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International Oil Developments

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CONTENTS

Notes

Appendix

1.3(a)(4)

11 January 1974

INTERNATIONAL OIL DEVELOPMENTS

CURRENT OVERVIEW

Preliminary reports from the Geneva OPEC meeting that ended on 9 January indicate that the startlingly high prices that went into effect on 1 January will not be modified up or down before the end of March. The doubling of the price is defended by the Iranians, who are largely responsible for it, as being compatible with the cost of energy from other sources. The Saudis are known to feel that the price is too high and will have disastrous effects on the world economy. Most other producers are ambivalent – happily looking forward to the inflow of wealth but also fearing that the process that they have put into motion may eventually rebound against them.

The OPEC leaders called for an early meeting between major consumers and producers to discuss prices and other problems. OPEC also responded to the increasingly vocal complaints of the LDCs with a resolution favoring the establishment of an institution to channel aid from the oil producers to other nations of the Third World. They are less receptive to LDC demands for a two-tier price system that would substantially lower the price of oil to developing nations.

There is increasing evidence indicating that the OAPEC countries will abolish the embargoes against the United States and the Netherlands and will increase production in the near future. Embargoes against Portugal, Rhodesia, and South Africa may be retained, however, to please the Arabs' Black African friends. The OAPEC Christmas Day decision to raise January production about 11% will bring Arab production to 17.4 million b/d.

The Arabs recognize that oil company diversions have partially offset the embargoes, sometimes at the expense of countries that supposedly were being favored. Moreover, the expansion of the favored list to include such major consumers as Japan and Belgium will make production increases necessary to raise exports to these countries. Rumors persist that Saudi Arabia will unilaterally renounce the embargoes on 20 January. Such a step

Note: Comments and queries regarding this publication are welcomed. They may be directed to [redacted] of the Office of Economic Research, [redacted] 1.3(a)(4)

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would also require a sharp increase in output. Even if the Saudis do not make a unilateral decision, the embargoes and cutbacks may be abandoned – or modified out of existence – at the 14 February OAPEC meeting in Libya.

Supply problems now have been largely replaced by cost problems. If prices change little this year and world oil imports average about as much as in 1973, the importing countries will have a staggering oil bill of some $115 billion, up from an estimated $45 billion last year. The increase from 1973 will amount to about $16 billion for the United States, $33 billion for Western Europe, and $11 billion for Japan. If the United States were to cut 1974 consumption by 5% of the 1973 level, the added import bill would be about $12 billion; a 10% cut would limit the increase to about $9 billion. These payments threaten a severe loss of purchasing power; for Western Europe and Japan, the prospective oil bill equals about 3% of GNP. Leaders of oil importing countries will soon have the difficult task of trying to cushion the deflationary impact of huge oil import bills without aggravating already high inflation rates. (~~SECRET~~/[redacted]) 1.3(a)(4)

INTERNATIONAL ECONOMIC IMPACT OF OIL PRICE HIKES IN 1974

Increased oil prices will mean a $70 billion increase in the Free World oil bill in 1974, if world oil exports approximate the 1973 level, as seems likely. Western Europe will experience about a $33 billion increase; Japan, $11 billion; and the United States, almost $16 billion. If the United States were to cut 1974 consumption by 5% of the 1973 level, the added import bill would be about $12 billion; a 10% cut would limit the increase to about $9 billion. Only a small part of these increases can be offset in the countries' current accounts by exports to the oil producers, transport receipts, and remittances of oil company profits. US trade competitiveness will tend to improve because the country depends less on imported oil than do Western Europe and Japan, but this advantage may be offset at least partly by the dollar's appreciation.

Soaring payments for oil threaten a massive loss of purchasing power in the importing countries, equivalent to about 3% of GNP in Western Europe and Japan. Unless expansionary measures are taken, all face severely reduced rates of economic growth – perhaps even declining output – and increased unemployment. The governments will be cautious in inflating demand, however, because of the already high rates of inflation and the uncertain impact of the energy supply constraint on productive capacity.

Any attempts to redress deteriorating trade balances – through import restraints or competitive devaluation – could aggravate international economic tensions. The energy problem has already shifted attention from international trade and monetary negotiations. In any event, major governments will be hesitant to move forward on reform issues until economic prospects become clearer.

The producing countries' oil revenues will reach about $95 billion in 1974 – more than three times as much as last year. Receipts will rise by about $14 billion for Saudi Arabia; $14 billion for Iran; $8 billion for Venezuela; and about $5 billion for both Kuwait and Libya. The receipts of Saudi Arabia, Kuwait, and the other small Persian Gulf states will far exceed their spending capability.

If the oil producers continue to follow conservative investment policies, world financial markets should be able to absorb their new wealth with little disturbance during 1974. The massive buildup of funds will be a potentially destabilizing force in world exchange and financial markets, however. The oil crisis has already affected exchange markets as witnessed by the strengthening of the dollar in Europe and the devaluation of the Japanese yen. ([redacted])

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OUTLOOK FOR NON-ARAB OIL EXPORTS IN 1974

Oil-exporting countries outside the Arab world are expected to take advantage of the sellers' market by producing at capacity this year. However, most of them lack the capability to increase output substantially. Non-Arab exports are expected to average 15.8 million b/d in 1974, or 5% more than in 1973.

Estimated Non-Arab Oil Exports[1]

(Million b/d)

	1973	1974
Total	15.1	15.8
Iran	5.6	6.0
Venezuela	3.1	3.1
Nigeria	1.9	2.1
Indonesia	1.2	1.3
Canada	1.1	1.0
Communist countries	1.2	1.2
Others	1.0	1.1

1. Excluding trade among Communist countries.

Iran, which apparently took advantage of the Arab oil cutback to increase production, is likely to raise exports by some 400,000 b/d from 1973 to 1974. Nigeria and Indonesia together will probably add another 300,000 b/d to world oil supplies this year. Venezuelan exports are not expected to change materially, however, and Canadian exports probably will drop something like 10%. (UNCLASSIFIED)■

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JAPAN'S LATEST OIL MOVES

Because of its still precarious energy position, Japan is moving ahead with strict conservation measures. The steps, however, will be less severe than were anticipated before Japan was granted favored nation status by the Arabs. Under new guidelines effective 16 January, energy cuts are to equal 15% for government operations and nearly all industries other than those producing daily necessities. The latter will be subject to only 5%

cuts. The new conservation program will require some further belt-tightening by the Japanese, who are currently operating under 10% cutbacks imposed on selected industries in December.

Tokyo expects the conservation program to hold petroleum consumption in early 1974 at close to the 1973 level, but 7%-8% below anticipated demand. Because it expects the oil supply situation to improve, Tokyo probably will administer its latest conservation measures flexibly. If necessary, stock drawdowns will probably be accelerated, though the government wants to avoid reducing stocks below a 40-day supply.

Tokyo is still unsure what effect diversion of non-Arab oil away from Japan will have on available supplies. The Japanese believe that there is considerable diversion of Iranian oil away from Japan and that arrivals of Indonesian crude by March 1974 may fall as much as 20% below previously planned levels. Tokyo has been trying to get Jakarta to earmark a larger share of oil exports for Japan, at the expense of the United States.

To help assure access to Persian Gulf oil, Japan's Minister of International Trade and Industry, Nakasone, is visiting Iran and Iraq this month to offer economic aid and cooperation in return for increased petroleum supplies. Nakasone reportedly has agreed to extend credits to Iran to help finance a $1 billion petroleum refinery, and he plans to discuss an economic cooperation agreement with the Iraqis. The Minister is expected to agree to the Shah's proposal for a joint OPEC-OECD meeting to discuss oil prices. He will also visit Britain to discuss possible Japanese participation in North Sea oil concessions. So far, the British have shown no serious interest in direct Japanese participation. (~~SECRET~~/[redacted]) 1.3(a)(4)

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REOPENING THE SUEZ CANAL

Once work is resumed, engineers estimate that the Suez Canal can be restored to its preclosure operating depth within six months.

With depths permitting fully loaded transits by tankers up to 50,000 deadweight tons (DWT), the fully restored Canal will easily be able to handle its pre-1967 volume of more than 160 million tons (3.1 million b/d) of northbound Persian Gulf crude oil a year. The diversion of smaller (50,000-DWT and under) tankers currently using the 11,300-mile Cape route between the Persian Gulf and Europe to the Canal route plus its use by larger tankers returning to the Persian Gulf in ballast will reduce the total tonnage required on the Persian Gulf to Europe run by approximately 15 million DWT. This would represent about 7% of world tanker fleet capacity at the end of 1973.

With deliveries of new tankers projected at record levels through the end of 1976, reopening Suez alone could result in a virtual collapse of the charter market for tankers with voyage (spot) and time charter rates well below their present low levels. If the f.o.b. price for crude oil in the Persian Gulf continues at its present high level, a drop in tanker rates could lower the delivered price to Europe by more than 10%. A sharp drop in tanker rates could make use of the Canal less attractive to tanker owners. How many would choose to use the Cape route as a result would depend on the level of Suez transit fees which have not yet been set. ~~(CONFIDENTIAL)~~ ■

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FOREIGN MEDIA REACTION TO WORLD OIL DEVELOPMENTS

Japanese and West European press commentary during the past week focused on the impact of higher oil prices. Reaction to the Kissinger proposal for an energy action group was mixed.

Reaction to Oil Developments

The Japanese press forecast a turbulent year politically and economically. It stressed that political parties must present programs to reduce inflation and enable the economy to live with higher prices for imported oil. One newspaper added that the oil crisis has compelled the people and government to reexamine the political and economic structure. It admonished that it is high time for Japan to trim its top heavy economy. Another editorialized that many large Japanese companies are holding back goods and thereby pushing up prices. It declared that democracy in Japan is now faced with its severest test since World War II. *Asahi Shimbun* pointed out that the expected "stagflation" in the first quarter of 1974 threatens to cause social unrest and Japan must now develop energy resources other than petroleum.

The West European press expressed similar concern that the oil crisis is eroding the economy. *Le Monde*, commenting on the end of cheap oil, pointed out that "the Arabs can unleash unemployment in France, ruin our economy and undermine our regime just as they like," and called on the government to "promote a gigantic research effort, telling the country the truth instead of lulling it with soothing statements." The Italian press urged the government to insure that the strength vested in the hands of the relatively few giant corporations and enterprises not be permitted to increase at the expense of the people, and it called for every citizen to exercise a sense of conscious discipline. The *Frankfurter Allgemeine Zeitung* opines that despite the worldwide boom in recent years which helped the West German enterprises reach capacity limits, the current oil problems "may reduce the 1974 West German economic growth rate to zero."

Reaction to the Kissinger Proposal

As expected, the Arabic press was critical of the Kissinger proposal. Cairo's daily editorialized that it would increase the strategic and economic power of the United States rather than meet the energy needs of the oil importing countries. Kuwait's daily commented that no change can be expected in the attitude of the oil-producing states regarding the United States and the Netherlands, or on ending the 25% reduction of oil exports to those European states which support Zionist aggression.

The reaction of the Japanese press to the proposal has been far from enthusiastic. One paper asserted that "the Kissinger plan is aimed at reuniting the US-led imperialist camp in the energy field and checking the national liberation movement of the peoples in oil-producing countries." Another Tokyo paper notes," The oil crisis has dealt a much heavier blow to Japan than to the United States. Naturally, Japan places greater emphasis on a purely national basis than on responsibility as a great power." A *Yomiuri* editorial sums up the Japanese viewpoint: "Kissinger's statement can be said to be kind advice if it is taken in a favorable sense and to be a threat if it is taken in a bad sense. Tanaka is right in saying that we cannot accept others' proposals unconditionally."

The West European press, except for the British, expressed hardly more than polite interest in the proposal. *The London Times* is of the opinion that Whitehall warmly backs the idea. Another paper notes that "it is regrettable that France, and perhaps Britain too, should have made more difficult Dr. Kissinger's attempt to convene such a conference by rushing into separate agreements." The French press was silent regarding the proposal. The Paris radio, however, opposed the plan and pointed out that France prefers direct contacts with producer countries. The West German press emphasized that the plan was "long-term" and not connected with the Middle East peace talks currently held in Geneva.

The press of India was the only LDC to comment on the idea. New Delhi's *Indian Express* thought the Kissinger proposal was badly hurt by the US Defense Secretary's threat to use force if the Arab oil embargo cripples the industrialized nations. (UNCLASSIFIED)■

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THE SAUDI-FRENCH OIL DEAL

Some details of the Saudi-French long-term oil supply contract have recently become known. The agreement covers 15 years through January 1989. During the first three years, Saudi Arabia will provide France with 200 million barrels of oil. In return, Saudi Arabia will receive ownership shares in a joint Saudi-French tanker company, in an oil refinery to be constructed in Jidda, and in oil storage facilities in France.

The oil deliveries are expected to begin this month and average 110,000 b/d this year, rising to 260,000 b/d in 1976. This will account for about 4% of French oil consumption in 1974 and 8% in 1976. In 1973, France received about 20% of its oil supplies from Saudi Arabia through international oil companies. According to the *Middle East Economic Survey*, the oil will be valued at 93% of posted price – the same formula used in recent Saudi government oil sales.

Although the price is higher than current market prices, France was probably willing to pay the higher price because it does not involve a foreign exchange outlay and France can recoup at least some of the increase through higher valuation of the goods and services it exchanges for the oil. The quantities of oil involved beyond the first three years will depend on future Saudi-French investments.

The terms of the deal are generally consistent with Saudi Arabia's avowed intention to link the disposal of its share of participation oil to specific domestic development projects, rather than simply making cash sales. It is also clear that the Saudis are going to expect other governments that are clamoring to work out oil deals to come up with detailed proposals for technical and economic assistance programs in Saudi Arabia. (~~SECRET~~/[redacted])■ 1.3(a)(4)

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NOTES

Israel and the Sinai Oil Fields

The importance to Israel of the Sinai oil fields has increased greatly in recent months. Since mid-October, when the Arab blockade of the Red Sea cut off oil deliveries from Iran, the Sinai has been providing Israel with roughly 100,000 barrels of crude per day, satisfying most of its requirements. Before the war, Sinai crude was largely exported. Without the Sinai fields, Israel would have a crude oil import bill amounting to more than $300 million annually at current prices. (~~SECRET~~/[redacted]) 1.3(a)(4)

LDCs Hard Hit by Oil Price Hikes

Higher oil prices will cut heavily into the foreign exchange available to most LDCs this year and hamper their economic development. The LDCs' oil import bill in 1974 is likely to be about $10 billion more than last year, an amount roughly equivalent to the total development assistance being disbursed by non-Communist countries. Some countries such as Brazil and Taiwan will not suffer much because they have large balance-of-payments surpluses and large foreign reserves. India, however, will have to spend about 40% of its anticipated export earnings for oil. South Vietnam's oil import costs probably will exceed export earnings. Many LDCs, particularly the Black African nations that have supported the Arab states, are pressing for price reductions. So far, the Arabs have done little more than promise the Africans a $125 million aid fund. They apparently oppose even discussing a two-price system favoring the LDCs. (UNCLASSIFIED)

Bunker Problems in Australia

Canberra is threatening action against the international oil companies unless more bunkering fuel is made available to Australian ports. The Minister for Minerals and Energy is recommending a government takeover of the companies' oil stocks in Australia and is ready to negotiate direct deals with Arab governments. Most of Australia's trade is handled by foreign-owned shipping lines, which have been cutting their service because of the bunker shortage. Canberra is particularly concerned about delays in shipping recently harvested wheat. (UNCLASSIFIED)

Romania Reneges on Oil Shipments to the United States

Romania has reneged on its contract to supply an independent US oil firm with 17,300 b/d of low-sulfur fuel oil. Instead it will sell the oil for a higher price in West Germany. The contract with the American company, originally valued at some $60 million, was signed in mid-1972. Deliveries proceeded regularly until the second US devaluation in February 1973, when they were cut sharply. Although the contract was negotiated at higher prices in August, only one small shipment was made during the remainder of 1973. Romanian officials say that they will continue to sell oil at the best hard-currency price. (~~CONFIDENTIAL~~)

Ecuador Demands Partial Ownership in US Oil Company

Ecuador, OPEC's newest member, wants to purchase 25% of the Texaco-Gulf consortium three years ahead of schedule. With this claim on consortium output and the oil received as royalties, Quito would control and probably market some 35% of the country's production, currently totaling 220,000 b/d. The takeover almost certainly is motivated by the government's desire to cash in on higher oil prices. Ecuador currently has no uncommitted oil to sell, having sold its royalty oil on a two-year contract last fall. Gaining control over more oil would enable Ecuador to take advantage of trade and investment offers by buyers in Japan, Western Europe, and Latin America. (~~CONFIDENTIAL~~)

Aramco's Production Increases

Aramco, which produces almost all of Saudi Arabia's oil, lifted about 6.5 million b/d during the first three weeks of December. Under the Saudi cutback formula, the company was scheduled to produce 6.2 million b/d during November and December. Because production in November reached only 6.0 million b/d as a result of operational problems, December output was increased to make up the loss. Production is scheduled to rise to 7.0 million b/d in January as a result of the relaxation of the Arab supply constraints. (~~CONFIDENTIAL~~)

Bonn Drops Plan to Reintroduce Driving Restrictions

Improved oil supply prospects have caused the West German government to abandon plans to reintroduce Sunday driving restrictions. Officials say that the supply picture in December was better than expected, with the shortfall equaling only 7%-8% of anticipated demand. Crude oil deliveries reportedly were at normal levels, but product imports were down 40%. German conservation measures have succeeded in reducing demand, and the coal reconversion program is going better than expected, with a 350,000-ton shift to coal from heavy fuel oil in December. (~~CONFIDENTIAL~~)

North African LNG Exports Lag

Technical problems have caused Algerian and Libyan LNG exports to fall behind schedule. Algeria's new Skikda plant experienced breakdowns in all three LNG trains during 1972-73, which curtailed deliveries to both France and the United States. As a result France recently cut back natural gas consumption. The United States has received only 6 of 28 scheduled deliveries of LNG from Algeria during the past two years. A shortage of US drillpipe is expected to retard the Algerian developmental drilling program at the Hassi R'Mel gas deposit by mid-1974. This field is the only source of gas to meet existing Algerian LNG export commitments. In Libya, a combination of political problems and technical difficulties at the Marsa El Brega plant caused an approximate 50% reduction in LNG exports to Italy. In both Arab countries technical difficulties can be attributed to normal start-up problems. US experts believe, however, that the sophisticated cryogenic technology built into the liquefaction plants may be too complex for local technicians. US and European experts and equipment have been brought in to correct most malfunctions and breakdowns. (~~CONFIDENTIAL~~)

STATISTICAL SURVEY

World Crude Oil Production

	September 1973		December 1973[1]	
	Thousand b/d	Percent	Thousand b/d	Percent
Western hemisphere	16,045	27.9	16,220	29.9
United States	9,149	15.9	9,200	17.0
Venezuela	3,395	5.9	3,400	6.3
Canada	1,745	3.0	1,800	3.3
Mexico	470	0.8	500	0.9
Ecuador	210	0.4	220	0.4
Others	1,076	1.9	1,100	2.0
Eastern hemisphere	41,438	72.1	37,980	70.1
Western Europe	395	0.7	400	0.7
Middle East	22,899	39.8	19,840	36.6
Saudi Arabia	8,534	14.8	6,700	12.4
Iran	5,793	10.1	6,100	11.3
Kuwait	3,480	6.1	2,470	4.6
Iraq	2,167	3.8	2,150	4.0
Abu Dhabi	1,381	2.4	1,170	2.2
Qatar	608	1.1	460	0.8
Oman	300	0.5	300	0.6
Dubai	273	0.5	140[2]	0.3
Others	363	0.6	350	0.6
Africa	6,163	10.7	5,540	10.2
Libya	2,286	4.0	1,770	3.3
Nigeria	2,102	3.7	2,250	4.2
Algeria	1,100	1.9	820	1.5
Others	675	1.2	700	1.3
Asia-Pacific	2,303	4.0	2,450	4.5
Indonesia	1,350	2.3	1,500	2.8
Others	953	1.7	950	1.8
Communist countries	9,678	16.8	9,750	18.0
USSR	8,663	15.1	8,700	16.1
China	630	1.1	650	1.2
Romania	275	0.5	300	0.6
Others	110	0.2	100	0.2
World total	**57,483**	**100.0**	**54,200**	**100.0**
Of which:				
OPEC[3]	32,406	56.4	29,010	53.5
OAPEC[4]	19,979	34.8	15,890	29.3
Arab producers[5]	20,552	35.8	16,330	30.1

1. Estimated.
2. Production reduced by offshore well fire.
3. The members of the Organization of Petroleum Exporting Countries are Abu Dhabi, Algeria, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and Venezuela.
4. The members of the Organization of Arab Petroleum Exporting Countries are Abu Dhabi, Algeria, Bahrain, Egypt, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and Syria.
5. Arab producers include all OAPEC producers plus Dubai and Oman. (UNCLASSIFIED)

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Estimated Pre-Crisis Arab Oil Exports, 1973[1]

Thousand b/d and Percent of Exports

			Western Europe										
Arab Oil Producers	Total	United States	Total	West Germany	United Kingdom	France	Italy	Netherlands	Other	Japan	Canada	Communist Area	Other
Total Arab	**18,600**	**1,600**	**11,300**	**1,650**	**1,600**	**2,100**	**1,750**	**1,450**	**2,750**	**2,300**	**150**	**400**	**2,850**
Percent	**100**	**8.6**	**60.8**	**8.9**	**8.6**	**11.3**	**9.4**	**7.8**	**14.8**	**12.4**	**0.8**	**2.1**	**15.3**
Saudi Arabia	8,000	600	4,350	500	550	600	700	750	1,250	1,250	50	Negl.	1,750
%	100	7.5	54.4	6.2	6.9	7.5	8.8	9.4	15.6	15.6	0.6	Negl.	21.9
Kuwait	3,100	150	1,750	100	350	300	300	350	350	650	Negl.	....	550
%	100	4.8	56.5	3.2	11.3	9.7	9.7	11.3	11.3	21.0	Negl.	....	17.7
Libya	2,200	350	1,700	500	250	150	400	100	300	Negl.	50	100	....
%	100	15.9	77.3	22.7	11.4	6.8	18.2	4.6	13.6	Negl.	2.3	4.5	....
Iraq	1,900	50	1,300	100	100	400	350	Negl.	350	50	Negl.	200	300
%	100	2.6	68.5	5.3	5.3	21.1	18.4	Negl.	18.4	2.6	Negl.	10.5	15.8
Abu Dhabi	1,150	150	600	....	200	300	....	....	100	300	50	Negl.	50
%	100	13.1	52.2	....	17.4	26.1	....	....	8.7	26.1	4.3	Negl.	4.3
Algeria	1,100	150	750	250	Negl.	250	....	50	200	....	....	50	150
%	100	13.6	68.2	22.7	Negl.	22.7	....	4.6	18.2	....	....	4.6	13.6
Other Arab	1,150	150	850	200	150	100	....	200	200	50	Negl.	50	50
%	100	13.1	74.0	17.4	13.1	8.7	....	17.4	17.4	4.3	Negl.	4.3	4.3

1. This table allocates imports on a direct and indirect basis – i.e. refined products from export refineries are traced to the source of the crude oil. The estimates are a yearly average for 1973 and therefore differ from estimates made at any specific time. For example, US dependence on Arab oil has increased throughout the year and in October was nearly 2 million barrels per day.

(UNCLASSIFIED)

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Selected Consuming Countries' Dependence on Arab Oil
1972

Thousand b/d and Percent of Imports

		Origin of Imports											
			Arab Oil										
	Total Consumption	Total[1]	Total	Saudi Arabia	Kuwait	Libya	Iraq	Abu Dhabi	Algeria	Other	Iran	Vene-zuela	Others
United States[2]	16,350	4,750	850	300	50	250	....	100	100	50	200	1,700	2,000
%		100.0	17.9	6.3	1.0	5.3	....	2.1	2.1	1.0	4.2	35.8	42.1
Total Western Europe	14,200	14,400	9,902	3,573	1,873	1,889	867	369	684	647	1,648	276	2,574
Percent		100.0	68.8	24.8	13.0	13.1	6.0	2.6	4.8	4.5	11.4	1.9	17.9
Italy	2,005	2,217	1,534	566	303	421	244	....	....	....	353	....	330
%		100.0	69.2	25.5	13.7	19.0	11.0	....	....	....	15.9	....	14.9
France	2,315	2,364	1,836	495	342	196	287	227	219	70	142	36	350
%		100.0	77.7	20.9	14.5	8.3	12.1	9.6	9.3	3.0	6.0	1.5	14.8
United Kingdom	2,195	2,057	1,411	418	399	294	70	90	22	118	264	100	282
%		100.0	68.6	20.3	19.4	14.3	3.4	4.4	1.1	5.7	12.8	4.9	13.7
West Germany	2,885	2,052	1,466	380	87	570	38	....	228	163	196	74	316
%		100.0	71.4	18.5	4.2	27.8	1.9	....	11.1	7.9	9.6	3.6	15.4
Netherlands	787	1,810	1,258	608	372	82	8	....	23	165	308	9	235
%		100.0	69.5	33.6	20.6	4.5	0.4	....	1.3	9.1	17.0	0.5	13.0
Belgium-Luxembourg	624	879	424	268	127	....	29	....	....	....	100	....	355
%		100.0	48.2	30.5	14.4	....	3.3	....	....	....	11.4	....	40.4
Spain	700	775	520	226	66	62	38	....	97	31	48	17	190
%		100.0	67.1	29.2	8.5	8.0	4.9	....	12.5	4.0	6.2	2.2	24.5
Portugal	87	80	67	25	....	....	32	....	....	10	6	....	7
%		100.0	83.7	31.2	....	....	40.0	....	....	12.5	7.5	....	8.8
Other	2,602	2,166	1,386	587	177	264	121	52	95	90	231	40	509
%		100.0	64.0	27.1	8.2	12.2	5.5	2.4	4.4	4.2	10.7	1.8	23.5
Japan	4,800	4,757	2,162	1,067	595	4	30	269	....	197	1,680	8	907
%		100.0	45.4	22.4	12.5	0.1	0.6	5.7	....	4.1	35.3	0.2	19.1
Canada	1,665	730	183	77	3	38	16	39	1	9	98	373	76
%		100.0	25.1	10.6	0.4	5.2	2.2	5.4	0.1	1.2	13.4	51.1	10.4

1. Imports exceed consumption in some countries because they export products; the Netherlands tranships some crude oil to other West European countries.
2. US imports are allocated on a direct and indirect basis, i.e., refined products from export refineries are traced to the source of the crude oil.

(UNCLASSIFIED)

Recent and Scheduled Reductions in Arab Oil Production[1]

	1973				1974
	September	October	November	December	January
	Production (Thousand b/d)				
Total	20,129	18,520	15,560	15,980	17,360
Saudi Arabia[2]	8,534	7,810	6,270	6,700	7,300
Kuwait[2]	3,480	3,060	2,470	2,470	2,760
Libya	2,286	2,380	1,770	1,770	1,940
Iraq	2,167	1,800[3]	2,150	2,150	2,200
Abu Dhabi	1,381	1,340	1,170	1,170	1,200
Algeria	1,100	1,020	820	820	940
Qatar	608	600	470	460	520
Oman	300	300	300	300	300
Dubai	273	210[4]	140[4]	140[4]	200[4]
	Percent Decrease from September 1973				
For all countries	....	8	23	21	14

Recent and scheduled reductions in Arab oil production measured against the production that previously had been expected for January 1974

	Thousand b/d									
	Saudi Arabia	Ku-wait	Libya	Iraq	Abu Dhabi	Al-geria	Qatar	Oman	Dubai	Total
Pre-cutback planned January production[5]	9,700	3,500	2,300	2,200	1,700	1,100	650	300	300	21,750
Production shortfalls due to cutbacks										
Volume	2,400	740	360	....	500	160	130	....	100	4,390
%	25	21	16	....	29	15	20	....	33	20

1. This table illustrates the effect of the OAPEC decision of 4 November and 25 December on Arab oil production through January 1974. Iraq did not sign the agreements and has not reduced production; Oman and Dubai, which are not members of OAPEC, are not expected to reduce production.
2. Including approximately one-half of Neutral Zone production.
3. Production reduced as a result of war damage to export facilities.
4. Dubai production reduced by offshore well fire.
5. Company forecasts where available; otherwise, OER estimate.

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Pre-Crisis Consumption, Production, and Imports, by Major Area[1]

Thousand b/d and Percent of Consumption

	Total Consumption	Domestic Production	Origin of Imports														
			Total Imports	Arab Countries								Iran	Venezuela	Indonesia	Canada	Nigeria	Others
				Total Arab	Saudi Arabia	Kuwait	Libya	Iraq	Abu Dhabi	Algeria	Other Arab						
Total	57,000	57,000[2]	34,000	18,600	8,000	3,100	2,200	1,900	1,150	1,100	1,150	5,700	3,400	1,250	1,100	2,000	1,950
Percent	100.0	100.0	59.6	32.6	14.0	5.4	3.9	3.3	2.0	1.9	2.0	10.0	6.0	2.2	1.9	3.5	3.4
United States	17,300	10,900[2]	6,300	1,600	600	150	350	50	150	150	150	400	2,000	250	1,100	550	400
%	100.0	63.0	36.4	9.2	3.5	0.9	2.0	0.3	0.9	0.9	0.9	2.3	11.6	1.4	6.4	3.2	2.3
Western Europe	15,500	400	16,000[3]	11,300	4,350	1,750	1,700	1,300	600	750	850	1,900	500	Negl.	....	1,250	1,050
%	100.0	2.6	103.2	72.9	28.1	11.3	11.0	8.4	3.9	4.8	5.5	12.3	3.2	Negl.	....	8.1	6.8
Japan	5,400	Negl.	5,400	2,300	1,250	650	Negl.	50	300	....	50	2,050	Negl.	900	....	Negl.	150
%	100.0	Negl.	100.0	42.6	23.1	12.0	Negl.	0.9	5.6	....	0.9	38.0	Negl.	16.7	....	Negl.	2.8
Canada	1,750	1,850	900	150	50	Negl.	50	Negl.	50	....	Negl.	150	450	....	....	100	50
%	100.0	105.7	51.4	8.6	2.9	Negl.	2.9	Negl.	2.9	....	Negl.	8.6	25.7	....	....	5.7	2.9
Subtotal	39,950	13,150	28,600	15,350	6,250	2,550	2,100	1,400	1,100	900	1,050	4,500	2,950	1,150	1,100	1,900	1,650
%	100.0	32.9	71.6	38.4	15.6	6.4	5.3	3.5	2.8	2.3	2.6	11.3	7.4	2.9	2.8	4.8	4.1
Communist area	9,850	9,300	500	400	Negl.	....	100	200	Negl.	50	50	100	....	....	....	....	....
%	100.0	94.9	5.1	4.1	Negl.	....	1.0	2.0	Negl.	0.5	0.5	1.0	....	....	....	....	....
Others	7,200	34,550	4,900	2,850	1,750	550	....	300	50	150	50	1,100	450	100	....	100	300
%	100.0	479.9	68.1	39.6	24.3	7.6	....	4.2	0.7	2.1	0.7	15.3	6.2	1.4	....	1.4	4.2

1. This table allocates imports on a direct and indirect basis – i.e., refined products from expo t refineries are traced to the source of the crude oil. The estimates are a yearly average for 1973 and therefore differ from estimates at any specific time. For example, US dependence on Arab oil has increased through the year and in October was nearly 2 million b/d.
2. Including US production of natural gas liquids of 1.7 million b/d.
3. Western Europe's oil imports exceed consumption because it exports substantial quantities of oil outside Europe.

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Sources of European Community Energy

Percent of Gross Inland Consumption

	European Community			1972								
	1957	1967	1972	West Germany	France	United Kingdom	Italy	Netherlands	Belgium	Luxembourg	Denmark	Ireland
Domestic	77	48	40	48	26	50	20	84	16	1	....	21
Coal	72	39	23	37	12	36	Negl.	3	15	....	....	19
Natural gas	1	3	11	6	4	11	10	78	Negl.	....	....	....
Electricity	1	4	4	2	9	4	9	Negl.	Negl.	Negl.	....	2
Crude oil	2	2	1	3	1	Negl.	Negl.	3	....	....	....	....
Net imports	23	52	60	52	74	50	80	16	84	100	100	79
Coal	4	2	2	4[1]	6	1	7	2	10	53	8	10
Natural gas	....	Negl.	Negl.	3	3	Negl.	1	32[1]	14	2	....	....
Electricity	....	Negl.	Negl.	1	1[1]	Negl.	....	1[1]	Negl.[1]	13	.2[1]	....
Oil	19	49	58	52	66	48	73	47	60	31	94	69
Of which:												
Arab	13	35	40	37	51	33	50	33	40	21	60	48

1. Net exports.

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Summary of Conservation Measures Adopted

	Consuming Sector				
Country	Transport	Industry	Commercial	Household	Trade
Australia					Banned export of natural gas and uranium
Austria	Substantial price rises, reduced speed limits, voluntary Sunday closing of gas stations, reduce octane contents of premium gasoline, driving prohibited one day per week	Substantial price rises	Substantial price rises	Substantial price rises	
Belgium	Ban on Sunday driving, sale of gasoline in containers prohibited, 50 mph speed limit	Reduced energy usage	Reduced energy usage, restricted outdoor lighting	Reduced school week, sale of gasoline in containers prohibited	Export licensing for most petroleum products
Bulgaria	Gasoline rationing, increased gas prices, lowered speed limits	Banned use of heating appliances during peak hours, change of work shifts and days to redistribute power load	15% decrease in heating oil consumption in government and business offices		
Canada	Increase in gasoline prices				Minor cutbacks in exports to US
Colombia	Limited sales of jet and marine fuel				
Czechoslovakia			Cutback in government energy consumption		

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Summary of Conservation Measures Adopted
(Continued)

Country	Transport	Industry	Commercial	Household	Trade
	Consuming Sector				
Denmark	Ban on Sunday driving, reduced speed limits, 20% reduction in diesel fuel supplies	Sulfur content restrictions eased, 25% reduction in oil supplies	25% reduction in heating oil supplies, ban on outdoor lighting	25% reduction in heating oil supplies	
Finland	50 mph speed limit		After hours advertising lighting ban		Oil export controls imposed
France	Reduced highway speeds, flight cutbacks	25% cut in natural gas supplies to some users	Curbs on nighttime lighting of monuments, store displays, and office buildings, limit of 4% increase in heating oil deliveries, reduced television transmission, sale of gasoline in containers prohibited, 25% cut in natural gas supplies to some users	Voluntary heating restrictions, sale of gasoline in containers prohibited, 25% cut in natural gas supplies to some users	
Greece	Reduced speed limits, ban on Sunday driving	Electricity use cut 10%	Electricity use cut 10%	Electricity use cut 10%	
India	Increased prices of gasoline and kerosene		Increased prices of gasoline and kerosene	Increased prices of gasoline and kerosene	Restricted bunkering
Ireland	Issued gasoline rationing applications – not yet in effect, reduced oil supplies by 10%, 50 mph speed limit	10% reduction in deliveries	Restricted outdoor lighting	Heating oil supplies cut by 34%	
Italy	Ban on Sunday driving, raised price of gasoline, banned week-end gasoline sale, reduction in airline speeds, reduction in use of diesel, heating, and residual fuel oils	Reduction in use of diesel, heating, and residual fuel oils	Restricted outdoor lighting and movie showings, early closing of nightspots and government offices, reduction in use of diesel, heating, and residual fuel oils	Reduced television transmission, 20% decrease in heating oil deliveries, reduction in use of diesel, heating, and residual fuel oils	Banned all oil exports, including to other EC nations

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Summary of Conservation Measures Adopted
(Continued)

Country	Consuming Sector: Transport	Industry	Commercial	Household	Trade
Japan	Voluntary conservation measures	15% cut in power and oil consumption for industry and government	5%-10% cut in oil and power consumption	Voluntary conservation measures	
Luxembourg	Ban on Sunday driving, reduced speed limits, 40% increase in gasoline prices, reduced gas station hours	Fuel oil prices raised 20%	Fuel oil prices raised 20%	Fuel oil prices raised 20%	
Mexico	100% increase in gasoline prices, increase in POL prices		Increased LPG prices	Increased LPG prices	
Netherlands	Fuel rationing effective 12 Jan 1974, 4 gallon weekly limit per car, sale of gasoline in containers prohibited, 40% reduction in state road lighting	Deliveries reduced 15%	Deliveries reduced 15%, cutbacks in illumination in show windows, advertising, and holiday lights	Deliveries reduced 15%, sale of gasoline in containers prohibited	Export licensing for most oil products
New Zealand	50 mph speed limit, regulations allowing gas stations to refuse unusual sales	Stoppage of all oil-fired power stations	Ban on oil company promotional advertising, oil supplies to fishing vessels cut off	Limited sales to overseas shipping	
Norway	Gasoline rationing effective 25 Jan 1974, gas stations closed at night and on weekends, automobile rallies and competitions prohibited, ban on Sunday driving	Gasoline rationing, 25% reduction in heating fuel deliveries between Oct 1973 and May 1974	Gasoline rationing, 25% reduction in heating fuel deliveries between Oct 1973 and May 1974		

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Summary of Conservation Measures Adopted
(Continued)

Country	Consuming Sector				
	Transport	Industry	Commercial	Household	Trade
Philippines	Increased prices, gasoline rationing	Increased prices, priority allocation to food processing and public utilities	Increased prices	100% surtax on electric power usage exceeding 90% of established monthly average	Elimination of import duties on petroleum, restricted bunkering for ships and air carriers
Poland	Restrictions on Sunday and holiday driving, speed limits reduced, decrease in gasoline consumption of government vehicles				
Portugal	Limited sales of gasoline, 10% increase in prices, weekend gasoline sales prohibited, increase in diesel oil and high-grade petrol prices, reduced speed limits	Increased prices	Increased prices	Increased prices	
Romania	Gasoline rationing for private vehicles, priority for commercial vehicles, lower speed limits	Rationing and regulation of gasoline, fuel oil, and electricity, temperature reductions	Temperature reductions	Temperature reductions	
Singapore		Increased prices	10% reduction in electrical power consumption		Restricted bunkering services
South Africa	Weeknight and weekend closing of gas stations, 50 mph speed limit				
South Korea	Decreased speed limits, increased tolls, banned Sunday gas sales, curtailed operation of buses, taxis, and air service	Fuel deliveries to all industries reduced 25%, strategic industries receiving priority allocation	Television transmission hours cut, reduced shopping hours, closure of commercial indoor swimming pools, external department store lighting banned	Reduced temperatures, sharing of remaining petroleum supplies	Ban on export of petrochemical products, ban on coal exports expected

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Summary of Conservation Measures Adopted
(Continued)

Country	Consuming Sector: Transport	Industry	Commercial	Household	Trade
South Vietnam	Oil supplies cut 10%, prices increased 36%-47%, restricted gasoline sales, reduced speed limits, 50% cut in civilian in-country air flights, container sales prohibited	Prices increased 36%-47%, supplies cut 10%	Prices increased 36%-47%, electrical use cut 10%, lighted advertising prohibited	Prices increased 36%-47%, electrical use cut 10%, home air conditioning prohibited	
Spain	Restricted gasoline sales, 20% price rise	20% price rise	20% price rise	20% price rise	Oil exports restricted
Sweden	Gasoline rationing	Gasoline rationing	Gasoline rationing, advertising lighting banned, street and store lighting restricted, electricity rationing	Electricity rationing	
Switzerland	Ban on Sunday driving, reduced speed limits, 15% - 20% reduced gasoline allocation by suppliers				
Taiwan	Banned nighttime gasoline sales, limited Sunday and holiday gas sales	3% reduction in line voltage, 25% reduction in energy consumption by all government agencies	3% reduction in line voltage, cutback on outdoor lighting and on air conditioning in public offices, cutback television broadcasting	3% reduction in line voltage	
United Kingdom	Distributed ration coupons – not yet in effect, 50 mph national speed limit, 17% aviation fuel cutbacks, raised price of gasoline	Three-day workweek effective 1 January, 10% reduction in oil deliveries	Three-day workweek effective 1 January, 10% reduction in oil deliveries, banned use of electricity for heating purposes, heating and lighting cutbacks, reduction in television transmissions, electricity cutbacks	10% reduction in oil deliveries, electricity cutbacks	Export licensing for all oil products, 10% cutback in bunkering
West Germany	Reduced speed limits				Imposed export licensing system on oil products
Yugoslavia	Increased gas prices, limit on gasoline purchases				

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