

EC - OIL POLICY: The EC Commission has approved a draft program for monitoring oil movements and supplies in the Community. The proposed regulation, which may enter into force in the next few days, would require member states to inform the Commission of all imports and exports of crude oil and refined products, as well as stockpile levels. It is urging rapid passage of the measure, noting that some member states have already established petroleum export licensing systems that are not compatible with terms of the Treaty of Rome. Although the Commission probably will succeed in establishing this common information system it has long urged, EC action toward an explicit oil-sharing program remains unlikely.

The proposed regulation is prompted in part by the divisive potential of selective Arab oil cutbacks. The cutoff of crude oil shipments to the Netherlands by Kuwait, Algeria, Qatar, Iraq, Abu Dhabi, and Oman poses a particularly serious problem because about half of Dutch imports are normally re-exported to other EC members. The Commission may be attempting to forestall unilateral Dutch export controls on other oil supplies still entering Rotterdam for transshipment to nearby countries. At the same time, despite the Arabs' warning that their embargo will be extended to those who re-export oil to countries already sanctioned, the Commission is urging Community members to support the Netherlands and any other EC country facing a supply crisis.

Most EC countries have set up mechanisms that could restrict exports both inside and outside the Community. If a supply crisis develops, exports outside the Community will be much more severely restricted than intra-EC exports. In such circumstances, shipments of refined products to the US are likely to be sharply curtailed. Although European shipments accounted for only about 1 percent of US consumption last year, their loss would exacerbate shortages already expected this winter, especially for heating fuels.

27 Oct 73

Central Intelligence Bulletin

7

JAPAN: Concern over a reduction in oil supplies is mounting. Tokyo now realizes that it will get no special treatment from the Arabs. The Japanese have been notified by the major international oil firms, which supply the bulk of Japan's oil, that shipments will be cut substantially. Gulf Oil, which supplies roughly 10 percent of Japanese imports, has said it may have to reduce deliveries by 35 percent for the remainder of the year because of the cutback in Middle East production.

Japanese refineries are still operating normally, and crude and product stocks probably are equivalent to about six weeks of consumption. Nonetheless, the government is drawing up plans to restrict consumption, including rationing as a last resort. At the same time it is pressing the major oil companies to assure Japan its fair share of the reduced supplies available to them.

Tokyo had hoped that its careful fence-straddling on the Arab-Israeli conflict would be sufficient to guarantee Japan continued scheduled deliveries despite the cutback in production. The Arabs are pressing Tokyo to take a stronger stand in favor of their cause, but to date the Japanese have only restated their support for a settlement based on the 1967 UN resolution 242. [REDACTED]

27 Oct 73

*Central Intelligence Bulletin*

8