHRAIN.

THE BAHRAIN PROJECT, COSTED AT 60 MILLION DOLLARS (24 MILLION STERLING), HAS BEEN PLANNED BY THE ORGANISATION OF ARAB PETROLEUM EXPORTING COUNTRIES (OAPEC) TO CATER FOR TANKERS OF UP TO 500,000 TONS.

DUBAI WENT AHEAD WITH ITS OWN SCHEME AFTER FAILING TO BE CHOSEN FOR THE OAPEC DOCK.

REUTER JRF/LCS