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New York Times (1857-Current file); Jun 8, 1967; ProQuest Historical Newspapers The New York Times (1851 - 2002)
pg. 19

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The Arab nations stepped up their economic war against the United States and Britain on two fronts yesterday.

First, they struck harder with the chief weapon in their economic arsenal—oil—as Libya and Saudi Arabia announced that they had stopped shipments to the two Western nations. This followed similar actions by Kuwait, Iraq and Algeria on Tuesday.

The other front was diplomatic. Egypt, Syria, Iraq, Yemen, Algeria, the Sudan and Mauritania have severed relations with Britain and the United States, which could create hardships for Western business interests other than oil.

Despite a diversification of American investment in the Middle East in recent years, oil still is predominant. The latest Department of Commerce figures for the area show that in 1965 direct investments in the Middle East were valued at $1.59-billion, with $1.49-billion attributed to petroleum interests.

Arabian oil is being cut off only for Britain and the United States, but not for the rest of Western Europe. A spokesman for the Gulf Oil Company said that the company had been loading ships in Kuwait as usual, but that none were being allowed to leave for the United States or Britain. "Everything is normal except for shipments to those two destinations," the spokesman said.

The Arab nations apparently have no desire to cut off oil production. In Saudi Arabia, the oil flow was halted, but it was done by the Arabian American Oil Company as a protective measure in the face of civil disturbances.

Arabian American reported that none of its facilities had been damaged, but that some residences of American personnel had been ransacked.

In Libya, the Government ordered all oil companies to stop production as a security measure.

Nationalization Called Unlikely

"The Arabs have very little choice—they must do business with the British and American companies in one way or another," according to John Lichtblau, of the Petroleum Industry Research Foundation.

"Nationalization of the oil industry in the Middle East is very unlikely — so unlikely, in fact, that it is close to unrealistic," he added.

Arabian American Oil reported that it had plans to evacuate several hundred dependents from Saudi Arabia.

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