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 upsets profits.

This area produces 45 per cent of the world's supply of oil, and 69 per cent of West Europe's needs. Total output is 14 million barrels a day made up as follows:

- Algeria — 740,000 barrels
- Libya — 1,000,000
- Egypt — 130,000
- Iraq — 1,330,000
- Kuwait — 2,210,000
- Saudi Arabia — 2,700,000
- Iran — 2,480,000
- Bahrain — 65,000
- Qatar — 300,000
- Abu Dhabi — 300,000

The Middle-East is a low-cost producer of oil. This is due to increased yield. For instance, in 1959 output per well in the USA was 31 barrels a day. In Venezuela, the comparable figure was 350; 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. 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 the Pailte Enemy No. 1, fixed the price of Middle-East oil on Gulf Prices; that is the world market price is determined on high cost Texas production.

The late Enrique Mattel, former President of Estee Nationall Austrian and ENT, Italy, once called this price-fixing, invincible 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 1954-55 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 12, 1962), 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:

"Profits for the 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, the average earnings per share in the US were $2.2 billion in foreign nations and brought home $7.6 billion.

This was why Enrique Mattel was able, a few years ago to

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break into the US—UK oil monopoly in the Middle-East. He offered a 75-25 per cent profit sharing formula instead of the 59 per cent profit. This formula was not accepted, but it is prevailing.

It should be noted that the production has 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 with the company. The Iranian government, under which Iran got about 28 per cent of profits and the company became fabulously wealthy.

The author of Persia Oil disclosed that an investment of $25 million in 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 £25 million, the British Government contributed about £5 million. Sir H. 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 profit sharing formula then operative in Venezuela. But the Company refused. The Mosaddegh government then nationalized the Company, after which the CIA instigated riots; Mosaddegh 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 US muscle in and Gulf Oil Corporation became part of the American group of oil companies that signed in 1953 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, then Governor of New York State, put it: "We should not ignore the vital fact that virtually all our natural rubber, manganese, chromium and iron, as well as substantial proportions of our zinc, copper 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).

The runaway 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 succeeded 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."

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Motives and methods are clear enough! Actually, the policy had been bluntly laid down since 1947 in the Truman Doctrine. 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 1945 by the oil interests and replaced by the oil companies' supported dictator Perez Jimenez. The Gallegos Government had collected $0.50 (US) per cubic meter of petroleum. According to Dr. Juan Arevalo, in his 'Shark And The Sardines', the Jimenez dictatorship reduced this to $1.83, and in the year 1954 alone Standard Oil made, in addition to normal profits, a superprofit of $338 million (US).

At Baylor University where the cold war was launched, President Eisenhower the Legion of Merit, the highest United States decoration.

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.'