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11 June 1975

[REDACTED]

MEMORANDUM FOR: Mr. Peter M. Vieira
International Division
General Accounting Office

SUBJECT : Trends in OPEC Market Shares

[REDACTED]

In response to your request, we are forwarding the attached report on recent trends in the OPEC import market. The major developed countries captured nearly three-fourths of the \$15 billion increase in world sales to OPEC states last year. The United States and Japan together accounted for 40% of the increase in world sales to OPEC, improving their combined position from 31% to 34% of the OPEC market. As a group, the smaller developed countries claimed only 13% of the OPEC market, compared with 16% in 1973, while the LDCs and Communist countries together held on to about 19% of the market. Table 3 indicates where the US and other countries improved their market share. For example, the US improved its market position relative to the big seven's in Algeria, Ecuador, Iran, Iraq, Saudi Arabia, and UAE. If you need any further information, I can be reached on
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Chief
Multilateral Trade Negotiations
Task Force
Office of Economic Research

Attachment:
As stated

Distribution: (S-07553)
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SHARES IN THE OPEC MARKET

The major developed countries captured nearly three-fourths of the \$15 billion increase in world sales to OPEC states last year. The value of the Big Seven's combined exports to OPEC went up 81% from 1973, 2-1/2 times the rate for their other exports. Their inroads into the OPEC market were mainly at the expense of the other developed countries. As a group, the smaller developed countries claimed only 13% of the OPEC market, compared with 16% in 1973, while the LDCs and Communist countries together held on to about 19% of the market.

Key Beneficiaries

Most of the export gains among the major developed countries went to the United States and Japan. Together they accounted for 40% of the increase in world sales to OPEC, improving their combined position from 31% to 34% of the OPEC market. The rest of the major countries showed little change in their market shares. France, West Germany, and Canada gained a little while Italy and the United Kingdom lost slightly.

US sales to OPEC were up by more than \$3 billion from 1973. More than half of the increase went to two countries, Iran and Venezuela. Roughly one-third of the

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additional sales of \$1 billion to Iran were military equipment, with another \$0.5 billion divided between food and transportation equipment. About half of the increase in US sales to Venezuela consisted of machinery and equipment; an additional one-third was chemical products and agricultural goods. The United States also sold several hundred million dollars worth of military goods to Saudi Arabia and large amounts of capital goods and food to all OPEC countries.

Japan's success in the OPEC market was attributable to (1) the mounting of an export drive and (2) the combination of excess capacity and bulging inventories of industrial goods, the result of depressed domestic sales. Proximity to Indonesia allowed Japan to boost sales by more than \$0.5 billion. Another \$1.3 billion of new Japanese sales stemmed from the ability to deliver large quantities of intermediate goods, structural steel, machinery, and other capital equipment to other OPEC members, notably Saudi Arabia, Iran, and Iraq. Price increases of roughly 50% on Japanese goods accounted for a large portion of the dollar gains.

Other Exporters

More than two-fifths of the gain in France's sales came with its former colony, Algeria, where strong trade

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ties continue. West Germany raised sales of industrial goods across the board with OPEC countries. The increase in FRG sales would have been even higher than the recorded 74% if West Germany had not been heavily backlogged with orders from the other developed countries through mid-1974. Canadian gains were mainly from food sales.

Prospects

Total world sales to OPEC are expected to reach about \$50 billion this year. The major developed countries should continue to dominate this growing market; the United States and Japan should remain the chief suppliers, with West Germany perhaps gaining in its market share. Competition among the Big Seven is intense because of the prevalence of excess capacity.

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TABLE 1

EXPORTS TO OPEC

	Billion \$			Percentage Share of the Increase
	1973	1974	Increase	
United States	3.6	6.7	3.1	21
Japan	2.7	5.5	2.8	19
West Germany	2.3	4.0	1.7	11
France	1.7	3.0	1.3	9
United Kingdom	1.6	2.5	0.9	6
Italy	1.2	1.9	0.7	5
Canada	0.3	0.6	0.3	2
Major Developed Countries	13.4	24.2	10.8	72
Other Developed Countries	3.3	4.6	1.3	9
EDC/Communist	3.9	6.7	2.8	19
TOTAL	20.6	35.5	14.9	100

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SHARE OF OPEC MARKET

(Percent)

<u>Exporter</u>	<u>1973</u>	<u>1974 (est.)</u>
Major developed countries	65.0	68.2
United States	17.5	18.9
Japan	13.1	15.5
West Germany	11.2	11.3
France	8.3	8.5
United Kingdom	7.8	7.0
Italy	5.8	5.4
Canada	1.5	1.7
Other developed countries	16.0	13.0
LDCs and Communist countries	18.9	18.9

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TABLE 3

BIG SEVEN: EXPORTS TO OPEC COUNTRIES

(EXPORTS IN MILLIONS OF US DOLLARS AND PERCENTAGE INCREASES OVER 1973).

EXPORTS OF: TO:	US	CANADA	JAPAN	UK	WEST GERMANY	FRANCE	ITALY	TOTAL SEVEN
Total World	98030 (37)	32380 (39)	54220 (47)	35930 (18)	89230 (32)	46620 (30)	30110 (35)	386520 (40)
Algeria	351 (119)	156 (463)	155 (206)	128 (40)	482 (54)	1297 (72)	300 (69)	2968 (82)
Ecuador	326 (88)	12 (82)	114 (125)	32 (11)	82 (78)	19 (47)	15 (-3)	600 (80)
Indonesia	530 (20)	55 (211)	1453 (61)	200 (151)	324 (65)	104 (96)	59 (133)	2724 (59)
Iran	1734 (125)	64 (15)	1019 (110)	652 (101)	1140 (58)	257 (27)	1753 (-1)	5041 (84)
Iraq	285 (410)	19 (1664)	478 (879)	140 (114)	373 (72)	214 (154)	91 (189)	1601 (385)
Kuwait	208 (74)	5 (178)	280 (68)	140 (82)	160 (127)	64 (60)	62 (59)	919 (79)
Libya	139 (34)	6 (-54)	234 (113)	146 (13)	402 (91)	362 (81)	810 (79)	2099 (72)
Nigeria	286 (80)	24 (5)	286 (103)	520 (27)	346 (66)	175 (62)	116 (85)	1753 (58)
Qatar	34 (75)	4 (800)	47 (136)	52 (16)	21 (108)	100 (C) (1135)	32 (610)	289 (170)
Saudi Arabia	825 (89)	18 (37)	680 (75)	280 (98)	286 (127)	120 (121)	129 (66)	2348 (89)
United Arab Emirates	230 (90)	5 (163)	309 (91)	200 (76)	80 (187)	100 (C) (203)	31 (98)	955 (109)
Venezuela	1768 (71)	209 (103)	400 (106)	118 (26)	331 (15)	141 (36)	125 (-4)	3091 (59)
Total OPEC	6726 (87)	576 (118)	5454 (101)	2608 (63)	4026 (78)	2953 (79)	1947 (61)	24146 (81)

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