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MIDDLE EAST – AFRICA – SOUTH ASIA

This publication is prepared for regional specialists in the Washington community by the Middle East - Africa Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Suez Canal

Oil Traffic

The planned reopening of the Suez Canal on June 5 will add to the growing surplus of oil tankers by shortening the haul for some Persian Gulf oil. Tankers able to use the canal will be attracted to it, because small savings in transport costs are likely to accrue to shippers who buy volumes of Persian Gulf crude small enough to be handled by these ships. Charter rates are unlikely to drop much further, however, because the glut of tankers already has pushed the rates about as low as they can go.

Although the canal's initial draft limit will be somewhat less than the 38 feet prior to the closure, the canal should be restored to the 38-foot limit before the end of September. Ships as large as 50,000 tons can then transit fully loaded, and ships as large as 150,000 tons can transit empty. The volume of oil traffic through the canal probably will reach an annual rate of about 65 million tons soon after the 38-foot depth is restored. This traffic would consist of 60 million tons (1.2 million barrels per day) northbound to Europe and North America and as much as 5 million tons (100,000 barrels per day) of Soviet oil moving south to the USSR's former markets in South Asia.

Transport costs per ton-mile on tankers small enough to use the canal are more than twice those on very large crude carriers. Many US and European purchasers of Persian Gulf oil, however, must use small tankers because of depth limits at offloading ports and the inability of certain terminals and refineries to absorb the huge cargoes carried by very large carriers. Even if Suez tolls are double the 1967 level of 90 cents a ton (12 cents a barrel), the opening of the canal will reduce transport costs on consignments of less than 100,000 tons. (CONFIDENTIAL)

25X1A [redacted]

Zaire

New Army Divisions

The Zairian army is reportedly recruiting men for two new divisions from the youth wing of Zaire's single national party, the Popular Movement of the Revolution. [redacted] 25X1C

25X1C [redacted] the new divisions will total 12,000 men and are to be equipped and trained by North Korea. Officers for the new divisions will be selected from those currently training at the army's officer school and senior military center, rather than from officers already in the field.

Many older army officers are said to believe that Mobutu is getting ready to retire or replace them with younger officers who are personally loyal to him. The older officers may well be right. Most of them are probably as loyal to Mobutu as their younger counterparts, but Mobutu may be leery of trying to subject them to the political indoctrination he has recently prescribed for the army. Younger officers have been receiving such indoctrination for the past year or so as part of Mobutu's effort to raise the army's "political consciousness" and increase its discipline. (SECRET NO FOREIGN DISSEM)

25X1A [redacted]

Iran-India

Oil Deal

Iran has agreed to provide India with some $140 million in financial assistance to help New Delhi pay for imports of Iranian oil during the year ending next March. The agreement reportedly covers slightly more oil than the 48,000 barrels per day--about 15 percent of India's oil imports--that New Delhi got on concessional terms from Tehran last year. Iran has agreed to terms that are easier than those provided last year.

India needs all the help it can get; this year's $1.5 billion oil bill will take about one fourth of India's projected export earnings. The Indians have sought financial aid from the major Persian Gulf oil suppliers, but thus far this year, only Iran has come through. Oil import concessions obtained last year--from Iran and Iraq--were valued at $212 million.

Even though New Delhi is dismayed at the reluctance of members of the Organization of Petroleum Exporting Countries to be more generous, India has continued to give OPEC strong diplomatic support in international forums. (SECRET)

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