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OPEC: The 1980 Current Account Surplus and Its Placement

An Intelligence Assessment

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OPEC: The 1980 Current Account Surplus and Its Placement

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on 20 February 1980.*

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OPEC: The 1980 Current Account Surplus and Its Placement

Overview

Soaring revenues together with relatively slow growth in imports now seem likely to drive this year's OPEC current account surplus to \$132 billion, following an estimated \$69 billion surplus in 1979.

While this is nominally twice as large as the \$66 billion reached in 1974, the 1980 surplus has not grown that much when measured against the scale of today's world economy. Simply deflating the surplus by US inflation since 1974 reduces it to \$80 billion in 1974 prices. If real growth in economic variables is also taken into account, the 1980 surplus is about on a par with that of 1974. The 1974 OPEC surplus was about 1.8 percent of the nominal gross national product (\$3.6 trillion), of the Organization for Economic Cooperation and Development (OECD); the comparable 1980 figure is 1.7 percent. As a share of the nominal exports of goods and services of the Free World oil consuming countries, the 1980 OPEC surplus will be less than 8 percent compared with 8.7 percent in 1974.

As in 1974, the surplus will be concentrated in the larger Persian Gulf states, with Saudi Arabia expected to have a 1980 current account balance of about \$44 billion—one third of the total. Iran, Iraq, and Kuwait collectively should account for another 43 percent, or \$56 billion. Only Algeria and Ecuador are likely to boost import spending fast enough to stay in the red, despite sizable hikes in their oil revenues.

The OPEC countries' placement of official foreign investments should follow historical patterns with only subtle policy shifts in some OPEC nations as a result of the higher oil revenues and the US-Iranian crisis. Bank deposits and government securities will account for a greater share of foreign assets; probably about 65 percent compared with 55 percent in early 1979. Moreover, the tendency among OPEC investors will be to spread their assets among more countries and currencies. While some OPEC countries have been rather vocal in this regard, any step-up in diversification will be tempered by interest-rate and exchange-rate considerations, as well as availability of investment instruments.

In the period 1974-78, the OPEC surplus surged in the first year following the big oil price increases and then dwindled to insignificance in the ensuing four years. In contrast, we now expect the present surplus to remain formidably high, in part because OPEC producers seem determined to maintain their real purchasing power. For instance, if OECD growth

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recovers to 2.5 percent in 1981 (a rate consistent with oil-market balance at \$33 per barrel), the OPEC surplus would register \$120 billion. Lower growth would reduce this figure, whereas substantial supply disruption resulting in a further increase in the real OPEC price would raise it.* [REDACTED]

The size of the surplus is very sensitive to changes in oil export volume, oil prices, and import volume. For instance, each dollar change in the average oil price or a change in oil export volume of 1 million barrels per day would change the surplus by \$10 billion. An increase in OPEC's import volume growth by 1 percentage point would reduce this year's surplus by more than \$1 billion. [REDACTED]

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OPEC: The 1980 Current Account Surplus and Its Placement

Oil Export Earnings

Official OPEC prices now average \$29 per barrel; spot market premiums, \$10 or higher in mid 1979, have largely disappeared. Discrepancies persist, however, among official prices for competitive types of crude produced in different countries, making future price adjustments likely. These adjustments are more likely to be upward than downward, leading to an average OPEC price of about \$30 for the year.

Higher prices and increased non-OPEC energy supplies, combined with much slower growth (the OECD economies are now expected to grow, on the average, less than 1 percent this year), should reduce non-OPEC demand for OPEC oil by about 2 million barrels per day (b/d) below last year's 29 million barrels. We expect the decline in demand will be taken up by planned production cuts by Saudi Arabia, Kuwait,

Venezuela, the United Arab Emirates (UAE), and possibly Libya and Nigeria (see table 2 and 3).

While the average of OPEC countries' official prices is expected to reach a plateau of about \$30 for the year, the average price for individual countries varies considerably, mainly reflecting quality and transportation differentials. In addition, not all transactions take place at the official price. After allowing for transfers of oil under equity and buy-back arrangements, we expect the average realized price to fall, as it has in the

¹ See "The World Oil Market in 1980" in the 6 February issue of the *International Energy Weekly Review* for a more detailed discussion of supply and demand outlook; see ER M 79-10704, *A Methodological Approach for Calculating the Economic Implications of High Market Clearing Prices*, December 31, 1979, for an explanation of some of the underlying analytical methods.

Table 1

Billion US \$

OPEC: Current Account Balance ¹

	1974	1975	1976	1977	1978	1979 ²	1980 ³
Trade Balance	80.4	49.4	61.1	57.7	40.1	104.0	174.7
Exports (f.o.b.)	118.2	107.9	131.4	146.4	140.3	208.1	306.6
Oil	111.6	101.6	123.5	137.1	129.7	196.2	292.0
Nonoil	6.5	6.4	7.9	9.3	10.7	11.8	14.6
Imports (f.o.b.)	37.7	58.5	70.3	88.7	100.3	104.1	131.9
Net Services & Private Transfers	-8.8	-15.6	-22.4	-27.6	-32.3	-30.4	-36.7
Freight & Insurance	-4.5	-8.1	-10.8	-12.1	-13.6	-14.0	-17.8
Investment Income Receipts	4.4	5.0	6.6	8.4	11.2	16.1	20.8
Other	-8.7	-12.5	-18.3	-24.0	-29.9	-32.5	-39.6
Grants	-5.4	-3.7	-3.6	-4.5	-3.4	-4.5	-6.4
Current Account Balance	66.2	30.1	35.1	25.6	4.4	69.1	131.6

¹ Because of rounding components may not add to the totals shown.

² Estimated.

³ Projected.

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Table 2

Thousand b/d

**OPEC:
Oil Production ¹**

	1974	1975	1976	1977	1978	1979	1980 ²
OPEC	31,060	27,545	31,165	31,890	30,340	31,430	29,500
Algeria	1,010	1,025	1,085	1,170	1,265	1,180	1,100
Ecuador	175	160	185	185	205	220	200
Gabon	200	225	225	220	210	200	200
Indonesia	1,375	1,305	1,515	1,695	1,665	1,640	1,545
Iran	6,065	5,395	5,930	5,705	5,245	3,040	3,010
Iraq	1,970	2,260	2,415	2,500	2,520	3,410	3,310
Kuwait	2,595	2,135	2,195	2,025	2,170	2,635	2,040
Libya	1,540	1,505	1,975	2,105	2,015	2,090	2,045
Nigeria	2,255	1,785	2,070	2,085	1,910	2,300	2,100
Qatar	525	450	505	450	485	520	510
Saudi Arabia	8,610	7,215	8,760	9,415	8,545	9,855	9,410
United Arab Emirates	1,680	1,665	1,935	2,015	1,860	1,860	1,740
Venezuela	3,060	2,420	2,370	2,320	2,245	2,480	2,290

¹ Including natural gas liquid.

² Projected.

This table is Confidential.

Table 3

Thousand b/d

**OPEC:
Oil Export Volume**

	1974	1975	1976	1977	1978	1979	1980 ¹
OPEC	29,407	25,826	29,308	29,767	28,021	28,955	26,890
Algeria	939	946	1,002	1,076	1,161	1,067	980
Ecuador	139	122	141	135	149	160	140
Gabon	179	213	205	195	193	180	180
Indonesia	1,168	1,079	1,268	1,396	1,332	1,277	1,150
Iran	5,618	4,914	5,476	5,191	4,705	2,473	2,420
Iraq	1,880	2,169	2,323	2,373	2,344	3,225	3,120
Kuwait	2,488	2,014	2,035	1,916	2,041	2,504	1,910
Libya	1,504	1,455	1,919	2,038	1,941	2,069	1,960
Nigeria	2,201	1,716	1,960	1,970	1,756	2,132	1,920
Qatar	521	445	499	442	476	510	500
Saudi Arabia	8,285	6,940	8,401	9,023	8,148	9,423	8,940
United Arab Emirates	1,673	1,639	1,903	1,967	1,807	1,800	1,670
Venezuela	2,812	2,174	2,126	2,045	1,968	2,195	2,000

¹ Projected.

past, some 25 cents below the average of official prices. Multiplying our projected price and quantity figures by the 366 days in 1980 (a leap year) yields our projection of \$292 billion in OPEC oil revenues, 50 percent over 1979 oil revenues, and 125 percent higher than the 1978 figure (see tables 4 and 5).

Nonoil Exports

Nonoil OPEC exports are expected to rise from \$11.8 billion in 1979 to \$14.6 billion in 1980, falling as a share of total export revenues from 5.7 percent last year to about 5 percent this year. Indonesia, which accounts for nearly half of the total, should see a sizable expansion in its nonoil exports. Demand for the traditional commodities, (wood, rubber, tin, and coffee) is expected to remain strong, leading to higher prices and export earnings even if Indonesia's export capacity grows only slowly. Capacity limitations will keep Indonesia's liquefied natural gas (LNG) export volume constant, but increases in price should generate an additional \$800 million more than the \$1.4 billion achieved in 1979 (see table 6).

LNG will play the key role in raising Algeria's nonoil exports to the \$1 billion mark this year, a two-thirds jump from the \$0.6 billion registered in 1979. Most of the rise in shipments will go to the United States and Western Europe. Further rapid growth is likely in the next few years as the government pushes development of gas pipelines, liquefaction plants, and LNG carriers. Reportedly, SONATRACH—the state hydrocarbon agency—has concluded contracts which by 1985 could involve LNG exports of 1.9 trillion cubic feet, more than two and a half times current commitments.

Kuwait's nonoil exports are also rising, based on expansion of fertilizer production. In the mid-1970s, reexports of goods destined for Iraq and Iran accounted for as much as 75 percent of Kuwait's total nonoil exports, owing to the suspension of operations at the port of Beirut and extreme congestion in neighboring Gulf ports. Although reexports have dropped and probably will continue to decline, the expected increase in both the volume and price of fertilizer—particularly urea—should more than make up the difference.

Table 4

US \$ Per Barrel

**OPEC:
Average Price of Oil**

	1974	1975	1976	1977	1978	1979	1980 ¹
OPEC	10.40	10.77	11.51	12.62	12.68	18.57	29.75
Algeria	13.64	12.14	13.01	14.36	14.14	20.66	33.25
Ecuador	10.89	10.64	10.68	12.46	11.93	20.34	26.99
Gabon	7.94	9.78	10.44	11.48	11.27	14.27	19.68
Indonesia	9.96	10.75	10.97	12.25	12.25	17.10	27.38
Iran	10.13	10.71	11.37	12.57	12.51	22.40	33.25
Iraq	10.15	10.81	11.61	12.74	12.72	18.69	30.81
Kuwait	9.48	10.35	11.15	12.12	12.23	18.37	30.61
Libya	12.56	11.59	12.28	13.87	13.69	20.68	32.00
Nigeria	11.13	11.39	12.63	14.08	13.61	20.24	32.54
Qatar	10.20	11.00	11.67	12.69	12.91	19.80	32.00
Saudi Arabia	10.03	10.50	11.26	12.04	12.33	16.90	28.02
United Arab Emirates	11.45	10.84	11.55	12.43	12.77	19.15	31.45
Venezuela	9.93	10.53	11.14	12.59	12.61	17.17	25.18

¹ Projected.



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Table 5

Billion US \$

OPEC:
Oil Export Earnings

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
OPEC	111.6	101.6	123.5	137.1	129.7	196.2	292.0
Algeria	4.7	4.2	4.8	5.6	6.0	8.0	11.9
Ecuador	0.6	0.5	0.6	0.6	0.6	1.2	1.3
Gabon	0.5	0.8	0.8	0.8	0.8	1.0	1.3
Indonesia	4.2	4.2	5.1	6.2	6.0	8.0	11.5
Iran	20.8	19.2	22.8	23.8	21.5	20.2	29.3
Iraq	7.0	8.6	9.9	11.0	10.9	22.0	35.0
Kuwait	8.6	7.6	8.5	8.5	9.1	16.8	21.3
Libya	6.9	6.2	8.6	10.3	9.7	15.2	22.9
Nigeria	8.9	7.1	9.1	10.1	8.7	15.8	22.8
Qatar		1.8	2.1	2.1	2.2	3.7	5.8
Saudi Arabia		26.6	34.6	39.7	36.7	58.1	91.4
United Arab Emirates		6.5	8.0	8.9	8.4	12.6	19.1
Venezuela		8.4	8.7	9.4	9.1	13.8	18.3

¹ Estimated.

² Projected.

Table 6

Billion US \$

OPEC:
Nonoil Export Earnings¹

	1974	1975	1976	1977	1978	1979 ²	1980 ³
OPEC	6.5	6.4	7.9	9.3	10.7	11.8	14.6
Algeria	0.6	0.6	0.5	0.3	0.5	0.6	1.0
Ecuador	0.4	0.4	0.6	0.7	1.0	0.6	0.6
Gabon	0.2	0.3	0.3	0.3	0.3	0.4	0.5
Indonesia	2.2	1.8	2.5	3.6	4.2	5.4	6.7
Iran	0.8	0.8	0.9	0.7	0.7	0.4	0.5
Iraq	0.1	0.1	0.2	0.3	0.3	0.3	0.3
Kuwait	0.4	0.6	0.7	0.8	0.8	1.0	1.3
Libya	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL
Nigeria	0.7	0.6	0.7	0.8	1.0	1.1	1.2
Qatar	NEGL	0.1	0.3	0.3	0.3	0.3	0.4
Saudi Arabia	NEGL	0.1	0.1	0.1	0.1	0.1	0.2
United Arab Emirates	0.4	0.5	0.6	0.9	1.0	1.1	1.3
Venezuela	0.5	0.5	0.5	0.4	0.5	0.5	0.6

¹ Because of rounding, components may not add to the totals shown.

² Estimated.

³ Projected.

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Imports

In 1974 the value of OPEC's merchandise imports jumped by 84 percent; in 1980 it is expected to increase by about 25 percent. The import base has grown much larger in the interim, making a slowdown in percentage rates of growth almost inevitable; OPEC's 1973 import base was about \$20 billion, whereas the estimated 1979 figure is \$104 billion. In addition, the views of several important OPEC countries toward the desired pace of economic development have changed markedly (see table 7). Altogether, we project OPEC import volume gains this year of about 9 percent, with average import prices rising by 16 percent.

The most striking shift has taken place in Iran. With the repudiation of many of the former regime's grandiose spending schemes and the continuing turmoil engendered by the Revolutionary Government, Iran's imports dropped from \$16.2 billion in 1978 to an estimated \$8 billion in 1979. Even so, if Iranian imports recover to the \$10.5 billion level projected for 1980, it will represent a 30-percent gain, higher than the average expected OPEC increase.

Events in Iran, moreover, have been interpreted prophetically in other Middle Eastern OPEC countries which, in the wake of economic modernization programs, have seen their traditional social values threatened and have experienced distribution bottlenecks, accelerated inflation, increased exposure to foreign influence, widened income disparities, and increasing corruption. Their response is to hold a tight rein on spending, despite enormous revenue increases.

Planners in Saudi Arabia—by far OPEC's largest importer with purchases estimated at \$24 billion in 1979—are projecting government outlays for the Third Five-Year Plan (FY 1981-85) that represent no increase in real terms compared with actual expenditures under the preceding five-year plan. Growth rates for the nonoil sectors reportedly will be pared by one-third. In Kuwait, planned spending of \$8 billion for the FY 1980 budget implies little real growth. Less than 2 percent of the nominal increase is slated for development. No plans for major new industrial projects are on the books, instead priority is given to

Table 7

Percent

**OPEC:
Import Volume Growth**

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
OPEC	47	40	20	16	-1	-9	9
Algeria	45	23	-6	25	-4	-1	7
Ecuador	72	16	-1	42	-6	-10	6
Gabon	30	30	20	-4	-22	-5	5
Indonesia	46	11	24	1	-5	1	5
Iran	44	63	6	3	-9	-57	13
Iraq	154	49	-7	-6	-4	6	30
Kuwait	4	28	59	16	-7	4	6
Libya	59	18	11	3	4	3	11
Nigeria	11	87	23	31	1	-16	16
Qatar	16	62	69	19	-10	3	6
Saudi Arabia	77	49	68	30	12	7	6
United Arab Emirates	61	42	36	23	-3	4	8
Venezuela	20	25	29	35	-4	-9	2

¹ Estimated.

² Projected.

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construction projects already under way and to improving utilities and transportation facilities. The UAE and Qatar have adopted similar courses.

The notable exception in the Persian Gulf to the policy of slow import growth is Iraq, which is scheduled to receive substantial military shipments over the next several years. Iraqi imports are expected to rise in 1980 by 30 percent in volume and about 50 percent in value, the highest rates projected for any OPEC country (see table 8).

The second highest rate of import growth in OPEC is likely to occur in Nigeria, where the surge in oil earnings now permits an easing of last year's austerity measures. Nigerian imports had increased nearly sixfold between 1973 and 1978, leading to a 1978 current account deficit of \$4.3 billion and a government clampdown including an import ban on some consumer items, a 100-percent advance deposit on nonessential goods, and institution of preshipment inspection of import documents. As a result, the value of imports actually declined from \$10.8 billion in 1978 to \$10.5 billion in 1979. Lagos is now likely to permit a

substantial pickup in imports—expected to rise by 16 percent in real terms and 35 percent in value—but not by so much as to eliminate a safety cushion in the form of a substantial current account surplus.

Indonesia and Venezuela, which customarily exhibit rapid import growth when revenues are available, are both in transitional stages of government planning. Hence, their imports are expected to rise slowly in 1980. Libyan imports, fueled by military purchases, will grow more rapidly than the OPEC average, while the imports of Algeria, Ecuador, and Gabon will be constrained by balance-of-payments considerations.

Net Services and Private Transfers

We expect services and private transfers—an important negative item in the OPEC current account—to rise 20 percent this year, considerably more slowly than in the years immediately following the 1973/74 price hikes. Two factors are primarily responsible for

² See "Nigeria: Balance of Payments Turnaround" (Confidential Noform) in the 11 January issue of the *Economic Intelligence Weekly Review* for a more detailed discussion of import policies.

Table 8

Billion US \$

OPEC: Imports

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
OPEC	37.7	58.5	70.3	88.7	100.3	104.1	131.9
Algeria	4.0	5.5	5.1	7.0	7.7	8.8	11.0
Ecuador	0.9	1.1	1.1	1.7	1.8	1.8	2.2
Gabon	0.4	0.5	0.6	0.7	0.6	0.6	0.8
Indonesia	4.6	5.5	6.8	7.5	8.3	9.3	11.3
Iraq	7.2	13.1	13.9	15.5	16.2	8.0	10.5
Iraq	3.5	5.8	5.4	5.5	6.1	7.3	11.0
Kuwait	1.6	2.2	3.5	4.4	4.7	5.6	6.9
Libya	3.4	4.5	4.9	5.6	6.6	7.9	10.2
Nigeria	2.5	5.2	6.4	9.2	10.8	10.5	14.2
Qatar	0.3	0.5	0.9	1.1	1.2	1.4	1.7
Saudi Arabia	4.0	6.6	11.1	15.6	20.0	24.4	30.1
United Arab Emirates	1.6	2.5	3.4	4.6	5.2	6.2	7.7
Venezuela	3.9	5.5	7.2	10.3	11.0	12.2	14.4

¹ Estimated.

² Projected.

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the lower rate: the rapid growth of investment income (the only positive subcomponent in this category) and the slower growth policies adopted by some OPEC countries. ■

Rapid growth of investment income can be expected as a direct result of the expanding OPEC surplus. The cumulative surplus during the 1974-79 period amounts to \$230 billion, much of which has been put into income-earning investment (as distinct from investment for appreciation such as gold and real estate). OPEC investments—two-thirds of which are owned by Saudi Arabia, Kuwait, and the UAE—have traditionally been placed conservatively, in assets emphasizing both safety and rate of return (see table 9). ■

Freight and insurance payments are expected to rise at approximately the same rate as imports. Service contracts, worker remittances, and interest on foreign debt—the other principal items—are heavily influenced by Saudi Arabia, which accounted for more than 40 percent of the total in 1979. The Saudis have been disillusioned by what they consider to be exorbitant fees on service contracts. Their go-slow policies,

including ceilings on foreign manpower, are expected to hold the rise in Saudi payments for these purposes to about 20 percent (see table 10). Conditions in Iran will also depress the rate of increase in other service payments, while government policies in Nigeria and Venezuela are expected to have a similar effect in those countries. Most other OPEC countries are expected to increase their other service payments considerably more rapidly, but the net effect is to hold the overall rise to slightly more than 20 percent. ■

Grants

During the period 1974-79, OPEC member states disbursed \$25 billion in bilateral grants, with \$4.5 billion doled out in 1979 (see table 11). These grants, both economic and military, were made primarily in pursuit of foreign policy objectives. Historically, only three OPEC countries have granted the bulk of such assistance: Saudi Arabia, the UAE, and Kuwait. Saudi Arabia has been the largest grant donor in the 1974-79 period at \$14 billion, 55 percent of the total. The greatest flows have gone to the three Arab confrontation states (Egypt, Syria, and Jordan) and to other

Table 9

Billion US \$

**OPEC:
Net Investment Income Receipts**

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
OPEC	4.4	5.0	6.6	8.4	11.2	16.1	20.8
Algeria	0.1	0.1	0.1	0.2	0.2	0.2	NEGL
Ecuador	NEGL	NEGL	NEGL	NEGL	0.1	NEGL	NEGL
Gabon	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL
Indonesia	0.1	0.1	0.1	0.1	0.2	0.3	0.4
Iran	0.5	0.6	0.8	1.0	1.3	2.2	2.8
Iraq	0.2	0.2	0.2	0.4	0.6	1.3	2.2
Kuwait	0.8	0.7	1.0	1.3	1.8	2.8	3.5
Libya	0.3	0.2	0.2	0.3	0.5	0.7	1.1
Nigeria	0.3	0.3	0.3	0.3	0.2	0.2	0.5
Qatar	0.1	0.1	0.2	0.2	0.3	0.5	0.6
Saudi Arabia	1.2	1.7	2.6	3.3	4.2	5.7	7.1
United Arab Emirates	0.3	0.3	0.5	0.7	1.1	1.6	1.9
Venezuela	0.5	0.5	0.6	0.6	0.7	0.7	0.6

¹ Estimated

² Projected

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Table 10

Billion US \$

OPEC:
Other Services

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
OPEC	8.7	12.5	18.3	24.0	29.9	32.5	39.6
Algeria	0.1	0.2	1.0	1.5	1.7	1.9	2.4
Ecuador	0.1	0.1	0.1	0.2	0.2	0.2	0.3
Gabon	0.3	0.4	0.4	0.4	0.4	0.4	0.5
Indonesia	0.6	0.9	1.4	1.6	2.2	2.2	3.0
Iran	0.9	1.3	1.4	1.9	2.4	1.3	1.5
Iraq	0.4	0.3	1.2	1.5	1.7	2.1	3.1
Kuwait	0.3	0.2	0.2	0.3	0.3	0.4	0.5
Libya	1.0	1.0	1.0	1.3	1.5	1.7	2.4
Nigeria	1.8	2.3	2.3	2.3	1.8	2.0	2.2
Qatar	0.2	0.3	0.3	0.4	0.4	0.5	0.6
Saudi Arabia	1.0	3.5	6.6	8.3	12.0	14.0	16.7
United Arab Emirates	1.3	0.9	1.4	2.4	2.7	3.1	4.0
Venezuela	0.7	0.9	0.9	1.7	2.6	2.6	2.6

¹ Estimated.

² Projected.

Table 11

Billion US \$

OPEC: Grants

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
OPEC	5.4	3.7	3.6	4.5	3.4	4.5	6.4
Algeria	0.1	NEGL	NEGL	NEGL	NEGL	0.1	0.1
Ecuador	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gabon	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Iran	0.1	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL
Iraq	0.1	0.2	NEGL	NEGL	0.2	0.5	1.6
Kuwait	1.5	0.7	0.2	0.7	0.8	0.9	1.1
Libya	0.2	0.1	0.7	0.1	0.1	0.1	0.1
Nigeria	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Qatar	0.1	0.2	0.1	0.1	NEGL	0.2	0.3
Saudi Arabia	2.8	2.0	2.1	2.7	1.9	2.1	2.7
United Arab Emirates	0.5	0.4	0.4	0.8	0.4	0.6	0.6
Venezuela	0.1	NEGL	0.1	0.1	NEGL	NEGL	NEGL

¹ Estimated.

² Projected.

~~Secret~~

Arab or Muslim beneficiaries, with Egypt receiving the biggest share. [REDACTED]

OPEC grant aid is likely to increase in 1980 because the donors will be flush with funds and the oil price increase will have intensified the need of recipients. The increasing cost of military hardware coveted by some less developed countries (LDCs) and pleas for development assistance by others also augur for pressure on OPEC to provide additional funds. The pattern of distribution among donors and beneficiaries should change in response to political circumstances, the most prominent case being Egypt's fall from grace as a result of the Israeli peace agreement. The Baghdad Agreement (an Arab reaction to the Camp David Accord) reportedly calls for a total of \$3.5 billion in grant aid annually to Syria, Jordan, the West Bank, Gaza, and the Palestine Liberation Organization during the 1979-88 period. Seven OPEC members—Saudi Arabia, Libya, Kuwait, Iraq, the UAE, Algeria, and Qatar—will provide the funds, with Saudi Arabia leading the way with \$1 billion annually. [REDACTED]

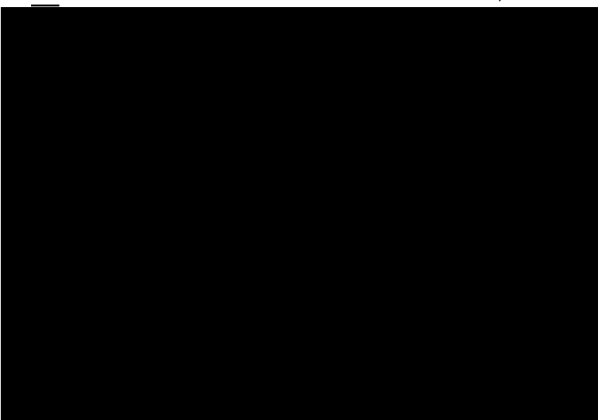
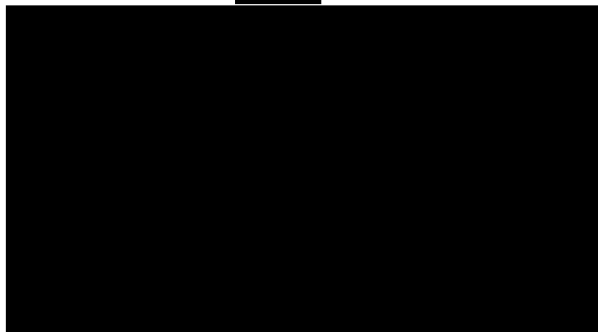
We expect grant aid to both Egypt and India to decline precipitously, while that to North Yemen, Morocco, Pakistan, and Turkey will probably increase. Saudi Arabia, Kuwait, and the UAE will continue to be the primary donors, with Iraq becoming more important. Total 1980 grants are likely to be on the order of \$6.4 billion. [REDACTED]

Although the current account will be affected only marginally by increased grants, the capital account should show a somewhat greater increase in concessionary lending. In January 1980, OPEC finance ministers set up an OPEC fund to replace the Special Fund created in 1976. It reportedly is capitalized at \$4 billion and will provide financial assistance to oil-importing LDCs. Member states of OPEC disbursed \$35 billion in total gross economic and military aid to Third World governments and international institutions in 1974-78, about 40 percent in loans. [REDACTED]

Placement of the Surplus

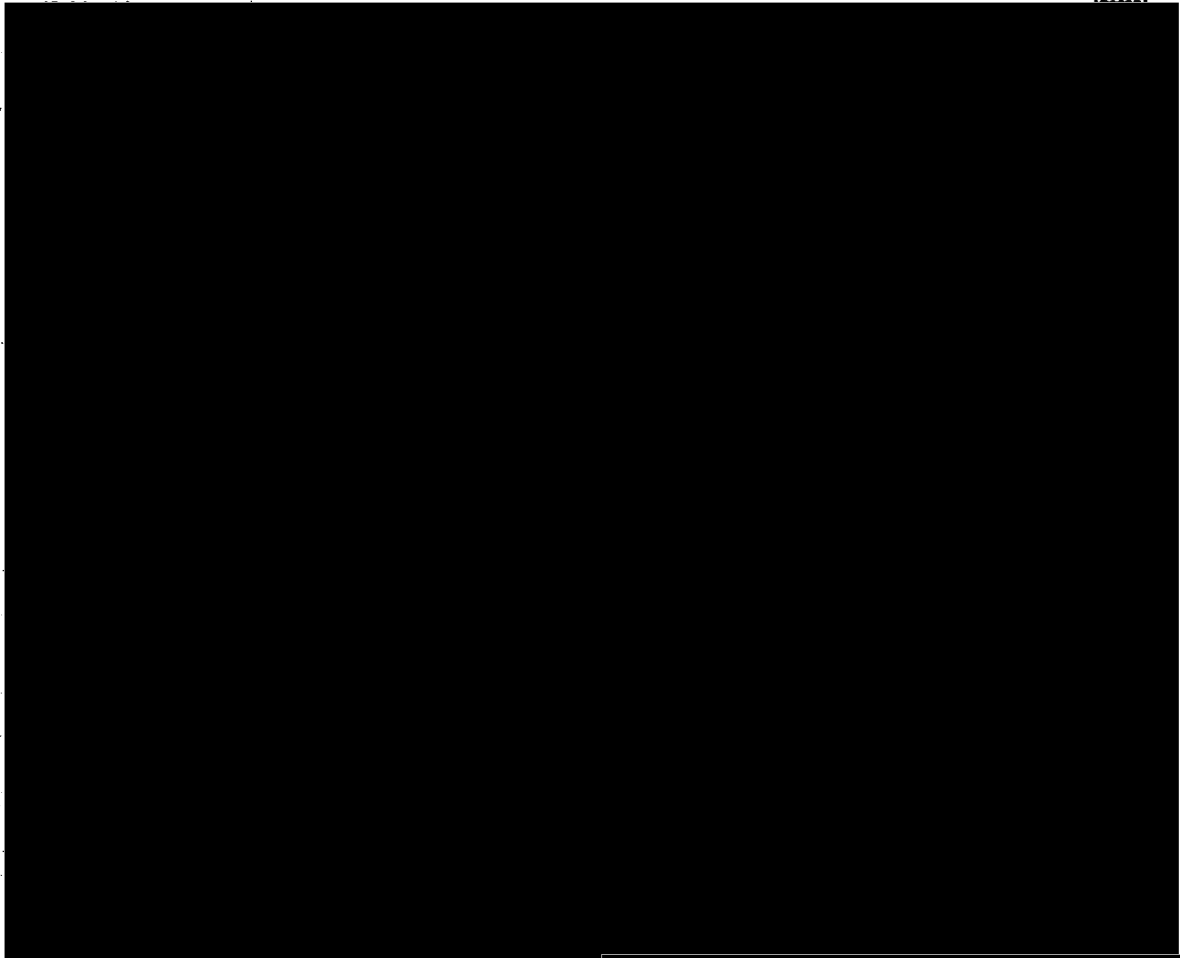
Acquisition of foreign assets by OPEC governments during the next year should generally follow historical patterns. However, the US order blocking official

Iranian assets (plus the speed with which some US banks offset loans to Iran by attaching Iranian deposits) and the continuing question of dollar stability will influence investment decisions in some key OPEC capitals. The attitudes of some government ministers indicate that they will make placements in more financial centers than in the past and gradually shift a larger share of assets into currencies other than the dollar. In no case, however, is there yet any indication that official OPEC investors will make large or rapid diversification moves [REDACTED]

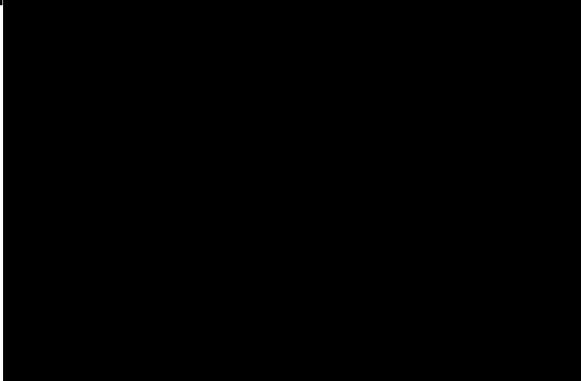


The geographic placement and currency denomination of OPEC assets will depend upon the balance between political decisions on the one hand and rate of return and exchange rates on the other. Although reaction to the US blocking order among OPEC countries has mellowed considerably from the antagonism in November, official OPEC investors are focusing on the costs and benefits of diversification of assets with respect to location and currency denomination. [REDACTED]

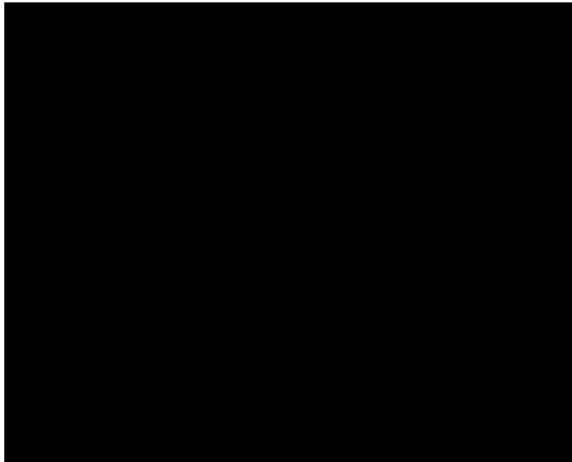
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The variety of assets and present high interest rates available in US financial markets will ensure petrodollar inflows. OPEC countries concerned over the safety of their assets and willing to bear the extra costs, however, are apt to make more placements with institutions in Western Europe that can in turn invest in the United States under their own names. Kuwait in particular is at least considering opening new oil accounts in Western Europe; presently almost all of Kuwait's oil receipts initially come into the United States. ■



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The Outlook for 1981 and Beyond

The chances that the OPEC surplus will ebb substantially in the next few years are slim. While we do not anticipate severe pressure developing on oil prices in 1981 (barring further disruptions in oil supplies), we believe that OPEC will seek to maintain the real price of its oil. In these circumstances, the nominal price of OPEC oil in 1981 could average in the neighborhood of \$33 per barrel. With a constant real OPEC price, some recovery from the anticipated 1980 economic slow-down seems likely, with OECD growth possibly approaching 2.5 percent. ■

Given the continuing influence on energy demand in 1981 of the 1979/80 price increases, and the expected additions to non-OPEC supply, demand for OPEC oil would average a few hundred thousand b/d below the 1980 level. Much of this fall-off in demand would be accommodated by the normal increase in domestic OPEC consumption. To the extent that further small reductions were needed to balance the market, OPEC would probably make them. ■

With a 1981 price of \$33 and OPEC exports down to about 26.4 million b/d, we would expect OPEC oil revenues to rise in 1981 by roughly \$21 billion, to about \$314 billion. Continued growth in OPEC imports and service and transfer payments are expected to raise current outflows by about \$35 billion, leading to a reduction in the 1981 OPEC surplus to about \$120 billion. ■

Other 1981 scenarios are also plausible. Economic recovery in the industrial countries might well be slower than expected; even with a constant real oil price, OECD growth near 1.5 percent is a distinct possibility, since governments may well react to inflation and payments problems this year with more restrictive economic policy. Alternatively, further OPEC supply disruptions or significant voluntary production cuts might occur, raising the price above \$33 and depressing what otherwise would have been a more rapid OECD recovery. ■

Slower OECD growth in 1981 of 1 percentage point, with OPEC maintaining a \$33 price, would reduce demand for OPEC oil by somewhat less than 800,000 b/d. This would cut OPEC oil revenues by about \$9 billion, resulting in an OPEC surplus of a little over \$110 billion. If, however, OECD growth were forced down from a 2.5-percent rate by an increase in the OPEC oil price, the net effect would be to increase OPEC revenues, even though demand for OPEC oil would be lower. We estimate that a \$38 OPEC price, for instance, would shave about 0.3 percentage point off an ordinary recovery rate of 2.5 percent in the industrial countries and reduce demand for OPEC oil by about 500,000 b/d. This would lead to oil revenues of about \$355 billion and, depending on how much additional OPEC import price inflation would be caused by a \$38 oil price, an OPEC surplus on the order of \$140 billion. ■

Appendix

Algeria: Billion US \$
Current Account

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	1.3	-0.7	0.2	-1.1	-1.2	-0.1	1.9
Exports (f.o.b.)	5.2	4.8	5.3	5.9	6.5	8.7	12.9
Oil	4.7	4.2	4.8	5.6	6.0	8.0	11.9
Nonoil	0.6	0.6	0.5	0.3	0.5	0.6	1.0
Imports (f.o.b.)	-4.0	-5.5	-5.1	-7.0	-7.7	-8.8	-11.0
Net Service & Private Transfers	-0.4	-0.8	-1.5	-2.2	-2.4	-2.8	-3.7
Freight & Insurance	-0.4	-0.7	-0.6	-0.8	-0.9	-1.1	-1.3
Investment Income Receipts	0.1	0.1	0.1	0.2	0.2	0.2	0.0
Other	-0.1	-0.2	-1.0	-1.5	-1.7	-1.9	-2.4
Grants	-0.1	NEGL	NEGL	0.0	0.0	-0.1	-0.1
Current Account Balance	0.8	-1.4	-1.3	-3.3	-3.6	-3.0	-1.9

¹ Estimated.

² Projected.



~~Secret~~

**Ecuador:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	0.1	-0.2	0.0	-0.3	-0.2	0.0	-0.3
Exports (f.o.b.)	1.0	0.9	1.1	1.4	1.6	1.8	1.9
Oil	0.6	0.5	0.6	0.6	0.6	1.2	1.3
Nonoil	0.4	0.4	0.6	0.7	1.0	0.6	0.6
Imports (f.o.b.)	-0.9	-1.1	-1.1	-1.7	-1.8	-1.8	-2.2
Net Service & Private Transfers	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4	-0.5
Freight & Insurance	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.3
Investment Income Receipts	NEGL	NEGL	NEGL	NEGL	0.1	NEGL	NEGL
Other	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.3
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Account Balance	-0.1	-0.5	-0.3	-0.7	-0.5	-0.4	-0.8

¹ Estimated.

² Projected.



**Gabon:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	0.4	0.5	0.5	0.5	0.5	0.7	1.0
Exports (f.o.b.)	0.8	1.0	1.1	1.2	1.1	1.4	1.8
Oil	0.5	0.8	0.8	0.8	0.8	1.0	1.3
Nonoil	0.2	0.3	0.3	0.3	0.3	0.4	0.5
Imports (f.o.b.)	-0.4	-0.5	-0.6	-0.7	-0.6	-0.6	-0.8
Net Service & Private Transfers	-0.3	-0.5	-0.5	-0.5	-0.4	-0.5	-0.5
Freight & Insurance	NEGL	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Investment Income Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Account Balance	0.1	0.1	NEGL	NEGL	0.1	0.3	0.5

¹ Estimated.

² Projected.



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**Indonesia:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	1.8	0.6	0.8	2.3	1.8	4.1	6.9
Exports (f.o.b.)	6.4	6.1	7.6	9.8	10.2	13.3	18.2
Oil	4.2	4.2	5.1	6.2	6.0	8.0	11.5
Nonoil	2.2	1.8	2.5	3.6	4.2	5.4	6.7
Imports (f.o.b.)	-4.6	-5.5	-6.8	-7.5	-8.3	-9.3	-11.3
Net Service & Private Transfers	-1.1	-1.6	-2.2	-2.5	-3.0	-3.1	-4.0
Freight & Insurance	-0.6	-0.7	-0.9	-1.0	-1.0	-1.1	-1.4
Investment Income Receipts	0.1	0.1	0.1	0.1	0.2	0.3	0.4
Other	-0.6	-0.9	-1.4	-1.6	-2.2	-2.2	-3.0
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Account Balance	0.8	-1.0	-1.4	-0.1	-1.1	1.0	2.9

¹ Estimated.

² Projected.

**Iran:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	14.4	6.9	9.8	9.0	6.0	12.6	19.3
Exports (f.o.b.)	21.6	20.0	23.7	24.5	22.2	20.6	29.8
Oil	20.8	19.2	22.8	23.8	21.5	20.2	29.3
Nonoil	0.8	0.8	0.9	0.7	0.7	0.4	0.5
Imports (f.o.b.)	-7.2	-13.1	-13.9	-15.5	-16.2	-8.0	-10.5
Net Service & Private Transfers	-1.3	-2.5	-2.5	-2.8	-3.2	-0.3	-0.2
Freight & Insurance	-0.9	-1.8	-1.9	-1.8	-2.2	-1.1	-1.5
Investment Income Receipts	0.5	0.6	0.8	1.0	1.3	2.2	2.8
Other	-0.9	-1.3	-1.4	-1.9	-2.4	-1.3	-1.5
Grants	-0.1	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL
Current Account Balance	13.0	4.3	7.2	6.2	2.8	12.3	19.2

¹ Estimated.

² Projected.

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**Iraq:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	3.6	2.9	4.7	5.8	5.1	15.0	24.4
Exports (f.o.b.)	7.1	8.7	10.1	11.3	11.2	22.3	35.3
Oil	7.0	8.6	9.9	11.0	10.9	22.0	35.0
Nonoil	0.1	0.1	0.2	0.3	0.3	0.3	0.3
Imports (f.o.b.)	-3.5	-5.8	-5.4	-5.5	-6.1	-7.3	-11.0
Net Service & Private Transfers	-0.6	-1.0	-1.8	-2.0	-2.1	-2.0	-2.5
Freight & Insurance	-0.4	-0.9	-0.8	-0.9	-1.0	-1.1	-1.6
Investment Income Receipts	0.2	0.2	0.2	0.4	0.6	1.3	2.2
Other	-0.4	-0.3	-1.2	-1.5	-1.7	-2.1	-3.1
Grants	-0.1	-0.2	NEGL	NEGL	-0.2	-0.5	-1.6
Current Account Balance	2.9	1.6	2.9	3.8	2.9	12.5	20.3

¹ Estimated.

² Projected.



**Kuwait:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	7.5	6.0	5.8	4.9	5.2	12.3	15.8
Exports (f.o.b.)	9.0	8.2	9.2	9.3	10.0	17.8	22.7
Oil	8.6	7.6	8.5	8.5	9.1	16.8	21.3
Nonoil	0.4	0.6	0.7	0.8	0.8	1.0	1.3
Imports (f.o.b.)	-1.6	-2.2	-3.5	-4.4	-4.7	-5.6	-6.9
Net Service & Private Transfers	0.3	0.1	0.2	0.2	0.6	1.5	1.9
Freight & Insurance	-0.2	-0.3	-0.6	-0.7	-0.8	-0.9	-1.1
Investment Income Receipts	0.8	0.7	1.0	1.3	1.8	2.8	3.5
Other	-0.3	-0.2	-0.2	-0.3	-0.3	-0.4	-0.5
Grants	-1.5	-0.7	-0.2	-0.7	-0.8	-0.9	-1.1
Current Account Balance	6.3	5.4	5.7	4.4	5.0	12.9	16.6

¹ Estimated.

² Projected.



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**Libya:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	3.5	1.7	3.7	4.7	3.1	7.3	12.7
Exports (f.o.b.)	6.9	6.2	8.6	10.3	9.7	15.2	22.9
Oil	6.9	6.2	8.6	10.3	9.7	15.2	22.9
Nonoil	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL	NEGL
Imports (f.o.b.)	-3.4	-4.5	-4.9	-5.6	-6.6	-7.9	-10.2
Net Service & Private Transfers	-1.2	-1.4	-1.4	-1.6	-1.9	-2.0	-2.5
Freight & Insurance	-0.4	-0.5	-0.5	-0.6	-0.8	-0.9	-1.2
Investment Income Receipts	0.3	0.2	0.2	0.3	0.5	0.7	1.1
Other	-1.0	-1.0	-1.0	-1.3	-1.5	-1.7	-2.4
Grants	-0.2	-0.1	-0.7	-0.1	-0.1	-0.1	-0.1
Current Account Balance	2.2	0.2	1.6	3.0	1.1	5.2	10.2

¹ Estimated.
² Projected.



**Nigeria:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	7.2	2.5	3.4	1.7	-1.1	6.4	9.8
Exports (f.o.b.)	9.6	7.7	9.7	10.9	9.7	16.9	24.0
Oil	8.9	7.1	9.1	10.1	8.7	15.8	22.8
Nonoil	0.7	0.6	0.7	0.8	1.0	1.1	1.2
Imports (f.o.b.)	-2.5	-5.2	-6.4	-9.2	-10.8	-10.5	-14.2
Net Service & Private Transfers	-1.8	-2.8	-3.7	-3.7	-3.2	-3.2	-3.7
Freight & Insurance	-0.2	-0.8	-1.7	-1.7	-1.6	-1.5	-2.0
Investment Income Receipts	0.3	0.3	0.3	0.3	0.2	0.2	0.5
Other	-1.8	-2.3	-2.3	-2.3	-1.8	-2.0	-2.2
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Account Balance	5.4	-0.3	-0.3	-2.0	-4.3	3.1	6.1

¹ Estimated.
² Projected.



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**Qatar:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	1.7	1.4	1.6	1.2	1.3	2.6	4.5
Exports (f.o.b.)	2.0	1.9	2.4	2.4	2.5	4.0	6.2
Oil	1.9	1.8	2.1	2.1	2.2	3.7	5.8
Nonoil	NEGL	0.1	0.3	0.3	0.3	0.3	0.4
Imports (f.o.b.)	-0.3	-0.5	-0.9	-1.1	-1.2	-1.4	-1.7
Net Service & Private Transfers	-0.2	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2
Freight & Insurance	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.3
Investment Income Receipts	0.1	0.1	0.2	0.2	0.3	0.5	0.6
Other	-0.2	-0.3	-0.3	-0.4	-0.4	-0.5	-0.6
Grants	-0.1	-0.2	-0.1	-0.1	NEGL	-0.2	-0.3
Current Account Balance	1.4	0.8	1.2	0.8	1.0	2.2	4.0

¹ Estimated.

² Projected.

**Saudi Arabia:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	26.4	20.1	23.6	24.1	16.8	33.8	61.5
Exports (f.o.b.)	30.4	26.7	34.7	39.7	36.8	58.2	91.6
Oil	30.3	26.6	34.6	39.7	36.7	58.1	91.4
Nonoil	NEGL	0.1	0.1	0.1	0.1	0.1	0.2
Imports (f.o.b.)	-4.0	-6.6	-11.1	-15.6	-20.0	-24.4	-30.1
Net Service & Private Transfers	-0.3	-2.8	-6.3	-7.5	-11.0	-12.2	-14.4
Freight & Insurance	-0.5	-1.0	-2.2	-2.5	-3.2	-3.9	-4.8
Investment Income Receipts	1.2	1.7	2.6	3.3	4.2	5.7	7.1
Other	-1.0	-3.5	-6.6	-8.3	-12.0	-14.0	-16.7
Grants	-2.8	-2.0	-2.1	-2.7	-1.9	-2.1	-2.7
Current Account Balance	23.3	15.4	15.2	13.9	3.8	19.4	44.4

¹ Estimated.

² Projected.

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**United Arab Emirates:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	5.8	4.5	5.3	5.3	4.2	7.5	12.7
Exports (f.o.b.)	7.4	7.0	8.7	9.9	9.4	13.7	20.4
Oil	7.0	6.5	8.0	8.9	8.4	12.6	19.1
Nonoil ²	0.4	0.5	0.6	0.9	1.0	1.1	1.3
Imports (f.o.b.)	-1.6	-2.5	-3.4	-4.6	-5.2	-6.2	-7.7
Net Service & Private Transfers	-1.3	-0.9	-1.3	-2.3	-2.1	-2.2	-2.9
Freight & Insurance	-0.2	-0.3	-0.4	-0.6	-0.6	-0.7	-0.9
Investment Income Receipts	0.3	0.3	0.5	0.7	1.1	1.6	1.9
Other	-1.3	-0.9	-1.4	-2.4	-2.7	-3.1	-4.0
Grants	-0.5	-0.4	-0.4	-0.8	-0.4	-0.6	-0.6
Current Account Balance	4.1	3.1	3.6	2.2	1.7	4.7	9.1

¹ Estimated.

² Projected.



**Venezuela:
Current Account**

Billion US \$

	1974	1975	1976	1977	1978	1979 ¹	1980 ²
Trade Balance	6.8	3.3	1.9	-0.5	-1.5	2.1	4.5
Exports (f.o.b.)	10.7	8.8	9.1	9.8	9.5	14.3	18.9
Oil	10.2	8.4	8.7	9.4	9.1	13.8	18.3
Nonoil	0.5	0.5	0.5	0.4	0.5	0.5	0.6
Imports (f.o.b.)	-3.9	-5.5	-7.2	-10.3	-11.0	-12.2	-14.4
Net Service & Private Transfers	-0.6	-1.1	-1.0	-2.1	-3.0	-3.1	-3.4
Freight & Insurance	-0.4	-0.7	-0.7	-1.0	-1.1	-1.2	-1.4
Investment Income Receipts	0.5	0.5	0.6	0.6	0.7	0.7	0.6
Other	-0.7	-0.9	-0.9	-1.7	-2.6	-2.6	-2.6
Grants	-0.1	NEGL	-0.1	-0.1	NEGL	NEGL	NEGL
Current Account Balance	6.1	2.3	0.9	-2.6	-4.5	-1.1	1.1

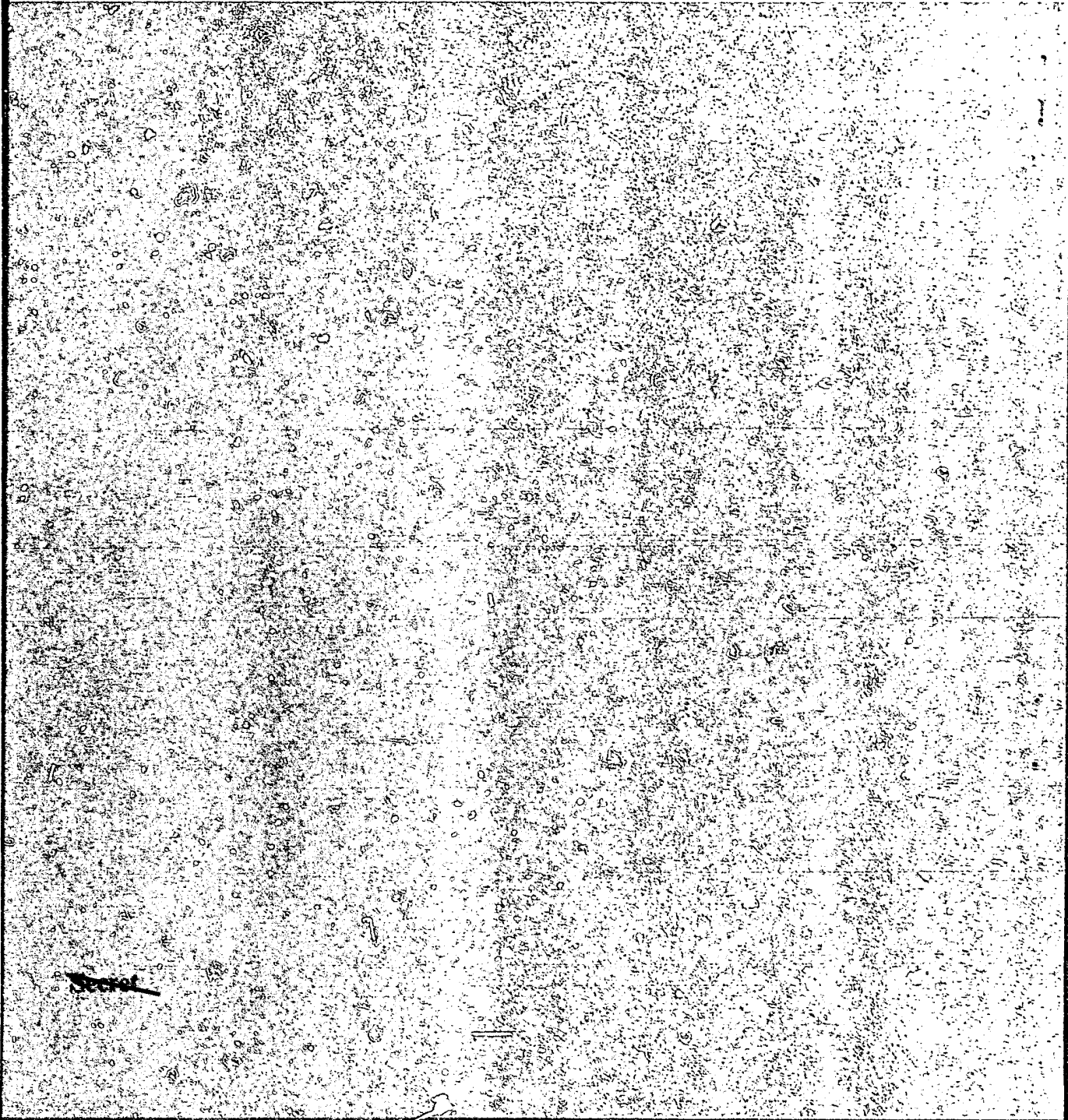
¹ Estimated.

² Projected.



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