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Bill J

3/24/75

This disturbs me.

ARC 9.

ITEM WITHDRAWAL SHEET
WITHDRAWAL ID 00483

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~~Secret~~

Cargo Preference Legislation

To ensure greater use of their merchant fleets, many OPEC nations have enacted cargo preference legislation requiring that a stated portion of their seaborne trade be carried in their ships. In January, Saudi Arabia enacted legislation requiring that 5% of its oil exports be shipped in Saudi ships, with 25%-50% expected by 1980. Algeria reserves 50% of its oil and LNG exports, and Venezuela's graduated cargo preference law will eventually reserve 50% of exported oil for Venezuelan ships. AMPTC, Kuwait, and Libya have indicated that their tankers would receive preferential treatment.

OPEC Tanker Fleets

	As of 1 January 1975			1980 Goal (Thousand DWT)
	Current Fleet (Thousand DWT)	On Order Thousand DWT	Cost (Million US \$)	
Total OPEC members	2,305	7,577	1,494	30,455
Arab producers	1,520	6,170	1,294	26,024
Kuwait	793	1,344	250	2,657
Iraq	269	1,781	400	4,350
Libya	263	754	184	1,467
Algeria	149	....	....	949
Saudi Arabia	27	80	16	4,132
United Arab Emirates	19	....	....	1,019
Abu Dhabi ¹	....	269	54	1,300
Arab Maritime Petroleum Transport Company	....	1,942	390	10,000 ²
United Arab Maritime Company	....	....	....	150
Other producers	785	1,407	200	4,431
Venezuela	420	335	67	1,000
Iran	183	860	100	2,331
Ecuador	100	72	5	250
Indonesia	82	140	28	350
Nigeria	....	....	....	500

1. Although part of the United Arab Emirates, Abu Dhabi plans a fleet of its own in addition to the UAE fleet.
2. By 1980-82.

DECLASSIFIED w/ portions exempted

AUTHORITY RAC NLF-PHF-4-9-1-4 9/9/01

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BY WJ NARA, DATE 11/18/09~~Secret~~

~~Secret~~

Producer Options and the World Tanker Market

The OPEC tanker fleet will represent less than 10% of the world tanker fleet and will be able to carry about 22% of its estimated exports by 1980. However, the methods by which OPEC obtains its tankers will have an impact on the world tanker market. If OPEC countries continue to order new tankers, the existing tanker glut will intensify and push tanker rates lower. As charter rates are currently at or below break-even costs, such a situation could force many tankers into layup and several hard-pressed tanker owners into bankruptcy.

OPEC could shift purchases to used tankers or to the acquisition of rights to tankers under construction. OPEC appears to be waiting for further declines in tanker prices before moving in this direction. OPEC members seem to be least interested in chartering tonnage from foreign owners, except as a short-term expedient. In fact, OPEC nations probably will choose to charter their tankers to foreign operators. Arab producers must also decide whether to continue to purchase VLCCs or switch to smaller crude oil and products tankers that can transit the Suez Canal when it is reopened.

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THE WHITE HOUSE

WASHINGTON

March 24, 1975

SECRET

(declassified when attachment removed)

MEMORANDUM FOR:

L. WILLIAM SEIDMAN

FROM:

JERRY H. JONES

The attached was returned in the President's outbox with the following notation:

-- This disturbs me.

Please follow-up with the appropriate action and return your response to this office for submission to the President. The attachment is from a CIA analysis paper submitted to the President by the NSC.

cc: Don Rumsfeld

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This was reviewed with President at a meeting on March 26 at 5:00 PM. FEA is making a special study in the area.