

becoming permanent: except for the second quarter of 1979, the kingdom has now been producing above its 8.5 million b/d ceiling since the beginning of last year. Will the pressure of Western demand and Petromin's marketing plans inevitably tend to the gradual exploitation of the additional capacity?

This does seem to be the likely outcome. Competing demands for the 9.5 million b/d produced now are getting greater, and the Saudis will inevitably find it easiest to resolve them by putting extra crude on stream. Hitherto, expansion of production has been inhibited by the fear that anything over 8.5 million b/d over a prolonged period will badly deplete reserves of fields now exploited by the end of the century - hence the imposition of the 8.5 million b/d ceiling in 1978. This seemed all the more serious as the net increase in proven reserves the year before turned out to be only 256 million barrels.

Yet the level of proven reserves has risen steadily for the past 20 years (in no year has there been a net decrease). The Saudis can therefore afford to produce from some of the 20-odd (out of 37) fields so far untapped. On paper, for instance, the 1978 net addition to proven reserves was equivalent to 7.7 million b/d of output alone. And Aramco continues to turn up new oilfields every year. Three new fields were announced in 1978, and it is believed that there were five more last year. One at least of these was reported last July to be capable of 700,000-800,000 b/d of output. Aramco exploration is very active in the vast Empty Quarter which is unofficially thought to contain even greater quantities of crude.

The problem is exploiting this potential. Bringing the new fields into production will be a lengthy and expensive process, but with oil prices set to go on climbing at least gradually the Saudis are unlikely to lose out. If production does start creeping up towards the 12 million b/d mark in the next few years, then the Saudis will have little choice but to bring more of their reserves into production. ■

Aramco proved petroleum reserves (million barrels)

	<i>Annual output</i>	<i>Annual net increase</i>	<i>Reserves at year end</i>
1961	508	2,097	47,695
1962	555	9,189	56,884
1963	595	927	57,811
1964	628	1,361	59,172
1965	739	4,535	63,707
1966	873	11,037	74,744
1967	948	2,258	77,002
1968	1,036	7,369	84,371
1969	1,092	1,632	86,003
1970	1,295	2,060	88,063
1971	1,642	2,094	90,157
1972	2,098	2,835	92,992
1973	2,677	3,230	96,222
1974	2,997	7,258	103,480
1975	2,492	4,377	107,857
1976	3,054	2,330	110,187
1977	3,291	256	110,443
1978	2,961	2,841	113,284

Source: Saudi Arabian Monetary Agency Annual Report 1979

BRITAIN

Fuss over a film is salutary warning to others

Much heat has been engendered in Saudi Arabia about the British television film "Death of a Princess". It is a useful warning to other countries about where Saudi susceptibilities begin and end. With luck the British do not have too much to fear about future trade relations. The Saudis have been tactful so far, and their protests are chiefly for consumption at home.

Britain's ambassador to Saudi Arabia has been sent home, the Defence Secretary will not be going to the kingdom after all, King Khaled will not be returning Queen Elizabeth's visit to Saudi Arabia in June, and British businesses are seriously worried that henceforth they will meet with obstacles in trying to secure contracts in Saudi Arabia - all because of the British

television broadcast of a fiction-documentary concerning the unsubstantiated tale about the execution of a Saudi princess three years ago.

British trade with Saudi Arabia has been good but not spectacular. It has cornered 10% of the market, compared with the United States' 26%, Japan's 20% and West Germany's 13%. Saudi Arabia is nevertheless climbing slowly up the

ranks of Britain's foreign trading partners (17th in 1977, 14th in 1978 and 11th in 1979) and would probably have been the first Middle Eastern country to have broken into the top ten in 1980. But, say the pessimists, for the screening of "Death of a Princess".

There is apparently some nervousness about future commercial prospects among the British community in Jeddah. Saudi officials remain polite and helpful, but there were noticeably fewer top Saudis at the British embassy party for the Queen's birthday this year. And there is now little hope of saving the Arnott husband and wife from their flogging (*Saudi Arabia Newsletter 7 April 1980*).

But there are good reasons for believing that whole affair is being treated too gloomily in Britain. There is no question that the Saudi royal family has been deeply offended by the film (which claimed that the eldest surviving son of Ibn Saud, Prince Mohammed, had his daughter executed for adultery in violation of Islamic Sharia law). In the circumstances it would have been rather surprising if King Khaled had actually come to Britain at this juncture, or Britain's Defence Secretary been received in Saudi Arabia. As it is, the Saudi response was much more subtle than has been credited.

First, the Saudis took care not to announce officially that King Khaled would stay in Saudi Arabia in June (though they privately left no doubt that this is the case). Second, the demand for ambassador Craig's withdrawal is considered a relatively restrained measure in diplomatic circles (certainly very different from an expulsion or a declaration of *persona non grata*). The Saudis have even provided a tactful cover story that a British ambassador was not required since the Saudi post in London has been vacant since last July. (The present Saudi ambassador to Sapin has been nominated for the position but there has apparently been some difficulty in finding a replacement; hence it can be assumed that once he arrives, Mr Craig will quietly return to Jeddah). Meanwhile, the Saudi chargé d'affaires in London has issued a statement declaring that his government hopes to restore relations "on a more solid basis in light of our conviction of the paramount importance of the mutual interests which bind our two countries together".

This is scarcely the tone of a country about to embark on widespread trade discrimination, and there is very much a sense of the leadership going through the required motions. The royal family basically objects to foreigners gratuitously broadcasting to all and sundry matters which its members themselves find acutely

embarrassing. The older and more traditionalist figures in the regime find it less easy to understand why a Western television company should choose to make such a film unless it is part of a deliberate attack on Saudi Arabia (or what the Saudi media have described as "a fierce and malicious media campaign"). More progressive elements in the family have gone along with their elders for the sake of solidarity and *amour propre*.

But if there is little evidence that Britain will suffer from deliberate discrimination in the race for contracts under the new five-year plan, there is still a danger that for some time officials down the line will take the signals from Riyadh as requiring just that. In a society where consensus is of such importance but the circumstances surrounding the film incident have (of necessity) been so ambiguously discussed, British business may well find the going a little tough in less than top-level negotiations.

Meanwhile, videotapes of the film are the hottest property in Saudi Arabia, although few people – Saudi or foreigners – have yet seen the offending article. ■

CREDIT

Eximbank forces the pace

As the Saudi private sector is geared up for its greatest challenge – to participate prominently in the third five year plan – it seems all set to receive yet more concessionary finance. For just as there are signs that the Saudi credit agencies may be adopting a more liberal policy on loans again, it is clear that Western credit and credit insurance agencies are beginning to consider buyer credits for Saudi businessmen. Already the French and the United States have offered buyer credits, and other countries must follow suit. For although Saudi Arabia has traditionally been regarded as a cash market, as one ECGD official told *Saudi Arabia Newsletter* in London, credit consciousness among local businessmen is certainly on the increase.

The United States Eximbank, which has so often been criticized in the past for lagging behind European agencies in the help it offers its exporters, has forced the pace in Saudi Arabia. Eximbank recently signed its first loan to Saudi Arabia to finance the building of two ships for the Dammam-based Marine & Transportation Ser-