

7055/82

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31 AUG 1982

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: Deputy Director for Intelligence

FROM:
Director of Global Issues

25X1

SUBJECT: Proposed Outline for Third World Energy Development

1. Action. None, for your information.

2. Background. Attached is the proposed outline for our follow-up work on Third World energy development in US business opportunities for your meeting. The outline develops some of the issues and questions raised in the report published earlier this month. We expect this follow-up report to be available for you by 15 September.

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Attachment:
As stated

This entire memorandum is
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US Business Opportunities in
Third World Energy Development

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Theme: The US oil industry has technological, financial, and scale advantages over its counterparts in the industrial and developing countries. What are the prospects for greater involvement on the part of US firms in oil and gas exploration, production, and marketing in the Third World?

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Outline

I. Statement of the Problem

- A. The need for the US Government to convince (a) US firms and (b) Third World nations that both can benefit from greater use of US equipment, know-how, and capital in the search for and production of energy resources.
- B. This analysis will discuss both opportunities for and constraints on greater participation by US oil companies in the Third World. It will not be able to address the issue of profitability vis-s-vis the wide range of investment alternatives open to firms, which is a key factor from the foreign investors' point of view.

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II. Comparative Advantages of US Firms

- A. Advantages over competitors
 - 1. Sophisticated equipment
 - 2. Skilled crews able to transfer techniques
 - 3. Greater exploration per dollar spent
 - 4. Availability of financing
- B. Big-name firms versus smaller entrepreneurs
 - 1. Advantages and disadvantages of each

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C. Notable US successes to date in LDCs

1. Ivory Coast
2. Sudan
3. Angola/Cabinda
4. Peru
5. Thailand

III. What US firms look for in LDCs

A. Inducements to invest

1. Large amounts of available acreage
2. Export potential
3. Favorable investment climate
4. Stable political situation

B. Discouraging conditions

1. Unfavorable geology
2. Unfavorable petroleum legislation
3. Requirement to subsidize domestic consumption
4. Sluggish world oil market

IV. Countries where business potential exists

A. Good geology; good environment

1. Morocco
2. Malaysia
3. Mozambique
4. Angola/Cabinda
5. Colombia

B. Good geology; imperfect environment

1. India
2. Brazil
3. Pakistan
4. Guatemala
5. Chad

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