SRI LANKA'S PENALTY

The experience of poor countries trying to assert their people's interests against the profiteering practices of oil companies has been a turbulent one.

The Sri Lanka government, for instance, tried to counter the inflated prices of oil sold by the transnationals by buying from the Soviet Union in the 1960. Russian oil was 20 to 25% cheaper than that sold by the oil majors. In addition, the Soviet Union was willing to trade with Sri Lanka on a barter basis, i.e., oil in exchange for rubber, tea, and coconut. ("Petroleum Dependency: Some Traditional Problems," *IDOC*).

The oil companies howled upon hearing this. Knowing that the Soviet Union could not supply all of Sri Lanka's oil needs, they insinuated that the latter's oil supply would be jeopardized.

Sri Lanka not only went on to trade with the Soviet Union but also tried to control oil price increases imposed by the majors. Again this was met with intense opposition.

The conflict between the Sri Lankan government and the oil companies rose to a point where the former had to choose between submitting to the wiles of the transnationals or nationalizing TNC assets. Painfully aware of the risks, the government took over one seventh of the nation's Shell, Stanvac, and Caltex service stations and distribution points.

Immediately after the takeover, compensation talks were held. As expected, the TNCs disagreed over value and "adequate" measures. The Sri Lankan government could not afford to "repay" the oil majors at such a short time of six months, which was the period provided for by a US law in the event of the nationalization of any of its companies by any country.

Six months lapsed and the US cut off aid. Today, the "punishment" of Sri Lanka has not yet ended. Because of relatively "minimal" incentives, she remains "unattractive" to foreign investors. It is indeed difficult to fight for fair prices and national integrity.

INDONESIA: FLOATING IN A SEA OF OIL, DEBTS, AND MISERY

In 1883, a Dutch tobacco planter struck oil in a concession in North Sumatra in what was then the Netherlands East Indies. From this humble beginning and from progressive exploitation of Indonesian oil, the Royal Dutch Company, which later teamed up with the Shell Transport and Trading Company to form the Royal Dutch/Shell conglomerate, emerged as one of the world's seven oil majors. Early in the 1900s, Royal Dutch/Shell was accompanied in its plunder of Indonesian oil by American companies, notably Standard-Vacuum Oil (or Stanvac, a subsidiary of Standard Oil of California and Texaco).

Today Indonesia remains the paradise for foreign oil companies that it was a century ago. Despite decolonization and "independence", it is left almost untouched (except for a brief period in the early '60s, during the latter part of Sukarno's regime) by the progressive currents of nationalization and the assertion of national sovereignty that has swept through many other oil-producing nations.

While the concessionary system of the colonial era was replaced by the production-sharing scheme in 1966, foreign oil companies continue to amass easy profits from Indonesian oil. In 1975, Caltex Pacific Indonesia reported a net income of $694.4 million or 22% of its net sales while Stanvac Indonesia earned $34.7 million or 19% of its net sales. (Sritua Arief, *FinancialAnalysis of the Indonesian Petroleum Industry*)

Under the production-sharing arrangement, the oil exploration company may recover its costs out of the 40% of crude oil it produces annually. If its expenditures exceed the 40% limit, it may recover these in succeeding years. It also keeps 35% of the remaining crude oil, leaving the balance to the state oil company, Pertamina. Through transfer pricing, foreign oil companies easily pad costs to equal or exceed the 40% they are allowed to retain. Thus, in effect, they get 61 barrels of crude for every 100 barrels produced. (Robert Fabrikant, "Production-Sharing Contracts in the Indonesian Petroleum Industry", in IDOC, *Asia, Oil, Politics, and the Energy Crisis*)

Indonesian oil production as of June 1980 was 1.575 million barrels/day. In May 1980, about half or 750,000 barrels/day were produced by Caltex Pacific Indonesia from its oilfields in Riau Province.

All in all there are 14 foreign oil contractors in Indonesia, among which are Caltex; a French firm (198,700 b/d); Arco (129,300 b/d); Union Oil (83,400 b/d), Iapco, Mobil, Petromer Trend, and Calasiastra Topco. Pertamina produces 65,600 b/d. (*Bangkok Post*, 23 Aug 80).

Nominally, Pertamina controls the operations of the entire petroleum industry by virtue of a management clause in the production-sharing contracts. In reality, however, Pertamina exercises little actual control as it functions more as an intermediary in the government bureaucratic red tape.

Little wonder that foreign oil firms have flocked to Indonesia, especially a number of small independents who cannot yet survive the more restrictive oil investment policies in the Arab states.

Pertamina itself is a classic example of how a national oil company ought **not** to be run. Established in 1968 and held up as a model of a successful state corporation in Asia by the early '70s, Pertamina (and with it, the Indonesian economy) nearly collapsed in 1976 when gross mismanagement and corruption plunged it into a sea of $410.5 billion in bad debts. (*Bulletin of Indonesian Economic Studies*, July 1976)

Although government corruption is a time-honored tradition in Indonesia, the record of the Pertamina management under Lt. Gen. Ibnu Sutowo has yet to be matched. Thanks to the company's oil revenues, the flamboyant Sutowo was able to acquire a jet-set lifestyle: a flashy Rolls-Royce, a private jet and helicopter, a string of family mansions, lavish parties in the world capital. In addition, Sutowo insisted on a number of prestige projects financed by Pertamina earnings and huge foreign loans. These included a chain of luxury hotels and country clubs, lavish real estate projects for Pertamina executives and personal friends, a multi-million dollar floating fertilizer plant and a $400 million showplace of island factories. (*Time*, 22 Mar 76)

Up to the present, the financial mess that Pertamina created has not been disentangled. A court case involving $35 million paid as "kicker" to a Sutowo subordinate by a number of foreign firms with contracts with Pertamina continues to create minor scandals as it drags on, uncovering a trail of corruption winding through practically the entire Indonesia bureaucracy. (*Far Eastern Economic Review*, 1 Aug 80)

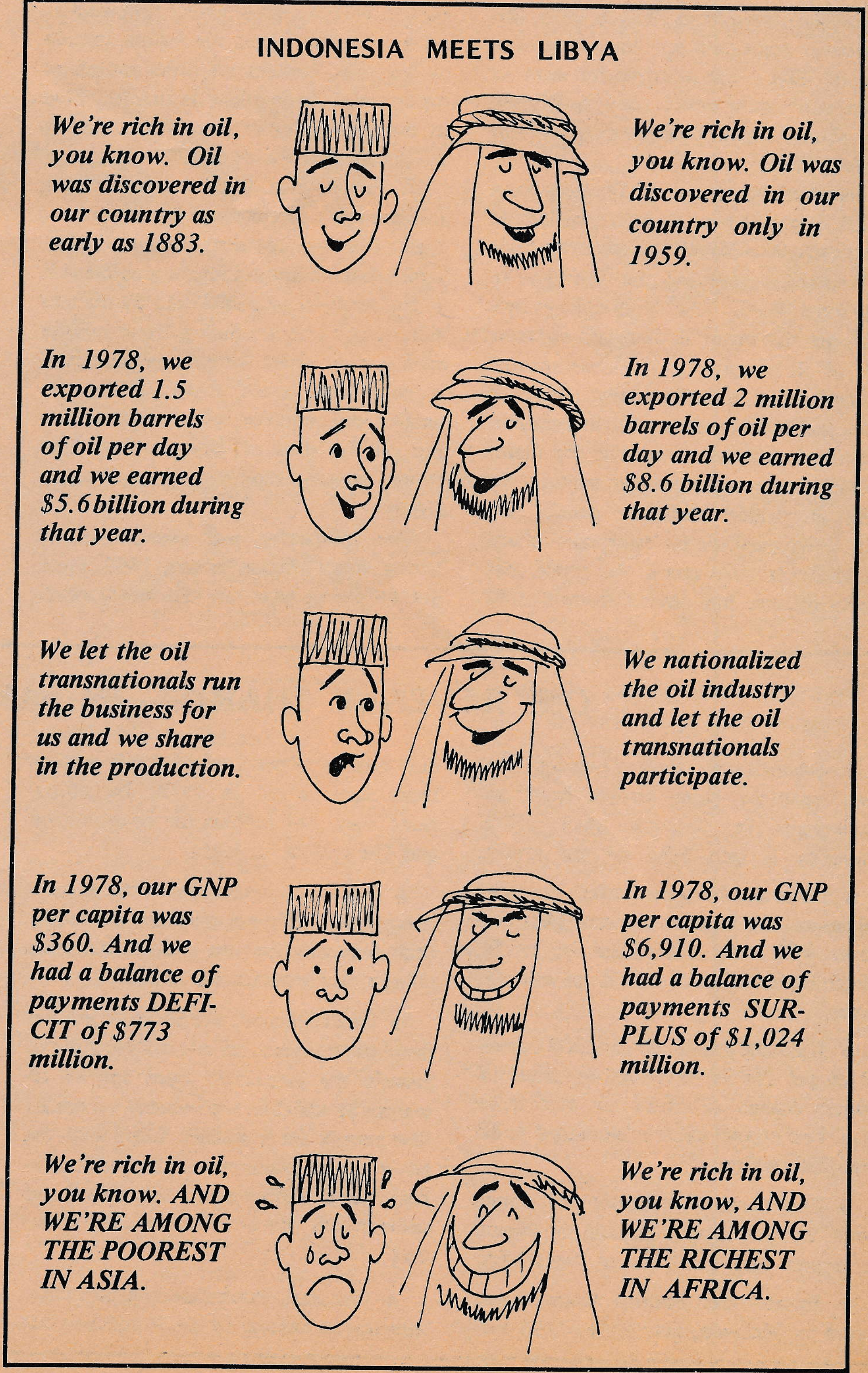
A group of US-trained Indonesian economists came to Pertamina's rescue in 1976. Sometimes referred to as the "Berkeley Mafia" because most of them underwent training at the University of California at Berkeley, this group of technocrats rehabilitated the bankrupt company and the sagging economy according to what they learned from American textbooks: less corruption but more debts, more foreign investments and more exports.

Yet, whether it be cold, calculating technocrats or corrupt bureaucrats who plan the economy, the Indonesian people remain among the world's poorest, with per capita income a meager $360 (as of 1978). The economy continues to be dependent on raw material exports, with oil accounting for 56% of foreign exchange earnings. However, much of these earnings is dissipated by payments on its whopping $18.88 billion (as of 31 Dec. 78) in foreign debts and the increasing costs of its imports (*World Bank Annual Report*, 1980).

Because of this, Indonesia continues to have annual trade and payments deficits which necessitate more loans; thus, it is caught in a vicious cycle of increasing debts. Furthermore, little is left for re-investment in industrial enterprises, making Indonesia today one of the world's least industrialized nations. (Cheryl Payer, "The IMF and Indonesia Debt Slavery" in Mark Selden, *Remaking Asia: Essays in the American Uses of Power*)

In addition, while Indonesia is the biggest oil exporter in the Asia-Pacific region, it is also one of the region's biggest oil importers. This paradox can be explained by the country's inadequate and antiquated refining capacity, necessitating the import of its own refined crude oil from refineries in Singapore and elsewhere. (*Petroleum News*, Dec 79) Little effort is also being made to diversify the country's oil markets so that it could negotiate for better bargains for its oil. Roughly 48% of Indonesian crude went to Japan and 37% to the US in 1977. (*Far Eastern Economic Review*, 26 Jan 79)

Indeed, with such anti-national policies, nowhere is the gap between potential wealth and actual poverty as wide as it is in Indonesia.



LIBYA: SOUND POLICIES FROM A SUPPOSEDLY UNSOUND LEADERSHIP

Imagine living in a country which provides free medicine and hospitalization (in private hospitals in Europe if need be), free education and huge subsidies for food and housing. For most Asians it is just a dream, but for the Libyans it is an everyday reality. Not bad for a country which was considered as the world's poorest by the World Bank back in 1954.

The wise management of oil resources and revenues made possible the spectacular and steady progress of the Libyan economy since Co. Muammar Al-Qaddafi became prime minister in 1970. In the three-year period from 1973 to 1975, the economy registered an annual growth rate of 23%. The best results were in the non-oil sector which grew by 19.5%, 2% above target. (*Middle East Annual Review*, 1979)

Much maligned by the Western press which portrays him as an unpredictable megalomaniac, Qaddafi has economic policies which are among the soundest in the Third World. The 1976-1980 economic plan, for example, channels a greater part of oil revenues to the development of agriculture and the construction of industrial infrastructure: for import-substituting industries to reduce the country's dependence on foreign markets for food and other consumer goods. Unlike other ambitious economic plans, Qaddafi's policies work. As proof, per capita income has soared from $1,980 in 1970 to $6,910 in 1978. (*Middle East Annual Review*, 1978; *World Development Report*, 1980)

Twenty years ago, Libya was a backward country whose main source of income was the rent paid by Britain and the United States for the use of military bases. It was ruled by a monarch who could not care less about developing the economy so long as he could live in the royal style he was accustomed to.

The first oil concessions were granted to foreign oil firms in Libya in 1955. Production of oil for export began in earnest in 1961 after which followed an oil boom that lasted the whole decade of the '60s. Western oil firms scrambled for concessions in Libya as an alternative to those in the other Arab states then in the throes of war with Israel.

Fat bribes paid to Libyan oil officials and members of the royal family guaranteed advantageous terms to the oil companies and deferred Libya's membership in the newly-organized OPEC. By the late '60s, Libya was producing cheap oil like mad and oil fields were being developed at break-neck speed, especially by the smaller independents who relied on Libyan oil for most of their earnings. (Joe Storch, *Middle East Oil and the Energy Crisis*)

The monarchy was overthrown by young army officers in late 1969. From the following year on, the newly-established government started demanding not only for higher posted prices for oil but part-ownership in the foreign oil firms as well. It also led the OPEC nations in airing similar demands. To date, the Libyan government owns an average of 67% of the 10 American and Western European oil companies operating in its territory. (*Petroleum Intelligence Weekly*, 1 Jun 78). The only reason why it has not yet fully "Libyanized" these companies is the economy's need for capital and know-how which these companies can provide. The long-term goal, however, is full nationalization.

Libyan economists realize the need to extend control over all stages of oil production. By 1985, they hope to refine all the crude oil which the country produces. (*The Middle East and North Africa:* 1978-79) They also plan to enlarge the country's tanker fleet as practically all of Libyan oil is still being transported by foreign tankers.

At present, the national oil company markets about 30% of crude exports (*Petroleum Economist*, Aug 80), While the major markets of Libyan crude are the Western European countries and the US, there have been several conscious attempts at expanding markets abroad. Today, Libya barters crude oil for specific goods or services with Poland, Yugoslavia, Italy and the USSR. (*The Middle East and North Africa*: 1978-79)

OIL REVENUE SHARING IN SARAWAK

- *Anglo-Dutch Shell Company* has been enjoying huge profits from oil exploration in Sarawak since 1910. Currently it gets 30% of the profit.
- Sarawak, 17 years after its independence, still remains the most deprived party with only 5% share of profit, which is less than the 10% of colonial times.
- Malaysia produced 294,000 barrels of oil per day in 1979 and exported 84 million barrels of crude oil that same year. The export value is estimated to be M$6,200 million.
- One third of Malaysia's oil comes from Sarawak and it would be logical to expect also one third of the profits.
- Instead the Federal Government, based in Malaysia, gave only M$80 million out of a total of M$1000 million from Sarawak oil. In 1978, the allocations were $44 million for development and $36 million for loans.
- For local consumption the government imported crude oil from West Asia, thus imposing on the people the price hikes of the international market.
- Unlike Brunei, the Sarawak and Federal governments do not do anything to benefit the populace; there are no attempts to stabilize the internal oil prices. The people are ironically faced with the oil shortage phenomenon and with another round of price hike. Very absurd and unbelievable for an oil producing country!
- *Petronas*, the national oil company, appears to belong to all Malaysians but actually Sarawak has hardly anything to do with it, having no voice in its administration.
- Meanwhile, windfalls of profits are reaped by both Shell and Petronas. *Sarawak Shell Bhd.* forecasts steady profits for the next 23 years, even if it never finds a drop of oil or puff of gas. (*Asian Wall Street Journal*, 12 (Oct 80)
- *Sapo Monthly* shows how the sharing goes:

	Sarawak's share	Fed. Gov.	Shell's Share of expenses	Profit-Sharing	
				Shell	Petronas
Percentage of Gross Production	5%	5%	20% oil 25% gas	30%	70% oil 65% gas

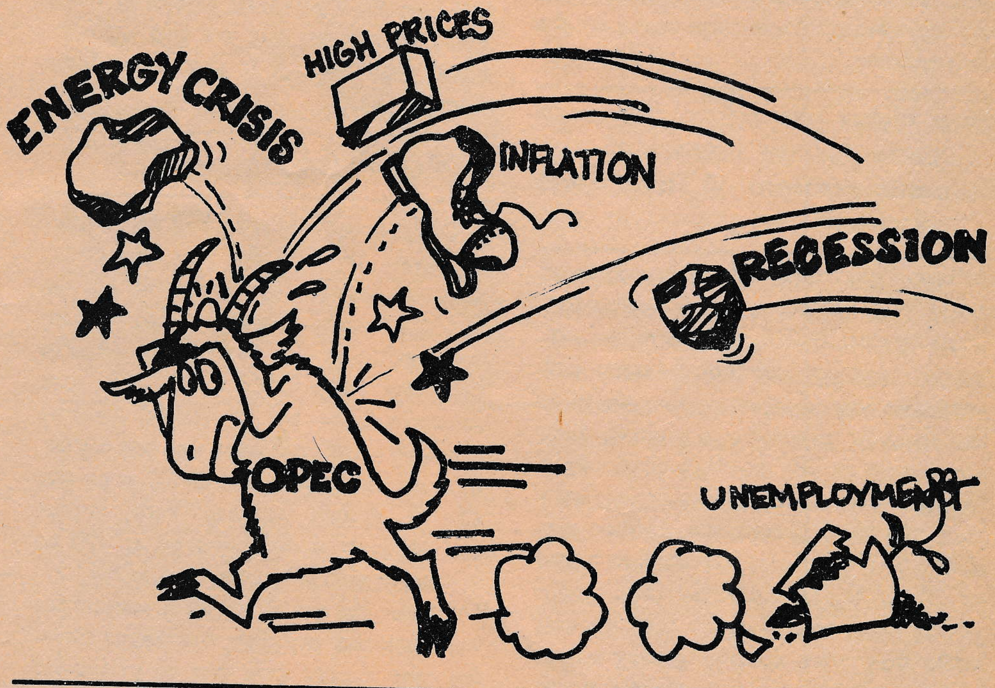
CONTROVERSIAL OPEC

Perhaps more than any other group of nations, the Organization of Petroleum Exporting Countries (OPEC) finds itself wrapped in layers of controversy, accusations and muddled facts. OPEC has been blamed for causing practically all of the problems now plaguing the world economy: skyrocketing inflation, recession, soaring balance of payments deficits and debts incurred by developing countries, and of course, the energy crisis.

The Western media continue to condemn OPEC as the root of all evil as do governments of industrialized countries who see the organization as a dangerous example of Third World collective action. For in the past two decades, OPEC has challenged the continued existence of the present world economic order where Third World countries are consigned to being merely producers and exporters of cheap raw materials.

The governments of the developed countries find OPEC a convenient scapegoat whenever their citizens complain about high prices and unemployment. Even Third World governments have resorted to singing the anti-OPEC tune in the face of their people's growing discontentment over their failure to alleviate poverty.

Is there some truth to these accusations or are they merely part of a campaign designed to discredit OPEC? BALAI tries to clarify some points about the controversial OPEC.



Does OPEC cause the energy crisis?

The energy crisis is caused by the world's depletable oil resources which were and still are being consumed at too fast a pace. Surely, OPEC cannot be blamed for having exhaustible resources. Neither can it be held responsible for the over-consumption of energy by the developed countries.

Cheap, abundant oil made possible the unparalleled economic growth and the development of energy-intensive consumption patterns in the Western world. As cheap oil was always available, the development of other energy sources was neglected while Western economies continued growing, as if oil would never run out. Thus, from 1960 to 1970, OPEC oil reserves decreased from 65 years to 47 years. This means that OPEC reserves are being depleted at a rate of about 30 percent per decade. (*OPEC Bulletin*, Jul 80)

An energy crisis of disastrous proportions can only be averted if the world's oil consuming countries would implement genuine conservation measures. Citizens of industrialized countries and Third World elites would have to do with less of gas-guzzling cars and other forms of wasteful energy consumption. At the same time, the development of other sources of energy must be speeded up and done in earnest.

Most important, an equitable sharing of the world's resources (including energy) must be implemented. This would allow poor countries to develop whatever resources are still available while rich countries reduce their energy consumption.

Is OPEC responsible for worldwide inflation?

Studies show that if oil prices were doubled, the inflation rate would increase by only 1.5 to 2.0%, depending on the economic structure of the country and the quantity of its oil imports. (*OPEC Bulletin*, May 80) Nobel Prize-winning American economist Kenneth Arrow said that "superimposed on our current fragile situation, an oil price increase would mean an increase in the CPI (consumer price index) of probably 2% to 3%." (*Forbes*, 4 Feb. 80) How can double-digit inflation be explained then?

Once OPEC imposes higher oil prices, the oil transnationals — anxious to maintain and ever increase their profits — pass on the higher costs to their customers. In 1979, the net incomes of the five US majors increased by 69% despite a 2% drop in crude supplies and decreased sales. (*Petroleum Economist*, May 80) Thus, the oil majors actually benefit from the oil crisis, blowing it up to exaggerated proportions to justify higher and higher prices.

Actually, soaring prices of commodities other than oil are mainly responsible for inflation. According to a Food and Agriculture Organization (FAO) study, rising food prices in the early and mid-70s accounted for one-half of Western Europe's inflation and two-thirds that of the US. Although no figures were given for the Third World, the effects of rising food prices are probably greater here as poor countries are generally net importers of cereals and meat from the rich countries. (Cheryl Payer, ed., *Commodity Trade of the Third World*)

Inflation is a built-in feature of capitalist economies. Extravagant government spending in such unproductive undertakings as the production of armaments; higher wages without corresponding increases in productivity; and luxurious consumption contribute much more to inflation than higher oil prices. In fact, capitalist economies were already suffering from inflation in the '60s and early '70s, even before OPEC drastically raised oil prices in 1974. Thus the solution to inflation lies in sounder economic management and more rational social and economic structures, not in lower oil prices.

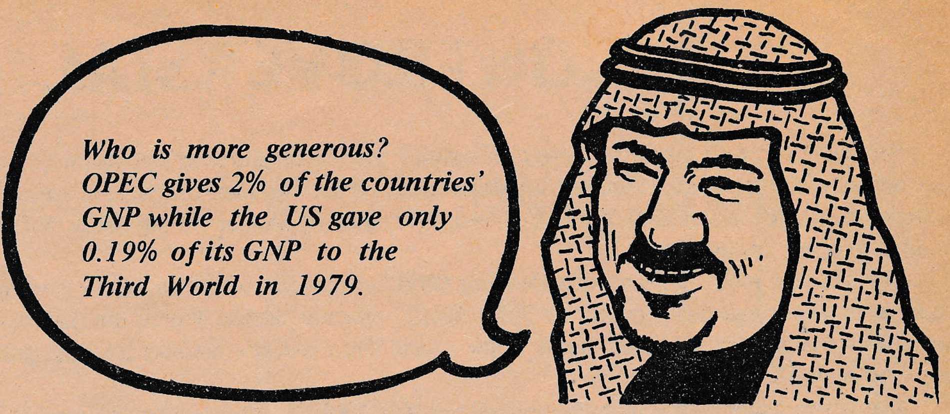
Far from causing inflation, OPEC countries suffer from it. Because of inflation in the developed economies, OPEC members have to buy their imports of technology and other products at a higher cost. Often, because of the meanness of the transnationals, goods are sold to OPEC at highly inflated prices in an attempt to retrieve some of the oil revenues.

Are higher oil prices the main reason for the balance of payments problems of Third World countries?

Most poor countries have suffered from chronic balance of payments deficits ever since they were directly or indirectly colonized and their formerly self-sufficient economies restructured to meet the needs of their colonial masters. They were made to sell their raw materials at dirt-cheap prices and buy them back from the West as expensive finished products. Year after year, the account books of Third World countries show them paying more and more for their imports while they were actually getting less in real terms for their raw material exports. And yet, while poor countries howl when OPEC raises the price of its precious resource, they meekly continue purchasing machines and other products from the rich countries at ever-increasing costs.

Actually, payments for imported commodities from a few high-income industrialized countries account for most of the Third World countries' balance of payments deficits. The oil import bill of many poor nations is high not because of high OPEC crude prices but because the oil products TNCs sell are refined from OPEC crude at exorbitant prices.

Much of the poor countries' foreign exchange earnings is also dissipated on excessive payments on loans and loan interests to international banking institutions and foreign banks. Even OPEC countries are heavy borrowers. In 1979, five OPEC countries were among the 10 largest Third World debtors, despite their oil revenues. (*OPEC Bulletin*, Aug 80)



To sum up, balance of payments problems are a perennial feature of Third World economies that are tied up with global capitalism. It is absurd to blame them on OPEC.

Is OPEC oil too expensive?

OPEC is actually selling oil below market levels. In June this year, the OPEC price of Arabian light crude oil was set at $32 a barrel while at the spot market, it was selling at $36. The gap was wider in December 1979: OPEC price – $24, spot market price – $41.50. (*OPEC Review*) Non-OPEC oil producers also sell higher In June 1979, when the OPEC price was $14.55, Britain, Norway, Peru, Brunei and Malaysia were selling oil at $20 to $21 per barrel. (*Fortune*, 13 Aug 79)

While the prices of all commodities have zoomed sky-high, the *World Development Report* says that oil prices did not increase in real terms from 1974 to mid-1979. (*OPEC Bulletin*, Aug 80) Other sources say that from January 1974 to December 1978, OPEC prices declined by as much as 25% in constant dollar terms, 40% in deutschmarks and 50% in yen. (*Fortune*, 14 Jul 80) This shows that oil, a scarce and depletable resource, is sold at a price below its actual scarcity value. If OPEC doubled the price of oil today, consumers would still be lining up for it.

From the very beginning, OPEC oil was unbelievably cheap. In 1950, OPEC crude was sold at $1.75 a barrel. A decade later, its price increased to only $1.80. In 1970, it was even lowered to $1.35. (*OPEC Bulletin*, Jul 80)

Is OPEC deliberately cutting back oil production to raise prices?

According to the latest estimates, OPEC has proven oil reserves of 450 billion barrels. With the present production rate of 30 million barrels a day, these reserves would dry up by 2025. (*OPEC Review*, Autumn 79) Still, the US and other big oil consumers insist that OPEC increase its oil production.

In less than 50 years, OPEC oil will be exhausted. Before that time is up, the OPEC countries must make sure that the development of their backward economies has passed the take-off point. Otherwise, they may never be able to generate the necessary capital for building independent and self-sustaining economies not wholly reliant on a single export commodity. If the OPEC countries speed up oil production now, they might forever remain moored in the stagnant pools of economic backwardness.

Is OPEC wallowing in a sea of ill-acquired wealth?

Most people have mental images of OPEC as a group of sinister-looking Arabs whose pockets are lined with petrodollars. This is simply not true. The average income of people in the OPEC countries is six times less than those in the developed countries. The GNP of all 13 OPEC countries is less than the GNP of France and only slightly above that of Italy which is one of the poorest nations in Europe. (*OPEC Bulletin*, Jul 80)

OPEC economists point out that the over-supply of petrodollars in some of the Arab oil-producing countries is caused by producing oil that earns revenues exceeding their financial needs. Because these economies are too small, they cannot absorb all the oil revenues. Storing too much petrodollars is actually a losing proposition: the OPEC countries "would be better off keeping the appreciating oil in their own soil than transforming it into depreciating paper money." (*OPEC Bulletin*, Aug 80) Despite this realization, OPEC continues to produce oil at nearly maximum levels to meet current world demand for this important resource.

Is OPEC totally oblivious of the plight of other Third World peoples?

Since 1974, the top five donors of development aid to Third World countries have been the Arab OPEC countries. (*OPEC Bulletin*, Aug 80) OPEC aid has amounted to an average of 2% of the OPEC countries' GNP, compared to only 0.35% in the case of the rich nations. (*Far Eastern Economic Review*, 1 Aug 80) The US, which brags about its aid programs, gave only 0.19% of its GNP as aid to the Third World in 1979. (*The Economist*, 28 Jun 80)

From 1973 to 1979, total OPEC aid reached $50 billion. (*OPEC Bulletin*, 24–31 Mar 80) About two-thirds of this amount went to alleviating the poor countries' balance of payments problems. However, OPEC clarifies that this was not meant to compensate for higher oil prices but to relieve Third World economies of some burdens. In the forthcoming years, OPEC aid will concentrate on the development of indigenous sources of energy in the Third World. (*OPEC Bulletin*, Aug 80)

Is OPEC a strongly united organization of countries that are constantly in defiance of the imperialist powers?

The OPEC countries are without parallel anywhere in the Third World in their collective assertion of their right over their most important natural resource. However, it is also true that more and more cracks are now showing in the once solid wall of OPEC unity and some of the OPEC countries themselves have sometimes worked in collusion with the superpowers.

The biggest wedge driven among the Arab OPEC countries thus far is the war between Iran and Iraq. Already, the other OPEC countries have taken sides in the conflict: Libya openly supports Iran while Saudi Arabia and Kuwait help Iraq in various ways.

For the most part, the confrontation among OPEC countries takes place several times a year in conference rooms the world over. Always, the focus of conflict has been the floor price for Arabian light crude oil, the marker crude upon which the prices of various types of OPEC crude oil are based. Traditionally, US ally Saudi Arabia, the world's largest oil producer, has always taken the lead in arguing for lower price increases and increased production.

Oil expert Peter Odell claims that OPEC initially raised the price of oil with the collusion of the oil majors and the tacit cooperation of the US government. As far back as 1968, the majors were already worried about the declining real price of oil brought about by competition from the independents. Working together through the London Oil Policy Group, they decided that they could increase profits by restricting the development of oil transport, manufacturing and distribution so as to jack up prices and more important, by using OPEC. With the majors' approval, OPEC negotiated for higher posted prices. As a consequence, the majors raised the prices of their products to include a larger margin of profit. And, as OPEC's asking price continued to rise, so did the oil companies' profits.

While the American government issued token statements of protest against the price increases, it was secretly happy about the development. The oil companies' profits flowing back to the US was just what the American economy needed then to remedy its balance of payments problems. In addition, higher revenues for the Arab oil producers would make them more agreeable to a compromise solution to the Israeli problem. (Cheryl Payer, ed., *Commodity Trade of the Third World*)

As of oil remains vital to capitalist economies, the US as defender of the capitalist world makes it a point to cultivate close alliances with the ruling elites in the oil-producing states. The Saudi Arabian monarchy, the Indonesian technocracy and military and for a long time before his demise, the Iranian Shah, are all careful not to trample on US interests. Meanwhile, the Soviet Union remains friendly with Libya and Algeria.

In conclusion, even among the OPEC countries, much work must still be done to assert their complete independence from the superpowers.

OPEC AND OECD COUNTRIES COMPARED

A look at the Gross National Product of OPEC countries and some selected countries belonging to the Organization for Economic Cooperation and Development (OECD) shows that the combined OPEC GNPs amount to only one-tenth of Italy, France, U.K., West Germany. and US put together. As a matter of fact, 13 OPEC countries have less in GNP than France alone. The average income of a citizen in the five OECD countries is 13 times greater than that of an OPEC resident.

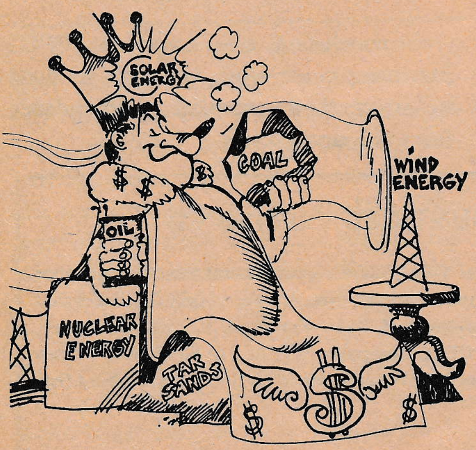
GNP AND PER CAPITA INCOME AT MARKET PRICES

OPEC COUNTRIES	US $ BILLION	PER CAPITA INCOME (US$)
Algeria	18.950	1110
Ecuador	5.800	770
Gabon	2.060	3730
Indonesia	40.610	300
Iran	75.100	2180
Iraq	18.260	1530
Kuwait	13.850	12700
Nigeria	33.340	420
Qatar	2.510	11670
Saudi Arabia	46.110	4980
Socialist Peoples' Libyan Arab Jamahiriya	17.620	6680
United Arab Emirates	10.810	14420
Venezuela	35.940	2820
TOTAL	320.96	4870 (ave. per capita)
OECD COUNTRIES (Selected)		
France	387.06	7290
Italy	194.52	3450
United Kingdom	247.17	4430
United States	1874.27	8640
West Germany	500.93	8160
TOTAL	3203.95	6394 (ave. per capita)

ALTERNATIVE ENERGY SOURCES

OPEC's assertiveness has turned the tables on the oil majors whose reaction has been the development of alternative energy sources. These alternatives include nuclear, solar and wind energy. The extraction of oil from coal, sands, and shale is also being developed.

In the face of an "energy crisis", the call for the development and use of alternative energy seems to be a sound one. But looking at the future holders of alternative energy power, those embarking on research and those who already wield power over technology, it would seem that nothing much has changed since the days of expensive oil. (Sources: *Petroleum Economist*, Sep 80 and *The Economist*, 6 Oct 79)



TNCs Lord It Over
Once Again

Gas from Coal. Most oil-consuming nations are turning back to coal as an alternative energy source. Besides being plentiful, technology for the development of coal is fairly advance.

Two transnationals, **Gulf Oil** and **Atlantic Richfield**, have been particularly successful in producing fuel-quality gas from coal would be commercially feasible venture.

Other oil majors, like **Exxon**, are banking more on synfuel (synthetic fuel) production from shale which abounds in the US. Also, **Texaco** (in cooperation with other oil companies) is preparing a research on how to produce shale oil and gas without having to mine for raw materials and being bothered by waste disposal.

Tar Sands. Oil production via tar sands is among the most economical today. Its wide use, however, is hampered by adverse environmental effects. Notwithstanding this, **Exxon, Shell, British Petroleum,** and other companies are putting up a considerable amount of capital to develop a process where the use of tar sands can be maximized.

Solar Power. Energy from the sun is likewise being tapped. Several transnationals are attracted by the prospect of solar energy, "partly because the sale of certain solar devices is already commercially attractive." (*Petroleum Economist*, Sep 80)

Oil companies invested last year at least $80 million in conducting solar research and development and in buying equity interest in solar companies.

Biomass. This process involves the extraction of oil from animal and vegetable products such as cornhusks, woodchips or sewage sludge. Several companies like **Texaco, Gulf, Chevron, Arco,** and **Indiana Standard** are now engaged in the marketing of gasohol (gas from alcohol which is a by-product of sugar). Other companies are conducting their own researches: **Shell** claims to have made progress in biological sciences and in the development of liquid fuels and chemicals from livestock; and **BP** has shown for the first time that plant cells can be continuously cultured in the presence of air and light – a process that will benefit biomass and chemical production.

Geothermal energy. By using heat from underground steam and brine reservoirs, energy explorers are hoping that energy can be produced more economically. The problem here, though, is that geothermal resources are relatively scarce. Advanced capitalist countries like the US, Japan, and Italy are already making use of the geothermal system.

Nuclear Power. Despite strong public opposition to the use of nuclear power, oil companies are persisting in the development and expansion of this energy source. The hunt for uranium, a basic ingredient for nuclear energy, goes on ferishly.

Exxon spent $65 million for a project that would increase the recovery capacity of uranium. **Texaco** has come up with its own design of extracting this mineral. And so has **Mobil**, which has developed a process similar to that of oil extraction, in expliting uranium mines.

In addition, **General Atomic** (jointly owned by **Gulf** and **Shell**), in linking up with government-sponsored researches and development programs which aim to develop nuclear power.

FINANCIAL FOOTNOTE

The soaring costs of petroleum products sold to poor countries by the oil transnationals aggravate the already miserable conditions of Third World economies.

It is estimated that every time oil prices rise by $1 a barrel, the non-oil-producing developing countries have to almost $2 more annually for oil imports. (*The Economist*, 22 Mar 80)

Oil bills for the less developed countries have stacked up to about $60 billion this 1980. With the rich industrial countries deflating both their inflation and their demands for imports, *The Economist* (21 Jun 80) sees no other way out for the poorer countries except "to keep borrowing or go bust".

The main source of loans has been the transnational banks such as Chase Manhattan, Citibank, Barclays, Lloyds, Mitsubishi, Dredner, Societé Generale, etc., a sly lot who require that financially weak countries sign a "Stand-by Agreement" with the International Monetary Fund (IMF).

Signing this agreement means saying good-bye to economic independence and getting bound to IMF policies such as opening up the economy to "free trade", that is, free for more foreign investments, easier terms for transnational corporations, and less state allocations for education, housing, health, and other non-productive social concerns. Countries like Egypt, Turkey, Peru, and Jamaica have realized this and have tried to wrest free of the "debt trap".

Faced with the embarrassing situation of very few and unwilling borrowers, the IMF has agreed to ease up on some of its conditions by increasing the amounts which any country can borrow, being more tolerant with the political orientation of its borrowers, and increasing compensatory terms. These new policies only perpetuate the existing system of indebtedness.

OIL WARS

Just as some people have gone berserk when gasoline is denied them, so too have nations lost their heads over oil and fought wars on oil and for oil. Indeed, time and time again oil imperialism has fueled squabbles and tensions, igniting them into large-scale wars.

For the past thirty years, the Middle East has been such an arena of conflict. The present Gulf War is but a segment in the long chain of contentions between nationalist and colonialist, Arab and Jew, Moslem and Moslem.

Considered a vital area, the Persian Gulf oilfields have unleased geopolitical conflicts with a vengeance. The proximity of the Russian superpower and the commercial presence of the American superpower make a nuclear blow-up possible any time. (Carl Solberg, *Oil Power*)

Quick-Strike Forces

The United States, insecure about the intense nationalism of the Arab estates and the militant anti-imperialist sentiments of countries like Iran, has:

- **established a permanent naval presence in the Indian Ocean-Arabian Sea area composed of 25 battle ships, 18 fighting vessels, and seven support vessels;**
- **enlarged its base in Diego Garcia in the Indian Ocean and acquired base facilities in Kenya, Oman, and Somalia for the positioning of war supplies;**
- **commissioned the Rapid Deployment Force, consisting of the 82nd Airborne and other established units, plus Air Force, Navy and Marine units, to serve as a "Quick-strike" and "Go-anywhere" force of 110,000 troops ready for intervention in any Third World country at the shortest possible notice;**
- **opted for the storing of tactical nuclear weapons in the Middle East, according to Pentagon officials.** (Boone Schimer's talk, Aug 80; *The Washington Post*, 1 Jul 79)

Expansionist Thrusts

Meanwhile, the USSR also faces an energy squeeze. While it is the world's largest oil producer (19% of world oil production, first half, 1980), Soviet officials admit that there would have to pass a ten-year lull before they can tap less accessible reserves and increase oil production. (*Petroleum Economist*, 20 Jul 80)

In order to avoid dire consequences for the country's economy, the Soviets have recently engaged in expansionist thrusts in Ethiopia, South Yemen, and Afghanistan – countries which surround the oil-rich Mideast states. To date some 80,000 Soviet troops are battling Muslim rebels in Afghanistan. The USSR also maintains a heavy naval presence in the Indian Ocean and Persian Gulf. Thus, inter-superpower conflict over Mideast oil is likely to break out.

The Washington Post

U.S. Has Strike Force Ready to Go Into the Gulf

By George C. Wilson and Jim Hoagland

WASHINGTON — The Army is drafting plans for a "quick-strike" force of 110,000 troops to respond to crises in the Gulf or other hot spots outside of NATO according to Gen. Bernard Rogers in a farewell news conference as Army chief of staff. Gen. Rogers explained that the force, to be called the Unilateral Corps, would consist of the 82d Airborne and other established units, plus Air Force, Navy and Marine units, that are not committed to fighting a NATO war.

[Later the Secretary of Defense, Mr Harold Brown, said the U.S. had already set up the force. Since America's allies, Europe and Japan, depend to a greater extent on Middle East oil, he said: "The Middle East, therefore, becomes a vital area to us; and because it isn't a stable area, we could be drawn into conflict there."]

The Unilateral Corps is the Army's answer to President Carter's desire for a specialized force for conflicts in the Third World. Gen. Rogers, who is leaving his job to succeed Gen. Alexander Haig as NATO commander, said that the corps would be a "go-anywhere" force rather than one specifically targeted on the Gulf or any other area.

Despite Gen. Rogers' declaration that the force would not be specifically targeted on the Gulf and Middle East, creation and use of the force were major topics on the agenda of a secret two-part White House review of U.S. policy in the Middle East last week.

The State Department reportedly is opposed to any large increase in the U.S. military presence in or targeted on the Middle East.

Part of the impetus for the corps came from the secret "consolidated guidance" that Pentagon civilian executives issued to the services last year. They suggested a Gulf force consisting of two Army divisions and one Marine amphibious force.

Oil-producing countries in the Gulf have reacted sharply to public discussion of U.S. capability to intervene in that region to keep oil flowing to the industrialized world.

[One of the biggest of the OPEC oil-producing countries, Kuwait, is threatening to reduce its output by nearly a quarter next year, a move which could threaten supplies to British Petroleum and Shell, its main customers.

[Kuwait apparently wants to reduce its output, which currently exceeds 2 million barrels a day, to about 1.5 million barrels a day. The move is being presented as a conservation measure, but there are fears that it may be partially a reaction to the announcement of the United States task force. The Kuwait newspaper Al-Rai al-Am described the U.S. proposal as "tantamount to a declaration of war."]

By Jim Hoagland

WASHINGTON — The Carter administration's strategists were called together last week to survey the wreckage of a decade of U.S. policy in the Gulf and Arabian Peninsula.

The agenda for the president's Policy Review Committee meeting was not couched in such stark terms, of course. Bureaucratically speaking, the policy-makers considered the implications of and options for U.S. policy in the Middle East and Indian Ocean.

But the intense debate shaped recommendations for the most significant increase in U.S. military strength abroad since the Vietnam War ended.

Behind the debate lies six months of traumatic change in the region that is the production heartland of OPEC. The twin pillars of a U.S. policy designed to keep enough crude oil flowing from Gulf terminals to meet American needs have been pulled down with stunning speed.

Those pillars were Shah Mohammed Reza Pahlavi of Iran and the Egyptian-Saudi Arabian alliance that had been carefully nurtured by the Nixon, Ford and Carter administrations. Their disappearance and the two-year failure of President Carter and Congress to agree on an effective energy policy at home appear to be pushing the United States back toward an open reliance on direct military intervention as an instrument of policy.

The forces that swept away the Shah despite Carter's strong support also swept away the last remnants of the Nixon Doctrine and its reliance on regional allies to protect vital U.S. interests in the post-Vietnam world.

Senior Carter advisers appear determined to find a new approach that, as an official put it, "avoids the extremes of Vietnam, where we tried to do everything ourselves, and the post-Vietnam period when we wouldn't do anything."

"We are not talking about permanent bases or formal alliances" in the Gulf, another official said, "but we have to be able to protect our interests in a region far more vital to us than Vietnam ever was."

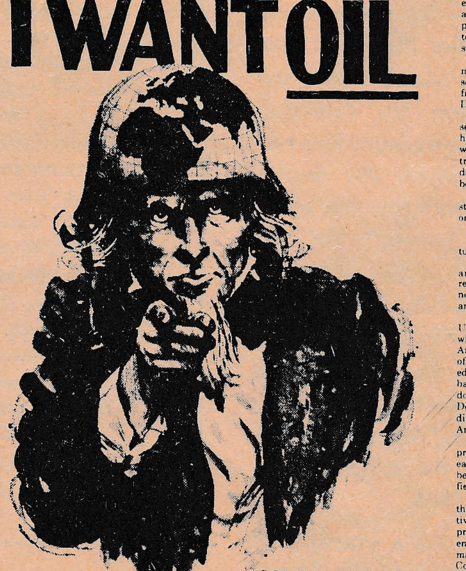
Besides the overthrow of the Shah, the deterioration of U.S.-Saudi relations has weakened the Gulf position of the Western nations in general and the United States in particular. In recent weeks, the Carter administration has stopped pressing Saudi Arabia to support the Egyptian-Israeli peace treaty and is concentrating instead on repairing the substantial damage done over the past six months to the special relationship Washington and Riyadh have sought to build.

Some recent Saudi actions, including a reported reduction of oil deliveries to U.S. companies, are seen in Washington as new signs of a loosening of the special relationship that the Nixon, Ford and Carter administrations have made a major U.S. foreign policy goal.

U.S. officials acknowledge that a decision was made at a May 11 meeting of the Policy Review Committee of the National Security Council that U.S.-Saudi relations have become so strained that there is no point for the present in the two allies talking about their sharp differences over the Egypt-Israel accord.

This represented a particularly painful and reluctant admission for the administration, which predicted after the Camp David conference in September that the Saudis and other moderates could eventually be persuaded to see the value of the peace treaty to the region.

Moreover, U.S.-Saudi military and security relations have never been better, U.S. and Saudi sources agree. Training missions, supply agreements and naval and aircraft deployments have brought the military establishments closer together.



By Robert Barkin — The Washington Post

But the Washington-Riyadh connection has been shaken by a number of recent events:

- Riyadh has continued to put off repeated requests from the Carter administration to increase oil production in an effort to control world oil prices.
- During the last months, Saudi Arabia has sharply reduced the amount of oil it sells directly to major American companies. The Arabian American Oil Co. is now receiving 6.1 million barrels a day, compared with 7 million barrels a day or more a few months ago. At the same time the Saudis have signed contracts with Western European governments for oil formerly earmarked for marketing in Europe by the U.S. companies.
- While U.S. businessmen have consistently held 22 percent of the multibillion-dollar Saudi import market since the oil price explosion in 1974, administration officials are apprehensive about a possible drop in the U.S. share. "My gut feeling is that it [the U.S. share] is stagnating or declining," a State Department official said.

Amid the political strains between Riyadh and Washington over Egyptian policy, the Carter administration is seeking ways and means to demonstrate U.S. concern to maintain stability in the Gulf and safeguard the flow of oil. Vance and Brzezinski have conducted a coded public discussion over how the United States should respond to turmoil in the Middle East, Southeast Asia and the Horn of Africa.

Brzezinski has asserted that these areas form a linked "arc of instability" that requires a more consistent, tougher U.S. response to deter any Soviet meddling. Vance has emphasized instead each country's internal problems and the limits of U.S. power in resolving problems like those posed by the Iranian revolution.

Secretary of State Cyrus Vance's direct involvement in both the private and public discussions on this issue has been spasmodic. Gradually, the Pentagon and Brzezinski have become the driving forces on many aspects of regional policy.

Defense Secretary Harold Brown's visit to Saudi Arabia this winter was the clarion call for this new role. Brown reportedly asked Carter for instructions that would let him tell the Saudi royal family that the United States realized it had deep interests in the region other than the peace negotiations and that the administration would take substantive action, including military steps, to protect those interests.

Shortly after Brown's visit, the administration showed a new willingness to use military power in the region to back up its new posture. During the brief border fighting between Yemen and Southern Yemen, the Pentagon ordered the carrier Constellation into the Arabian Sea with escort vessels. Although there has been no public acknowledgement of it, the White House was prepared to authorize the carrier's 85 warplanes to engage in combat if Soviet or Cuban pilots stationed in Southern Yemen joined the conflict.

The Yemen response is seen by some administration officials as the watershed that separates the old, more passive Carter policy from the still embryonic but more active Carter Doctrine for the Middle East.

The proposals discussed are still wrapped in secrecy, and their ultimate form and fate are still highly uncertain. Participants in the process of working them up say that the administration's track record of putting off these kinds of decisions suggests that decisive action may still be well down the road.

But they include at this point a U.S.-based strike force that can be airlifted into the region on short notice.

Other ideas are:

- Establishing a new military command structure for the Middle East.
- Keeping a continuous naval presence in and around the Arabian Sea to provide quick response but stay far enough "over the horizon" not to be visibly associated with Saudi Arabia and its neighbors.

Resistance in the region to any highly visible U.S. efforts will bolster the arguments of those who will be seeking to limit the nature of American involvement. A State Department poll of U.S. embassies in the region last March turned up unanimous opposition to permanent U.S. bases and formal alliances, and Vance undoubtedly will cite this finding as the State Department presents its case for political and diplomatic options to halt the erosion of the American position there.

Moreover, Saudi Arabia and other oil producers will vehemently oppose a strike force earmarked to protect Gulf oil fields which could be used just as easily to take over those same fields if the Saudis prove too difficult an ally.

But strong pressures are beginning to build up that could pave the way for a return to a more actively interventionist policy, based on military presence, to guarantee U.S. access to foreign energy supplies. Key strategists in the administration sense a sharp change in the mood in Congress.

But the main ideas that the Carter administration's senior policy-makers are examining are known to include:

- Establishing a new military command for the Middle East, which is now handled through the U.S. command in Europe. The Middle East commander in chief would probably not have combat units under his control but would be able to draw on earmarked "assets" from other commands in times of crisis.
- Maintaining continuous upgraded naval presence in the Arabian Sea and northwest Indian Ocean. This would satisfy Saudi desires for a U.S. presence "over the horizon," out of Arab sight except in an emergency.
- Expanding port facilities and barracks at Diego Garcia, an uninhabited Indian Ocean island that the Pentagon has long wanted to convert into a substantial base.
- Conducting more formal and regular joint military consultations and planning exercises. U.S. officials feel they have scored a success in the first important effort at this, the planning and command structure team headed by Maj. Gen. Ralph Lawrence that has been in Saudi Arabia for the last three months.

The proposals being prepared in response to Brzezinski's order are intended by the planners as carefully calibrated steps that would project American strength in a region where U.S. resolve has been called into question, but which would not launch American forces down a Vietnam-style slippery slope.

Remilitarization Moves

The lesser powers are also gearing up for war. The remilitarization of Japan has been quietly going on under pressure from senior partner, the USA, to subsidize part of the costs of "defending" Asia, Australia and New Zealand have similarly increased their defense expenditures and have shown their support for America's policies in the Mideast..

Lessons from History

History can very well repeat itself. Here are some events worth mulling over:

- **In August 1941, US President Franklin D. Roosevelt warned that unless Japan withdrew from Indochina, the US would impose a trade embargo. About two million tons of vital oil and steel were thus withheld from Japanese industry later that same year. By December**

1941, Japan bombed Pearl Harbor. These developments were preceded by Japanese attempts to get a share of the rich resources, specially oil, of the Southeast Asian nations that were then colonies of the US, Britain, France, and the Netherlands. When these Western powers refused to allow newly industrializing Japan a share in their colonial booty, the Japanese had no other recourse but to forcibly wrest control over the "Southern Resources Area". (Trevor Dewitt Dupty, *Asiatic Land Battles: Japanese Ambitions in the Pacific)*

- In Europe, both the Axis and the Allies fought World War II capitalizing on the fact that armaments without oil were nothing but scrap. The common strategy was: bomb oil tankers!
- In 1956 the British and the French invaded Suez to assure their oil supply.
- The long, unjust, and costly wars in Korea and Vietnam – frontiers of the American empire in the Pacific – were waged to secure US control over raw materials indispensable to American industry. One of the most important raw materials is oil of which the Southeast Asian countries have reserves, ready alternatives to the fast-depleting and increasingly unstable supplies from the Mideast. (Malcolm Caldwell, *Oil Imperialism in Southeast Asia*)
- American armed interventions in oil rich countries have been exposed as in the coup overthrowing Mossadegh in Iran in 1958 and in the ouster of Sukarno in Indonesia in 1965.
- In April 1973, as a reaction to American intervention in the Arab-Israel War, Saudi Arabia imposed an oil embargo on the States and refused to expand its output unless America withdrew its support for Israel.
- A people's revolution this time was the unexpected political event that changed oil history: the fall of the Shah of Iran in 1978 which transformed the world market and ushered in a new oil crisis.

Such have been the various crises of oil imperialism. Whenever the imperialist grip on vital oil supplies loosens up, to snatch back the oil barrels, barrels of ammunition are unhesitatingly used.

Aware that militarization the world-over is imperialism's watch dog, the Third World peoples are apprehensive. As the Kuwait newspaper *Al-Rai-al-Am* says, the US moves are "tantamount to a declaration of war".

In this struggle for survival, many in the Third World feel compelled also to take up arms. They realize that their right to life, to the goods of the earth, in particular to oil resources, can only be safeguarded at such a costly price.

When will oil cease to be such an explosive thing?

GREASY QUESTIONS

• For Country Research

1. How rich is your country in energy resources (oil, natural gas, hydroelectric power, uranium, geothermal energy, etc.)?
2. Who controls the production and marketing of these energy sources?
3. Who does the exploration, refining, and marketing of petroleum and its products?
4. How much profits do corporations in the oil industry make?
5. Are these corporations owned and controlled by foreign or local capitalists? by government?
6. How "national" are "national oil companies"? To what extent is foreign capital involved in national oil companies? Who provide the technological skills in these companies?
7. What are your country's arrangements with foreign oil exploration companies? Who shoulders the costs of exploration? How is the output divided? What are the incentives granted by the government to foreign companies?
8. What is the per capita oil/energy consumption in your country? How does this compare with other countries (industrialized, OPEC, developing)?
9. How are the workers in the oil industry. Any overseas workers?
10. How much does a liter of gasoline cost in your country? How much of this cost goes to the oil-exporting countries? to the companies that transport, refine, and market gasoline and other oil products? to the government in the form of taxes?
11. Where do government revenues from gasoline taxes go? Equalization funds for oil companies' subsidies?
12. Is your country earnestly developing other sources of energy besides oil? Are foreign corporations engaged in the development of alternative energy sources?

• For Grassroots Inquiry

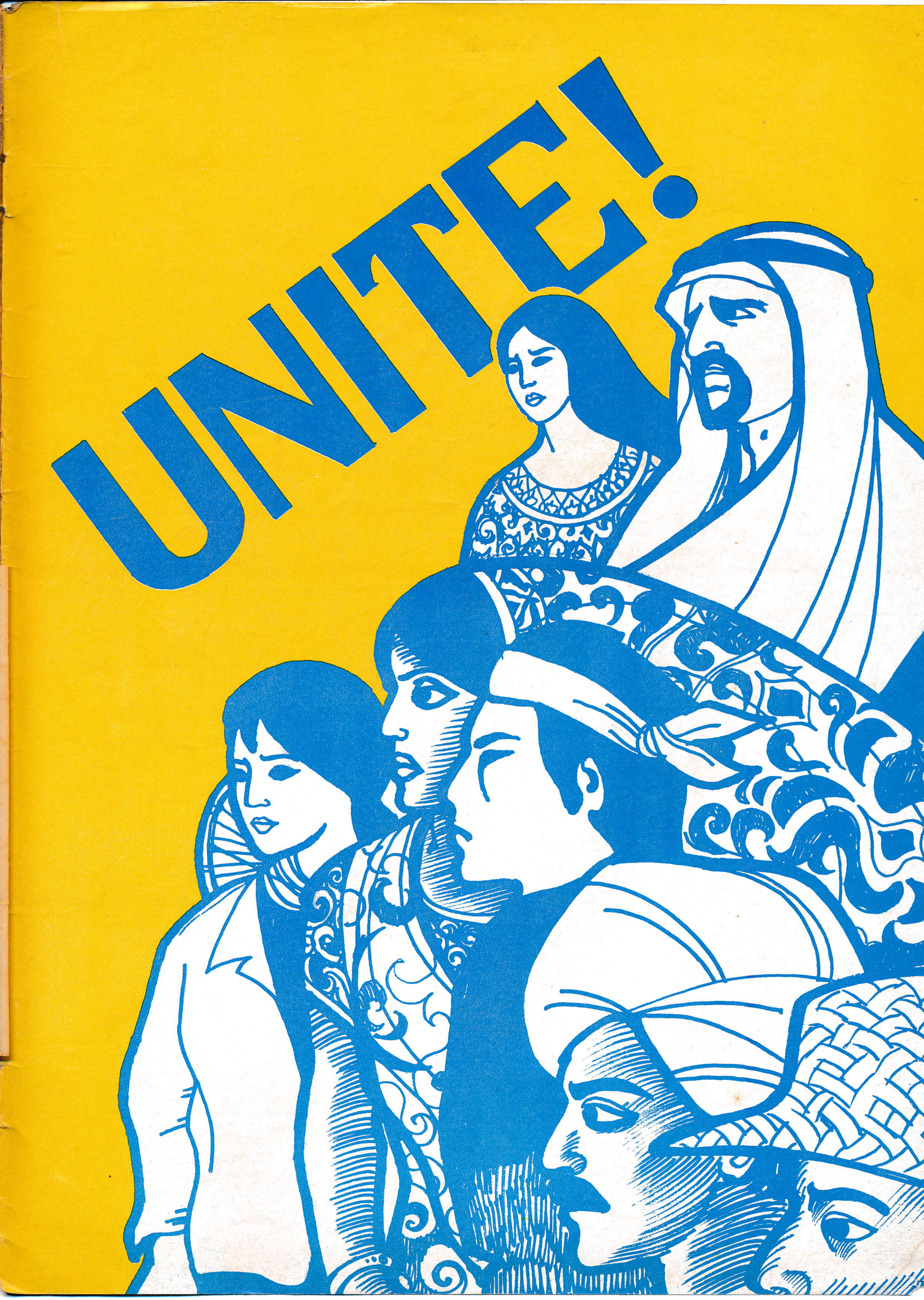
1. What is the pump price of regular gasoline in your place?
2. Do you remember the price of regular gasoline in 1970? 1975?
3. How much tax do you pay for every liter of gasoline?
4. What is the biggest oil company in your country?
5. Do you have a government-owned oil company? Name it.
6. What is the lowest bus fare, for about 5 kilometers distance?
7. How much is a kilo of rice?
8. What is the minimum wage?

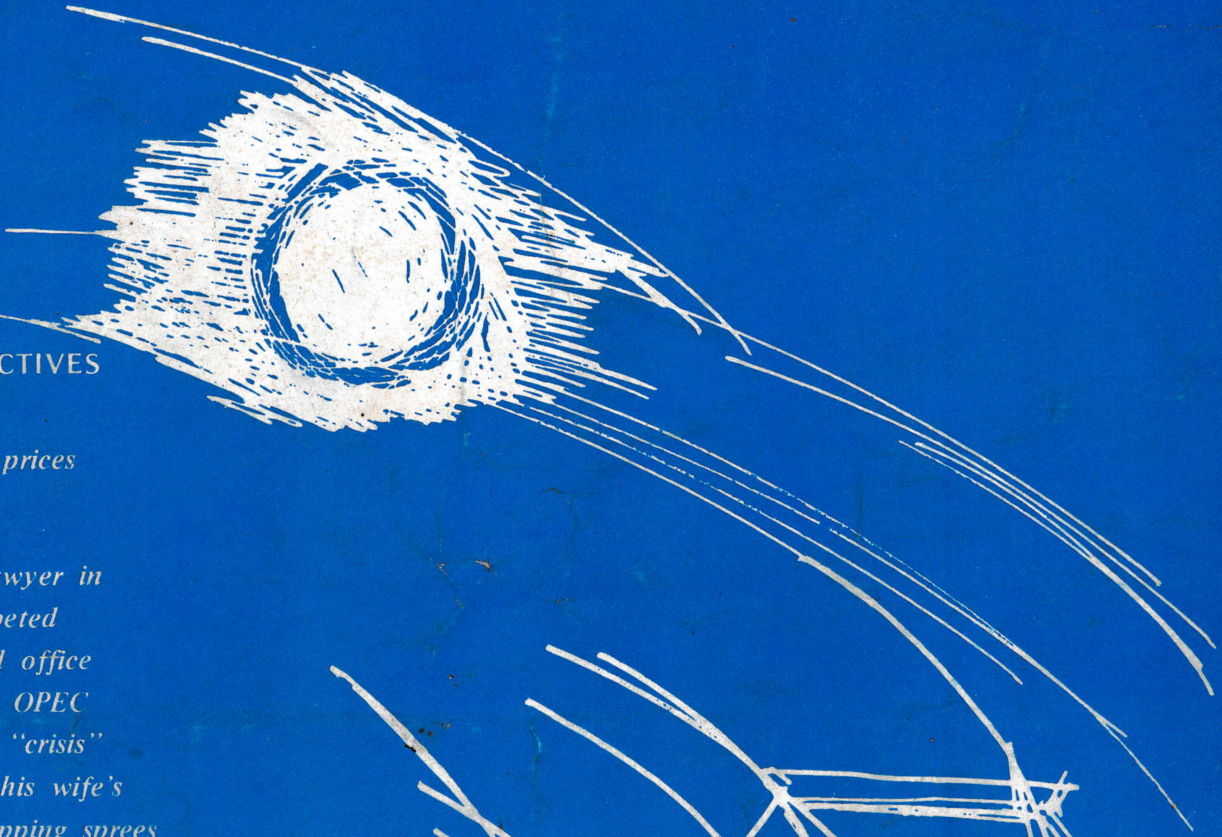
• For Solidarity's Sake

– How about sharing your answers with BALAI?
– BALAI could pass on country data and other micro information to other groups upon request. Is there any country most similar or dissimilar to yours?
– If you want Philippine data on oil, you could order IBON PRIMER ON THE PHILIPPINE OIL INDUSTRY – Volume I, March 1979, and Volume II, 1980, $1 each plus postage.

Glossary

Barrel (of oil) – is equivalent to approximately 159 liters or 42 US gallons; 7.5 barrels make up one metric ton (tonne).
Natural gas – is a combustible mixture of methane and higher hydro-carbons issuing from the earth's crust through natural openings or bored wells; it is chiefly used as a fuel and raw material.
OPEC – is the Organization of Petroleum Exporting Countries.
OECD – is the Organization for Economic Cooperation and Development.
Oil majors – are the seven transnational oil companies who dominate the world oil industry: Exxon, Mobil, Socal (Standard Oil of California), Gulf, Texaco, Royal Dutch/Shell and British Petroleum.
Posted price – is the price per barrel of crude oil as agreed upon by the oil exploration companies and the governments of the oil-producing countries.
Proven oil reserves – refer to those which are currently being drilled or are commercially recoverable by present-day technology and current costs and prices.
Spot market – is a place where brokers can quickly buy oil from tankers. It is operated by European and American companies from which corporations, governments and even oil majors buy oil, mostly for stockpiling. The biggest spot market is in Rotterdam, Netherlands.


UNITE!



OIL PERSPECTIVES

When the oil prices
went up . . .

the two-car lawyer in
his smart carpeted
air-conditioned office
ranted against OPEC
now that the "crisis"
had trimmed his wife's
afternoon shopping sprees

the one-sampan fisherman
in his attap shack
quietly snuffed out his
second kerosene lamp
gave thanks to Allah
he still had some light

Cecil Rajendra
Penang, Malaysia