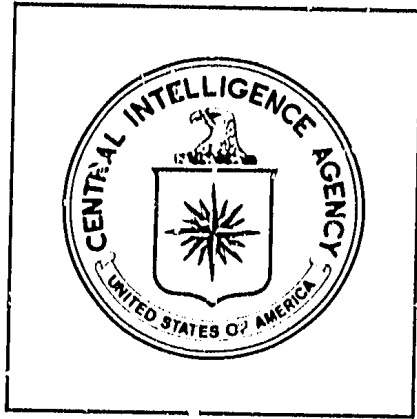


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Bahrain

Political Assessment

Bahrain, approaching its fourth independence day on August 14, is politically stable and more prosperous than Bahrainis imagined possible a few years ago, according to the US ambassador there. Nevertheless, he points out, the developments of the past six months have been sobering for Amir Isa al-Khalifa and the rest of the ruling family. Renewed hassling between the Khalifas and the fractious national assembly for supremacy on the Persian Gulf island can be expected when the legislature reconvenes in October.

Manama's strategy for dealing with the assembly worked well during the first half of the legislative year which began last October. That strategy called for isolating and keeping off balance both the radical leftists and the conservative Shia Muslims in the assembly, while building up a solid body of supporters among the independent-minded centrist deputies by sponsoring progressive social and economic legislation.

The erosion of centrist support for the government began in January 1975 during debates over economic policy and over the stationing agreement which permits the presence of the US Navy's Middle East Force on the island. Executive-legislative relations took on a much harsher note in the spring, when controversy erupted over the government's tough internal security decree. By mid-1975, the two branches had reached an impasse and Amir Isa ordered the recess of the assembly. The government has since imposed tough press censorship to prevent further public debate on the law-and-order question.

The government is now bracing for a renewal of conflict when the assembly begins its third session this fall. The security decree is still up in the air. A long-promised labor law remains on the

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agenda; leftists in Bahrain have been trying for years to get a law permitting the establishment of unions. The Khalifa government will almost certainly be challenged about inflation, wages, and the insufficiency of public services.

Manama has already backed away from another confrontation with the assembly and nationalist opinion by refusing to approve an indefinite presence for US naval forces. The government's freedom of action on the stationing agreement was also restricted by recent talk about Gulf cooperation; Manama felt compelled to get on the bandwagon about removing all foreign military presence in the area.

The Bahraini prime minister claims the Khalifas do not intend to abandon constitutional and parliamentary procedures, but he does express unhappiness about the deputies' unwillingness to cooperate in solving the country's "real problems." There have been hints that the government may decide to dissolve the current assembly and call for new elections before October.

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Libyan oil production continues to expand rapidly, largely in response to a price cut on June 1. According to the *Petroleum Intelligence Weekly*, output reached an estimated 2 million barrels per day in July, 500,000 barrels per day higher than in June and only 300,000 barrels per day below the 1973 pre-embargo level. The independent, US-based oil companies which operate concessions in Libya--Occidental, Amerada Hess, and Marathon--accounted for most of the increase in liftings.

The average cost of Libyan crude delivered to the US east coast was reduced by about 50 cents on June 1, to about \$11.60 per barrel. It is now cheaper in the US market than comparable Nigerian crudes and lower-quality Saudi crudes because of transportation differentials. Libyan crudes fare well in the European market; they lose their edge only when competing against Persian Gulf crudes transported in supertankers chartered at extremely low rates.

Libyan sales have also benefited from an increase in demand for light crudes accompanying the recent jump in gasoline consumption.

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