

BALAS

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WHAT'S IN A DROP OF OIL?

BALAI



Asian word for house, BALAI is nothing big, nothing special. It is as ordinary as bamboo, grass, or mud. Not at all formidable, BALAI is open and welcoming to all who wish to be in fellowship. Its binding force is a common concern for the peoples of Asia, victims like others in the Third World of the insidious effects of imperialism in all its subtle forms. The call is a commitment to reach out and lend a helping hand so that someday Asians may come of age as heads of their own households.

The invitation to solidarity may be answered in many creative ways. One such expression is this BALAI quarterly journal, a mere service arm with no pretensions of being academic. Primarily published for those who cannot go to libraries nor subscribe to expensive periodicals, the journal comes out in popular form — not an intellectual treatise but something palatable to the layman. Limited in scope and depth, it is just a stimulant to trigger discussions, further research and reflections that hopefully lead to more effective actions down at the grassroots level. The dynamism of popularization — that is BALAI's distinctive contribution.

Another feature that makes the BALAI journal different from other printed matter is its treatment of the resources of Asia. In spite of being weighed down by the appalling Asian realities, BALAI is optimistic that Asia has all it takes to stand on her own feet.

This is how the complex and century-old phenomenon of imperialism is tackled. Together with the unmasking of myths that explain the unconscionable greed of imperialist powers, Asia's wealth, both in natural and human resources, is highlighted in succeeding issues. This consciousness that Asia is well-endowed serves as a shot in the arm, capable of releasing unbelievable power to build that "Asian house"!

Contributions to BALAI come from all over — groups in the Third World and friends in the First World. And if there are connections in the Second World, BALAI would appreciate a word from them.

We wish to thank all those who bring life to BALAI — friends of the Philippine working group from Burma, Hong Kong, Indonesia, India, Japan, Malaysia, Sri Lanka, and non-Asian countries like Australia, Canada, England, Holland, Ireland, Mauritius, Trinidad, West Germany, and the United States.

Whoever else shares the BALAI vision is warmly welcome. Do join the fellowship and be part of BUILDING ASIAN LINKS AGAINST IMPERIALISM!

HOW TO JOIN THE BALAI FELLOWSHIP:

Just write BALAI, P.O. Box SM-447, Sta. Mesa, Manila, and indicate your desire to build this fellowship in any creative way:

- enriching BALAI with ideas, suggestions for issues, feedback, etc.;
- participating in the research, issue preparation, etc.;
- sending in materials/data/articles/clippings/artwork/photos/cartoons, etc.;
- offering to be a distribution center for the quarterly journal, getting bulk orders, etc.;

- disseminating information to the grassroots in some popular style, getting linked with action groups, etc.;
- spelling out the various etceteras;
- and of course, helping BALAI pay its bills (no fairy godmother yet!)

Donation to cover cost:

RP: P5/issue; P20/year

Third World: US\$2/issue; US \$8/year

Other Countries: US \$ 3/issue; US \$12/year

Institutions:

P30/year

U.S. \$20/yr.

U.S. \$25/yr.

OIL IMPERIALISM

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Oil, that flammable drop, lost in seconds after taking millions of years to form, is a burning issue!

Currently, Iran and Iraq are at war over border squabbles. Oil fields are flaring up and the world is jittery.

The tension has been present for quite some time. They call it "energy crisis" — a crisis of threatened depletion . . . the irretrievable loss of resources for oil-producing countries and the anxiety of having supplies cut down for oil-consuming countries.

In the whole business of oil, the tentacles of imperialism have blatantly appeared in all their boldness. BALAI in its maiden issue tackles some of these tentacles with the hope that their concrete manifestations in the local scene will be dealt with by grassroots groups.

A glance at the world's oil supply and demand will show disconcerting inequalities. It is a case of who-has-the-dollar-to-buy-oil. Not even citizens of OPEC countries have the money to make the most of their own oil. On the other hand, a rich country like the United States, for instance, consumes a third of the entire output of OPEC, at prices pegged down to the barest minimum!

How did this come about? Oil history is given in a nutshell in the vignette on John D. Rockefeller Sr., King of American monopoly capitalism, and a short account of the phenomenal growth of the oil majors known as the Seven Sisters.

The activities of the oil cartel in exploiting resources, refining crude oil, and marketing all sorts of petrol products have reaped windfalls, so large in net sales and income as to place 20 petroleum industrials among the highest in the top 50 industrials of the world.

Behind this expansion in assets and scope is oil geopolitics. Interventions of home governments and the cooperation of local governments explain in a manner the oil mystique.

The unwritten pacts between oil majors and governments make oil business so lucrative in spite of world inflation and economic depression that "spoils" are properly shared in the game of high prices and heavier taxes, a phenomenon to be fleshed out with local data.

On the bright side, it is heartening to note that there are moves in the Third World toward the nationalization of the oil industry, toward participation in controlling oil production and prices, toward conservation of resources and the build-up of self-sufficient industrial economies.

Light is also thrown on the OPEC enigma. Cloaked by misleading myths, the Organization of Petroleum Exporting Countries needs some justification. For the Third World cause, the oil revolution of the seventies has been a significant breakthrough.

Reactions to the current crisis of oil imperialism have taken various forms. OECD countries do all they can to firm up their hold on the developing countries: through the financial system of transnational banks and the International Monetary Fund; through investments in alternative energy development; and through militarization and the powerful threat of a nuclear war.

For the peoples of Asia, both producers and consumers, what lies ahead? Either the "divide-and-conquer" tactic will perpetuate the imperialist hold or movements of solidarity will spell out the dawning of a new tomorrow.

Over it, wars have been fought. Without it, industries would grind to a halt, homes would be cold and dark, and cars would forever remain parked. Because of it, rockets are sent off into outer space, push-button lives are made possible and even the remotest mountain village can be linked by transport and communication to the world's metropolitan centers.

OIL!

Known as black gold (although it may be yellow, red, green or brown), oil is more precious than any metal could be. When processed, oil may come in the form of gasoline, kerosene, diesel fuel, heating oil and lubricants. Petroleum derivatives are used for an endless variety of products: detergents, fertilizers, drugs, plastics, road-building materials, and synthetic fibers.

It takes millions of years to form a drop of this vital fluid. Scientists say that oil is actually the remains of tiny

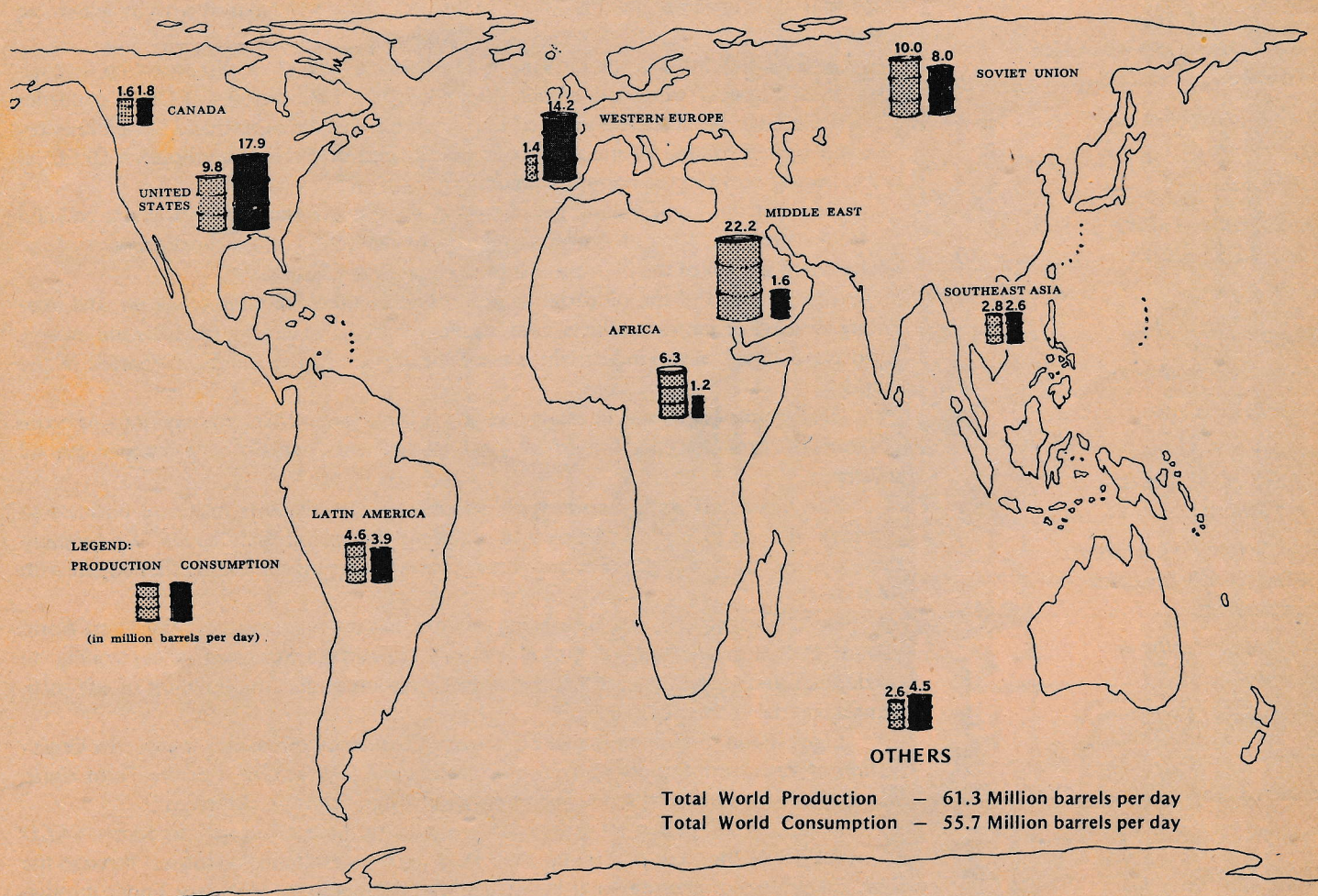
marine plants and animals that inhabited the ancient shallow seas. Thus, petroleum has been found in geological formations 500 million years old and rock strata formed as recently as one million years ago.

Oil: a valuable resource, nature's legacy to man from ages long past and forgotten.

By an accident of nature, the world's oil resources are concentrated among a group of countries in the western frontier of Asia. Altogether, the Asian countries

have 61% of the world's proven oil reserves. But in a bitter irony which nature clearly did not intend, the peoples of Asia today find themselves at the losing end of an inequitable world economic order where resources are plundered by a wealthy few and where the rightful owners do not reap their just share of benefits.

So here is the story of oil in Asia: a story of plunder, monopolies, and corporate profits; of poor countries, wars and national awakenings.



WORLD PRODUCTION AND CONSUMPTION OF OIL, 1977

Data based on: *Petroleum Economist* and *BP Statistical Review of the World Oil Industry, 1977*.

OIL WEALTH IN ASIA

If the Organization of Petroleum Exporting Countries (OPEC) felt its strength when it assessed its wealth in oil, so too should Asia, as well as the rest of the Third World, feel mighty high upon realizing how well-endowed and productive she is.

Though Asia is rich with bountiful proven resources and manpower to produce oil, Asia is poor without capital to own and run the oil industry!



World production of crude oil and natural gas liquids* (Daily average in thousands of barrels)						World proven reserves of crude oil As of 1 January 1979			
	1979	1978		1979	1978	Millions of barrels		Millions of barrels	
Saudi Arabia†	9,503	8,315	Venezuela†	2,434	2,230	Saudi Arabia†	113,284	Trinidad	650
Iraq†	3,467	2,629	Mexico	1,621	1,355	Kuwait†	71,400	Chile	578
Iran†	3,060	5,226	Argentina	488	451	Iran†	44,966	Bolivia	135
Kuwait†	2,370	1,931	Trinidad	214	235	Iraq†	34,392	Others	19
Abu Dhabi†	1,447	1,447	Ecuador†	211	202	Abu Dhabi†	30,000		
Divided Zone†	560	463	Peru	206	153	Divided Zone†	6,172	South and Central America (9%)	54,642
Qatar†	506	485	Brazil	174	166	Qatar†	3,765		
Dubai†	354	362	Colombia	137	136	Oman	3,271		
Oman	295	314	Bolivia	33	34	Syria	1,735	Indonesia†	7,824
Syria	174	172	Chile	32	19	Dubai†	1,584	Australia	2,472
Turkey	56	53	Guatemala	5	1	Sharjah†	320	India	2,310
Bahrain	51	55	Cuba	2	2	Bahrain	269	Brunei	1,383
Sharjah†	13	22	Barbados	1	—	Turkey	224	Malaysia	1,043
Israel	1	1				Israel	1	New Zealand	627
			South and Central America	5,558	4,984	Middle East (55%)	311,383	Pakistan	278
Middle East	21,857	21,475	Indonesia†	1,655	1,643			Philippines	85
			Australia	419	433			Burma	58
USSR	11,751	11,520	Malaysia	274	219	USSR	58,438	Others	48
China	2,183	2,040	Brunei	262	239	China	20,025		
Eastern Europe	430	410	India	260	234	Eastern Europe	1,980	Far East and Australasia (3%)	16,128
			Burma	31	27				
USSR, Eastern Europe and China	14,364	13,970	Philippines	27	—	USSR, Eastern Europe and China 14%)	80,443	United Kingdom	10,191
			Japan	15	11			Norway	4,094
			New Zealand	14	13	Libya†	27,204	Italy	327
United States	10,194	10,419	Pakistan	12	9	Nigeria†	12,273	Yugoslavia	325
Canada	1,816	1,603	Taiwan	5	5	Algeria†	9,575	West Germany	305
						Tunisia	2,225	Spain	296
North America	12,010	12,022	Far East and Australasia	2,974	2,833	Egypt	2,133	Denmark	208
						Angola/Cabinda	1,365	Austria	138
Nigeria†	2,303	1,910				Congo		Greece	137
Libya†	2,066	1,977	United Kingdom	1,588	1,096	(Brazzaville)	746	Netherlands	61
Algeria†	1,226	1,238	Norway	427	357	Gabon†	467	France	60
Egypt	532	490	West Germany	95	101	Cameroons	143		
Gabon†	204	210	Yugoslavia	83	82	Zaire	126	Europe (3%)	16,142
Angola/Cabinda	145	140	France	46	41				
Tunisia	114	103	Netherlands	37	50	Africa (10%)	56,257	United States	27,804
Congo			Austria	36	34			Canada	5,784
(Brazzaville)	58	46	Italy	30	29	Mexico	28,407		
Cameroons	28	13	Spain	28	19	Venezuela†	18,228	North America (6%)	33,588
Zaire	23	19	Denmark	10	9	Argentina	2,425		
Ghana	4	4				Ecuador†	1,450	World total	568,583
Morocco	1	1	Western Europe	2,380	1,798	Brazil	1,126		
						Colombia	850		
Africa	6,704	6,151	World total	65,847	63,233	Peru	774		

*Produced from natural gas by means of an extraction process.

†Denotes OPEC member; Divided zone lies between Saudi Arabia and Kuwait.

Source: World Oil, 15 August 1979.

A little fingering of a calculator using figures (see tables) taken from *World Oil*, 1979, reveals the following:

World Proven Reserves of the Crude Oil

- Asia tops all continents in proven reserves of crude oil, having 61% of the

world total. All in all, the Middle East or West Asia, South and East Asia, excluding Siberia and Australia, have 345,064 million barrels present in formations that have been drilled, and which are commercially recoverable by present-day techniques at current costs and prices.

- The Third World countries possess

455,963 million barrels or 80.19% of the world's total reserves.

- OPEC countries can claim 382,904 million barrels or 67.34% of proven reserves.

- Saudi Arabia has the largest reserves among countries — 113,284 million barrels or 19.92%.

- Europe, North America, USSR, and Eastern Europe all together have less — 110,148 million barrels or 19.38%.
- The US has only 5% while the USSR has 10% of proven crude oil reserves.

World Production of Crude Oil and Natural Gas

- Countries in the Third World produce a daily average of 38,714 thousand barrels or 38.79.
- Countries in the Third World produce a daily average of 38,714 thousand

barrels or 38.79% of the world total.

- The rest of the First and Second Worlds record 26,990 thousand barrels per day or 40.98%.

- Asia alone produces almost as much — 26,452 thousand barrels/day or 10.17%.

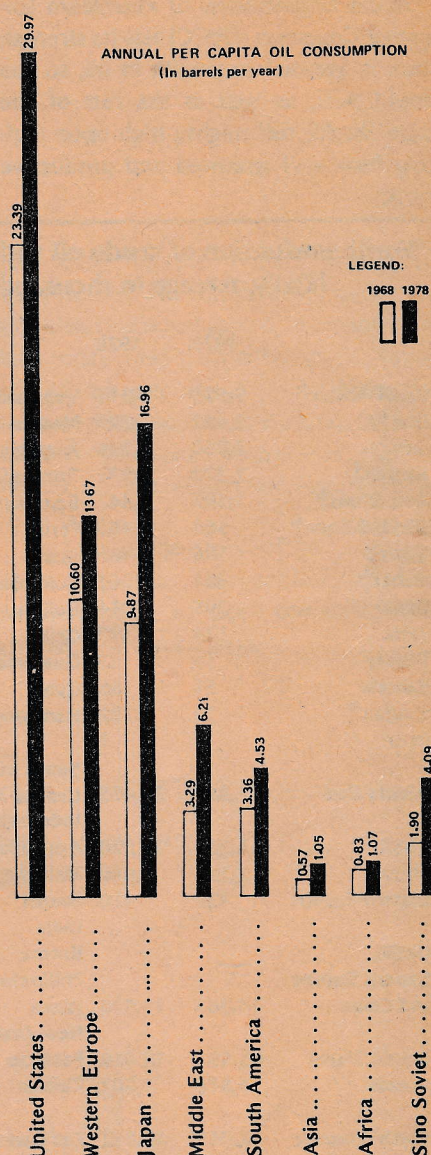
- OPEC as a bloc has 47.65% of world production or 31,379 thousand barrels daily.

- The USSR (17.85%) tops all countries, followed by the US (15.48%).

ASIAN ENERGY CONSUMPTION AND GNP (1978)

COUNTRY	POPULATION (Millions) Mid-1978	GROSS NATIONAL PRODUCT Per Capita (US\$)	Total (\$M)	ENERGY CONSUMPTION (In kilograms of coal equivalent)	
				Per Capita	Total (Millions)
LOW-INCOME					
Kampuchea, Dem.	8.4	—	—	4	33.6
Bangladesh	84.7	90	7,623	43	3,642.1
Lao PDR	3.3	90	297	60	198.0
Bhutan	1.2	100	120	—	—
Nepal	13.6	120	1,632	11	149.6
Burma	32.2	150	4,830	64	2,060.8
Viet Nam	51.7	170	8,789	125	6,462.5
India	643.9	180	115,902	176	113,326.4
Sri Lanka	14.3	190	2,717	109	1,558.7
Pakistan	77.3	230	17,779	172	13,295.6
Afghanistan	14.6	240	3,504	47	686.2
Indonesia	136.0	360	48,960	278	37,808.0
MIDDLE-INCOME					
Thailand	44.5	490	21,805	327	14,551.5
Philippines	45.6	510	23,256	339	15,458.4
Syrian Arab Rep.	8.1	930	7,533	968	7,840.8
Jordan	3.0	1,050	3,150	535	1,605.0
Malaysia	13.3	1,090	14,497	716	9,522.8
Lebanon	3.0	—	—	936	2,808.0
Korea, Rep. of	36.6	1,160	42,456	1,359	49,739.4
Turkey	43.1	1,200	51,720	793	51,720.0
Taiwan	17.1	1,400	23,940	2,202	37,654.2
Hong Kong	4.6	3,040	13,934	1,657	7,622.2
Singapore	3.7	3,500	12,950	2,362	8,739.4
INDUSTRIALIZED					
Japan	114.9	7,280	836,472	3,825	439,492.5
CAPITAL-SURPLUS OIL EXPORTERS					
Iraq	12.2	1,860	22,692	633	7,722.6
Iran	35.8	2,160	77,328	1,808	64,726.4
Saudi Arabia	8.2	7,690	63,058	1,306	10,709.2
Kuwait	1.2	14,890	17,868	6,771	8,125.2
CENTRALLY PLANNED ECONOMIES					
China	952.2	230	219,006	805	766,521.0
Korea, Dem. Rep.	17.1	730	12,483	2,702	46,204.2
Mongolia	1.6	940	1,504	1,240	1,984.0

WORLD CONSUMPTION OF OIL



- The United States is the world's greatest consumer of oil with a per capita consumption (1978) 3.44 barrels greater than the combined per capita consumption of the following continents: Western Europe, South America, Africa, Asia, including the Middle East.

- Japan ranks next with the average citizen consuming 16.04 barrels yearly.

- In the ten-year period (1968-1978), the Middle East increased consumption by 89%; however, this oil producing region has an oil consumption level way below that of the US, Japan and Western Europe.

- An individual in the Sino-Soviet bloc consumes only 14% of what the American uses up yearly.

- Lowest in the world is the per capita consumption of oil in Asia and Africa: only 167 and 170 liters, respectively.

OIL EXPLORATION IN ASIA

- Asia, including the Middle East, although rich in proven reserves and oil production, benefits least from oil.

- Third World countries in general consume less oil than industrialized countries. Cause and consequence both point to the fact that they are underdeveloped.

- Ironically, individuals living in the oil-producing countries have very weak buying power which goes to show that superprofits from oil are remitted elsewhere.

- Consumption by many industrialized countries is much more than their fair share of world energy supplies.

- Poverty and energy have a direct relationship: the poorer one gets, the less energy one is able to consume. This is so because energy, as it is now, entails cost.

- The relationship can also work conversely. If one does not use up enough energy he cannot generate more income.

- On the level of nations, poverty limits a country's ability to buy oil. And because it cannot buy enough oil, it does not have the basic ingredient for industrialization.

- At any given time, around eight billion barrels of oil move within the Asian region, five billion of which are destined for Japan alone. The rest is unevenly divided among the 13 or more other nations.

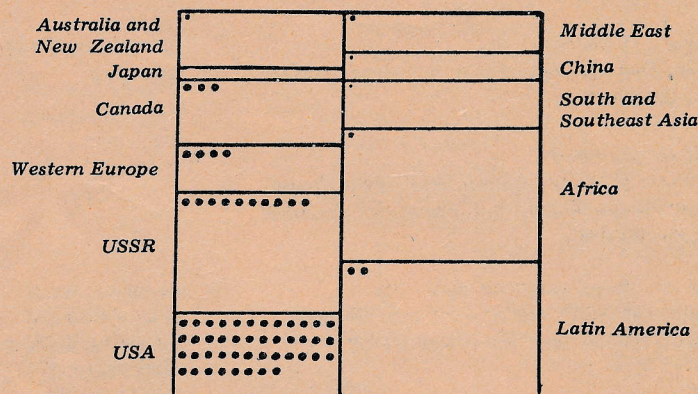
- Japan, with the highest gross national product in Asia, has also the highest oil consumption. She consumes 4.8 times more than the combined amount of energy used up by all the capital-surplus exporters in Asia: Iraq, Iran, Saudi Arabia and Kuwait, where total consumption is only 20% of Japan's.

- The 12 low-income countries with nine times Japan's population altogether consume only 40% of total Japanese consumption. On the other hand, the 11 middle-income countries with almost twice Japan's population, use up less than one-half of what the Japanese consume.

- All 27 capitalist countries in Asia consume only 8.7% more oil than Japan.

- Singapore, a small oil-producing nation of 3.7 million consumes 12% more oil than Iraq, a capital-surplus oil exporter with more than three times the Singaporean population.

Based on B.F. Grossling's "In Search of a Probabilistic Model of Petroleum Resources Assessment", in *Energy Resources*, an interesting diagram shows the regional distribution of the world's potentially petroliferous areas in proportion to the world total. Here it is.



Within each region the number of exploration and development wells which have been drilled is shown — each full circle represents 50,000 wells. Relative to the US, all other parts of the world — but especially the regions of the Third World — are little drilled for their oil.

Asia, Africa, and Latin America contain half of the world's oil regions. Exploration, however, is still wanting. It appears that the amount of work undertaken even in today's leading OPEC countries is less than 5% the world total.

Why so? The reason: oil politics. Unless there is an effective political control over an area, the international oil companies hesitate to risk their investments. They write off those parts of the world where the rise of nationalism and anti-colonialism threatens their freedom to exploit. (*Petroleum Economist*, Jan 80)

A corollary is this: where the oil firms decide to explore, a favorable political climate has been assured both by the home government and the local powers-that-be.

The data on the table that follows indicate that oil is where your politics lies.

THE MARATHON HAGGLE

It's most frustrating to be two cents apart — one permanent, one temporary.

Well, I will move to my final final final. I may be killed but I will make both cents temporary.

I will make my last effort to close the gap. Let's split the difference at \$3.29. I'll get fired!

I told the Revolutionary Council we would get \$3.45. You will be fired but I will be killed!

Conclusion: Seven hours later they finally settled the two cents difference. They agreed on the posted price of \$3.30 with premiums bringing it up to \$3.45.

SOUTH AND EAST ASIAN OIL PRODUCTION AND EXPLORATION POLICIES

	Country	Crude Oil Production (1979)	Survey/ Exploring/ Drilling Co.	Law	Salient Points
1)	BANGLA DESH			Petroleum Act (1974) on production-sharing	— Vests the government with "exclusive right to explore, develop, exploit, produce, process, refine and market petroleum."
2)	BURMA — 30,000 b/d Myanma Oil Corp., Petro-Chem. & Natural Gas Corp. (both state-owned)			1977 Private Enterprises Law	— Makes "oil exploration, prospecting, production and processing" a monopoly of the state.
3)	CHINA — 2.1 mb/d Japan Nat'l. Oil Corp., Amoco, Arco, Mobil, Exxon, Chevron/Texaco, Phillips, Brit. Petrol., Elf Aquitaine, Gulf (unconfirmed)				
4)	INDIA — 7.59 mil. tons (Jan-Sept 79) Oil India, Ltd. 950% Indian gov't. 50% Burmah Oil, Oil & Natural Gas Commission (ONGC)			Petroleum Act of 1934, Petroleum Concession Rules of 1949, Petrol. & Natural Gas Rules of 1959	— Lessee shall pay the government royalty of gross well-head value of all crude oil. — Initial exploration term is 4 years and may be extended.
5)	INDONESIA — 1.57 mb/d AAR, Arco, Asamera, Caltex Conoco, Huffco, Iiapco, Lemigas, Mobil, Pertamina, Phillips, Stanvac, Tesoco, Total, Trend, Union Oil			Law No. 44 of 1960	— State enterprises would collaborate with foreign companies in conducting petroleum operations. — In practice, terms and conditions are laid down between Pertamina & oil co. — Contractor is exclusively responsible for furnishing all foreign exchange, materials, equipment & supplies necessary for the operation, including technological aid & foreign personnel. — Contractor is granted unrestricted rights of ingress and egress from contract area and to facilities wherever located — Companies would no longer have to reinvest from portion of production sold to Pertamina and all companies would qualify for a 20% credit on capital investments required for developing new fields. (Feb. 77) — Pertamina also offered to share costs of exploration 50-50 with foreign contractors
					
6.	JAPAN — 1552 b/d Japex Hokkai, New Japan Sea, Shin Nishi Nihon, Japex-Exxon, Japex Offshore-Oga Dev't., Japex-Union			General Mining Law of 1950, Continental Shelf Act of 1969	— Government has exclusive power to grant mineral rights which may be prospected or mined only under mining rights or leases granted by the state. — Only Japanese citizens and public companies incorporated under Japanese law may own mining rights. Exceptions are made by treaties — Onshore rights reserved for Japanese. — Offshore activities must have at least 50% Japanese participation.
7)	NORTH KOREA — no significant production				
8)	SOUTH KOREA — nosignificant production Korea American Oil (Koam), Texaco Korea, Universe Oil, Weeks Petrol. Korea, Hamilton Bros., Chevron Oil Korea, Lucky Oil Exploration, Nippon Oil Expl. (NOE), Texaco Japan, Chevron Oil Japan, Teikoku Oil			Petroleum Law No. 2183-1970; PD 5848-1971; MCI Ordinance No. 367 of 1972, MCI Public Notice 8378-1972; Law No. 2184; PD 5020-1970	— Exploration rights which last for 8 years with one renewable 2-yr. period. — after first stage (2-3 yrs.) holder has to relinquish 25% of initial acreage, 50% after second stage, 75% at third. — Exploitation rights which may be applied for not later than 3 months before expiration of exploration right. — does not exceed 30 yrs. but extendable for 2 5-yr. periods — royalty: 12.5% — income tax: 50% of profits — 1978: creation of state-owned corporation, Korea Oil Dev't. Corp. to handle oil imports

- 9) **MALAYSIA** — 291,991 b/d
Esso Prod. Malaysia, Shell Sabah Petroleum, Pecten Malaysia, Shell Sarawak, Petronas Carigali (state-owned), Brit. Nat'l. Oil Corp.



- 10) **PAKISTAN** — 11,200 b/d
Occidental Petroleum, Oil & Gas Development Corporation (state-owned), Gulf Oil Pakistan, Hamilton Bermuda, Pakistan Shell, Amoco/Pakistan, Petroleum
- 11) **PHILIPPINES** — 1.187 mb/d
Cities Service, Citco, Amoco, Pecten, Phillips, Total, Salen, Poge, Houston Oil, PNOG (state-owned), CPC, Multi-Natural, Brit. Petrol, Interport, Podco, Chevron, Superior, Pioneer Bay, Sun Oil, Trend Group
- 12) **SRI LANKA** — no significant production
- 13) **THAILAND** — no significant production
Union, Conoco, BP, Tenneco, Texas Pacific, Amoco, Esso, Meridian, Oceanic, Sun, Triton, Thai Shell



- 14) **VIETNAM** — no significant production
Deminex, Agip, Elf Aquitaine, Bow Valley

Petroleum Development Act of 1974

Mines & Minerals Resources Act

Presidential Decrees (PD) 807, 334, 1206, 782

Ceylon Petroleum Corporation Act No. 5 of 1963; Law No. 2 of 1976

Petroleum Act 1971

Decree No. 115/CP of April 18, 1977 (general policy on foreign investment)

- Gives Petronas exclusive rights to explore and develop oil & gas resources
- 1976: production-sharing contracts signed with Exxon & Shell, saying.
 - 10% of gross production for oil is payable to federal & appropriate state governments (each one receiving 5%) as royalty
 - cost exploration, development and production can be recovered up to maximum of 20% of gross production per annum for oil
 - after deducting payments for royalty & cost recovery, remaining 70% is shared between Petronas & contractor on 70-30 ratio.
- Right holders required to be incorporated in Pakistan; Pakistani citizens must hold 25% of company's stock.
- Maximum allowable area/license is 13,000 km.² valid for 3 yrs. (with one year optional extension for 1/2 of original area)
- No stated obligations for companies taking up license.
- Provides "more meaningful incentives to prospective service contractors."
- Offers 60-40 split between government and contractor
- Capital investments brought in may be repatriated
- Foreign operators exempt from import tariffs on plant & equipment
- Foreign exchange in excess of operational costs is remittable
- Gives Ceylon Petroleum Corporation the power and exclusive right to "carry on the business of exploring for, and exploiting, producing and refining petroleum."
- Concessionaire has the right to explore for, produce, store, transport, and sell petroleum, but not the right to refine it.
- Compulsory relinquishment shall be made at the end of 5th year of exploration period, amounting to aggregate area of 50% of each exploration block; at end of 8th year, aggregate area of another 25% of exploration block shall be relinquished
- Profits taxed at 50%, and royalty shall be at 12.5% in cash or kind, but 8.75% for exploration in deep waters.
- Regulations welcome foreign investment in three forms: investments in solely owned private enterprises specializing in production for export, investment in joint ventures, and investments by way of cooperating with the Vietnamese in production and sharing of output.

Source: *Petroleum News*, Jan 80.

Some Points on the Table:

● Countries that allow so many incentives rank among the highest oil producers. Those with relatively strict provisions are either considered to be low producers or have "insignificant" levels of production. And of course, more incentives mean more exploring companies (the Philippines tops all other Asian countries in this regard). Could it be that oil production is directly proportional to corporate incentives?

● Political desirability seems to be another factor. For example, both North

and South Korea appear to have no significant amount of oil. But then, oil explorers continue to try their luck in the South.

● Countries that originally had stringent rules regarding foreign equity and participation in oil exploration eventually had to scrap or modify their laws. Examples are Sri Lanka, Indonesia, and Malaysia.

● While oil-consuming nations bemoan the conservationist and protec-

tionist policies of other oil-producing nations, they are not so liberal when it comes to oil in their own backyard. Oil-hungry but oil-poor Japan, for example, even has more rigid rules when it comes to exploration there.

● While Japan can afford to enforce its own rules, the same cannot be said of the other countries who had to swallow their national pride to attract foreign capital and technology. Along the way, some "compromise" had to be arrived at.

OIL REFINING IN ASIA

Participation in refining is seen by most governments as one way towards the eventual control of the oil industry. But for whose benefit this would eventually be — if ever oil industries do get nationalized — is another question.

The discovery of oil in certain countries has not really resulted in a lower price than that charged by OPEC. Usually, prices are even higher. And there's still the usual catch: even if oil were to be found locally, extraction, refining and distribution are still very much the prerogatives of Western oil majors.

All things considered, what is basic in the oil problem is not the discovery of new fields. In the absence or lack of political will on the part of the governments, the

job of wresting control over oil falls on the Asian peoples themselves.

Wanting to cut back further the prices of oil, some countries have taken to building their own refineries. But again, the twin problems of capital and technology continue to hound them.

In many Asian countries, refining is still very much in the hands of the oil companies. The control of US oil companies is undisputed. Even Japan, supposedly the US' junior partner in Asia, has to reckon with the presence of US shares in about 40% of its refining industry. In countries like Malaysia and Singapore, however, the control is even more insidious: US companies own 100% of the refineries.



Refineries in Asian countries	Ownership	Capacity in barrels/day (1978 production)	Refineries in Asian countries	Ownership	Capacity in barrels/day (1978 production)
Philippines:					
1) Bataan Refining Corporation	60% Philippine National Oil Corp. (PNOC); 40% Mobil	108,000	2) Balikpapan	100% Pertamina	75,000
2) Caltex	100% Caltex Petroleum Corp.	74,000	3) Dumai	100% Pertamina	100,000
3) Shell	50% Royal Dutch Shell; 25% Meralco 25% divided among three Filipino families	68,000	4) Sungai Gerong	100% Pertamina	79,000
4) Filoil (closed down in '75. Being transferred to Bataan for integration with BRC)	94% PNOC 6% others	30,000	5) Plaju	100% Pertamina	111,000
Singapore.			6) Wonokromo	100% Pertamina	4,000
1) Shell Eastern Petroleum Ltd., Pulau Bukum	100% Shell	500,000	7) P. Brandan	100% Pertamina	4,000
2) Mobil Oil Singapore Petrol. Ltd. Jurong	100% Mobil	180,000	8) Sungai Pakning	100% Pertamina	50,000
3) Exxon Pulau Ayer Chawan	100% Esso	213,000	9) Cepu	100% Lemigas	4,000
4) Singapore Refining Corp. Pulau Merlimau	30% BP; 30% Caltex; 40% Singapore Petroleum Corp. (31.33% Singapore Refining Corp., 31.33% Development Bank of Singapore, 31.33% Amoco, 6% C. Iton)		Thailand:		
5) BP Pasir Panjang	100% BP	28,000	1) Summit Bangchak	Gov't-owned, leased by Summit Industrial (Thai-Chinese Co. registered in Panama)	65,000
Indonesia:			2) Thailand Oil Refining Co.	30% Shell 30% K.Y. Chow 20% Private company & interests 20% Public Welfare Fund	65,000
1) Cilacap	100% Pertamina	100,000	3) Esso Sri Racha	100% Esso Standard Thailand Ltd.	35,000
			4) Fang	Thai government	1,000
			Malaysia:		
			1) Esso	100% Esso	36,000
			2) Shell (Port Dickson)	100% Shell	90,000
			3) Shell (Lutong Sarawak)	100% Shell	14,000
			Korea:		
			1) Korea Oil Corp.	50% Korean government 50% Gulf Oil	265,000
			2) Honam Oil Refinery	50% Caltex Lucky Group	230,000
			3) Kyung in Inchon	Korean government Union Oil Co.	60,000
			4) Modern Busan		2,000

Sources: *For Eastern Economic Review* (26 Jan 79); *Petroleum News* (1978)

ASIAN COUNTRIES AND OIL PRICE INCREASES

Whenever oil prices increase, so do the levels of economic misery among poor nations. Oil transnationals use every OPEC move increasing oil prices as an excuse to further jack up prices of petroleum products and raise their own profits.

But the oil companies are not alone in the oil price racket. Repressive governments that have been set up to defend the capitalist system are no less guilty. To salvage their bankrupt economies, these governments have resorted to all forms of raising much-needed capital, including the extraction of high taxes from their citizens.

Prices of commodities like gasoline and other petroleum products have thus skyrocketed, and tucked inside them are sizeable taxes imposed by governments.

Gasoline prices in Asia have risen by an average of 30 percent over the past year. The burden, however, is so unevenly distributed:

Offhandedly, the figures are puzzling.

- Richer nations are increasing their gasoline prices by a lower percentage than poorer nations. For example, Japan's gasoline price increase is the lowest next to Singapore while that of debt-ridden Philippines is the highest at about 63 percent.

- An oil-producing nation like Indonesia jacks up its gasoline price by 50 percent while non-producer Singapore registers a relatively low 9 percent.

- China did not increase its prices at all. Is it not losing money as the oil majors claim they are?

For the answers, we have to look beyond the table and into the economic policies of the individual nations.

CHINA: An energy conservation policy being seriously pursued by the Chinese government enables it to increase production without increasing energy expenditures. Rising energy needs are being met by producing more coal rather than exploiting more oil. Even as China is believed to have vast offshore and inland oil reserves, its government and people have made it clear that present production levels as well as exports may even decline.

INDONESIA: The country's domestic consumption of crude oil is rising faster than its production. One of the ways by which the Indonesian government hopes

to reverse this trend is by increasing domestic prices of petroleum products. Reducing or keeping domestic consumption low, in turn, is being done in order that enough oil would be reserved for export. On the average, 65 percent of Indonesia's export earnings comes from the sale of petroleum products. Moreover, 71

**RETAIL PRICE OF
PREMIUM GASOLINE**
(in US\$ per liter)

Country	1979	1980	% increase
South Korea	.89	1.14	28
Japan	.57	.66	16
China*	.35	3.5	0
Taiwan	.42	.66	57
Hong Kong	.39	.47	21
Thailand	.37	.48	30
Philippines	.41	.67	63
Malaysia	.37	.46	24
Singapore	.43	.47	9
Indonesia	.16	.24	50

*Price is for foreigners only

Source: *ASIAN WALL STREET JOURNAL*, 9 Oct 80

percent of the national income is obtained from oil.

JAPAN: Being almost totally dependent on imported oil, Japan has learned to take concrete steps toward reduced energy use. Oil consumption by the industrial sector has gone down by 46 percent. The government has adopted voluntary but detailed guidelines for saving energy and reducing imports. This year, oil imports will be reduced from 5.4 million barrels to 5 million barrels per day.

MALAYSIA: Even as this country produces and exports oil, 35 percent of its own petroleum needs still have to be imported. Policies on oil use is laden with contradictions: Petronas, the government-owned energy corporation, warns about the rapid depletion of oil but Malaysian petroleum continues to fuel cars in the US. In 1983, it will be contributing to Japan's oil needs.

To solve its energy problems, the Malaysian government is aggressively drilling for more oil fields.

PHILIPPINES: A large portion (30%) of the country's gasoline price consists of taxes. Although the government is encouraging the development and use of al-

ternative energy sources like nuclear reactors and geothermal power, these have yet to be completed. In addition, while these alternative powers might answer the country's energy needs, they cannot guarantee lower prices. Foreign capital is heavy in these two areas, too.

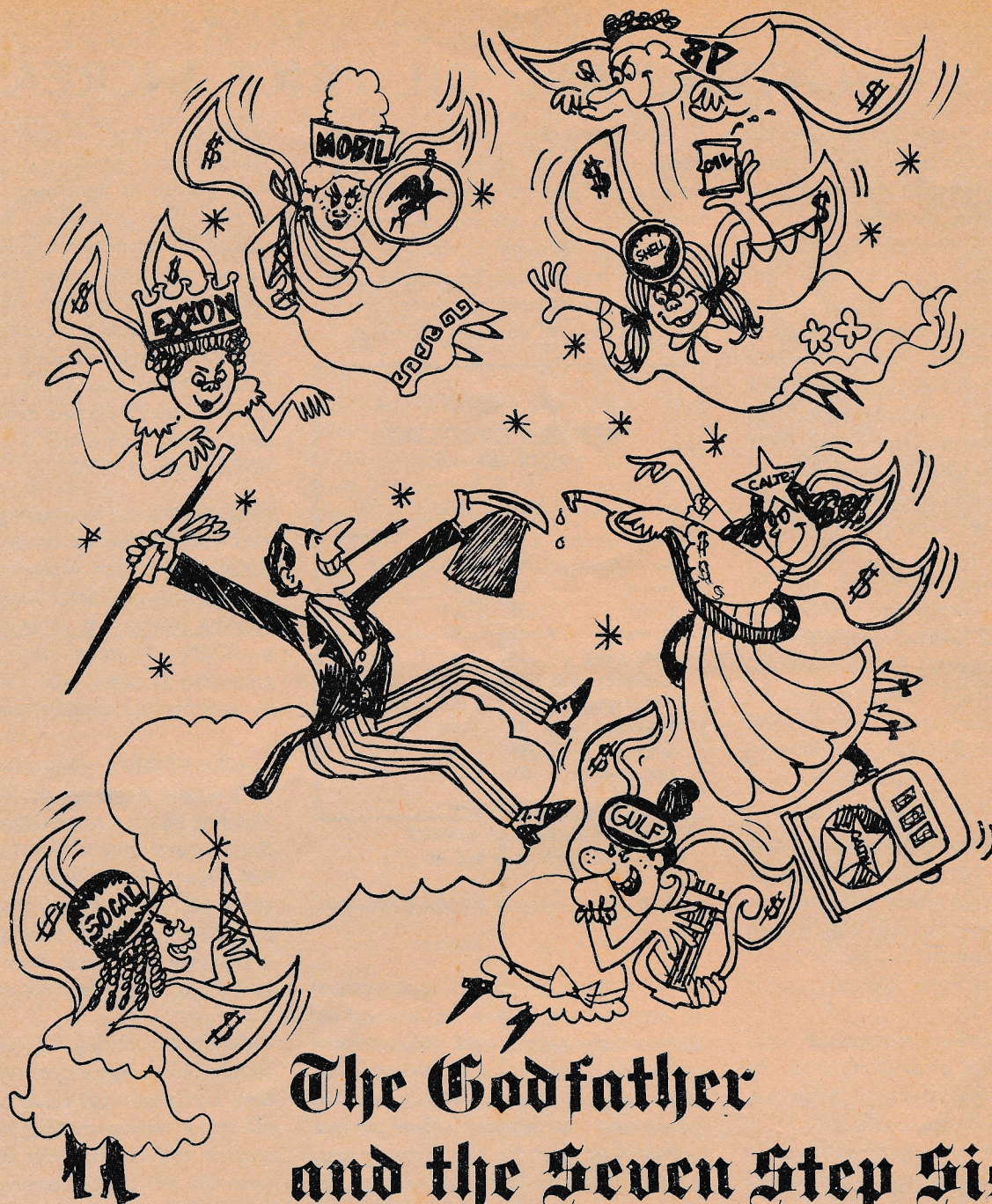
For the moment, oil imports are being paid with large amounts of short- and medium-term borrowings. Short-term loans in the first seven months this year were almost four times as high as those of the whole of 1979.

SINGAPORE: The country's high import bill is offset by its per capita GNP (US\$3,500) which is among the highest in Asia. In addition, Singapore's large refining industry is expanding, thus the possibility of lower gasoline prices as compared to other Asian countries. Energy conservation is mildly being promoted.

SOUTH KOREA: Oil remains the country's biggest single import. The Economic Planning Board projects that the oil bill this year will double to more than \$6 billion from \$3.1 billion last year. The rising oil bill is mainly responsible for South Korea's rising trade deficit which is expected to increase from \$4.6 million in 1979 to \$5.5 billion this year.

THAILAND: Rising oil prices in this country have aggravated domestic inflation, disrupted vital industries, contributed to a serious balance of payments position and consequently, helped in the downfall of one government. Thailand imports 85 percent of its petroleum needs so that any increase in oil prices is sure to affect that country's balance of payments. Last year's payments deficit was \$388 million — down from \$651 million in 1978. But this is hardly a reassuring development since the reduction in deficits was due largely to a last-minute inflow of foreign capital.

TAIWAN: In contrast to China, Taiwan is reeling from an ailing economy marked by soaring inflation, sluggish exports, and a trade deficit. Taiwan imports 99 percent of its oil needs. Its oil import bill may reach \$5 billion this year or one-fourth of its total imports. The skyrocketing price of oil has pushed Taiwan's economy to greater difficulties as trade deficit for the first half of this year alone totaled about \$400 million.



The Godfather and the Seven Step Sisters

Once upon a time, before the days of huge oil wells and fleets of oil tankers, petroleum was just another patent medicine that went by the name of Kier's Medicine. Sold at \$1 a bottle, it was guaranteed to cure cholera, corns, toothache, and neuralgia.

In 1859, Edwin Drake, a retired railroad conductor, discovered oil by drilling in Pennsylvania, USA. Soon, thousands were rushing to bore deep into the bowels of the earth, searching for the black fluid that would replace coal as the main source of energy and fill the drillers' pockets with profits. The oil alternative was also a much-needed relief for those who had depended on fuel for lamps from the near-extinct whales. Oil gushed out from the earth in almost every place where the drillers set up rigs.

Amidst this "Oil Rush" was anarchy. There were several hundreds of entrepreneurs who could not control oil production and pricing. Although there were attempts among them to agree on controlling drillings, selling at fixed prices and reaching an understanding with the refiners, there were independent producers who could not resist undercutting the others. Order was something the oilmen failed to achieve.

Introducing John D. Rockefeller, King of American Monopoly Capitalism

The anarchy that was then the oil industry caught to attention of a former

bookkeeper who saw the immense profits being passed up by the small oilmen because they could not control production. Someone just had to bring order into the market — and take the money home. He had to be John D. Rockefeller.

Rockefeller's first partners were the Clark brothers. He also acquired the services of an able technologist who knew how to extract a high percentage of kerosene oil from the crude.

Rockefeller was to change his business

partners often as they contributed the capital necessary for his expansion. New refineries were opened, warehouses and export agencies built, and chemists and experts hired. All contributed to the growth of the Rockefeller empire until it moved steadily to the front of the field, far surpassing its rivals.

The story of how Rockefeller got to the top is by now a classic. His instinct for secrecy and conspiracy proved valuable in killing off his competitors.

Rockefeller made his first big step toward control of the oil industry by secretly demanding a discount on freight costs from the railroad companies using as leverage the fact that his firm controlled a substantial portion of oil supplies. With this, he was able to sell his products at less cost and hence, undercut his competitors.

Once having gained an advantage, Rockefeller pushed forward more relentlessly until his company became the largest shipper of oil, having the power to demand more discounts from the railroads. Seven years after he joined the industry, Rockefeller and his associates formed the Standard Oil Company of Ohio. Rockefeller himself owned 27% of Standard Oil's stocks while the company could boast of holding one-tenth of the oil in America.

By organizing the South Improvement Society, Rockefeller maneuvered things so that his rivals were charged by the railroads at higher rates. Brushing aside the objections of many small businessmen who found themselves on the losing end of the deal, Rockefeller instead offered them Standard Oil Co. stocks in exchange for their refineries.

Within months, Rockefeller had captured all of Cleveland's oil refining trade. Each of his competitors surrendered to him and one-fifth of America's output of refined oil came under his control.

By 1883, Rockefeller had formed the Standard Oil Trust on a continental scale. The trust was particularly helpful in circumventing laws which prohibited a company in one state from owning shares in another. All along, Rockefeller kept up the image that the companies were independent.

Standard Oil soon gained a position that gave it greater income than most states and more leverage against attackers through its connections in the legislature.

By 1885, 70% of Standard's transactions was overseas. It had its own network of agents around the world that kept watch over the activities of rival

In 1913, Rockefeller incorporated the Rockefeller Foundation which was chartered to promote schools, libraries, scientific researches, and to help educational institutions. His original gift to this institution had a market value of \$100 million then.

Although Rockefeller said that, "the sole motive underlying the various Foundations which I have established has been the desire to devote a portion of my fortune to the service of my fellowmen," the US Industrial Commission's Final Report gave a less philanthropic explanation for the foundations.

"The funds of these Foundations," it said, "are largely invested in securities of corporations dominant in American industry . . . The policies of these Foundations must inevitably be colored, if not controlled, to conform to the policies of such corporations. The funds of the Foundations represent largely the result either of the exploitation of American workers through the payment of low wages or prices. . . The power of these Foundations is practically unlimited, except that they may not directly engage in business for profit."

A danger cited by the Report was "the degree of control over the teachings of professors in our colleges and universities which constitutes a most serious menace."

companies and moves of the governments.

Such was the dawning of the age of monopoly capitalism.

The Three Standard Sisters

Standard Oil's wealth grew until May 1911 when the US Supreme Court ordered the firm to divest itself of all its subsidiaries in six months because it had "drive(n) others from the field and exclude(d) them from their right to trade".

While the Supreme Court decision was drastic, it did not succeed in destroying Standard Oil's oligopolistic character, much less restore the mythical concept of free enterprise. In a sense, the "break-up" was the big, novel challenge that the firm needed to shake its directors from their complacency and revive the entrepreneurial spirit of its founder.

Besides, Rockefeller's men still owned the 38 splintered companies where Rockefeller himself continued to hold one-fourth of the shares.

In time, the "smaller" companies outgrew and out-profitied their parent company as the oil industry expanded and diversified.

Three of Standard Oil's offsprings — the Standard Oil of New Jersey (Exxon), Mobil, and the Standard Oil of California (Socal) — grew to become part of the infamous Seven Sisters.

Exxon became the biggest of the Standard children. It is the richest in terms of assets, with a network of outlets that is unparalleled in the world. It is also noted for the network of bribes it had devised among the senators and congressmen of the US for the protection of the monopoly. For the last 25 years, Exxon topped the list of US industrial

firms in terms of profit four times, and is predicted to take permanent control of the no. 1 spot from General Motors in terms of sales.

Mobil or the Standard Oil Co. of New York (Socony) has been selling oil in England as early as 1882. It broadened its operations to East Asia where it made oil and lamps for China. It is the smallest of the Sisters but is reputed to be the hottest pursuer of crude.

Socal or Standard Oil of California is primarily an oil-producing company. Where Mobil has no oil but plenty of markets, Socal is oil-rich but market-hungry. Together with the railroad, it has become the dominant industry on the United States West Coast. Socal figured in a land dispute with the federal government in 1909 when President Taft pressed for the return of around 3 million acres of federal land being explored by the oil company. In the end, however, a compromise was worked out wherein operating drills were allowed to continue.

The Other Members of the Oil Family

Four other companies together with the Standard firms control a substantial portion of world oil exploration, refining, shipping, and marketing. These are Gulf, Texaco, Royal Dutch/Shell, and British Petroleum.

Gulf is largely owned by the Mellon family of Pennsylvania. Its first well was in Spindletop, the site of the first oil discovery. However, it was the discovery of another oil field in Oklahoma, then Indian territory, that prepared its road to the top.

Texas Corp. or Texaco was founded by Joseph Cullinan, one of the drillers who joined the rush at Spindletop. It

accumulated profits by buying the cheap Spindletop oil and selling it to sugar planters along Mississippi and to Standard in the East. The company was able to weather Spindletop's exhaustion when it discovered another gusher in Sour lake, 20 miles away. In 1904, Texaco was producing 5% of US oil.

Across the Atlantic, industrial countries were likewise thirsting for the black fuel. In many ways, they were more vulnerable to the ups and downs of the industry than their American counterpart. Oil did not lie in any of the European countries' backyard. But they were in abundance in many of their colonial empires in Asia and in the Middle East.

The oil industry in Europe thus acquired the character not only of business enterprises but of an indispensable arm of European economies subject to government supervision. As the companies drilled for oil across the world, they needed and asked for the British government's protection. The government was a shield that protected the companies from colonial hostility. In return, it demanded from a royalty that was to be concretely found in its percentage of shares in the companies.

Shell was founded by Marcus Samuel who, like most entrepreneurs in those days, shifted his attention from coal to invest in oil. Shell's oil, however, came from Russia. And it was Russian oil that further upset the market. Samuel realized that the only way his company could

stand up to the monopoly that was Standard was to compete with it in every market at once. Shell then built storages and tanks in Asia to facilitate the transport of oil in that part of the world. It also owned tankers which fitted the requirements of the directors of the Suez Canal, who by a convenient coincidence, were also British.

Determined to retain its independence from Standard Oil which had consistently been offering to buy out the British owners of Shell, the company instead chose to link marketing operations with Royal Dutch.

The Sisters Extend their Oil-Hungry Tentacles Worldwide

Royal Dutch was a much smaller company than Shell. But it held valuable oil reserves in Sumatra, Indonesia, and had access to the Asian market.

Standard, however, continued undercutting the company. British responsibility in Royal Dutch/Shell began to fizzle as Samuel was becoming more of a politician back in his own country rather than an entrepreneur. It was left to the initiative of Royal Dutch's Henry Deterding to salvage Shell. Against the onslaught of Standard's price cutting, Samuel was finally forced to agree to a complete merger with Royal Dutch. The terms, however, were in favor of the Dutch company which controlled 60

percent of the shares as against Shell's 40 percent.

Foreign participation in Royal Dutch/Shell and its reliance on countries like Russia and Indonesia for oil contributed to the company's alienation from the British government and people. Despite private British participation in the company, Royal Dutch/Shell was regarded by the British as a Dutch enterprise.

The British government wanted a company that would unquestioningly stand



20 OUT OF THE WORLD'S TOP 50 INDUSTRIALS ARE PETROLEUM COMPANIES

Sales '79	Rank '78	Company	Headquarters	Sales (\$'000)	Net Income (\$'000)
1	2	Exxon	New York	79,106,471	4,295,243
3	3	Royal Dutch/Shell	The Hague/London	59,416,560	6,474,283
4	5	Mobil	New York	44,720,908	2,007,158
6	7	British Petroleum	London	38,713,496	3,439,582
7	6	Texaco	New York	38,350,370	1,759,069
8	8	Standard Oil, Cal.	San Francisco	29,947,554	1,784,694
9	13	Gulf	Pittsburgh	23,910,000	1,322,000
13	22	ENI	Rome	18,984,960	89,040
14	17	Standard Oil (Ind.)	Chicago	18,610,347	1,506,618
16	23	Francaise de Petroles	Paris	17,305,220	1,137,282
21	24	Atlantic Richfield	Los Angeles	16,233,959	1,165,894
26	28	Shell Oil	Houston	14,431,211	1,125,561
29	42	Petroleous de Venezuela	Caracas	14,115,899	2,907,291
32	44	Elf-Aquitaine	Paris	13,385,876	1,310,132
36	38	Conoco	Stanford, Conn.	12,647,998	815,360
43	45	Tenneco	Houston	11,209,000	571,000
46	o	Sun	Pennsylvania	10,666,000	699,900
47	43	Petroleo Brasileiro	Rio de Janeiro	10,278,518	756,773
48	o	Occidental Petroleum	Los Angeles	9,554,795	561,646
49	o	Phillips Petroleum	Oklahoma	9,502,775	891,121

Total sales of Petroleum Industrials: 491,091,917 34,619,652
Total Sales of World's Top 50 Industrials: 1,014,318,420 51,193,860

Source: Fortune, 11 August 1980

• The top 20 petroleum companies among the world's 50 largest industrials account for 48.42% of total sales and 67.62% of total net income.

• Thirteen of the 20 are US companies with 65% (\$318,891 M) of total petroleum sales and 53% (\$18,503M) of total petroleum net income.

• The three newcomers are also American-owned; their profits come from exploration and oil production. They are active in China, Indonesia, Pakistan, Philippines, and Thailand.

• Vanished from the list is an oil producer, National Iranian Oil, due to unavailable figures.

• All Seven Sisters are in the top 10; three are in the top four. Their sales in 1979 amount to almost three times the combined GNP of the Asean countries.

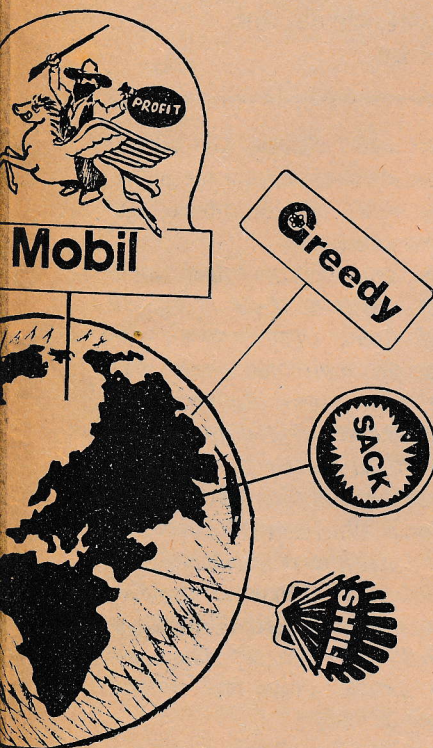
• Exxon alone has \$79,106,471,000 sales in 1979 which is more than the combined GNP of eight Asian countries (Bangladesh, Burma, Vietnam, Pakistan, Sri Lanka, Malaysia, Singapore, and the Democratic Republic of Korea.).

by it and protect its political interests abroad as well as the domestic economy. For this, it established **British Petroleum**.

Since BP's oil explorations in the Middle East, the British government further tightened its hold on the company and refused to be bought out by foreigners.

BP, for its part, played the role of a reliable and useful oil company as it gave preferential terms to the British navy.

All in all, control of oil reserves, production, transport and distribution en-



abled countries like the United States and Britain to develop their economies. Oil further served as a good reason for political and economic expansion abroad and justified imperial entrenchment in oil-rich underdeveloped countries.

Traditionally, the big oil firms made their biggest profits by selling cheap crude from their oil field concessions granted by producing nations. Crude oil is then brought to their refineries and distributed to gasoline stations similarly owned by them. Thus, they easily control the pricing of oil products which they sell to oil-importing countries at inflated prices. And, since they own the subsidiaries engaged in all phases of oil production, they pad production costs and pass these on to the final consumer. This way, they not only get to sell at outrageously high prices, they are also able to dodge high taxes on their net profits.

Not surprisingly, despite the so-called "energy crisis" oil companies continue to wallow in large profits that seem to swell as the crisis worsens.

SHELL'S BIGNESS

When Sir Henri Deterding took control of Royal Dutch Shell and substantially reduced private British ownership in that company, he set out to make Shell one of the world's largest oil enterprises. Playing the oil game with an aggressiveness and ruthlessness that characterized his rival, Rockefeller, Deterding succeeded in transforming his company into one of the most formidable oil transnational corporations. Equipped with the resources and a wide marketing network, Shell alone stood to challenge Exxon's superiority in the oil industry.

- The net income of the Royal Dutch/Shell Group for 1979 was \$7.3 billion up by 181% over 1978.

- In terms of sales proceeds, Shell companies are the second largest enterprise in the world oil industry, selling nearly 10% of all the oil and natural gas consumed in the world, excluding the USSR, Eastern Europe and China.

- Shell's sales proceeds increased more than six times between 1970-1979 even as oil sales volume over the same period decreased by 12%.

- A substantial increase in property, plant and equipment, coupled with higher working capital requirements, caused total capital employed to increase by 221%, from almost \$12 billion at the end of 1970 to \$38 billion at the end of 1979.

- At the end of 1979, there were Shell interests in 40 countries. Outside the US and Canada, Group companies had interests in 141 exploration wells drilled in 1979. Shell has interests in practically every continent where drilling takes place.

- As of 31 December 1979, Shell owned or managed 110 oil tankers. This number represents almost half of the world's 286 crude carriers.

- Shell's refining capacity makes up 6.5% of the world's total. Numbering 62, these refineries are scattered in 35 countries.

- Although Shell keeps a relatively loose hold on refining, it maintains a tight grip on marketing which embraces all activities directly concerned with the purchase of oil products.

Shell companies are among the foremost international marketers of a full range of petroleum products ranging from gasoline to bitumen (used for paving, hydraulic engineering and industrial applications) and lubricants.

- Shell companies' net fixed assets in marketing at the end of 1979 were \$3.7 billion while capital expenditure for the same year was only \$703 million.

- Shell is likewise involved in the use of coal as an alternative energy source. It undertakes coal exploration, mining and development in a host of countries such as South Africa, the US, Canada, Belgium, Germany and Britain.

- In nuclear energy, Shell has gone into a partnership with Gulf in the General Atomic Company (GAC) which is in charge of the development of the high-temperature gas-cooled reactor. In the spirit of "fair play," the partnership is prohibited from engaging in any phase of the petroleum or petrochemical business, or in any other area in which Shell and Gulf may have, or may establish, separate and competing marketing interests.

- Shell is also active in the chemical business. It reaped some 47.5 billion in 1979 representing 10.5% of Shell's total sales.

- In the metal industry, Shell's interests are taken care of by Billiton International Metals BV, a wholly-owned Shell subsidiary. Billiton operates in Surinam which has one of the world's largest bauxite deposits, with an annual output of about 2 million tones.

- From its sale of consumer products carrying the brand names Shelltox, Vapona, Tabard, Airbal, Propsac, Teepol, and Prefect, Royal Dutch/Shell shared in some \$5.7 billion worth of consumer products sold in 1978 in Europe alone.

THE GEOPOLITICS OF OIL

When oil was discovered to be dirt cheap, companies convinced governments that vital space was not to be limited to the natural boundaries but that the wily thing to do was to cross oceans and continents to where oil was in abundance. With well-timed political maneuverings, economic empires could easily be created.

In *Oil Power, the Rise and Imminent Fall of the American Empire*, Carl Solberg illustrates this close connivance between government and the oil industry in the United States. Guided by the American policy to conserve, at higher

prices, oil resources within the continental limits of the US and to push production and development of secure supplies at lower prices abroad, the US government pursued an "Open Door" Policy for American oil companies in the Middle East.

When the British resisted this move, the US State and Commerce Departments boldly laid hold on the enormous oil potential of the Persian Gulf for the US oil majors. In the 1920's Exxon and Mobil were admitted to Iran as part of British concessions. President Roosevelt engineered US entry into Saudi Arabia

and Kuwait. Then in 1941 when the Soviet forces were about to occupy northern Iran, the US, with the support of the Allies, managed to persuade Stalin to pull back his forces in exchange for territorial gains in Europe.

The Sisters Divide the Middle East

With their paths cleared, the big oil companies acted like Victorian colonialists dividing Africa at a European high table. Solberg records:

The four companies that had found such vast quantities of oil in Kuwait and Saudi Arabia came to terms with the three big traditional world marketers of oil to make it a seven-way parlay. Standard of California and Texaco, original partners in the Arabian American Oil Company, cut in Exxon for a 30 percent slice and Mobil for 10 percent of the Saudi output. Gulf and British Petroleum agreed to supply Kuwait oil to Royal Dutch-Shell, the third old timer, and split the profits down the middle. (Oil Power, p. 185)

Every one profited from the arrangement. Exxon, Mobil, and Shell, whose booty was the acquisition of badly needed crude oil, helped California Standard, Texaco, and Gulf, which had few marketing outlets, avail of the extensive marketing facilities established by Rockefeller and Deterding. Thus, the investments of millions reaped billions of dollars for the mighty seven, which at this time got organized into an oil cartel.

After the Second World War when the US emerged as a superpower, "peace" was guaranteed by American arms and "order" provided by American economic aid that ensured free trade.

Two political acts were drawn: the Truman doctrine that enhanced opportunities for American exploitation of oil resources and the Marshall Plan that reconstructed the war-ravaged economies of Western Europe by providing them with commodities, which included oil.

This political cunning paid off in superprofits for the US oil majors. Fifteen years after the opening of the Tapline, the huge pipeline which facili-

OIL COMPANIES APPORTION THE WORLD

Principal sources of equity oil production
outside North America for eleven leading producers
(thousand barrels per day)

British Petroleum	680	Philips	230
U.K.	525	Norway	180
Abu Dhabi	155	Nigeria	35
		Indonesia	10
Conoco	200	Egypt	5
U.K.	25		
Dubai	50	Royal Dutch-Shell	735
Libya	120	U.K.	195
Indonesia	5	Other Europe	45
		Nigeria	280
Exxon	605	Oman	100
U.K.	195	Abu Dhabi	80
Other Europe	35	Turkey	25
Libya	80	Other	10
Abu Dhabi	40		
Malaysia	45	Std. of California	340
Australia	200	U.K.	45
Other	10	Indonesia	285
		Other	10
Gulf	255		
U.K.	20	Standard Oil	300
Nigeria	170	(Indiana)	
Angola	50	Egypt	140
Other	15	Trinidad	94
		Argentina	50
		Other	25
Mobil	270		
U.K.	65	Texaco	360
Other Europe	15	U.K.	40
Libya	40	Indonesia	285
Abu Dhabi	40	Nigeria	10
Nigeria	80	Other	25
Indonesia	30		
Occidental	340		
U.K.	145		
Libya	145		
Peru	50		

Note: Estimated data based on expected 1980 producing rates.

Source: "Energy and Economic Features," *International Petroleum Finance*, 11 Feb 80.

tated oil transport, Solberg states, "US oil interests took more wealth out of the Middle East than the British took out of their empire in the entire nineteenth century."

The most explicit application of the cooperative policy of the State Department and the oil companies was the Aramco "royalty" case. In 1949 Aramco paid \$50 million to the US as income tax; in 1950 the tax tab fell to \$6 million. The difference of \$44 million happened to be the exact sum of payments made to the Saudi Arabian government. "National security" was the reason given for financing out to the US Treasury!

Then there was the division of spoils after the Iranian coup in 1953. Forty percent of the share went to British Petroleum, the new name for Anglo-Iranian, 40% to five American majors, and 20% to Anglo-Dutch Shell and French Petroleum. Because of an anti-trust protest in the States, the American majors gave up five percent of their share in favor of the independents. Once again the US Treasury lost \$200 million in tax revenue annually, because geopolitical considerations demanded that the Middle East powers-that-be should be won over as allies to ward off the spread of Communism.

Although the decade of the seventies ushered in a major change, what Professor Oystein Noreng of Norway calls the "revolutionary strike" of the OPEC countries against the Western capitalist countries, essentially the OECD, the world is nonetheless still divided among the leading oil companies. Because they have the capital, technology, and business mechanisms from oil wells to the filling station pump, the majors as well as the independents maintain equities in the oil industries around the globe (see table).

Necessary political protection comes from such provisions as the Trilateral Commission, the Pacific-Basin Cooperation and various government to government agreements.

But the Third World nations, both oil exporting and oil-importing, continue to effect cracks in the old order of monopoly capitalism. Symptoms of the institutional breakdown are not only the energy problem but also the international monetary problems, the erosion of the dollar, international trade problems, and the general decline of the economic and political position of the United States in the world.

NATIONALIZATION MOVES

As oil wells pumped out profits for the oil companies, the producing countries began taking a second look at their oil policies. Seeing the rich nations' industries running on the underdeveloped nations' oil, some governments took steps to correct what they believed to be serious mistakes in the ownership of the oil fields.

While the first attempts at asserting their rights over their countries' resources were met by violence, the efforts through the years gradually yielded substantial gains.

- 1938 — Mexico's President Lázaro Cárdenas nationalized the assets of all foreign oil companies. The latter had ignored a Mexican Supreme Court's decision ordering them to grant socioeconomic reforms to Mexican oil workers.
- 1945 — Venezuelan government demanded and won 50-50 share in all oil profits.
- 1951 — Iranian leader Dr. Mossadegh called for the nationalization of the oil industry. British-controlled oil refineries were seized and British employees were sent home.
- 1960 — Saudi Minister of Petroleum Resources rushed to Baghdad to proclaim solidarity with Iraq against pressures from the West. Other Middle East oil ministers (Iran and Kuwait) and the Venezuelan Minister of Mine, Juan Pérez Alfonso, flew in. The angry Saudi Arabian moved to form an official association and thus was born that September the Organization of Petroleum Exporting Countries (OPEC).
- 1969 — An army coup overthrew the Libyan pre-Western King whom it replaced with an Arab nationalist, 27-year-old Col. Muammar Qaddafi. He forced out the US from his country and demanded an increase in payments. He said, "We must show we are masters here."
- 1971 — The nationalization moves brought about more effective control of prices that had been pegged for more than 10 years at \$1.80/barrel. The Teheran agreements with the oil majors brought a \$3-billion rise in oil

states' revenues for 1971 plus benefits promising a further \$2 billion yearly through 1975. Upward price adjustments for Europe and Japan also took place.

— Meanwhile, Algeria nationalized 51% of all French interests in Algerian oil.

— British assets in Libya were also nationalized.

— Saudi Oil Minister Ahmed Yamani worked for "participation", i.e., a demand that member states share in ownership of the companies operating on their soil.

- 1972 — OPEC won its battle: the companies acceded to the Persian Gulf states' demand for a 25% interest in existing concessions, with rights to buy back their share in oil, and a pledge to increase their share to a controlling 51% by 1983.
- 1973 — When the Arab-Israeli war exploded, OPEC unilaterally enforced a 400% increase in the basic price of crude and slapped an embargo on all countries supporting Israel.
 - Libya nationalized assets of all other foreign companies.
- 1974 — The projected 100% takeover of Aramco was announced by Saudi Arabia who already had 50% control. Oil majors behind Aramco would be reduced to mere commercial mercenaries. With production under control, OPEC could now control the system while Saudi Arabia controlled OPEC.
- 1978 — Iran's Shah Reza Pahlavi was ousted and the new regime shut down oil fields.
- 1980 — Oil companies' control of OPEC oil went down to 45% from 70% in 1975 and 55% in 1978.
 - Finally, Arabian American Oil Co. (Aramco), one of the world's largest oil consortia, went under full control of Saudi Arabia.

It would be interesting to flesh out all these nationalization moves. Limited by space, BALAI can offer just a few cases to illustrate the various brands of nationalization.