OIL AND PROFITS

The crisis in the Middle-East has passed from a shooting into a propaganda war and diplomatic manoeuvring.

What is the background behind this crisis? Why the feud between Israel and the Arab States? Is the bone of contention merely Palestine (now Israel).

The problem is obviously complex. But behind what appears to be a religious war between Jews and Arabs is deep intrigue — intrigue to maintain imperialist political control and economic exploitation of the area.

The Middle-East is synonymous with oil. And oil spells profits.

This area produces 45 per cent of the world's supply of oil, and 60 per cent of West Europe's needs. Total output is 10 billion barrels a day made up as follows:—

Algeria — 745,000 barrels; Libya — 1.500,000; Egypt — 120,000; Iraq — 1,330,000; Kuwait — 2,325,000; Saudi Arabia — 2,700,000; Iran — 2,480,000; Bahrein — 65,000; Qatar — 300,000; Abu Dhabi — 380,000.

The Middle-East is a low-cost producer of oil. This is due to increased yield. For instance, in 1950 output per well in the USA was 31 barrels a day. In Venezuela, the comparable figure was 200; in the Middle-East 5,000.

The average cost of exploration and development of one barrel of oil was, in the five year period 1951 to 1955, $1.12 (US) in the USA 21 cents in Venezuela and 5 cents in the Middle-East.

This lower cost was not passed on the purchasers of oil but pocketed by the oil companies.

This was done by manipulation, by international price-fixing. The oil cartel, dominated by 5 United States and 3 British companies and described once by British Labour MP's as **Public Enemy No. 1**, fixed the price of Middle-East oil on **Gulf Prices**; that is, **the world market** price is dependent on high cost Texas production.

The late Enrico Mattei, former President of Ente Nazionali Indrocarburi (ENI), Italy, once called this price-fixing invisible protection for high cost United States produced crude oil from low-cost Middle-East oil.

This manipulation resulted in huge profits.

The **Manchester Guardian** wrote on March 17, 1958:

"There is a certain foundation for the assumption that between 1945-46 and 1954, Middle-East Oil operations have yielded the companies (five American, four British) a profit of £2,000 million."

Profits are now far higher. According to **Newsweek (June 19, 1967)**.

"US and British oil companies could lose investments worth more than $2 billion and annual income of $1 billion if the Arab Nations kicked the - out or destroyed installations."

On November 19, 1964, the **New York Times** reported on profits taken out from poor countries:—

"Probably no United States industry has fared better overseas than the oil business . . . Ira H. Cram, chairman of the executive committee of Continental Oil, noted this yesterday. From 1957 to 1962, he noted, American oil companies spent $4.2 billion in foreign nations and brought home $7.6 billion."

This was why Enrico Mattei was able, a few years ago to

STRAIGHT TALK by CHEDDI JAGAN

break into the US—UK oil monopoly in the Middle-East. He offered a 75-25 per cent profit sharing formula instead of the 50 per cent — 50 per cent then prevailing.

It should be noted that the position was worse nearly a couple decades ago. In the early 1950's, the Iranian government tried to get the Anglo-Iranian Oil Company to revise an agreement made many years before, under which Iran got about 18 per cent of profits and the Company became fabulously wealthy.

The author of **Persian Oil** disclosed that an investment of £2.15 million yielded for the Anglo-Iranian Oil Company in about fifty years the sum of between £700 million to £800 million plus cut-rate fuel sold to the British Admiralty. Of this £21.5 million, the British Government contributed about £5 million. Mr. R. Butler, then Chancellor of the Exchequer was able to declare on February 15, 1955: **"The value of the Government's £5 million investment went up to nearly £400 million."**

The Iranian government wanted a 50-50 per cent price sharing formula then operative in Venezuela. But the Company refused. The Mossadegh government then nationalized the Company, after which the CIA instigated riots; and Mossadegh was overthrown.

According to David Wise and Thomas B. Ross in **The Invisible Government**, CIA agent Kermit Roosevelt was responsible for **'the coup which toppled the government of Iran.'**

As a reward, Kermit Roosevelt was promoted to assistant director of the CIA for the Middle-East. Later, after USA muscled in and Gulf Oil Corporation became part of the American group of oil companies that signed in 1958 an agreement with Iran, Roosevelt left the CIA to become the 'government relations' director of the Washington office of the Gulf Oil Corporation. In 1960, he became a vice-president of this company.

Writing about this sordid episode later in a confidential report to President Eisenhower, this is how Nelson Rockefeller, now Governor of New York State, put it:—

● **"We should not ignore the vital fact that virtually all our natural rubber, manganese, chromium and tin, as well as substantial proportions of our zinc, coper and oil and a third or more of the lead and aluminium we need comes from abroad, and; furthermore; that it is chiefly drawn from the underdeveloped areas of Africa and Asia, which are in the orbit of one or other of the military alliances built by the US. This is also true of a major part of our super-strategic material (uranium ore particularly).** . . . allon

The most significant example in practice of what I mean, was the Iranian experiment with which, as you will remember, I was directly concerned. By the use of economic aid we succeed in getting access to Iranian oil and we are now well established in the economy of that country. The strengthening of our economic position in Iran has enabled us to acquire control over her entire foreign policy and in particular to make her join the Baghdad pact. At the present time the Shah would not dare even to make any changes in his Cabinet without consulting our Ambassador."

TURN TO PAGE 23

OIL AND PROFITS

FROM PAGE 18

Motives and methods are clear enough! Actually, the policy had been bluntly laid down since 1947 in the Truman Doctrine.

At Baylor University where the cold war was launched, President Truman on March 6 made a speech on foreign economic policy which clearly stated **that governments which conducted planned economies and controlled foreign trade were dangers to freedom, that freedom of speech and worship were dependent on the free enterprise system. He pointed out that controlled economies were 'not the American way' and 'not the way of peace'. He urged that 'the whole world should adopt the American system' and that 'the American system could survive in America only if it became a World system'. Calling for action, he implored: 'Unless we act and act decisively, it (government-controlled economy and government control of foreign trade) will be the pattern of the next century . . . if this trend is not reversed, the Government of the United States will be under pressure, sooner or later, to use these same devices to fight for markets and for raw materials.'**

It was against this background that in Venezuela, the Gallegos government was overthrown in 1948 by the oil interests and replaced by the oil companies' supported dictator Perez Jimenez. The Gallegos Government had collected $9.90 (US) per cubic meter of petroleum. According to Dr. Juan Arevalo, in his 'Shark And The Sardines', the Jimenez dictatorship reduced this to $7.33 and in the year 1954 alone Standard Oil made, in addition to normal profits, a superprofit of $331 million (US).

Arevalo estimated that in six years prior to 1955 by this reduction in taxes, Standard Oil deprived the Venezuelan Treasury of $1,366,000,000 (US). No wonder Perez Jimenez was decorated and given high tribute; he was awarded by President Eisenhower the Legion of Merit, the highest United States citation.

John Foster Dulles spoke of Venezuela under Jimenez in glowing terms:

> 'Venezuela is a country which has adopted the kind of policies which we think the other countries of South America should adopt. Namely, they have adopted policies which provide in Venezuela a climate which is attractive in foreign capital to come in . . . If all Latin American countries followed the example of Venezuela, the dangers of Communism and social disorder would disappear.'