

A major stumbling block to the U.S. being included in the Saudis expanded sales program would be FEA rules to institute a price equalization program, balancing OPEC's two-tier prices of oil. This would make the mandatory policy of auditing the sales of cheaper Saudi crude impossible. France was recently considering the equalization plan, but latest reports indicate the French will hold off pending President Giscard d'Estaing's trip

to Riyadh, Jan. 23. The Saudis, who are funding a large French-contracted arms industry in Egypt, will no doubt convince Giscard to dispense with the plan.

*The New York Times* earlier in the week expressed the sentiment of the Aramco partners, stating that the Saudis are becoming too involved in the internal policies of the oil companies and the consuming countries.

## Arabs Move Ahead to Create Arab-European Tanker Fleet

An economic war has been launched by the Rockefeller-controlled oil companies to stop efforts by the Arab oil producing countries to build their own independent tanker fleet.

Running the Rockefeller operation against the Arab countries is Peter Douglas, a European shipping coordinator at Chase, who is issuing warnings to everyone who will listen that any tanker venture with the Arabs may lead to the danger of Arab "flag discrimination" in favor of the Arab-controlled ships, and even the possibility of oil blackmail against European states by the Arab countries.

However, the Arab oil-producing states have in the last few months made clear their intention to break the Wall Street-Seven Sisters hegemony over the transportation of oil to Europe. In a meeting of the Arab Finance Ministers which took place in Kuwait last Nov. 25, the Secretary and managing director of the Arab Maritime Petroleum Transport Company (AMPTC), Abdel-Rahman Sultan, accused the major oil companies and the established tanker industry of trying to "stifle the Arab tanker fleet in its birth." According to Sultan the AMPTC, which was established in 1974 by nine Arab countries with a fleet of six tankers, has become a major target of sabotage by the oil companies. "The major oil companies," he said, "have done nothing whatever to help us or put any business in our direction. Even when they go into market for charters they never let us know. In fact, we are being discriminated against." As a result, said Sultan, four of his company's tankers were laid up in different ports and the AMPTC is running a deficit. At the same time Sultan urged that the Arab shareholding governments ship at least 10 per cent of their crude in the AMPTC tankers, something that the majors are desperately trying to avoid.

According to Abdel-Aziz al-Sagar, chairman of the Kuwait Oil Tanker Company (KOTC), legislation giving preference to Arab tankers for Arab oil is inevitable, and a "must" to bypass the majors' control over the transporting of oil supplies to the European countries. KOTC announced two months ago that six of its tankers have

been chartered to the British oil company BP and to the Gulf oil company. In return, the two companies are going to obtain a preferential price for crude oil. The Libyan government has announced its intention to join with European tanker companies to build its own fleet. According to Libyan sources, Libya is also negotiating with a Swedish shipyard for a possible takeover of two supertankers now under construction which will be laid up on delivery.

### *Investments In The Tanker Industry*

The Arab countries, with the cooperation of European governments are pushing in the direction of rebuilding the depressed tanker industry. The Kuwaiti Shipping Company (KSC), 77 per cent state-owned, and the Kuwaiti Oil Tanker Company, 49 per cent state-owned, have decided to form a new shipping company called Middle East Gas and Petrochemicals in cooperation with two European concerns. The new company will export Kuwaiti gas and oil to European countries starting sometime around mid-year 1977. The Kuwaiti Investment Company, the biggest financial house in that country, has decided to take up 50 per cent of the shareholdings in the Greek Marship Corporation, one of the biggest tanker operations in Europe. KIC guaranteed a \$14.4 million loan and provided financial assistance for Marship earlier in 1976, when other shipping financiers decided to allow the Marship corporation to go under. As a result of their collaboration, KIC and Marship Corporation have placed new orders for heavy tankers in Japan worth up to \$66 million.

Saudi financiers in cooperation with the Saudi government are moving to build their own tanker industry. According to the London based Middle East magazine, the "Saudi-Europe" line shipping company, backed by the Saudi government, has been able to grow vigorously in the last two years and had substantial orders for new ships in different European countries. The same source placed reports that the European shipping millionaire Boris Vlasov has teamed up with the influential Saudi Pharaon, and the U.S.-based Philadelphia

IU International has reportedly tried to find a Saudi buyer for its shipping arm, GOTTAS-LARSEN.

The Vlasov-Pharaoh tied-up has resulted in two tankers and two cargo ships operating under the banner of the Arabian Maritime Transport Company, whose chairman, Dr. Ghaith Pharaoh, says that additional new oil tankers will be bought from Japanese and European shipping yards. At the same time Shaikh Fahd Muhammad Alireza, president of the Saudi Reza Investment Institution, has teamed up Manchester Liners of the United Kingdom in a joint shipping company, Marine Transport International, which has engaged 76 per cent of its transport operations in shipping oil to European capitals.

But the biggest boost to the Saudi shipping prospects has come with the deal between the Saudi Adnan Khashoggi's Triad Group and two Finnish lines and a Finnish shipyard to establish a joint dry-cargo-line and investigate ways of developing a Saudi shipping industry.

On the initiative of the Saudi government, four Persian Gulf countries have joined to form the United Arab Shipping Corporation, with a capital of \$600 million, which aims to have a fleet of 150 ships by 1985.

#### *New Tankers For New Pipelines and Terminals*

In a closely related development, the Arab oil producers have announced intentions to construct new

pipelines for the transportation of oil to new terminals, which will require investments to the tanker industry for the construction of modern tankers. According to a report published by the Terminal Operators, the independent shipping consulting arm of the British Eggar Forrester group, the recent actions of the Arab countries and the agreements they have reached among themselves make clear that the Arabs are moving in a direction that will lead to the scrapping of the fleets of the oil majors: they will demand that new tankers capable of carrying double the amount of tons be brought into the new terminals which will be ready to go into operation in the next two years. However, the same source notes, "the major oil companies with their vast investments in large tankers are preferring to rely on long sea movements over which, as regards both oil and ships, they can always retain control" and are doing everything in their power to prevent the adoption of new methods for the transportation of oil.

However, such opposition to the Arab plans will not last for long says the Terminal Operators report. Under the "New Arab Plans" the demand for the old tankers will be reduced and only the "Arab Capital" will be able, with the cooperation of the European and Japanese tanker industry, to provide quick transportation of oil to European capitals.

## Yamani: 'U.S. is Principally Interested in Raising the Price of Oil'

*The following excerpted interview with Sheikh Ahmed Zaki Yamani was given Dec. 14, 1977 when it was printed in the Lebanese magazine Events.*

**Q:** Which countries are interested in destroying this weapon (oil —ed.) or taking it over from us?

**Yamani:** The industrialised countries in general. More specifically, the United States. It is the country that is promoting the campaign against the Arab weapon.

**Q:** But there are those who say that Saudi Arabia is in collusion with the U.S. regarding oil prices, in opposition to countries such as Iran. Why be in league with the U.S. which is conspiring against our oil?

**Yamani:** This is nothing but street talk, all this talk about the U.S. wanting to decrease the price of oil, with Saudi Arabia in collusion. This is just laughable. The United States is principally interested now in raising the price of oil. This is for many reasons — the most important of which is that the U.S. gains economically every

time the price of oil is increased. It leads to more demand for dollars, which in turn improves the balance of payments. This is a simple and basic economic rule.

Furthermore, the U.S. established the International Energy Agency, and the principle of a rock bottom price for oil. This means that if the price of oil should fall below a certain level, the consumer countries will impose big enough taxes on it to guarantee continued investment in searching for an alternative energy source, whether nuclear, coal or solar power. They will always guarantee that they do not face any stiff competition from the cheaper source — oil. Through such methods, the consumer countries encourage research into non-oil sources of energy.

The real interest for the U.S. is in higher oil prices. I do not recall that Dr. Henry Kissinger ever raised the subject of oil prices with us, although he talks to us frequently. These are well known facts. Their whole interest is in raising the price of oil. This is a political decision in the first instance, then an economic one.