

The Management of OPEC's Financial Surpluses

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1. BACKGROUND

Since the first petroleum crisis in 1973-74 oil prices have risen considerably. One reason for this has been that oil consumers have been insensitive to price changes. In the short run it has been difficult to find any viable fuel alternative.

The substantial increase in oil prices during the seventies has led to prices rising to a level far above the variable costs for production and distribution. Consequently, large financial resources have accumulated in the hands of the producers. Some of these resources have been invested in the producing countries. There is much evidence, however, that substantial amounts have been placed in shares, bonds and bank deposits in Western Europe. Such transactions, either through the so-termed euro-markets or direct, have made available these capital resources to petroleum users as well as to others. This means that the price increases have resulted in an increase in the oil consumers' liabilities. Furthermore, these capital transactions have influenced the development of currency exchange rates.

The study described in this paper is part of a project looking simultaneously at investment and financial activities in the petroleum market. A main emphasis will be the management of

financial surpluses by each OPEC country from 1973 onwards.

The present study has four main parts - Sections 2-5. Section 2 is an analysis of how to measure central concepts like oil revenues, market shares, current accounts and cash surpluses for OPEC countries. Section 3 concerns the management of OPEC's cash surpluses. Here the focus will be on which of the OPEC countries have really been operating with surplus funds, and whether countries seem to have stable long-term investment strategies. Section 4 presents the organizations and policies those countries have adopted in order to obtain an efficient use of capital. Section 5 is a more detailed study of the deployment of the surpluses. Here available country statistics are used in order to study portfolio investments year by year since 1973. Finally Section 6 presents relevant conclusions and outlines some issues for the remainder of the project.

2. OIL REVENUES AND CASH SURPLUSES AVAILABLE FOR INVESTMENT

This section will be devoted to estimating the size of cash surpluses obtained in the ten years 1973-82. It will be shown how the amount of surplus differed between countries and over the years.

For most OPEC countries oil revenues make up more than 90% of their merchandise income. In order to estimate this income by year and by country two important sources are the International Financial Statistics (IFS) and the Balance of Payments Statistics (BPS), both provided by the International Monetary Fund (IMF).

The IFS presents on a regular basis the international transactions from petroleum exports. The following data are given:

Volume of Exports (index):

Petroleum	(72a) ¹
Crude Petroleum	(72aa)
Refined Petroleum	(72ab)

Export Prices (index of prices in \$):

Crude Petroleum	(76aad)
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Export Revenues (in local currency):

Petroleum	(70a)
Crude Petroleum	(70aa)
Refined Petroleum	(70ab)

Exchange Rates²:

Market Rate of Central

Rate end of year (ae)

Market Rate of Central

Rate as monthly average (af)

The export statistics are based mainly on customs records, which are adjusted for 30 days of credit. However, in many cases the trade credits are much longer than 30 days and the annual data on export revenues may be somewhat out of phase. This will also have an effect when converting petroleum revenues (denominated in US dollars) into local currency. Thus the use of monthly averages might be misleading in cases of substantial changes in exchange rates.

The BPS gives all statistics in SDR (Special Drawing Rights from the IMF). In most cases it is possible to sort out the oil revenues, ie the export value of crude oil and oil sector products. As oil revenues are converted from US\$ to SDR by using the specified conversion rates, it is easy to obtain the revenues in US\$. These statistics should then be equivalent to the ones obtained from IFS. Unfortunately, there are

discrepancies between BPS and IFS, which are especially noticeable in the case of Saudi Arabia.

Table 1 gives an overall view of different estimates of oil revenues for the OPEC countries. As can be seen there are substantial variations between the estimates. There are several explanations for this.

First, different sources may use different definitions of "the OPEC countries". Thus the label "Oil-exporting countries" is used by IMF to cover OPEC plus Oman but not Ecuador and Gabon, while OECD uses it for OPEC plus Oman.

Secondly, there seem to be at least two different ways of estimating oil earnings. One is to follow customs records on the quantity of oil exported, and multiply them by estimated prices. This leaves great uncertainty in terms of prices and discounts applied. The alternative is to follow the balance-of-payments reports, from which one may obtain the oil delivered and thus accrued for payment. However, there is then a problem in producing a yearly breakdown of oil revenues, as payments received for oil exports may be for deliveries made several months earlier - or in the previous year.

Thirdly, there is doubt over the accuracy of available statistics. One cannot be absolutely certain that customs records will include all deliveries in all OPEC countries. The assumed price level might be quite different from the actual level after allowing for delivery charges, discounts, etc.

Table 2 gives OPEC's breakdown of oil revenues by country. Here it becomes obvious that the available statistics

have a great many "holes", which have been filled through "direct communication to the secretariat". For example, Kuwait presented no official information on balance of payments before 1975; and Iran and Iraq have not delivered any such statistics since 1977. Finally, data for Qatar and the United Arab Emirates are incomplete. However, in spite of these inconsistencies the available data indicate general trends. Thus, oil revenues increased substantially in 1974 and in 1979-80 as an effect of the two well-known "price adjustments", but in both cases revenues decreased in subsequent years. This can be seen as a "time lag" in consumer reactions. In economic terms this means that short-run price elasticities are small but long-run ones more noticeable.

Another interesting aspect is the change in each country's share of total OPEC oil revenues. Table 3 indicates that in spite of large changes in oil revenues over time for OPEC as a whole, market shares stayed almost constant for half the countries, such as Algeria, Ecuador, Gabon, Indonesia, Nigeria, Qatar, UAE and to some extent Venezuela (after 1974). This also means that when Kuwait and Libya deliberately reduced their share (in order to save oil for the future), and when Iran and Iraq had to adjust their production to the war situation, Saudi Arabia took over their shares.

The statistics presented on oil revenues (Table 1) give a first indication of the change in wealth for OPEC countries since 1973. When these revenues started to increase so rapidly

there was fear that:

- a) they could not be "absorbed" by the OPEC countries;
- b) they could not be handled and utilised ("placed") by the international financial market.

There is strong evidence that both these fears were groundless. The international banking system has adjusted well to the inflow of funds from OPEC. And a large part of the surplus has already been used up by the countries concerned. "High absorbers" like Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Nigeria and Venezuela have almost no financial assets available now. Rather, some of them are now borrowing substantial amounts of capital on the international financial market.

More relevant fears are that:

- c) many of the domestic investments that have been made, have not been and still are not profitable enough;
- d) some investments that have been made in foreign assets do not earn sufficient return and are not protected from risks such as currency changes or default.

If these fears are correct there is a need for research and re-assessment in the area of finance, both on a country basis and from the point of view of individual organisations.

The amount of surplus available for investment in real and financial assets may be derived from oil revenues by adding (subtracting), then aggregates. First of all, one has to consider that the OPEC countries do have exports other than oil (even if small quantities). Secondly, oil and other revenues are partly spent on merchandise and service imports, for both domestic consumption and domestic (real) investment. Finally one

should add the net amounts of income from foreign investments, private transfers and official transfers to obtain the current surplus account available for foreign investment.

Table 4 gives an estimate of the total OPEC current account surplus measured in US\$. Even if there are substantial differences between the estimates, the trend is quite clear. The price adjustments of the years 1973/74 and 1979/80 gave immediate results in terms of current account surpluses. However, the oil market soon proved to be sensitive to price, and the oil revenues did not grow as fast as imports of goods and services. Consequently, when in 1978 and in 1982 the oil consumers had adjusted themselves to the price increases, the current account surplus for OPEC as a whole went down to a very low level.

The reason for the variation in the estimates in Table 4 may be the result of several factors, such as:

- a) Differences in geographical coverage mentioned earlier.
- b) Some sources, like Amuzegar (1983) and Fabritius Petersen (1982), use current accounts before public transfers, others after.

Table 5 gives the current accounts for each of the OPEC countries over the period 1973-82. The data are based on the balance-of-payments statistics provided by IMF. However, that source gives no information on Kuwait before 1975 or on Iran and Iraq after 1977, which is why some other estimates have been introduced.

The current account by country demonstrates that it is just a few "low absorbing" countries - mainly Kuwait, Qatar, Saudi Arabia and UAE - that by 1982 had not used up the surpluses

generated earlier.

In order to estimate the resources available for foreign investment one has to adjust the current account surplus for changes in accounts receivable from oil exports, in net direct investment of foreign-owned oil companies and in total net increase in external liabilities for the public and private sectors (including banks). The residuals will then be called the cash surplus available for disposition. Table 6 gives an overall view of different estimates of this cash surplus.

3. THE MANAGEMENT OF OPEC'S CASH SURPLUS

The OPEC cash surplus has had two main peaks - one in 1973-74 and the other in 1979-80. Both came as a result of major oil price increases. And both resulted in a subsequent decline in demand, followed by a reduction in the amount of surplus generated.

Most studies concerning the management of cash surpluses have analysed the behaviour of OPEC or the Oil Exporting Countries (OEC) as a whole.³ With such an approach it may be possible to trace general tendencies like the volumes set aside for real and financial investments, or the fractions spent on long-term versus short-term investments. However, it might be difficult to analyse whether a portfolio of different kinds of securities has been chosen in an efficient way. It may well be that some investors (eg public authorities in some countries) have more sophisticated investment policies than others.

This section will focus on the difference in investment policy between countries. One purpose is to trace the path of the surpluses from the OPEC countries through the banking system into either short-term deposits or long-term placements. Another purpose is to see whether some countries more than others, are working towards long-term financial objectives.

In the **first oil price escalation period** of 1973-74 the main financial surpluses of the OPEC group arose in Iran and Saudi Arabia. At that time most OPEC countries were "low absorbers". This meant that the surplus funds could not be put into immediate domestic use, but had to be placed on the international capital market.

Of the cash surpluses in those years (see Table 6) about half was placed in bank accounts in Western Europe. A substantial part of these were Euro-accounts, which meant they could be handled without major restrictions.

In the **first oil market adjustment period** of 1975-78 the total OPEC surplus decreased as a result of reduced oil revenues and accelerated spending on domestic consumption and investments. The financial surplus fell, and was transformed into a deficit by 1978. However, this process mainly affected short-term deposits, and hit the "smaller" OPEC countries hardest. "High absorbers" such as Algeria, Ecuador, Gabon, Indonesia, Nigeria and Venezuela all ran into deficit by the end of that period.

The **second oil price escalation period** came in 1979-80 as a result of a sudden increase in cash surpluses available for foreign investment. In this period the major part of the surplus went into bank deposits. Some high absorbers like Algeria and Ecuador still had current account deficits, while others like Gabon and Indonesia now went into surplus. However, the major part of the surpluses accrued to the low absorbers.

The subsequent **second oil market adjustment period** from 1981 onwards has resulted in a substantial decline in world oil consumption, with the OPEC countries coming worst, losing almost 25% of their market. This time, not only the high absorbing countries but also the middle-tier ones were, and will continue to be hit by substantial deficits in current account. Furthermore, the reduction will not only be in short-term deposits but also in certain long-term placements, other than those in the US.

Given this background on the development of financial surpluses in the OPEC countries, certain characteristics seem worth noting. It seems highly probable that:

- a) The high absorbers used only the short-term placement facilities of the international financial markets. This was because their main effort went into increasing domestic spending, while foreign financial facilities seem to have been used only for the purpose of storing liquidity.
- b) Middle-tier absorbers like Iran, Iraq and Libya tended to use longer term placement facilities, such as Western government securities.
- c) Low absorbers like Kuwait, Qatar, Saudi Arabia and the UAE are the ones that placed most of their surplus in longer-term investments like equities and shares.

One way of verifying these assumptions is to analyse further the balance-of-payments (BOP) statistics made available by the IMF. A first approach would be to separate for each country the amount of the current account surplus spent on long-term investments (such as equities and shares) and on short-term placements (such as bank deposits and bonds). One way of doing

so is to distinguish out the following two large aggregates in the BOP statistics: Direct investment and other long-term capital (B); Other short-term capital (C). These two groups comprise a substantial proportion of the use of current account surpluses (or of the financing of current account deficits). However, there are still some residuals like monetization of gold and allocation of SDRs (E), exceptional financing (F), liabilities constituting foreign authorities resources (G), changes in reserves as in monetary gold, SDRs, etc (H) and finally net errors and omissions (D).⁴

The long-term investment capital (B) and the short-term one (C) are given country by country in Tables 7 and 8. However, it should be noted that no detailed information is available for Qatar and the UAE as a whole, for Iran and Iraq after 1977, or for Kuwait before 1975.

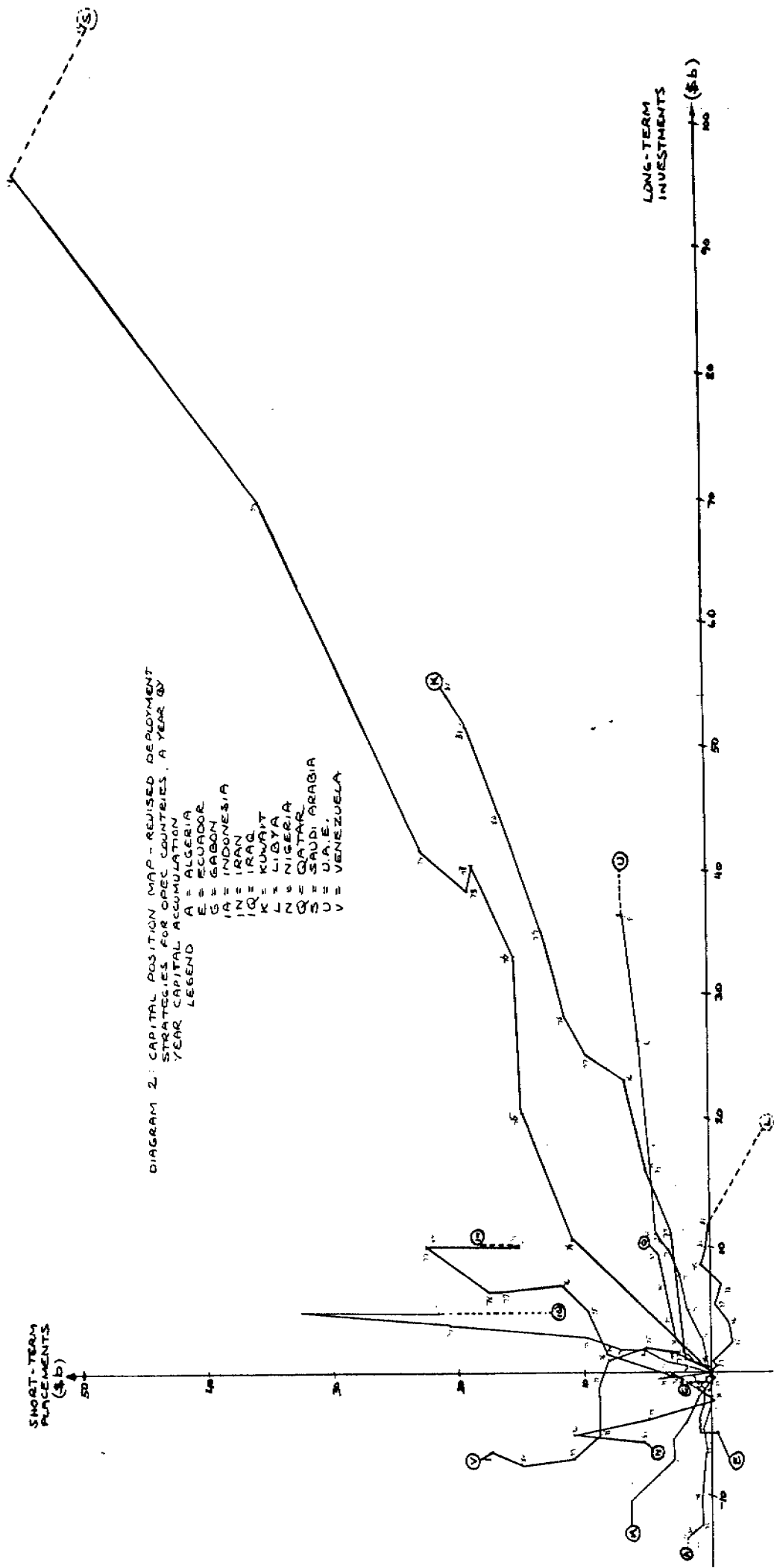
These two tables give a first indication of the development of the OPEC countries' financial surpluses. The picture will become even clearer when the long-term and short-term capital outlays are accumulated year by year, and plotted into annual steps on a two-dimensional capital position map (see Figure 1). On this map the long-term capital expenditures are set along the X-axis and the short-term along the Y-axis. To be consistent, borrowing strategies are set out on the negative axes.

Diagram 1 misleadingly indicates a substantial difference in investment policy between Kuwait and Saudi Arabia, both being low absorbing countries. With the exception of the

years 1975-78, Saudi Arabia seems to have followed a policy of splitting up the surpluses with 75% on long-term and 25% on short-term, while Kuwait seems to have followed the opposite strategy of spending less than 10% on long-term alternatives.⁵ We shall see in the following section that this is the incorrect. Middle-tier absorbers (Iran, Iraq and Libya) seem to have followed quite different paths. Iran and Iraq placed a larger part of the surplus in short-term instruments, while Libya seems to have been spending 100% in long-term ones and even been borrowing in the short-term.

High absorbers (Algeria, Ecuador, Gabon, Indonesia, Nigeria and Venezuela) all seem to have had a tendency to borrow long, and in some case (Indonesia and Venezuela) even place short.

Overall, Figure 1 seems to confirm the assumption that high absorbers have no part at all in long-term placements such as UK and US government securities, portfolio investments in shares, direct loans, direct investments, etc. One can also assume that Iran and Iraq have to a large extent withdrawn their long-term placements since the war started (as mentioned above, no detailed statistics have been available since 1978). If all this is true, the long-term placements of OPEC surpluses are mainly controlled by five countries, namely Kuwait, Libya, Qatar, Saudi Arabia and the UAE. The next section will be devoted to a more detailed study of how these five countries have managed their long-term investments.



4. THE MANAGEMENT OF LONG-TERM FINANCIAL INVESTMENTS IN FIVE OPEC COUNTRIES

Available statistics from the IMF indicate that, of the OPEC countries Saudi Arabia is the outstanding long-term investor. During the time period 1973-81, Saudi Arabia placed close to \$75b in long-term assets, compared to Libya's \$11b and Kuwait's \$3b (see Table 7). This section will try to find the reality behind these numbers by analysing the financial management of Kuwait, Libya, Qatar, Saudi Arabia and the UAE.

Kuwait's financial policy seems to have emphasised liquidity to an extreme extent, if we were to believe the BOP statistics. According to Table 8, which covers the period 1973-82, the long-term investment is a mere \$3b while short-term placements amount to more than \$50b. However, the following published information on Kuwait's investment activities gives a totally different picture.

Under an agreement with Britain after the Second World War, investments made by Kuwait's official sector are exempt from taxation. Therefore, London became a centre for placements of the Kuwaiti surplus. The Kuwait Investment Board was established in London in 1952 in order to handle government investments in the money market, bonds and equities, (see Khouja & Sadler, 1979,

p196). After Independence in 1961, new investment organisations were formed, like the Kuwait Investment Company (KIC) in 1962 and the Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC) in 1964 (85% and 50% owned by the government respectively). Together with the privately owned Kuwait International Investment Company (KIIC) they form the "three K's", which in 1974 built up a substantial part of the world's credit securities. In 1975 these organisations managed or co-managed 48 bond issues worth more than \$1b (see Khouja & Sadler, 1979, p205).

In 1974 the Kuwait government policy changed and a more sophisticated portfolio was established. Long-term financial investments were supposed to consist of 60% in equities, industry and real estate, and 40% in bonds (Khouja & Sadler, 1979, p200). They were to be managed by the Ministry of Finance, but to be channeled partly through Kuwait's Investment Office (KIO). The investments in shares were to be spread, mainly between the seventy-five best companies of the New York Stock Exchange, so as to entail little risk, a reasonable annual income and a sufficient appreciation of capital.

Two-thirds of Kuwait's long-term investments are estimated to be in the United States. It has been reported that Morgan Stanley is managing a portfolio of \$6b in shares in the United States. In addition to this Kuwait has bought real estate in Washington DC, Atlanta, Houston, South Carolina, etc (see Askari, Jalal & Sheshunoff, p82).

In the United Kingdom, the government has spent about

\$1.2b in shares, \$0.5b in real estate and \$4b in long-term securities. Furthermore, substantial investments have been made in France (eg \$100m in Tour Manhattan), in Germany (eg in Daimler-Benz, in Korfstahl and in Metallgesellschaft), etc.

It is obvious that Kuwait has invested in long-term assets in Western Europe and in the US for a least \$15-20b over the last ten years. The figures that are reported to the IMF only cover \$3b, which is probably only the amount spent on aid to developing countries (see Table 7). On the other hand the reported statistics indicate that more than \$50b is placed in the form of short-term assets. This leads to the conclusion that transfers into short-term deposits like bank deposits, bonds and notes are mostly reported, as well as transfers from bank deposits. However, sales of short-term assets like treasury bills and subsequent purchase of long-term assets like stocks and real estate seems to go unrecorded. Furthermore, no reports are given on reinvested earnings or direct investments (see Balance of Payments Statistics). Consequently, the available statistics have to be revised.

Libya is said to have accumulated about \$10b during the period 1973-80. Some of this money (about \$1b) seems to have gone into repayments on loans taken out before this period or to instalments on other liabilities. Furthermore, a substantial part of this surplus was devoted to "loans extended" (\$0.9b) or "other assets" (\$2b). In addition to this, a large amount (about \$2.4b) concerns "disinvestments" in Libya. This term is not sufficiently explained, but refers partly to compensation paid by

the Libyan Government when the nationalising oil producing enterprises. Very little capital seems to have been placed either in portfolio investments or in direct investments.

Certain investment projects were reported. In December 1976, the Libyan Arab Foreign Bank (LAFB) bought a 9.5% share in Fiat of Italy for \$207m in bonds (see Waddams, 1980, p301). There have also been large investments in real estate in Malta, Sicily, Italy and especially on the island Pantelleria (see Wright, 1981, p271). All these projects are probably included under "loans extended" or "other assets".

Qatar is not included in the balance-of-payments statistics. However, the Qatar Monetary Agency does deliver similar data to the IMF on a confidential basis.

Qatar's foreign investments are made by the Qatar Investment Board (QIB). This Board operates through ten funds, two in the US, two in Switzerland, one each in Germany, France, Britain and Canada and two in Japan, (Askari etc, p90). Direct and real estate investments are handled by the Qatar Finance Ministry.

Qatar has invested \$120m in CDF Chemie in Dunkirk, France and also in development property on the Champs Elysees in Paris. There is some evidence that Qatar intends to keep a portfolio based on short-run objectives.

A reasonable assumption, based on Table 5, is that Qatar may have spent about \$6-8b in short-term and long-term investments up to 1980.

Saudi Arabia seems to have spent about \$90b in long-term assets and about \$35b in short-term assets up to 1981. About 90% of the long-term assets are reported as portfolio investments channeled through the Saudi Arabian Monetary Agency (SAMA). The remaining 10% covers repayments on loans extended by the US Export-Import Bank to the Saudi Arabian Corporation, accrued taxes and royalties payable to Saudi Arabia and foreign exchange held as cover for the issuance of domestic currency.

SAMA's objectives for the management of surplus funds are "liquidity, short-term accessibility, and safety" (see Askari, etc, p74). Probably the safety aspect is the most important, and existing information identifies SAMA's operating policy as being "extremely risk-adverse".

SAMA has placed a large part of its surplus in treasury bills and notes as well as in US federal agency obligations. Furthermore, a substantial amount (about \$5b) of US bonds and shares has been bought directly from the market. In addition, private placements are made in the US markets.

The following (see Askari, etc, pp76-79) can be used as examples of SAMA's operating policy. From 1975 onwards, American Telephone & Telegraph (AT&T) borrowed about \$650m on a six year basis at an interest rate of around 8%. US Steel obtained \$250m, General Motors Acceptance Corporation \$250m, IBM \$300m (seven-year notes and 10.8% interest), etc.

SAMA has also been operating outside the US. In 1980, it bought short-term promissory notes from West Germany for DM5.2b and in the same year it made an agreement to buy up to

\$2.4b of Japanese government bonds annually. It has given one loan for \$50m to Imperial Chemical Industries (UK) and another one for Yen 50m to Japan's Komatsu Construction.

Nowadays Sama's short-term operations are performed through about 85 major banks. The investments are managed by a very small staff in cooperation with managers of some large banks.

The United Arab Emirates (UAE) do not provide BPS with data, but their Central Bank does supply confidential information to the IMF on their balance-of-payments. However, available statistics (see Table 5) indicate that the UAE had accumulated about \$30-35b in surplus funds by 1980.

Most of these surplus funds are managed by the Abu Dhabi Investment Authority (ADIA) and its two subsidiaries, the Abu Dhabi Investment Company (ADIC), and the National Bank of Abu Dhabi (NBAD).

ADIA's objectives for investments seem to be long-term security and a reasonable yield. Most of the capital is spent on bonds, shares and direct placements (see Askari, etc, pp85-89). ADIA holds shares in US airlines, utilities, banks, oil companies, etc. ADIC's major activity is the management of new bond issues, loans and project financing. It has managed loans to the National Bank of Hungary (\$100m), to Crediop, Italy (\$175m), to Electricite de France (\$600m), to Fepasa-Ferroria Paulista, Brazil (\$150m), to Hydro-Quebec, Canada (\$1250m) and to Svenska Varv, Sweden (\$200m). It has also managed new issues (bonds or CDs) eg to TVO Power Company (Finland), Mitsubishi

Bank (Japan), European Investment Bank, Danish Export Finance and the Kingdom of Norway. The total assets of ADIC were over \$500m in 1980.

NBAD, finally, work mainly with short-term placements in the Euromarkets. Its assets were over \$3.5b in 1981.

In conclusion, most of the UAE's cash surplus seems to be placed in long-term assets. Their objectives in operating the surplus seem to be less sophisticated than those of the other "low absorbers".

Given this background analysis for Kuwait, Libya, Qatar, Saudi Arabia and the UAE, it is obviously necessary to revise the data on short-term placements and long-term investments. Reasonable assumptions might be that:

- a) **Kuwait** has accumulated no more than \$2b per year on their bank deposits since 1973.
- b) **Qatar** has accumulated about \$0.5b/year in short-term deposits since 1973.
- c) The **UAE** have assigned about \$1b/year for short-term deposits.
- d) **Iran** and **Iraq** have only placed a minor part of their surplus in long-term investments since 1978.

Thus the actual investment strategies (the balance between short-term and long-term placements) may not correspond to Diagram 1. These aspects will be treated in the next section.

Some final comments should be made on available statistics. First of all, the data gives a picture of the amount of capital invested in long-term or short-term alternatives. The current market values of these placements are not reflected in these numbers and in some cases reinvestment of interest gains

are not included.

Secondly, some of these numbers might be too optimistic. In the case of Iran, it is doubtful if any capital placed outside the country by the former Shah is available to the present regime. It might well be that by 1981 Iran was already running out of long-term and short-term assets. For Dubai (UAE) it is difficult to distinguish the private belongings of the ruler from the funds available to the country. Furthermore, the numbers used for Iraq and for Libya might be too high, as both countries probably spent substantial amounts of their cash surpluses on their armies. This indicates that the available statistics include substantial uncertainties.

5. THE DEPLOYMENT OF OPEC SURPLUSES

The Bank of England has analysed over many years the deployment of the financial surpluses obtained by oil-exporting countries (OEC). In this group the Bank includes not only the thirteen OPEC countries but also Trinidad, Tobago, Bahrain, Brunei and Oman. As these non-OPEC countries are rather small exporters, the difference between OEC and OPEC will only be marginal when analysing the management of OPEC's financial surpluses. However, one observation might be essential. When trying to trace short-term financial flow one has to exclude the substantial amount of capital that is transferred through the off-shore financial market of Bahrain.

The Bank of England's deployment studies are based both on IMF statistics for the supply of financial surpluses, and on information from central banks in other countries, as well as from the Bank for International Settlements for the actual change in levels of bank deposits. These statistics, published regularly (see Bank of England, Quarterly Bulletin, various issues), are summarised in Table 9.

The deployment statistics show that the OEC have used the Euro-markets extensively. A normal route seems to be to place liquidity on such accounts for a limited amount of time

before the final destinations of the surpluses have been decided. In the late seventies, however, when the surpluses had been concentrated in a few low absorbing countries with already high liquidity, there was a tendency to use more long-term investment alternatives. A high proportion of these placements were made in the United States. The Bank of England statistics do not provide a base for a break-down by the different countries of origin. One way of doing this would be to start from the capital accounts statistics (Tables 7 and 8) and revise them for (a) foreign exchange assets in terms of bank deposits, treasury bills and government securities, and (b) credits given for oil exports.⁶ Changes in foreign exchange assets are reported in the BPS (see Table 10).

The effects of trade credits are estimated for OEC as a whole by the Bank (Bank of England, Quarterly Bulletin). It seems reasonable to break down this effect by country in proportion to their annual oil revenues (see Table 1). These procedures result in the revised table of short-term capital placements (Table 11). This revised table also includes estimates for the missing numbers in Table 8, as well as a revision of Kuwait's numbers on short-term placements. The assumptions behind these operations are as follows:

- a) Kuwait is assumed to have placed no more than \$2b/year in short-term assets. The rest of its annual surplus is then transferred to long-term investments.

- b) Qatar is estimated to have placed approximately \$0.5b/year in short-term assets, except for the 1973 and 1977 when the surplus was not sufficient. The rest of its cash surplus is then found in long-term investments.
- c) The UAE can be expected to have placed no more than \$1b/year in short-term assets (except for the year of 1973).
- d) Iran is assumed to have halted its long-term investments since 1977 (except for the surplus year of 1979). From 1980 onwards it is assumed to have substantially reduced its short-term deposits. Also observe that the exclusion in Table 10 of \$1b IBRD bonds means that they have to be included in the revision of long-term assets (Table 3).
- e) Iraq is assumed to have placed only a limited amount (\$1b/year) in long-term assets in 1978-1980. After that period the current account surplus went into deficit.

It is obvious that all these assumptions are rather arbitrary. Furthermore, the data used are somewhat unreliable, as certain countries may have chosen to attribute certain investments to one statistical concept and other countries to a different one. Consequently, the revised tables can only be used in order to get a rough impression of the magnitude of short-term and long-term placements.

In order to revise the figures on long-term assets, one has to account for reserves held in the form of monetary gold, SDR's and reserve positions with IMF. (Observe that this way of splitting up reserves between short-term and long-term positions may seem to be rather arbitrary. However, the principle has been to let short-term placements comprise bank deposits, treasury bills and government securities). These numbers, estimated in Table 12, will then lead to the revision presented in Table 13.

Tables 11 and 13 also include a comparison with the Bank of England estimates for the deployment of surpluses from the oil-exporting countries (OEC). The time series of short-term deposits doubt seem to be too different in level and in structure. On the other hand, a comparison of the estimated long-term investments with the Bank of England data for the deployment of the OEC longer term surpluses, demonstrates that the aggregated country estimates are sometimes too small. This especially seems to be the case for 1977 and 1978, indicating that the available data are incomplete. An obvious reason might be that some investment yields were reinvested without being reported to the IMF.

For 1982, the situation is still unclear. Short-term capital has been reduced substantially for OPEC as a whole and the long-term investments seems to be back at the level of 1978. Data from BIS indicate that the middle-tier absorbers (Iran, Iraq, and Libya) had a reduction of \$10.5 and the low-absorbers of \$3b on the net amount of funds kept in Western reporting banks. When comparing these numbers with those presented in

Table 13, the impression is that in 1982 the four low absorbers together with Libya invested more than \$25 billion in foreign long-term assets. About half of this amount must have originated in Saudi Arabia. However, an interesting feature for this year is that more than half of this investment activity must have been financed from the capital market, while only a minor part of it came from oil revenues and current account surpluses.

Bearing in mind these weaknesses in the data, it might still be relevant to compare the statistics on country-by-country placements and on the choice between different alternatives for placement. In general, deployment has followed these principles (see Bank of England Quarterly Bulletin, June 1980, pp158-159):

a) The first oil price escalation period (1973-74) resulted in a high concentration of financial investments in bank deposits together with short-term government securities. The above analysis demonstrates that the bulk of these bank deposits were made by Iran, Nigeria and Saudi Arabia. Most of the government securities and longer-term financial investments in developing countries must have originated from Kuwait and Saudi Arabia. On the liabilities side there were substantial drawings on loan by Algeria, Ecuador, Gabon and Indonesia.

b) The first oil market adjustment period (1975-78) led to a greater tendency to place capital in US treasury bonds and notes as well as in other financial investments (bonds, shares, etc). These longer-term placements were made mainly by Iran, Kuwait, Libya, Saudi Arabia and the UAE. At the same time

Algeria, Ecuador, Gabon, Indonesia, Nigeria and Venezuela were drawing heavily on long-term loans. The short-term deposits came from Iran, Iraq, Kuwait, Qatar, Saudi Arabia and the UAE and were placed mainly on the Euromarket or in deposits outside the US or UK. During this period Nigeria reduced its deposits substantially in terms of foreign exchange assets.

c) The second oil price escalation period (1979-80) generated a sudden flow of capital into short-term bank deposits. One factor behind this choice was the large increase in interest rates as a result of the demand for finance from oil-consuming countries.

This capital flow can be traced to countries with a need for liquidity like Iran, Iraq, Libya and Nigeria but also from more sophisticated "portfolio managers" like Kuwait, Qatar, Saudi Arabia and the UAE. For these latter countries liquidity seems to be only one part of a now highly sophisticated strategy. The behaviour of Venezuela is more difficult to explain. In this period it started a strategy of borrowing long and placing short (evidently by different entities).

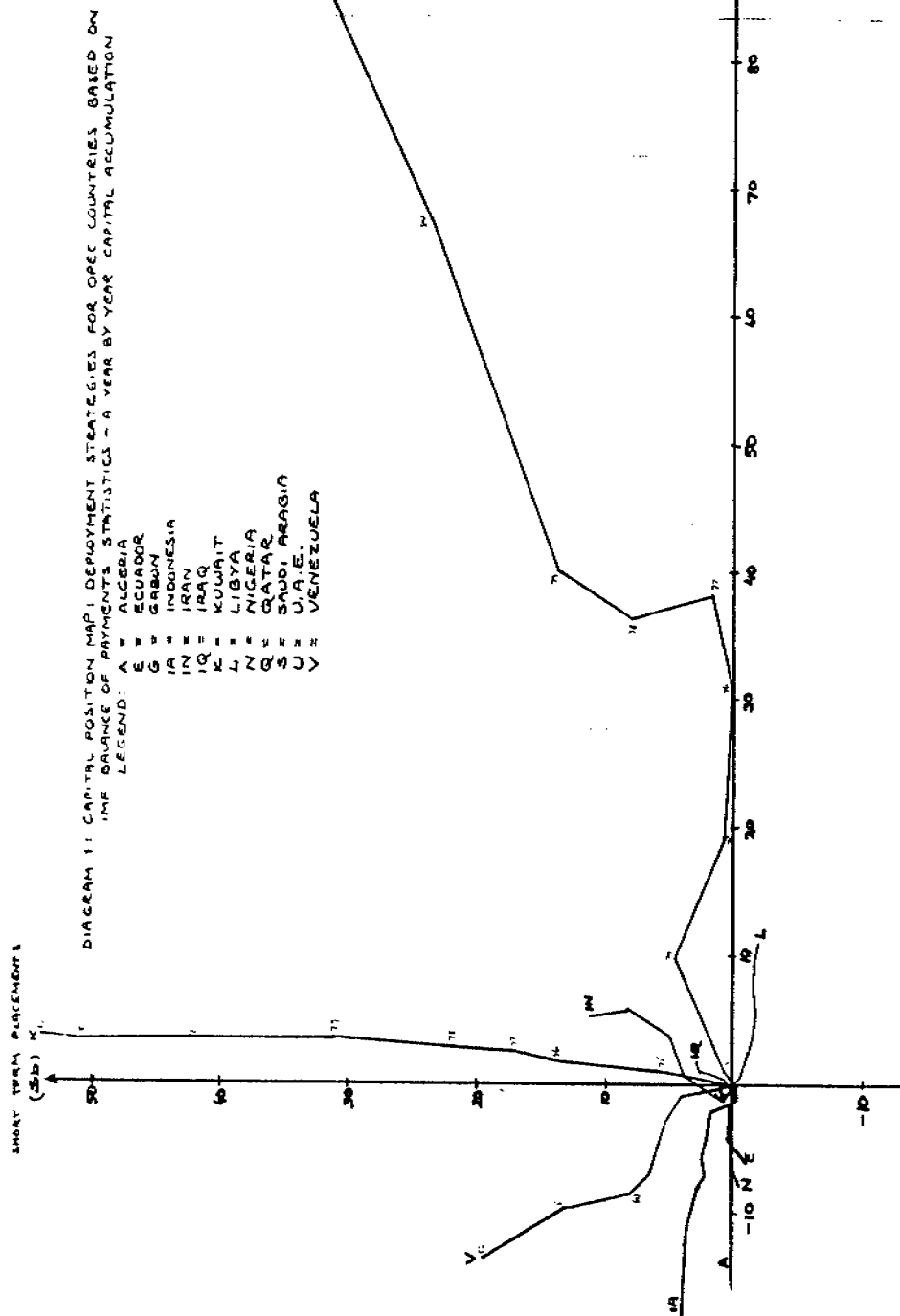
While these large scale deposits flooded into the Euromarket to an unprecedented extent, the low absorbers (Kuwait, Qatar, Saudi Arabia and UAE) as well as Libya continued to place large amounts of capital on the long-term capital markets. Some of these placements went into US treasury bonds and notes, but it is quite clear that most went into portfolio investments (in bonds, shares, estates, etc) monitored by SAMA, the three K's, QIB, ADIA, etc.

d) The second oil market adjustment period (1981-) may seem to have had very limited effect on the short-term capital market, as the net amount entered by the OPEC countries ended up at about \$2-3b. This number is somewhat misleading however - never before had there been such rapid change. At the same time as Saudi Arabia, in 1981, must have increased its bank deposits by about \$20b, Iran, Iraq and Nigeria reduced theirs by at least \$22b. These activities must have had considerable consequences for international financial markets, in terms of a need for a considerable number of inter-bank transfers. Some indications of this can be found in the fact that for 1981 the Bank for International Settlements reported an increase of about \$8b in euro-deposits and at the same time a decrease of about \$7b in other bank deposits. Similar tendencies can be obtained from the break down into external positions of banks in the BIS report area. During the first six months of 1981, Kuwait, Qatar, Saudi Arabia and the UAE increased their net positions in these banks alone by about \$8b, while at the same time "high absorbers" including Iran and Iraq reduced their net position by about \$5.4b. In addition, there were substantial amounts of liquidity held in terms of foreign exchange assets (see Table 10).⁷

Long-term deposits during this period seem to be completely dominated by the four low-absorbing countries, which invested around \$46b in 1981. These investments seem to have included about \$8b in US treasury bills, \$5b in US shares, estates, etc, \$19b in investments outside the UK and US, and \$7b in developing countries.

This country-by-country description of OPEC placement activities since 1973 seems to give quite a different picture to that obtained from studies of OPEC as a whole. The development of the four low-absorbers has resulted in OPEC today consisting of four professional portfolio managing countries, and nine others more or less living on liquidity positions or long-term loans, and adjusting their consumption to what the oil of today can provide.

Figure 2 gives a revised version of the capital position map shown in Figure 1. Here all OPEC countries are included on the basis of the more detailed estimates given above.⁸ It illustrates clearly the idea of four countries standing out from the rest, each with a portfolio based on more or less liquidity (15-30%), mainly held in US dollars. The market value of these four portfolios is difficult to estimate, but it is obviously far above the accumulative amount of about \$250b that (up to 1981) was deployed into them.



6. CONCLUSION

This study is about the management of foreign assets and liabilities held by each OPEC country over the time period 1973-1982. It starts (in Section 2) with a presentation of different estimates of these economic entities on the basis of international financial statistics. A special emphasis is given to the methods for obtaining such country by country statistics starting from 1973. It is quite clear that there are large "holes" in the statistics, especially for countries like Iran and Iraq (since the war started), for Kuwait (before 1975) and for Qatar and the UAE (which prefer to keep their balance-of-payments confidential).

The third section of this study concerns the time-phasing of surpluses (and deficits) for individual OPEC countries. It shows that "high-absorbers" like Algeria, Ecuador, Gabon, Indonesia, Nigeria and Venezuela had only short periods of surplus. Their use of the international financial market has been purely as a means for handling liquidity. Periods of deficit have dominated, leading to substantial borrowing activities.

For "middle-tier" absorbers like Iran, Iraq and Libya there was a long period of surplus, which has been substantially

reduced in the last two or three years. A larger amount of their capital seems to have been placed in long-term investment alternatives like loans and bonds. The "low absorbers", Kuwait, Qatar, Saudi Arabia and the UAE, were expected to be the countries that had the most organised forms of portfolio management.

Section 4 concentrates on those OPEC countries that were found to dominate almost completely the long-term financial investments of OPEC. This analysis gave both an overview of the organisational network for managing those investments and a basis for revising and complementing the IMF data on short and long-term placements.

The fifth section of this study concerns the actual methods of deployment of surpluses, based on the Bank of England's regular analysis of where the OPEC surpluses have gone. Using this source it is possible to provide a country-by-country breakdown. It is then evident that from the financial view-point the most interesting period is that of the second oil market adjustment, starting around 1981 and still continuing. During this period there have been very rapid changes in surpluses and deficits. Most OPEC countries have become poorer, but the low absorbers have probably become richer. And their prosperity may be based on an efficient portfolio management, where the market value of their wealth seems to be far above the original amount of capital spent on their securities.

The different portfolio management policies are partly illustrated in the two diagrams. Based upon the IMF Balance of

Payments Statistics, the first one illustrates how individual OPEC countries change the amount and combination of their short-term bank deposits, bills and bonds year by year and their longer-term placements (in shares, estates or loans). In the second diagram there are several revisions based upon information other than the Balance-of-Payments Statistics. This gives a more complete picture of the different paths chosen by individual OPEC countries. From this picture it becomes clear how outstanding the four low-absorbers seem to be in terms of policies for wealth and risk-aversion. For further research in this area it would therefore be important to study in more detail how efficient the different approaches to long-term policies are. It also seems essential to analyse what effects these countries have on the operation of the international financial market.

TABLE 1 : OIL REVENUES (\$b)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Chase Manhattan ¹	-	-	98	119	131	124	-	-	-	-	-
Morgan Guaranty ²	-	106	99	122	135	127	-	-	255	205	228
OECD ³	-	116	107	133	145	145	212	302	283	242	-
OPEC ⁴	35	113	107	127	138	133	198	278	256	201	-
Petroleum Economist ⁵	-	91	-	-	124	116	195	275	-	-	-
Shell ⁶	-	95	95	116	129	116	188	275	255	200	-
IMF ⁷	35	112	104	126	139	134	198	280	257	197	158
UBS ⁸	-	116	107	130	144	138	213	-	-	-	-

1. Financial Times, September 20, 1979
2. See Int. Herald Tribune, June 26, 1979 and World Financial Markets, September 1982
3. Financial Market Trends & Economic Outlook
4. OPEC Annual Statistical Bulletin
5. Petroleum Economist, June 1982, pp225-6
6. Royal Dutch/Shell Information Handbooks, London (various years) (export crude oil and products)
7. World Economic Outlook, International Monetary Fund, 1983 & 1984
8. The Challenge of Recycling Petrodollars, UBS, Volume 72

TABLE 2 : OIL REVENUES - BY COUNTRY (\$b)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Algeria	1.52	4.27	4.30	4.84	5.68	5.90	8.61	12.51	12.57	9.82	-
Ecuador	0.19	0.53	0.52	0.57	0.48	0.52	1.03	1.39	1.56	1.18	-
Gabon	0.17	0.65	0.78	0.90	0.99	0.80	1.15	1.79	1.60	1.57	-
Indonesia	1.61	5.21	5.31	6.00	7.30	7.44	8.87	12.85	14.89	12.55	-
Iran	5.61	20.91	19.63	22.92	23.60	21.78	19.09	13.39	9.74	17.25	-
Iraq	1.84	6.51	8.18	9.11	9.51	10.85	21.29	26.14	10.39	9.70	-
Kuwait	3.03	9.29	8.43	8.95	8.79	9.44	17.08	17.67	13.81	8.93	-
Libya	3.46	7.12	6.04	8.30	9.75	9.30	14.91	21.92	15.33	13.50	-
Nigeria	2.88	9.01	7.46	9.41	10.93	9.50	16.65	25.61	18.33	15.59	-
Qatar	0.60	1.98	1.76	2.14	1.97	2.30	3.59	5.39	5.32	3.99	-
Saudi Arabia	7.82	31.14	29.72	36.30	41.13	37.82	58.65	102.01	113.23	75.84	-
UAE	1.74	6.31	6.82	8.38	9.26	8.66	12.96	19.50	19.82	15.53	-
Venezuela	4.33	10.55	8.32	8.76	9.11	8.74	13.63	18.25	19.04	15.35	-
	34.80	113.47	107.25	126.58	138.49	133.06	197.58	278.42	255.63	200.80	-

(Source, OPEC, Stat. Bull.)

TABLE 3 : SHARES OF OIL REVENUES - BY COUNTRY (Z)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Algeria	4.4	3.8	4.0	3.8	4.0	4.4	4.4	4.5	4.3	4.9	-
Ecuador	0.6	0.5	0.5	0.4	0.3	0.4	0.5	0.5	0.6	0.6	-
Gabon	0.5	0.6	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.8	-
Indonesia	4.7	4.6	5.0	4.7	5.2	5.6	4.5	4.6	5.6	6.3	-
Iran	16.2	18.4	18.4	17.8	16.7	16.4	9.7	4.8	3.4	8.6	-
Iraq	5.3	5.7	7.7	7.1	6.7	8.1	10.8	9.4	4.1	4.8	-
Kuwait	8.8	8.2	7.4	6.9	6.2	7.1	8.5	6.4	5.9	4.5	-
Libya	10.0	6.3	5.7	6.4	6.9	7.1	7.7	8.1	6.2	6.7	-
Nigeria	8.3	7.9	7.0	7.3	7.7	7.1	8.5	9.2	7.2	7.8	-
Qatar	1.7	1.7	1.7	1.7	1.4	1.7	1.8	1.9	2.1	2.0	-
Saudi Arabia	22.1	27.5	27.9	30.1	31.1	28.4	29.8	36.6	44.7	37.8	-
UAE	5.0	5.6	6.4	6.5	6.6	6.5	6.5	7.0	7.4	7.7	-
Venezuela	12.5	9.3	7.8	6.8	6.4	6.6	6.8	6.3	7.9	7.6	-

TABLE 4 : CURRENT ACCOUNT SURPLUS (\$b)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Amuzegar (IMF)	7	68	35	40	30	2	69	114	65	1	-
BIS	6	67	31	36	26	0	63	114	63	-3	-
Chase Manhattan	-	72	37	39	32	-1	63	118	61	1	-
IMF	7	69	35	39	29	6	63	111	53	-12	-16
Morgan Guaranty	7	68	35	40	33	11	-	-	68	6	2
OECD (Incl. publ. transf.)	-	66	32	38	28	-1	65	111	50	-15	-19
OPEC	7	69	36	38	29	6	64	113	61	-3	-
UBS	-	67	29	35	27	-1	74	-	-	-	-
Westminister	8	60	27	36	29	4	62	115	67	-5	-15
Fabr. & Ped. (SJE)	-	60	27	37	29	5	67	114	-	-	-

TABLE 5 : CURRENT ACCOUNT SURPLUS BY COUNTRY (\$b)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Algeria	-0.5	0.2	-1.7	-0.9	-2.3	-3.5	-1.6	0.2	0.1	-1.2 ²
Ecuador	0.0	0.0	-0.2	0.0	-0.3	-0.7	-0.6	-0.6	-1.0	-1.2
Gabon	0.0	0.1	0.2	0.0	-0.1	0.0	0.1	0.2	0.4	0.3
Indonesia	0.5	0.6	-1.1	0.9	-0.1	-1.4	1.0	2.6	-0.6	-5.9
Iran	0.2	12.3	4.7	4.7	5.1	-1.3 ¹	9.6 ¹	1.6 ¹	-2.2 ²	2.9 ²
Iraq	0.8	2.6	2.7	2.5	3.0	3.9 ¹	12.5 ¹	12.1 ¹	-9.4 ²	-8.9 ²
Kuwait	2.1 ¹	8.3 ¹	5.9	6.9	4.6	6.1	14.0	15.3	13.7	5.8
Libya	0.1	2.7	0.4	2.8	2.8	1.5	4.0	8.7	-3.0	2.8
Nigeria	0.0	4.9	0.0	0.4	-1.0	-3.8	4.4	5.0	-5.9	-7.3
Qatar ¹	0.3	1.6	1.2	1.0	0.5	0.7	1.9	3.1	2.9 ²	1.0 ²
Saudi Arabia	2.5	23.1	14.3	14.3	11.9	-2.2	9.6	41.4	45.1	6.4 ²
UAE ¹	0.7	4.6	3.9	4.6	3.7	3.2	6.5	11.9	8.4 ²	3.5 ²
Venezuela	0.9	5.8	2.2	0.3	-3.2	-5.7	0.3	4.7	4.0	-4.3
	7.6	66.8	32.5	37.5	31.6	-3.2	58.5	98.4	52.5	-6.1

1. From Amuzegar, p21 see also Askari, Jalal & Sheshunoff, p41

2. OPEC Annual Statistical Bulletin, 1982. However, observe the large discrepancy between the IMF data and the OPEC data (see Tables 1-2)

(Source : Balance of Payments Statistics, IMF)

TABLE 6 : CASH SURPLUS (\$b)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Amuzegar	-	58	39	42	40	21	71	123	81	-	-
Bank of England	-	56	36	37	34	13	72	119	65	18	-
Chase Manhattan	-	62	40	39	44	16	67	124	67	11	-
IMF	-	59	39	42	39	24	64	116	63	9	3
Morgan Guaranty	-	64	30	35	27	5	-	-	59	0	-3
OECD	-	60	27	37	29	7	62	113	63	3	-

TABLE 7 : DIRECT INVESTMENT AND OTHER LONG-TERM CAPITAL (\$b)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Algeria	-1.01	-0.53	-1.39	-1.83	-1.90	-3.65	-2.43	-0.90	-0.24	n.a.
Ecuador	-0.10	-0.20	-0.17	-0.61	-0.73	-0.67	-0.76	-1.19	-1.08	-1.58
Gabon	-0.03	-0.11	-0.25	-0.21	0.02	-0.10	-0.03	0.04	0.10	0.04
Indonesia	-0.52	-0.49	-1.04	-2.09	-1.49	-1.59	-1.32	-2.15	-2.18	-4.71
Iran	-1.08	1.94	2.87	1.93	-0.36	n.a.	n.a.	n.a.	n.a.	n.a.
Iraq	-0.10	0.53	0.44	1.01	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kuwait	n.a.	n.a.	1.08	0.80	0.59	0.37	0.63	0.01	-0.27	0.26
Libya	0.51	0.42	1.52	1.59	1.49	1.47	0.96	1.37	1.80	n.a.
Nigeria	-0.31	-0.17	-0.21	0.03	-0.42	-1.62	-1.33	-1.35	-0.85	-0.77
Qatar	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Saudi Arabia	0.91	8.88	9.14	11.73	7.51	-1.78	3.71	27.40	24.47	n.a.
UAE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Venezuela	-0.05	-0.81	-0.40	-1.44	-2.13	-3.72	-1.52	-1.23	0.02	-2.91
Total		11.59	10.91	2.58	-11.29	-2.12	22.00	21.77		

(minus sign stands for long-term borrowing)

(Source : Balance of Payments Statistics, IMF)

TABLE 8 : SHORT TERM CAPITAL (\$b)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Algeria	-0.12	0.27	0.00	0.03	-0.12	0.16	-0.09	-0.06	-0.01	n.a.
Ecuador	0.00	0.00	-0.04	0.08	0.13	0.07	-0.17	0.28	0.25	-0.92
Gabon	-0.03	0.17	0.09	-0.05	-0.17	0.12	0.27	0.24	0.18	0.20
Indonesia	-0.22	0.09	1.89	0.27	0.36	-0.12	0.45	0.82	0.28	-0.51
Iran	0.73	3.13	1.08	3.24	2.96	n.a.	n.a.	n.a.	n.a.	n.a.
Iraq	-0.02	0.59	2.14	0.09	0.03	n.a.	n.a.	n.a.	n.a.	n.a.
Kuwait	n.a.	n.a.	5.56	8.00	3.44	4.78	9.16	11.34	8.61	2.31
Libya	-0.49	-0.39	-0.30	-0.35	-0.21	0.21	0.26	-0.33	-0.37	n.a.
Nigeria	0.13	0.02	0.02	0.04	0.18	-0.16	-0.01	-0.03	-0.02	-0.44
Qatar	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Saudi Arabia	0.69	3.83	-3.89	-0.59	1.71	6.26	5.65	10.07	11.06	n.a.
UAE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Venezuela	0.00	0.06	0.23	3.74	1.35	1.30	1.37	4.81	0.45	4.91
Total			6.68	14.60	9.66	12.62	16.89	27.14	22.67	

(Minus sign stands for short-term borrowing)

(Source: Balance of Payments Statistics, IMF)

TABLE 9 : ESTIMATED DEPLOYMENT OF OIL EXPORTERS' SURPLUS

	1974	1975	1976	1977	1978	1979	1980	1981	1982
<u>United Kingdom</u>									
Bank Deposits(£)	1.7	0.2	-1.4	0.3	0.2	1.4	1.4	0.4	1.3
Bank Deposits(Euro)	13.8	4.1	5.6	3.3	-2.0	14.8	14.8	7.8	-9.4
British Government Stocks	0.9	0.4	0.2	-	-0.3	0.4	1.9	0.9	-0.4
Treasury Bills	2.7	-0.9	-1.2	-0.2	0.2	-	-0.1	-	-0.1
Other placements(£)	0.7	0.3	0.5	0.4	0.1	0.4	0.1	0.2	-0.6
Other placements(Foreign)	1.2	0.2	0.8	-	-	0.2	-0.5	-	-
<u>United States</u>									
Bank Deposits	4.1	0.6	1.7	0.4	0.8	5.0	-1.1	-2.0	4.4
Treasury Bond & Notes	0.2	2.0	4.2	4.3	-1.5	-1.1	8.2	10.9	6.9
Treasury Bills	5.3	0.5	-1.0	-0.9	-1.0	3.3	1.4	-0.5	0.4
Other Portfolio Investment	1.3	3.2	3.0	3.1	1.6	1.0	4.7	4.6	-0.4
Other	0.8	3.3	4.2	2.2	1.4	-1.4	0.9	3.3	1.7
<u>Other Industrial Countries</u>									
Bank Deposits	9.0	5.0	6.5	7.5	5.0	18.7	26.2	-5.1	12.8
Other investments	7.0	5.9	5.8	5.4	2.4	8.7	17.0	19.4	6.6
IMF & IBRD(World Bank)	3.5	4.0	2.0	0.3	0.1	-0.4	4.9	2.4	2.0
Loans to Developing Countries	4.9	6.5	6.4	7.0	6.2	9.6	6.7	7.2	3.9
Total Identified Deployed	57.1	35.3	37.3	33.1	13.2	60.6	86.5	49.5	3.5
Net Cash Surplus									

TABLE 10 : FOREIGN EXCHANGE ASSETS¹

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Algeria	0.59	0.52	-0.27	0.64	-0.16	0.17	0.61	1.13	0.08	-1.29
Equador	0.07	0.10	-0.06	0.24	0.12	-0.04	0.06	0.30	-0.31	-0.24
Gabon	0.02	0.05	0.05	0.03	-0.11	0.15	-0.01	0.09	0.10	0.13
Indonesia	0.23	0.61	-0.78	0.91	0.81	-0.11	1.28	1.37	-0.05	-1.53
Iran	0.13	6.55	0.25	-0.05	1.92 ²	0.08	3.65	-4.99	n.a.	n.a.
Iraq	0.67	1.66	-0.42	1.88	2.09	n.a.	n.a.	n.a.	n.a.	n.a.
Kuwait	0.11	0.58	-0.12	0.03	1.09	-0.40	0.59	1.15	0.45	2.33
Libya	-1.04	1.45	-1.31	1.08	1.48	-0.99	2.22	6.59	-4.18	-1.95
Nigeria	0.18	4.95	0.01	-0.51	-1.51	-2.58	3.61	4.83	-5.73	-1.37
Qatar	0.05	-	0.02	0.03	0.05	0.04	0.07	0.05	0.02	0.02
Saudi Arabia	1.07	9.71	7.88	2.98	2.69	-6.36	0.45	3.16	7.87	-4.19
UAE	0.09	0.28	0.49	0.92	-1.09	0.04	0.61	0.56	1.11	-1.06
Venezuela	0.61	3.64	2.24	-0.36	-0.63	-1.91	1.30	-0.60	1.96	-1.31
Total	2.78	30.10	7.90	7.76	7.11	-11.91	14.44	13.64	1.32	-10.46

1. Incl. monetary authorities' claims on foreigners in the form of bank deposits, treasury bills, short-term and long-term government securities, and other claims usable in the event of a balance of payments deficit.

2. Incl. changes in the deposits of the Bank Markazi Iran with its foreign correspondent banks and in its security holdings. The original figure is reduced by \$1.0b to exclude IBRD Bonds.¹⁰

(Source: Balance-of-payments statistics, and International Financial Statistics)

TABLE 11 : SHORT-TERM CAPITAL REVISED (\$b)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Algeria	-0.1	0.3	-0.2	0.5	-0.3	0.4	0.1	1.0	0.2	n.a.
Ecuador	0.1	0.1	-0.1	0.3	0.3	0.0	-0.2	0.6	-1.4	-1.0
Gabon	0.0.	0.2	0.2	-0.1	-0.3	0.3	0.2	0.3	0.3	0.4
Indonesia	0.0	0.2	1.2	0.9	1.1	-0.1	1.3	2.1	0.3	-1.2
Iran	0.7	7.5	1.5	2.1	4.7	1.3	5.1	-0.7	-6.2	n.a.
Iraq	0.0	1.6	1.8	1.6	2.1	2.7	11.0	11.9	-10.9	n.a.
Kuwait	2.0	1.0	2.0	1.6	3.0	1.7	1.8	3.1	2.6	2.6
Libya	-0.5	0.3	-1.6	0.3	1.2	-0.6	1.8	-0.4	-0.3	n.a.
Nigeria	0.3	4.0	0.1	-0.9	-1.1	-2.3	4.9	6.2	-5.6	-0.7
Qatar	0.3	0.3	0.5	0.4	0.4	0.5	0.3	0.5	0.5	0.5
Saudi Arabia	1.8	10.2	4.2	0.6	4.1	0.5	3.4	12.9	19.7	n.a.
UAE	0.4	0.3	1.1	0.6	0.9	1.1	0.4	0.9	1.2	0.0
Venezuela	0.6	2.6	2.6	3.0	0.7	-0.5	2.1	4.2	2.6	4.7
Total	5.6	28.6	13.6	10.9	16.8	5.0	32.8	42.0	2.8	-
(Bank of England ¹)	(37.7	11.9	14.6	14.7	1.4	43.5	52.7	12.2	-9.7)	

1. Comprising bank deposits, Government stocks, treasury bills, bonds and notes in UK (Pds.Stg. and Euro), in US (\$) and in other industrial countries in behalf of OPEC as well as for Trinidad, Tobago, Bahrain,

TABLE 12 : RESERVE CHANGES WITHIN IMF¹ (\$b)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Algeria	-	-	-	-	-	-	0.4	0.09	0.07	0.01
Ecuador	-	-	-	-0.02	-	0.01	0.01	0.01	0.01	-0.06
Gabon	-	-	-	-	-	-0.01	-	-	-	-
Indonesia	0.01	0.05	-0.09	-	0.11	0.05	0.10	1.30	0.15	0.01
Iran	0.04	0.46	0.67	0.05	-0.01	-0.15	-0.33	n.a.	n.a.	n.a.
Iraq	0.01	-	-	0.01	0.01	n.a.	n.a.	n.a.	n.a.	n.a.
Kuwait	-	0.28	0.40	0.23	-0.15	0.17	-0.26	0.03	0.04	0.10
Libya	0.01	-	-	-	-	-	0.09	0.18	0.14	-0.13
Nigeria	-	-	0.23	0.15	0.01	0.03	-0.04	0.13	0.21	-0.71
Qatar	-	-	0.01	-	-	-	0.01	0.01	0.01	0.01
Saudi Arabia	0.02	0.68	1.18	0.73	0.02	-0.33	-0.58	0.86	1.81	1.46
UAE	-	0.08	0.05	-	-0.02	-0.03	0.01	0.02	0.18	0.07
Venezuela ²	-	0.74	0.80	0.49	-0.18	-0.31	-0.36	0.75	1.06	0.17
Total	0.08	2.29	3.25	1.64	-0.19	-0.25	-1.31	3.50	4.07	0.93

1. Incl. monetary gold, SDR's and reserve position with IMF

2. Incl. IBRD Bonds etc. held by the Venezuelan Investment Fund

(Source : Balance-of-Payments Statistics & International Financial Statistics, IMF)

TABLE 13 : DIRECT INVESTMENT AND OTHER LONG-TERM CAPITAL : REVISED (\$b)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Algeria	-1.0	-0.5	-1.4	-1.8	-1.9	-3.7	-2.4	-1.0	-0.2	-0.5
Ecuador	-0.1	-0.2	-0.2	-0.1	-0.6	-0.8	-0.7	-0.8	-1.0	-1.7
Gabon	-0.0	-0.1	-0.3	-0.2	0.0	-0.1	0.0	0.0	0.1	0.0
Indonesia	-0.5	-0.4	-1.1	-2.1	-1.4	-1.5	-1.2	-2.0	-2.0	-4.7
Iran	-1.0	2.4	3.5	2.0	-0.4	0.0	3.6	0.0	0.0	n.a.
Iraq	-0.1	0.5	0.4	1.0	0.0	1.0	1.0	1.0	0.0	n.a.
Kuwait	1.0	10.3	5.0	7.0	1.9	3.0	7.5	9.4	6.9	2.9
Libya	0.5	0.4	1.5	1.6	1.5	1.5	1.1	1.4	1.8	n.a.
Nigeria	-0.3	-0.2	0.0	0.2	-0.4	-1.6	-1.4	-1.2	-0.6	-4.0
Qatar	0.0	1.1	0.6	0.6	0.0	0.6	1.6	2.6	2.6	n.a.
Saudi Arabia	0.9	9.6	10.3	12.5	7.5	-2.1	3.1	28.3	26.3	n.a.
UAE	0.1	2.7	2.2	2.9	2.0	1.3	5.1	10.4	10.1	n.a.
Venezuela	-0.1	1.6	0.4	-1.0	-2.0	-7.0	-1.9	-0.5	1.1	-2.9
Total	-0.6	27.2	20.9	22.6	6.2	-6.2	15.4	47.6	42.5	
Bank of England Estimates ¹	19.4	23.4	22.7	18.4	18.4	11.8	17.1	33.8	37.3	13.2

1. Comprising portfolio investments, other placements, assets and liabilities with IMF and IBRD, loans to developing countries etc.

FOOTNOTES

1. These are reference numbers used in IFS and BPS.
2. ie units of national currency per US dollar.
3. See for example the Arab Banking Corporation, Bank of England and OECD.
4. Observe that we make no distinction between official and private holdings, even if one can argue that only official assets are available to cover external deficits.
5. However, observe that even the long-term investment alternatives can be categorised as being liquid, as there are secondary markets not only for bonds and notes but also for equities. This means that Saudi Arabia for example can claim a liquidity larger than suggested by the statistics on short-term capital.
6. The balance-of-payments statistics are based on the actual transfer of ownership and not on actual payments. This means that these statistics have to be revised for substantial trade credits.
7. A full country breakdown of the reporting banks' liabilities and assets is available only for banks in Austria, Belgium, Luxembourg, Denmark, France, the Federal Republic of Germany, Ireland, Italy, the Netherlands, Sweden, the United Kingdom, Canada, Japan and for the offshore branches of US banks. For banks in the other reporting countries - Switzerland and the United States - the country breakdown is less than complete. The figures for banks in the United States exclude all custody items except negotiable US bank certificates of deposits held on behalf of non-residents (See Bank for International Settlements - BIS, various issues). As a substantial part of the OPEC bank deposits is placed in the US the numbers given might well be under-estimates.
8. For 1982, detailed data is not yet available for certain countries. The broken lines in Diagram 2 stand for a development that fits in with the BIS data from reporting banks.

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