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OPEC: Official Foreign Assets

*The value of OPEC members' official foreign asset holdings rose last year to \$161 billion; the estimated \$4.5 billion increase was the smallest since the 1973-74 oil price increases.*

Available funds for all foreign investment were cut primarily because the stability of oil prices, the decline in oil export volume, and higher import prices slashed the current account surpluses of OPEC members. Most investable funds--\$25.7 billion--went to private and quasi-official holdings, rather than to additional official foreign assets.

Official foreign asset accumulation trends took an unusual turn last year when Saudi Arabia reduced its asset holdings to meet cash flow requirements. The Saudis normally account for about 40 percent of new official foreign investment by member states. Kuwait, the United Arab Emirates, and Iraq were the largest net investors in 1978. Iran's official foreign assets fell slightly as the revolution caused other capital outflows.

Official investors increased nonreserve assets, such as corporate securities and direct loans, by \$6.5 billion. At the same time, they reduced reserve assets, such as government securities and bank deposits, by \$2 billion. Dollar assets were shed in favor of those denominated in yen and deutschemarks. OPEC countries reduced their non-gold holdings in the US and also drew down total assets in the UK and some other West European countries. The value of OPEC's member states' worldwide official gold reserves increased by \$2.5 billion as a result of purchases and soaring prices.

In 1979, net official foreign investment is likely to jump to \$38 billion as the result of the steep rise in oil prices. Because of the dominance of the dollar market and the large sums to be invested, further disinvestment of dollar assets seems unlikely. OPEC countries will even find it difficult to reduce the share of new investment placed in dollar-denominated holdings.