VITAL PROBLEMS OF OUR TIME

BORIS RACHKOV

OIL, NATIONS AND MONOPOLIES

NOVOSTI PRESS AGENCY PUBLISHING HOUSE

Vital Problems of Our Time

Novosti
Press Agency
Publishing House

BORIS RACHKOV (BORN IN 1932), TASS ECONOMIC COMMENTATOR, IS THE AUTHOR OF **BENIND THE OIL SCREEN**, PUBLISHED IN 1965, AND OF A NUMBER OF ARTICLES ON INTERNATIONAL AND ECONOMIC PROBLEMS PRINTED IN THE MAGAZINES **MEZHDUNARODNAYA ZHIZN** (INTERNATIONAL AFFAIRS), **ZA RUBEZHOM** (ABROAD), **NOVOYE VREMYA** (NEW TIMES), **VNESHNYAYA TORGOVLYA** (FOREIGN TRADE).

BORIS RACHKOV

OIL, NATIONS AND MONOPOLIES

Contents

Kings of the Oil Business

Early in the morning, when the Libyan land was not yet scorched by the hot African sun, a special plane landed in the airport of Brega. A baldish, broad-shouldered, heavy man descended the steps. "Rockefellers' man has arrived," ran through the crowd. The newcomer was Mr. Jackson Rathbone, a confidential agent of the American oil kings, President of Standard Oil of New Jersey, often called Jersey Standard for short.

Shortly before, a powerful gusher had burst out of the bowels of the Libyan earth, and the rich smell of oil had passed over the sand dunes of the Sahara Desert, over the Atlantic Ocean, and at last had reached the shores of America.

The oil magnates of the USA rubbed their hands longingly: the Libyan oilfields were estimated to be worth not less than 120 thousand million dollars. Mr. Rathbone came to Libya to see the first Jersey Standard tanker loaded with Libyan oil leave for the United States of America. The band played, cameras flashed. At the end of the ceremony the President of Jersey Standard presented the local authorities with a miniature oil barrel of pure gold, a symbolic cup with which the company traditionally marks every new start it makes in countries rich in oil.

The golden barrel of Standard Oil has been seen in many countries. Designed to inspire hopes in one or another country for future prosperity based on oil, it has long since become a symbol of the aggressive policy pursued by American and other oil magnates in oil-producing countries. The western monopolies usually start their activities under the cover of good intentions, but at the first opportunity they doff their sheep's clothing and reveal insatiable wolfish appetites.

The bowels of the Arabian, Iranian and Venezuelan earth are rich indeed. At the beginning of 1965 the geological reserves of oil in the capitalist world amounted approximately to 45 thousand million tons, 40 thousand million tons of which, that is, 88 per cent, are concentrated in the developing countries of Asia, Latin America and Africa. In 1965 alone more than 700 million tons of this valuable natural product were extracted in these countries, amounting approximately to four-fifths of the total world output of oil, excluding North America and the Soviet Union.

Venezuela ranks first in oil production among developing countries. It is followed by Kuwait, Saudi Arabia, Iran, Iraq, Libya, Algeria and Indonesia. Almost all the oil in Kuwait is produced by the Kuwait Oil Company; in Iraq by the Iraq Petroleum Company and its two subsidiaries, Basrah and Mosul Petroleum Companies; in Venezuela by Creole Petroleum, Mene Grande and other companies with similar resounding names. If one were to judge only by the names, one might get the impression that these countries produce and export their oil themselves. However, neither Venezuela, nor Iraq, or Iran are able to extract independently even a million tons of oil. In reality Arabian, Iranian and Venezuelan oil is produced, exported and sold by British and American monopolies, and it is they who get the main profits.

It is not Venezuela, but the American oil empire, Standard Oil of New Jersey, that ranks first in the production of oil in developing countries. It annually extracts from the Middle East, Africa and Latin America the same amount of oil that is produced in Iraq and Iran combined. And it is not Kuwait and Saudi Arabia that rank second and third, but the British monopolies, Royal Dutch Shell and British Petroleum. BP produces and sells more Arabian and Iranian oil than any other monopoly, and is followed by Jersey Standard and Gulf Oil both of the USA, while Venezuelan oil is extracted and sold by the same Jersey Standard and Royal Dutch Shell.

Arabian, Iranian and Venezuelan oil, when brought to the surface, loses its national character and acquires the nationality of the monopoly into whose market channels it flows: it becomes either "dollar" oil or "sterling" oil. Iraq Petroleum, Kuwait Oil and other companies with Arabian, Iranian and Latin American names are merely subsidiaries or branches of western oil monopolies. Not a single share in them is held by the people of these countries.

Foreign exploiters prefer to disguise themselves in national clothes so that their alien character will not be so conspicuous.

The Rockefeller, Mellon, Rothschild and Lazar families, as well as some other American and West European financial and economic groups, get their milliards from the oil business. But the capitalist oil industry is not in the hands of private persons alone. Governments of some western countries have long participated with state capital in the business of certain oil monopolies.

The oil empire of British Petroleum, more than half of whose shares are owned by the Government of Great Britain (by the British Admiralty, to be more precise), may serve as a vivid example of the close relationship between state and monopoly capital. Merging of the interests of privately-owned British capital with those of the imperialist state within the framework of one monopoly has greatly increased its aggressiveness. The result of this is that in the Middle East, one of the most unsettled parts of the world, deposits controlled by British Petroleum are richer than those of any other monopoly.

BRITISH PETROLEUM DOES NOT CHANGE

In the middle of the last decade an interesting photograph appeared in newspapers of many countries. It showed two hefty fellows replacing a sign beside a massive doorway. Instead of "Anglo-Iranian Petroleum Company," written on the old sign, the new one bore only two words: "British Petroleum." This scene aroused different thoughts and associations. Some people recalled how 20 years before the replaced sign had been put up instead of another one, with the name "Anglo-Persian Petroleum Company" inscribed on it.

A Middle-East correspondent of a certain western paper watched a group of local citizens examining the photograph. The older men smiled knowingly. One of them said: "Just fancy, it's changing its skin again. But the fangs are the same—long and venomous."

The British monopoly that now bears the name of British Petroleum was founded some 60 years ago. Its creators were adventurers like William D'Arcy, who had grown rich on speculations in the colonies, titled capitalists of the type of Baron Reuter, inveterate politicians of the old school like Lord Curzon, who believed that England's mission was to rule the "decrepit eastern world," and the last Mohicans of British colonialism who, like Winston Churchill, had to save the British Empire from the powerful anti-colonial attacks of an East at last arisen from its slumbers.

British Petroleum was launched on a very modest scale. On April 14, 1909, the day it was established, the company possessed a capital of 2 million pounds sterling. At present its capital amounts to something like 400 million pounds. Inconspicuous at the beginning, the monopoly has now become one of the biggest industrial corporations in the capitalist world, and ranks second among West European corporations. Its assets—the value of its property, money and securities—exceed 1,200 million pounds sterling. The annual state expenditures of Iraq, Iran and Pakistan put together would not be enough to buy them!

Naturally the question arises of how British Petroleum managed to achieve so much in such relatively short time. The hired chroniclers of the monopoly state that this is due to the perseverance, diligence and abilities of its employees and executives, and to their skilful use of new technical means.

Let us be unbiassed and give full credit to the 60,000 workers, engineers and employees who work for British Petroleum. The progress of science and technology should not be overlooked, either. The main reason, however, lies elsewhere. It is the cruel exploitation of the Arab states and Iran that has brought about accumulation of such great riches in the hands of this monopoly.

Sixty years ago British Petroleum imposed upon the Middle East its first concession contracts, which were later used as a model by other western oil monopolies. These contracts denied the true owners of the oil the right to extract, refine and export it. The monopolies pay the Arab states from five to seven dollars per ton of crude oil, and then refine it and sell petrol at 25 to 40 dollars a ton, petroleum gas at 25 to 27 dollars, mazout at 13 to 15 dollars, lubricating oils at 60 to 100 dollars, and petrochemical products at several hundred or even thousand dollars a ton. The gross income of British Petroleum in 1965 was 900 million pounds sterling, while the sum it paid the Middle East countries was less than 200 million pounds.

The equipment of many oilfields in Kuwait, Iran, Iraq, Qatar, Nigeria, Abu-Dhabi and some other countries belongs to British Petroleum. BP owns more than 30 oil refineries in 20 countries. It also owns more than 120 tankers, hundreds of kilometres of pipelines, reservoirs, thousands of filling stations and other marketing installations all over the world. This property, the scientific term for which is "means of production," enabled the monopoly to extract from the Arab states and Iran in 1965 alone more than 100 million tons of oil and to refine about 80 million tons.

No other monopoly is so much tied to one area as is British Petroleum to the Middle East. This throws light upon the anxiety of British ruling circles for their interests "east of Suez." It was Britain who organized armed aggression against Egypt during Suez Canal nationalization, and inspired military intervention in the Near East in 1958 after the people of Iraq had overthrown the corrupt royal regime; it is Britain who now supports the colonial regime in Aden, builds military bases and constantly provokes conflicts between the countries of the Middle East.

Operating in the Middle East for more than half a century, British Petroleum has done nothing to further economic progress in this area. "The underdeveloped rich" [1]— this is how the

[1] *Economist*, June 5, 1965, p. 1163.

Economist, the leading journal of the English capitalists, shamelessly describes the countries of the Middle East.

In the summer of 1965 the *Economist* published a detailed survey devoted to the Middle East, in which it openly spoke of its terrible poverty, of illiteracy of the majority of the population, of corruption in high circles, of uneven distribution of income from oil between the countries and within individual countries. To an impartial observer this data was further proof that the economic and cultural backwardness of the Middle Eastern countries resulted from domination of many years' standing by British and American monopolies.

However, the *Economist* sought to create an impression that Arabs and Iranians themselves are to be blamed for the backwardness of their countries. According to the *Economist*, the ruling circles there are too conservative ("an old-fashioned bureaucracy more afraid of change that the planners may bring" [1]), the local bourgeoisie is ineffective and stubborn in an eastern way ("local enterprise may prove surprisingly reluctant to venture into industry" [2]), and attempts of local patriots lack energy and substance ("much of the trying to achieve commercial and fiscal virtue is pretty amateurish" [3]), and so on.

But it is no secret that in 1951 the Government of Mossadegh in Iran, supported by the national bourgeoisie and the popular masses,

---

[1] *Economist*, June 5, 1965, p. 1163.
[2] Ibid.
[3] Ibid.

nationalized the property of the foreign oil magnates. The *Economist* recalls this, but only to repeat once more that it was ostensibly Iran's own fault that the output of oil slowed down at that time. But was it not the Anglo-American monopolies who declared Iranian oil "stolen," and threatened to proceed against anyone who dared buy it? This resulted in a fall in production and exports of Iranian oil, caused a serious financial crisis in the country and made it easier for the same monopolies to restore their domination.

British Petroleum and other monopolies strive to perpetuate stagnation in the Middle East. While developing oil production, they impede the growth of related industries such as oil-refining, building of means of oil transportation and so on. Thus in Saudi Arabia, production of a million tons of oil gives employment to only 140 workers, while in other countries the same million tons provides work for 5,000 to 7,000 men.

Some time ago an edition de-luxe of the history of British Petroleum was put out in England, with a preface by the late Winston Churchill. In this preface the apostle of British imperialism complimented the monopoly on its contribution to the prosperity of the British nation.

But no book has been written yet that gives an account of all the crimes of this monopoly, or all the curses pronounced against it by the Arab and Iranian peoples. If this book were ever written, it would be one of the most serious indictments of British imperialism.

The nearer the Caribbean Sea, the more troubled was the captain of the Swedish tanker Lovdal, who kept his eyes fixed on the horizon. Least of all he wished to see anything that looked like a ship. It was the summer of 1963, and though the captain knew quite well that the Caribbean pirates, famous for their cruelty, had been last seen here some 70 years before, he felt uneasy. This anxiety was not groundless. A fast launch appeared suddenly on the northern edge of the horizon and rushed to intercept the Swedish tanker.

Shipowners all over the world learned the following day that the so-called "black list" made out by the US authorities was supplemented by yet another Swedish ship, and that the list now included 118 ships belonging to Norway, Greece, Denmark, Britain, France, Yugoslavia, Italy, Iceland and other countries. Not one of them would be allowed to carry American cargoes in the next few years. This punishment was inflicted on them for carrying oil and other goods to Cuba, which the USA wants to strangle by economic boycott.

As far back as 1960, after Cuba had nationalized refineries belonging to the American and British monopolies, Esso, Texaco and Shell, the owners of Esso circularized all shipowners urgently requesting them not to let their ships transport oil to Cuba. The ultimatum presented by Esso, however, did not keep many shipowners from the temptation of making money by carrying oil cargoes to the faraway island in the Caribbean.

Esso is the trade mark and unusual emblem of the Rockefeller empire of Standard Oil of New Jersey, which has branches in more than a hundred countries. It is the largest industrial enterprise of the capitalist world. Its property is estimated at about 13,000 million dollars. This is almost as much as the state expenditures of all the developing Asian countries put together, including countries of the Middle East, India, Indonesia, Pakistan and some others.

Besides large concessions in countries rich in oil, Jersey Standard also owns more than 60 oil refineries, about 150 tankers, thousands of kilometres of pipelines and hundreds of large office buildings. Esso produces, refines and sells annually about 200 million tons of oil, which is more than the total consumption of all six member-countries of the Common Market: the Federal Republic of Germany, France, Italy, Belgium, Holland and Luxemburg.

The unparalleled riches and economic power of Rockefeller Esso have been achieved by ruthless exploitation of the developing countries. This monopoly, founded at the end of last century for production of oil in the USA, is owned and controlled by Americans. At present Esso produces in the USA only a quarter of its total output. Location of Middle East oil close to the surface and hence the possibility to pay local workers extremely low wages have made foreign oil more attractive for Esso than the oil at home.

Esso possessions in the Middle East, Africa and other areas of the Eastern Hemisphere produce about 70 million tons of oil a year. Esso takes care only of its own interests. The extremely low standard of living in these parts of the world, recorded by the United Nations Organization, does not trouble Esso owners in the least. It prefers to subsidize secretly the building of military bases and support openly regimes acceptable to it, rather than increase its payments for oil to these countries.

One of the most important Esso tentacles is the Creole Petroleum subsidiary in Venezuela. For about 30 years Creole has been ruthlessly draining Venezuelan soil. In 1965 alone Esso exported more than 80 million tons of oil from Venezuela. This oil yielded a profit of about 5,000 million dollars, but only one dollar out of ten was paid to Venezuela. Meanwhile a third of Venezuela's population inhabit houses not fit to live in; two-thirds are undernourished, and half of the population are illiterate.

Speaking of the sad fate of his fellow-countrymen, Miguel Otero Sylva, Venezuelan poet, said in one of his poems:

> An oilman in Venezuela
> Comes home in the evening
> hungry, exhausted and dirty.
> His undernourished children
> Sit chewing sticky fen clay
> by the door of the ranch.
> His wife awaits her husband
> with eyes full of fear,
> for she dreads the monstrous machine
> that so often cripples the workers.
> A bowl of beans cooked
> with rancid fat

stands steaming upon the table—
a hateful meal.
While oil streams to the Yankees. . .
The Rockefeller profits increase
day by day:
the Rockefellers have mansions, yachts and cathedrals,
saloon-cars and café-chantants;
they wear chrysanthemums in buttonholes
and diamonds around their necks,
while here, in Venezuela,
thin undernourished children
keep chewing sticky fen clay.

But, in spite of all that, imperialist propaganda speaks of the "philanthropic mission" of the Rockefellers in Venezuela—what really looks like a garden in full bloom here is their own estate. The Rockefellers like to relax and hunt in Venezuela. Probably that is why ingratiating scribblers often call Venezuela "the Rockefellers' second home."

Some ten years ago Nelson Rockefeller called General Jimenez, then ruler of Venezuela, his friend. In 1958 this murderous dictator was overthrown by the people of Venezuela. He fled to the United States, taking along 15 million dollars from the State Treasury, and lived comfortably in his splendid villa in Florida till the autumn of 1963, when the Esso owners, under pressure of the liberation movement in Venezuela, extradited him as an embezzler of public funds. Thus, Esso gave the people of Venezuela a scapegoat for sins of which it itself was mostly guilty.

No other monopoly group is so closely connected with American state institutions responsible for US foreign policy as Standard Oil. The late John Foster Dulles used to work for the Rockefellers before he was appointed Secretary of State. His brother Allen headed the US Central Intelligence Agency and openly put down to his own credit the overthrow of the Government of Mossadegh, who dared to nationalize the oil industry in Iran.

MacCown, Allen Dulles's successor, was a substantial share holder in the Californian group of Standard Oil. This fact once more throws light upon American CIA participation in the orgy of reaction in Iraq during the spring of 1963. The present Secretary of State, Dean Rusk, also served in the Rockefeller foundation for a long time.

The Rockefellers have quite enough money to consolidate their influence. In 1960 their fortune was estimated at 3 thousand million dollars as a minimum and 10 thousand million dollars as a maximum. Since then it has increased by not less than 1,000 million dollars. It has been calculated that out of every ten dollars the Rockefellers get from production, nine come from the oil business, and six or seven dollars of these nine from Arabian, Iranian and Venezuelan oil.

To protect their positions from the national-liberation movement, oil industry bosses organize all kinds of provocations, including military adventures. When heroic Cuba nationalized the American and British plants in 1962, Nelson Rockefeller was the first to demand that American troops should be sent to suppress the freedom-loving Cubans.

Nelson Rockefeller was one of the first to sign the declaration of 45 American capitalist leaders who approved of President Johnson's adventurous policy in Vietnam.

The American press presents a cheerful economic picture of the war carried on by the United States in Vietnam. Lieutenant-General Santer, Pentagon director on problems of fuel supply, has more than once gladdened the hearts of his suppliers with news that demand for oil products in South-East Asia has increased three times since the campaign began. The oil kings and generals have reckoned in cold blood that should the Vietnam war reach the scale of the Korean war, total oil requirements of the American armed forces would increase almost by half. This would bring the oil producers about 700 million dollars extra from the Pentagon. Besides, the oil magnates hope to make some tens of millions of dollars by supplying napalm for incendiary bombs.

Standard Oil of New Jersey remains the Pentagon's biggest supplier of oil. In 1965 alone it sold oil products to the US Army to the sum of about 200 million dollars.

THE OIL SHELL ON THE THAMES

Botticelli, Italian painter of the 15th century, depicted in one of his masterpieces the ancient myth of the birth of Venus, goddess of love. A beautiful young woman with fine long hair modestly steps out of a big sea shell. This famous picture has for many years been adorning the advertising prospectuses of the Royal Dutch Shell Oil Company.

In the West a sea-shell has always been a symbol of longing for the sea, for a life full of travel and adventure. Probably that is why a certain English company engaged in pearl-fishing took the shell for its emblem at the end of last century. Later the company merged with the Royal Dutch Shell group and passed its emblem to them. And now the prospectus of the monopoly tries to persuade everyone that the sea-shell symbolizes the constant striving of Royal Dutch Shell to find "new ways to serve mankind better."

But let us turn from myths and symbols to reality. If anyone wants to make sure that imperialists of different nationalities are united in robbing developing countries, let him direct his attention to Royal Dutch Shell. It came into being in 1907 by amalgamation of two companies: the British Shell Transport Trading Co. and the Royal Dutch Company of the Netherlands. Both companies joined efforts to facilitate exploitation of Indonesian oil. In the years that followed Royal Dutch Shell found its way to oil deposits in the Middle East, Venezuela and other areas. The wider it spread its tentacles, the more difficult it was for Shell to rely on English and Dutch capital alone, and the more readily it accepted the help of capitalists from other countries. According to the latest data, Royal Dutch Shell shares are at present distributed as follows: shareholders in Britain hold 39 per cent of Shell stock, in the USA 19 per cent, in Holland 18 per cent and France 14 per cent, while the remaining 10 per cent are divided between Swiss, Belgian and some other West European shareholders.

Close cooperation of monopolists of every kind under existing conditions of disunion of nations they exploit bears rich fruit. Royal Dutch Shell ranks second among the largest industrial corporations of the capitalist world. Its property is estimated at more than 11 thousand million dollars, almost ten times as much as the revenues of the state budgets of Iraq and Iran put together.

Royal Dutch Shell owns oilfields producing annually more than 140 million tons of oil. The oil is refined at plants that belong to the same monopoly. For transport of oil Royal Dutch Shell has built the largest tanker fleet in the world, with a deadweight capacity of about 12 million tons. Total length of Royal Dutch pipelines would be more than enough to encircle the globe along the equator.

It is impossible to enumerate all the international trust's riches, all coming from the same source—the oil of developing countries in Asia, Latin America and Africa In 1965 Royal Dutch Shell produced 55 million tons of oil in Venezuela, 15 million tons in Iraq, 12 million in Iran, 7 million in Africa, 4 million tons in Indonesia etc. Like other oil empires, Shell pays these countries less than half the export price for crude oil, while it keeps to itself all the huge profits it makes on oil products.

The financial headquarters of Royal Dutch Shell are in London. Therefore, this monopoly is often called British. Englishmen, indeed, hold sufficient shares to control the monopoly. It is supposed that the Lazars, a family of English multimillionaires, are the biggest holders of Shell shares. However, the British Government takes no less care of Shell interests than of British Petroleum's. It has been estimated that more than half the income derived by Britain from its foreign investments is due to Shell and British Petroleum. If these monopolies were to lose their foreign concessions the revenues of the British Exchequer would drastically decline.

Shell's executive staff numbers some 6,000, mostly Englishmen and Dutchmen. This is a privileged caste, many members of which have not even seen petroleum, let alone stain their hands with it. According to the *Observer,* a Shell employee once asked his colleagues at a conference whether they had ever seen petroleum. It turned out that they had not. This does not prevent them, however, from managing the affairs of countries where oil is basic to subsistence.

In 1965 one of the two companies that founded the Royal Dutch Shell monopoly marked its 75th anniversary in grand style. Each of the seven directors made many speeches in praise of Shell's activities. Their zeal can be easily explained: the post of director brings each of them annually more than 50,000 pounds, five times as much as the salary of the British Prime Minister.

When speaking of the strategy and tactics of Royal Dutch Shell, London politicians and businessmen like to stress the flexibility of its policy. its readiness to make compromises with the other party. And that is really so. Shell is more cautious than Esso. But the difference between them is insignificant.

As for the sea-shell, it used to be one of the favourite emblems of the European crusaders who some seven or eight centuries ago ruined dozens of flourishing cities on their way to Holy Land. The activities of western oil magnates in the Arab East and other areas rich in oil remind one of the cruel deeds of medieval conquerors rather than of Botticelli's Venus.

THE MELLONS' PRIVATE DOMAIN

A few years ago Paul Mellon, an American multimillionaire, gave a fabulous ball on the occasion of his daughter's coming of age. On the following day the papers published an account of the ball and estimated that Mellon must have spent a million dollars on it, thus beating all existing records in extravagance. One paper noted that even the Roman Emperor Nero, famous for his extravagance, had never squandered so much money in a single night.

The Mellons are often traditionally called aluminium kings. And, indeed, aluminium companies controlled by them produce at present about two-thirds of all primary aluminium in the United States. Nevertheless, aluminium has long become a matter of secondary importance for the Mellons, who have turned their main attention to oil. The Gulf Oil Company controlled by the Mellons annually brings them nearly three times as much net profit as all their aluminium companies put together.

Unlike the Rockefellers who "suck" oil by means of several gigantic tentacles simultaneously, the Mellons are connected with the oil business only through Gulf Oil. This could not but influence the methods by which the Mellons control the monopoly. Firstly, they always strive to own not less than 30 per cent of the monopoly's shares. Secondly, one of the Mellons is always on the board of directors. In the third place, the Mellons pay the President of Gulf Oil the highest salary in the oil industry: about 400,000 dollars a year.

Though Gulf Oil was founded almost at the same time as the Standard Oil, it consolidated its position only in the 'twenties, when the multimillionaire Andrew Mellon retained his post of Secretary of the Treasury under three Republican Presidents. The years when Mellon occupied the post were marked by several notorious cases of embezzlement and big tax swindles. It was during these years that the greatest oil scandal took place. It was caused by the distribution of state oil-bearing lands to private companies for bribes. The Secretary of the Interior, a friend of President Harding, was involved in the affair. The scandal assumed such enormous proportions that in 1923 President Harding committed suicide. Coolidge became President and Hoover after him. But, in spite of all the changes, Andrew Mellon firmly retained his post, and even managed to reform the system of taxation in the interests of monopolies in general and oil monopolies in particular.

In the 'thirties Gulf Oil started taking an interest in the Middle East, particularly when Andrew Mellon became United States Ambassador to Britain. While in London, he established close ties with the Anglo-Iranian Oil Company (the present British Petroleum), which helped the Mellons to settle in a number of areas of the Middle East. And when 20 years later British Petroleum partitioned its possessions in Iran, it did not forget its old allies, the Mellons.

Gulf Oil has long been one of the ten largest industrial corporations of the capitalist world. Its gross income exceeds 3,000 million dollars, which is seven times as much as the state revenue of Iraq. The net profits of Gulf Oil of nearly 400 million dollars would cover more than half the state expenditures of Iran.

Like all the other oil empires of the West, Gulf Oil owes its riches mostly to the oil of the Arab states, Iran and Venezuela. In 1965, for instance, it produced less than 20 million tons in the United States, while its output in Kuwait was more than 50 million tons and more than 20 million tons in Venezuela, Iran, Columbia and other countries.

Gulf Oil is one of the imperialist corporations which manage to derive advantage from international conflicts and interruptions in oil supply caused by them. It should be noted that together with British Petroleum, Gulf Oil controls the oil of Kuwait. This tiny country possesses more oil than the whole of North America. Gulf Oil and its British colleague from the very beginning regarded Kuwait with its small population as a considerably more convenient object of exploitation than, for instance, Iran or Iraq, with their populations of many millions drawn into the liberation movement. Both monopolies were ready at any moment to turn Kuwait into the centre of oil production in the Eastern Hemisphere, but they were held back by the negative attitude of other western oil monopolies, who did not want their rivals to become stronger.

In the 'fifties the capitalist world three times experienced a shortage of oil: first in the early 'fifties when the western monopolies organized a boycott of nationalized Iranian oil; then in 1956 when the Suez Canal ceased functioning because of armed imperialist aggression against Egypt, and, lastly, in 1958, when the USA and Britain, frightened by the overthrow of the royal regime in Iraq, started military intervention in the Near East.

And each time Gulf Oil and British Petroleum, using shortage of Iranian and Iraqi oil as a plausible excuse, sharply increased deliveries of oil from Kuwait. As a result, the production of oil in Kuwait, which started in 1946—30 years later than in Iran and almost 20 years later than in Iraq—exceeded at the beginning of the 'fifties the level of oil production in these countries. Kuwait began to rank first among the oil producing countries of the Middle East. Recently Gulf Oil and British Petroleum, in cooperation with other monopolies, started turning the small Arabian principality of Abu-Dhabi into a second Kuwait.

The transfer of centres of oil production from countries with a big population to small countries brings forth a corresponding redistribution of income. Thus, actually more than one-third of income from crude oil production in the Middle East goes to a group of countries with populations totalling only about 1 million people, whereas the remaining sum goes to Iran, Iraq, Saudi Arabia and other countries whose populations total almost 50 million people. Besides, the rulers of small sheikdoms, not being able to make any productive use of their capital, keep it in London and New York banks.

In recent years western oil monopolies have been intensively developing petro-chemicals production. Demand for these goods grows very rapidly, while prices for them exceed ten times those for petrol, mazout and other traditional oil products. Petro-chemistry has very quickly become a real gold-bearing vein, which the Mellon concern has exploited more rapidly than any other monopoly. In 1964 alone it increased production and sale of petro-chemical products from 1.3 million to almost 3 million tons. Net profit made by the monopoly in this field increased by more than 30 million dollars, not a single cent of which fell to the true owners of the oil—the Arab states and other oil-producing countries.

A HYBRID OF OIL OCTOPUSES

A trade-mark that would sound alike in different languages and not reveal the names of those who actually stand behind it is a subject of special consideration for the Rockefellers, Mellons and others. Subsidiaries of the monopolies controlled by them operate in almost all capitalist countries. Their trade-marks—Esso, Mobil, Gulf and Caltex—are inscribed on the billboards of filling stations, on tank-waggons and railway tank-cars. They are inscribed on hundreds of tankers that plough the seas and oceans; they guard the entrance gates of oilfields and refineries scattered all over the capitalist world. People inhabiting one or another country look at these trade-marks every day and sometimes do not even suspect that the meaningless words, Esso or Mobil, actually stand for Rockefeller monopolies, Standard Oil of New Jersey and Standard Oil of New York, while the names Gulf and Caltex disguise three American corporations: Mellon Gulf Oil, Rockefeller Standard Oil of California (Chevron) and the Chicago-backed Texas Oil (Texaco).

The Texaco monopoly, a co-owner of Caltex, deserves to be spoken about in detail. Not a single expert on American big business knows who actually holds its controlling block of shares. This corporation may serve as a clear example of how capitalists try to keep their business and financial connections secret from the public. Only one thing is known for certain: the Texaco monopoly is financed mainly by Chicago banks.

Absence of identifiable ties with any of the competing financial groups has imparted to Texaco a colour of neutrality, which has opened before the monopoly the doors of every state in the USA. It operates in all the 50 states, whereas the largest oil monopoly, Standard Oil of New Jersey, has not been admitted yet to six states. Therefore, Texas Oil is considered "the most American" of all US oil corporations. No small part in the creation of this reputation has been played by the name of the monopoly, usually associated with Texas, America's largest oil-producing state.

However, when an opportunity presented itself for Texaco to resell in the USA cheap Arabian and Venezuelan oil products at exorbitant prices, it was least of all troubled about losing its reputation of "the most American" oil company, and rushed into the struggle for control over foreign oil sources. Operating abroad, it manages its affairs in such a way that its American origin will not be very conspicuous. In 1946, together with Standard Oil of California, Texaco set up a special subsidiary for foreign operations called the California Texas Oil Corporation, under the trade-mark of Caltex. Besides considerably facilitating robbery of other nations, this union made it possible for Texaco to operate under a cosmopolitan sign without revealing its true owners.

Texaco and Chevron are among the ten largest industrial corporations of the capitalist world. The assets of Texaco reached in 1964 about 5,000 million dollars, while its net profit amounted to 580 million dollars. The same year Texaco produced 93 million tons of oil, 60 million tons of them in Asian and Latin American countries.

Caltex's best gold-bearing vein is Aramco (Arabian-American Oil Company) in Saudi

Arabia. This resounding name is but another camouflage of an American oil subsidiary, 60 per cent of whose shares are owned by Caltex. Aramco may serve as another vivid example of how American oil magnates, in spite of their differences, join efforts in their offensive against developing countries.

The Aramco oil concession covers almost half the territory of Saudi Arabia. It is a typical state within a state. All the oil-wells and pipelines, including the largest pipeline in the Middle East that leads to ports on the Mediterranian coast, belong to it. It also owns the installations of Ras-Tanura, one of the Middle East's largest ports, and many tankers.

Aramco property is inviolable to local inhabitants, be it a common Bedouin or a member of an Arabian royal family. Aramco headquarters in Dakhran, as well as the American military base specially built nearly to guard it, are also inviolable.

On every possible occasion Aramco extols to the skies the results of its activities in Saudi Arabia. At the Fourth Arab Petroleum Congress, Aramco representatives submitted a report on the company's contribution to the economic development of Saudi Arabia. Aramco made much of the laundries and poultry farms it had built for the local population. It also boasted of its good intentions of building new homes for its 11,000 workers (after exploiting Arab mineral resources for 30 years!), but said nothing of the fact that all the 6 million inhabitants of Saudi Arabia, whom it had deprived of their oil, had a right to good dwellings. Even the most boastful of Aramco's advertisements do not mention any help to the people of Saudi Arabia to develop their country's natural resources. The American company keeps silent on the subject not because of modesty, but because such help is not characteristic of western oil monopolies. Such help would provide these countries with an effective weapon in the struggle for economic independence, which is undesirable to capitalist oil magnates.

Such is Aramco, creation of Chicago and other American bankers. In 1964 alone it pumped out 86 million tons of oil from under the very feet of the Arabs.

As the national-liberation movement in developing countries grows stronger, Aramco owners like their British counterparts, strive to disperse strategically their resources. Texaco strives to consolidate its positions in Venezuela. Recently it had an opportunity of buying up an American company for 300 million dollars. What country could have made such a purchase, even if it had mobilized all its resources? However, Texaco, with its gross income of 3.5 thousand million dollars, could readily afford it. There is nothing surprising, therefore, that Texaco has assigned several hundred thousand dollars for subversive activity against free Cuba, fearing that Venezuela and other Latin-American countries might follow the example of the heroic island.

In its prospectuses Texaco often places together two photographs: one showing a team of two horses pulling a kerosene tank with

"Texaco" inscribed on its side, and another of an enormous modern fuel truck, under which it is inscribed that its capacity is 2,000 h.p.

The purpose of the photographs is to symbolize the progress made by the monopoly in the last decades. However, one should not forget that this progress is the result of ruthless exploitation of other nations.

* * *

Such are the leading oil empires of the West. The American monopolies Esso, Gulf, Texaco, Mobil and Chevron are the so-called Big Five of the American oil business. As the reader has already seen, operations with foreign oil form the basis of their activities. These five monopolies produced 120 million tons of oil in the United States in 1964 and more than 360 million tons abroad, including 190 million tons in the Arabian states, more than 100 million in Venezuela, 30 million in Iran and 17 million in Indonesia.

As for the British monopolies, British Petroleum and Royal Dutch Shell, and the French Compagnie Française des Pétroles, they base all their operations exclusively on foreign oil. Almost 130 million tons out of the 250 million tons of oil produced by them in 1964 were extracted from Arab soil, 55 million tons in Venezuela, 46 million in Iran and the rest in other developing countries.

All these monopolies call themselves international oil companies, and figure in economic literature as such. However, if there is anything international about them, it is only their sphere of activity. Their capital belongs either to Americans or to British and West Europeans. There is not a single foreigner on their boards of directors. The headquarters of these monopolies are in New York, London, San Francisco, Pittsburg and Paris.

To make exploitation of other countries easier for themselves, the eight monopolies mentioned above formed at the end of the 'twenties an international oil cartel. With the growing importance and rising consumption of oil in the world this association became the largest and most powerful union of imperialists of different countries. In 1964 gross income of all eight members of the cartel reached 46,000 million dollars, while their net profits exceeded 3.5 thousand million dollars. The cartel extracts and refines the bulk of the capitalist world's oil output, and sells about two-thirds of all oil products. This enables it to dictate its will to countries rich in oil and countries having no oil of their own.

Paths that Lead the Arabs to Their Oil

No matter how powerful and rich the western oil monopolies may be they are no longer able to control forces already active in the Middle East and Latin America. Successful nationalization of the Suez Canal, overthrow of the dictatorial regime of General Jimenez in Venezuela, the anti-imperialist revolution in Iraq, the Algerian people's victory over colonialism and other successes of the national-liberation movement have prepared ground for struggle of countries rich in oil to attain economic independence and increase their role in exploitation of their national resources. The struggle is going on in many directions, and everywhere the monopolists create obstacles. The overcoming of these obstacles actually forms the content of the fight of Arabs, Iranians and other peoples for their oil.

IS NATIONALIZATION POSSIBLE?

Most serious obstacles have been placed by western oil magnates in the way of oil nationalization in countries they exploit. Difficulties that have arisen here are the result of long domination of imperialist methods in relations between concessionaires and oil-producing countries, which have been allotted the part of dependent suppliers of raw materials.

To cover the long course from oil-well to consumer, the oil must pass through a complex system, the main links of which are the oilfields, means of transport, oil refineries and marketing network. However, the monopolies keep in oil-producing countries the minimum of equipment necessary for the production of crude oil only. In case of nationalization, the country in question will get hold only of one end of the production line—the oilfields, and, at the best, some oil-refineries on its territory. But all the rest remains in the monopolists' hands.

Thus, in 1964 oil-wells in the developing countries of the eastern hemisphere produced about 470 million tons of oil, while the capacity of their oil-refineries was some 60 million tons—hardly sufficient to process 13 per cent of total oil extracted there. In Venezuela the ratio of refinery capacity and oil output is 30 per cent. The developing countries have no tanker tonnage capable of transporting even a few million tons of fuel or oil products. The tanker fleets, hundreds of oil-refineries, tens of thousands of filling stations and other marketing places remain out of oil producing countries' reach.

In postwar years the monopolies have built in different areas enormous stand-by oil-producing capacities, which may produce additionally several hundred million tons of liquid fuel.

The cartel uses this reserve as a weapon in its struggle against national-liberation movements in countries rich in oil. Relying on this reserve, the monopolies can force a country which has nationalized its oil industry to curtail production and export of oil for a long time, because they can refuse to handle nationalized oil and can increase their supplies from other countries. The effectiveness of this aggressive method of exerting pressure is conditioned by the specific nature of the economy of oil-producing countries, where oil is, if not the only, then the major source of national income. In Indonesia, Iran, Venezuela, Algeria, Iraq, Saudi Arabia, Libya and Kuwait oil yields from 30 to over 90 per cent of state revenues and foreign-exchange earnings. A stoppage of this source would cause an economic crisis and financial bankruptcy in the countries concerned.

It was exactly this kind of pressure that the monopolies brought to bear on Iran in 1951-53. When the Government of Mossadegh nationalized the oil industry, cartel members, on the initiative of British Petroleum, stopped buying Iranian oil, while companies not included in the cartel did not have enough tankers and plants to take the place of the cartel. At the same time the cartel, trying to make up for shortage of oil, was feverishly increasing its deliveries from other oil-producing countries, which, lacking coordination of effort, failed to defeat the discriminatory policy against Iran.

It would be difficult to find a more convincing argument for solidarity of all countries rich in oil than the bitter experience of those years. Obviously, that is why in recent years an idea of "collective nationalization" of the oil industry was born in the Middle East. The first to bring it up at the Fourth Arab Petroleum Congress in 1963 was the former Minister of Oil Industry of Saudi Arabia, Sheikh Abdulla Tariki, present adviser on oil problems to the governments of various Arab states. He put forward the idea of simultaneous nationalization of the oil industry in all the Arab states. In this case the monopolies would not be able to boycott almost 400 million tons of Arab oil at once, and would be obliged to go on buying it. Tariki particularly stressed that collective nationalization would not be successful unless the Arab states created a lasting economic, social and political union.

At the Fifth Arab Petroleum Congress Tariki made a report entitled "Nationalization of Petroleum Industry Is a National Necessity," where he once more raised the need to use the most resolute methods of struggle against the western monopolies, based on the unity of all oil-producing countries. Existing relations between countries rich in oil and western companies, said Tariki, are "nothing but a continuation of colonialism and the reform needed can only be achieved through nationalization of oil production." Foreign companies, according to Tariki, should be compensated for their property with supplies of crude oil.

This is not the only view. Ahmad Zaki Yamani, the Minister of Oil Industry of Saudi Arabia, announced as far back as September 1963, that his country's government "does not pursue a policy of nationalization, nor does it intend to do so in the future."[1] At the Petroleum Congress Yamani once more alleged that the policy of the Arab states as a whole was opposed to nationalization of the oil industry, and that this applied equally to countries with free economies and those which followed the principles of planned economy.

Doctor Bazzaz, Prime Minister of Iraq, made the following statement at the end of 1965: "We are not afraid to nationalize... I am not saying that we intend to nationalize tomorrow. I am merely saying that it is the right of any state to nationalize when it finds this necessary."[2]

Several countries rich in oil have begun or are beginning to develop other industries besides oil. Any success in this field would make it possible to reduce dependence of these countries on oil, would lessen the risk of an economic and financial crisis in case of nationalization and of possible boycott of nationalized oil by the imperialist cartel.

Some progress in building a diversified economy has been made by Venezuela, which, besides oil, has developed the output of iron ore and other minerals. In the new plan for economic development of Iraq special stress is laid on agriculture and various other branches of the national economy. Abdel Salam Aref, President of Iraq, commenting on the new plan, said at the beginning of 1965 that the time

---

[1] *Middle East Economic Survey*, September 27, 1963.
[2] Ibid, October 1, 1965.

would come when oil would no longer be the main source of income in Iraq, but this did not mean that Iraq would relinquish its rights to oil. The President dwelt upon factors which influenced the fulfilment of the new programme particularly stressing the necessity of it being widely supported by the whole people.

The development of new industries that would bring substantial income is a very difficult problem. It is complicated by the subversive policy of western oil monopolies. Refusing to increase their payments for oil, they deprive Arab and other states of financial means to build independent economies. Stirring up conflicts in the Middle East, the imperialists incite Arab states to increase military expenditures. But everyone knows that to increase military expenditures substantially and at the same time expand the national economy is beyond the power of even the advanced industrial countries.

CHANGES ARE A NECESSITY

At the Fifth Arab Petroleum Congress a report entitled "From Concessions to Contracts" was presented on behalf of eight oil-producing countries of Asia, Africa and Latin America. It contains the following statement (pp. 3-4): "Oil operations in the Middle East countries have mainly been governed by oil concession agreements... Some of the most important oil concessions were signed at a time when most Middle Eastern countries were politically subordinated, directly or indirectly, to foreign powers, when poverty was widespread and economic resources undeveloped. Political, social and economic pressure—coupled with lack of knowledge of the oil industry on the part of Middle Eastern countries, as contrasted to the experience of the oil companies backed by their governments—rendered the terms of those agreements one-sided... We raise the question as to whether the concessions are legally valid in view of the absence of genuine free will on the part of one of the contracting parties, which is essential to a valid contract."

This passage from the report depicts the real state of affairs so precisely that no commentary is needed. The report raises the necessity of replacing the enslaving concession agreements by contracts on equal terms that would take into account not only the interests of the concessionaires, but also those countries which lease their oilfields. The new contracts should be attractive for foreign capital and provide maximum benefits for the countries concerned. "The time is past when we had to yield to the companies," says the report. "Now they will have to negotiate and come to terms."

Negotiations with the view to working out and applying new terms for exploitation of the oilfields seem to many people in the countries involved a more realistic and reliable way of solving the problem than expropriation. And it is along these lines that the practical activities of most countries struggling for their oil are conducted. Below we shall dwell upon achievements and difficulties encountered on the way.

All the oil-producing countries have one common desire, namely, to take part in some way or other in production operations. It may seem that the easiest way to this participation is to acquire a part of the capital of the oil concessions. However, it is not so simple as that. In 1959-63, for instance, the Government of Iraq wanted to buy 20 per cent of shares in the Iraq Petroleum Company. This legitimate desire of Iraq was based on the fact that as far back as 1920, when Iraq was still a mandated territory of Great Britain, Great Britain and France (which also laid claim to Iraq oil) agreed that up to 20 per cent of the share capital of the Iraq Petroleum could be sold in due course to the Iraqi Government, or to private persons in Iraq. However, the owners of the concession—British Petroleum, Royal Dutch Shell, Compagnie Française des Pétroles, Jersey Standard and Socony Mobil—do not want to hear anything about selling a part of the shares to Iraq.

This is just one example among many of the arbitrary manner in which the imperialists interpret their agreements with the exploited countries. The result is that the countries wishing to participate in production operations are confronted with the difficult task of developing new areas where oil is yet to be discovered.

To exploit their oil resources, most countries have formed national state companies. The great need of large investments and technical know-how induces the state companies to cooperate closely with foreign capital. Under these circumstances, there arises one more problem of guarding national interests from encroachment by the new concessionaires.

At present state oil companies exist in Iraq, Iran, Saudi Arabia, Kuwait, Venezuela and Indonesia. In 1965 they produced, with participation of foreign capital, about seven million tons of oil, which is only 0.6 per cent of all capitalist output of oil. Lack of their own plants prevented state companies from refining even a million tons of the extracted oil. According to present plans, the state companies will in three or four years have at their disposal oil-processing plants with a total capacity of 8 to 10 million tons. This will at least enable them to provide oil products for the home market, which is at present supplied mainly by the monopolies. According to some Middle Eastern economists, these results of 10 to 15 years' activity by state oil companies are far too modest. Lack of unity among patriotic forces in countries rich in oil helps the western monopolies to weaken the state oil companies, to take the edge off their anti-imperialist activities, to prevent them from becoming active factors in struggles by the Arab states and other countries for the right to share in their national oil resources.

At the Arab Petroleum Congresses questions have repeatedly been raised about formation of a united Arab oil company, joint construction of a pipeline to Mediterranean ports and building of a combined tanker fleet. However, many observers believe that the practical realization of any of these plans requires much greater solidarity of the Arab states than that which now exists.

At every congress the Arab states and other countries demand that the monopolies raise the price of oil, which was cut in 1960. This demand is very just, because the reduction of prices for oil intensifies the inequitable character of commodity exchange between countries rich in oil, on the one hand, and advanced capitalist countries, on the other. One of the reasons for such a state of affairs is that prices for manufactured goods imported by Middle Eastern and other developing countries from the USA and Western Europe are constantly rising. According to UN data, prices for manufactured goods sold chiefly by advanced industrial countries have gone up during the period of 1953-60 approximately 9 per cent, while prices for Middle Eastern oil were reduced by the monopolies by 4 per cent in 1960 alone. By paying more for imported goods and getting less for exported oil the countries of the Middle East lose enormous sums, estimated at hundreds of millions of dollars.

Western oil magnates do not conceal their indignation at the just demands from countries rich in oil. However, it was not without reason that an authoritative adviser of the British oil monopolies warned them: "It would be dangerous to disregard the force behind these demands, and it will be no solution to threaten the Arab states with international and economic reprisals."[1]

The fairness of these demands is acknowledged not only by experts and advisers, but also

---

1 *Petroleum Times,* April 30, 1965, p. 223.

by some sober-minded western leaders. Thus, in June 1963, the then President of the United States, John Kennedy, said concerning the inequitable exchange of commodities between developed and developing countries: "In addition we can't help but be concerned by the fact that the price of raw materials of the underdeveloped world steadily declines relative to the price of manufactured goods, and, therefore, its economic position in some ways is worse off in spite of all the aid we have given; and, therefore—unless we work hard—we may find ourselves a rich area in a poor world which is subject to all the influences that poverty brings with it and ultimately we would be affected."[1]

It is to be regretted that such sensible statements are very rarely heard in the West, though Kennedy himself welcomed a plan for an American oil policy that would favour solution of difficult fuel problems in the United States at the expense of Venezuela, Iran and the Arab states. History teaches that countries struggling for independence should not count upon the "goodwill" of imperialists.

The western monopolies are exploiting the natural resources of the developing countries on an ever-increasing scale. From 1955 to 1964 oil output in the countries of Asia, Africa and Latin America increased from 300 to 680 million tons, while its share in capitalist oil production increased from 40 to 58 per cent. It is extremely important for these countries to

[1] *Towards Better Cooperation Between Oil-Producing and Consuming Countries,* p. 7, paper No. 59 (A-1). The Fourth Arab Petroleum Congress, Beirut, 1963.

improve the concession agreements, and establish at least some indirect control over the activities of foreign monopolies. At present the Organization of Petroleum Exporting Countries (OPEC) is taking some concrete steps in this direction.

UNITY IS THE WAY TO SUCCESS

OPEC was set up in September 1960. At present its members are Venezuela, Kuwait, Saudi Arabia, Iran, Iraq, Libya, Indonesia and Qatar. In 1964 these countries produced nearly 52 per cent of the total oil output in the capitalist world, or 77 per cent of world production, excluding the USA. They also accounted for about 90 per cent of total exportable oil produced in capitalist countries.

OPEC members negotiate with the monopolies and consult each other with a view to getting increases in concession payments for oil, and to preventing overproduction of oil and falls in oil prices.

In spite of the modesty of OPEC aims, the oil monopolies fear this first union of the countries exploited by them, and have made it the main object of their attacks. Negotiating with OPEC, the monopolies try to avoid meeting all its members simultaneously, and start negotiations only where they can deal with not more that one member at a time. "Dispersed" negotiations enable the monopolies to apply widely the principle of "divide and rule" in their attempts to frustrate solidarity of the exploited countries. The monopolists make generous promises to some countries, intimidate others, make miserable concessions to a few at the expense of the interests of all OPEC members. These cartel tactics divide OPEC members into two camps on some important problems.

The main results of OPEC activity are the so-called supplementary agreements with the main concessionaires, as well as coordination of oil production rates in member-countries. The supplementary agreements, made public in December 1964, brought the order of payment of royalties and income tax in the Middle East somewhat closer to the norms accepted in the West. This resulted in a 6 to 7 per cent increase in income of the Middle Eastern countries from oil, amounting to a total increase of income in 1965 of about 140 million dollars. The OPEC demands the elimination of discrimination forced by the monopolies upon the Arab states and Iran. The point is that in the USA, Canada and some other countries, the state receives from oil concessionaires a royalty up to 25 per cent of the total income from oil, while in the Arab states and in Iran the royalties are half as much. Besides, in the United States and some other countries, governments receive from concessionaires exploiting state deposits not only royalties, but also income tax, while in the Arab states and in Iran the royalties, in accordance with concession agreements, also cover part of the income tax. This discrimination in payment for oil annually deprives the Arab states and Iran of about 500 million dollars.

The rates of oil production, agreed upon in

July 1965, for a term of one year, were aimed at preventing over-production of oil and price falls. Moreover, Kuwait, Saudi Arabia and Libya, where the monopolies developed oil outflow particularly rapidly, have been forced to demand that the monopolies should slow down the rates. On the other hand, Iran and Iraq, where the monopolies formerly held up oil production, have demanded that the output should be speeded up. Some representatives of the first group of countries, however, have hinted that they are far from pleased with the decision and reserve the right not to follow it.

Absence of unity between OPEC members was one reason why negotiations with the monopolies concerning supplementary agreements were delayed for more than two years and were very difficult, and why concessions made finally by the monopolies were much smaller than the OPEC had expected when starting negotiations. For the same reason the monopolies consider they are not obliged to reckon with rates of development of oil production agreed upon. The monopolists frankly warn OPEC that they will "jealously guard" their right to regulate the output of oil, and will "certainly resist any attempt by governments to usurp it." [1] But these threats will be futile if solidarity among these oil-producing countries continues to grow.

It is significant that Kuwait, which western oil magnates have always been setting against other countries of the Middle East, is now also in favour of OPEC control over production.

---

[1] *Oil and Gas International*, October 1965, p. 39.

When the Kuwait Minister of Finance and Industry visited Washington at the end of 1965, he was asked a provocative question why Kuwait, as a member of OPEC, had consented to a smaller increase in oil output than the other member-countries of that organization. The Kuwait Minister answered with dignity: "Kuwait supported OPEC's production control programme because major oil companies at certain times had been favouring some producers. Some producers had lagged behind and had to catch up."[1]

Of course, the practical observance of the agreed rates of production is in the hands of the concessionaires. But if OPEC members resolutely demand strict fulfilment of the quotas this will make it more difficult for the concessionaires to manoeuvre with production rates for purposes of discrimination. As stated in one of the reports made at the Fourth Arab Petroleum Congress, regulation of oil output by the countries themselves would "make it impossible for the oil companies to play one producing country against the other, a case that happened in 1951, when the oil companies used the countries of Saudi Arabia, Kuwait and Iraq to throw out the Mossadegh regime in Iran, by replacing the Iranian oil in the markets by excessive production from these countries, following the nationalization of the Iranian oil industry."[2]

In order that OPEC activities may be suc-

---

[1] *Platt's Oilgram*, November 1. 1965.

[2] *Towards Better Cooperation Between Oil-Producing and Consuming Countries*, p. 12-13.

cessful, it is not only necessary that all its members should be in agreement with one another, but also that they should be supported by other countries. Realizing this, the imperialist cartel strives to undermine the OPEC positions not only from inside, but also from outside. The press of the monopolies presents OPEC aims as contrary to the interests of all oil-importing countries. For instance, they say that OPEC's demand to increase oil royalties will inevitably cause an increase in prices both for importers and consumers.

This argument may seem rather weighty at first glance. But it is easily refuted by the OPEC special investigation made on the basis of official West European statistics. According to the investigation, in Western Europe the ultimate consumer pays 11 dollars on an average for a barrel of oil products. However, only 74 cents out of this sum, or 7 per cent, goes to the oil-producing countries as royalties, income tax and other kinds of payments from the concessionaires. The remaining 93 per cent represents the income of the monopolies at all stages of the oil business, duties and other dues imposed by governments of the countries importing oil and oil products. Thus an increase in payments for oil to Arab states and other countries could not take place by increasing selling prices, but by a fairer distribution of incomes between oil-exporting countries, monopolies and oil-importing countries.

However, most capitalist countries (partly under the influence of monopolistic propaganda) pay little attention to the activities of

OPEC in the sixth year of its existence. Significant in this respect was the first conference of the United Nations Organization devoted to problems of trade and development which took place in Geneva in May and June 1964. Commenting on it, the *Petroleum Times,* British oil industry journal, observed, not without satisfaction, that "of 2,000 delegates, representing 120 nations, majority represented oil consumers... Understandably, they kept quiet when Algeria, Indonesia, Iraq, Kuwait, Saudi Arabia and Venezuela made general statements to promote their case for higher income from oil; contrary to expectations, no debate on the subject of oil prices followed." [1]

World Petroleum, a journal of the American oil industry, expressed its joy in the following words: "Petroleum is the most important item in world trade, but it could never be the subject of considerations similar to those concerning copper, tin, grains, coffee or other prime commodities." [2]

This prophecy, however, may not be realized, for the conference, contrary to the will of the United States, Great Britain and their allies, adopted a resolution recommending the UN to recognize international organizations created by the main exporters of raw materials. OPEC is precisely such an organization. And if in 1962 its attempts to gain recognition of the United Nations were unsuccessful, in 1965 the Economic and Social Council of the United

---

[1] *Petroleum Times,* August 7, 1964.
[2] *World Petroleum,* August 1964, p. 29.

Nations (ECOSOS) unanimously approved the establishment of official ties with the Organization of Petroleum Exporting Countries. An exchange of information and documents has been started between ECOSOS and OPEC. OPEC is now represented at meetings organized by the UN. The period of isolation is over. But the struggle of the developing countries to increase their participation in exploitation of their natural resources still proceeds on the international arena.

Emile Bustani's Career

In March 1962, a long open letter addressed to the Arab League was published in the Middle East. It contained an appeal to the Arabs to forget many controversial problems that existed in the relations between the Arab states and western oil monopolies, and not to demand an increase in payments for Arab oil.

When reading the letter, one might think that it had been written by a representative of Esso, Shell or some other western oil monopoly. However, the author was Emile Bustani, a rich Lebanese of Arab nationality. The best way to get a good view of all his estates, from subtropical plantations on the Mediterranean coast to his splendid mansion near Hyde Park in London, would be to fly over them on a magic carpet. Emile, however, preferred to travel by one of his six planes (including jet-propelled aircraft), or in his helicopter, or Cadillac of the latest make equipped with a telephone and a tape-recorder.

One of the few places to where Bustani liked to walk was his wine cellar, famous in the Near East for its vintage wines. Near Beirut Bustani built himself a villa with a swimming pool and gymnasium that are the envy of American millionaires. And when Emile Bustani was tired of flying, driving, walking, playing games and swimming, he would relax on a terrace that reminded one of the hanging gardens of Semiramis, and there he would watch the stars through a telescope, trying to make out what the future had in store for him.

A MYSTERIOUS PAST

Emile Bustani's past is rather enigmatic. The son of a poor priest, Bustani hardly managed to make both ends meet till he was 30, when all of a sudden he became exceedingly rich. His good fortune would surprise even the luckiest personages of the *Arabian Nights,* for, according to reliable information, he had never found either buried treasure or a magic lamp.

But Emile Bustani had a gold ring which, he said, his mother had once given him. He pawned it for 28 dollars, rented a small house in Haifa, turned it into a swimming pool, became a masseur, prospered, bought back the ring, thanked his mother and became an independent businessman. Modern seekers of adventure in the field of private enterprise are more impressed by this touching little story than by all the Arabian and Persian fairy tales put together. However, people not so credulous, have proved with the help of an arithmometer that no poor Arab starting with 28 dollars could have ever become the owner of a business with an annual turnover of about 35 million dollars. Where he got these riches from remains a mystery. One thing known for certain is that soon after World War II, when Bustani lived in Beirut, half the shares of the Contracting and Trading Company (CAT) appeared to be rigistered in his name. It was then that his brilliant career started.

Fifteen thousand Arabs work for CAT, while CAT itself mainly works for foreign oil companies. It built a pipeline in Kuwait for Gulf Oil and British Petroleum, and some time later an oil refinery in Aden. One cannot say that CAT builds nothing for the Arabs, for the magnificent palace of the Sheikh of Qatar was also constructed by CAT. However, CAT does not consider it a duty to build dwelling houses and enterprises for common people. But for the fact that half of its shares belonged to Bustani, no one would ever call it an Arab enterorise. On the other hand, were it a truly English or American firm, it would be more difficult for it to develop activities on the vast territory from the Persian Gulf to Gibraltar, where its workers might demand the same wages as their counterparts in the United States and Great Britain.

However, in the Ministries of Finance of the Arab states, in London's City and in Wall Street, CAT was always regarded as an Arab firm and Emile Bustani as its co-owner and President, who liked to boast of his achievements, saying: "We are the first non-American and non-European company to build pipelines and power stations for half the price and in a quarter of the time."[1]

---

[1] *Realities*. August 1961, No. 129.

To be able to build for half the price, to pay Arab workers less than half the wages usually paid to foreigners, and get payment in full for his services in London and New York, Emile Bustani had to travel a great deal, meet different people and make many speeches. "His schedule is western, too," said his secretary. "Monday, a lecture at Harvard; Tuesday, a meeting in New York with oil magnates; Wednesday, lunch in London with Paul Getty; Thursday, a tour of the Persian Gulf with two or three British Ministers; Friday, a meeting of the Arab Bank in Cairo; Saturday, a reception; Sunday, a trip to Liberia and back home via Paris to pick up his wife, who has gone to look at the fashion showings." [1]

They used to say about Emile Bustani in the West that he had more influence than 20 ambassadors. Western Foreign Ministers always appreciated this. On a photograph taken in Bustani's office, John Foster Dulles, the ex-Secretary of State of the USA, is shaking Bustani's hand, giving a charming smile with which he seldom favoured his most devoted friends.

Trying to make out the future through his telescope Emile Bustani, however, failed to notice the growing movement of Arab nations against all forms of imperialist exploitation that was going on so close to him. In many countries of Asia, Africa and Latin America the national-liberation movement, having done away with imperialist political oppression, tur-

---

[1] *Realities,* August 1961, No. 129.

ned to the struggle for economic independence.

For the 60-million inhabitants of the Arab countries, Iran and Venezuela the struggle for economic emancipation is a struggle against domination by the oil monopolies of the USA, Britain and France. Realizing that success of this struggle depends to a great extent on their solidarity, the developing countries are trying to join efforts in the fight against colonialist exploitation of their oil deposits.

The First Arab Petroleum Congress took place in Cairo in the spring of 1959. In September 1960, the Arab states together with Iran and Venezuela, formed the Organization of Petroleum Exporting Countries (OPEC), which was actually their first joint step directed against the international oil cartel organized in the 'twenties.

These activities caused serious anxiety among the American and British oil monopolies. *Journal of Commerce,* the leading Wall Street paper, stated with disappointment that the main subject of discussion at the Congress was the necessity of revising the oil concession agreements in the Middle East, with the aim of increasing the incomes of the Arab states. After OPEC had been established, *The Times* wrote that this organization would in time become a veritable Sword of Damocles hanging over the western oil companies.

Five Arab Petroleum Congresses and ten conferences of OPEC have been held since that time. The Arab trade unions have begun to take an active part in their work. Thus, the Arab Federation of Petroleum Workers presented at the Fourth Congress its proposals concerning the Federation's right to a share in profits the foreign companies draw from Arab oil. According to the Federation, the sharing of profits would make it possible, besides solving some other problems, to exercise control over the financial activities of foreign monopolies, while at present these companies' accounts are not controlled at all. This enables them to understate their profits by great amounts. The Federation also resolutely condemned racial discrimination used by the monopolies in employing workers and in wage scales. The result of this discrimination is that Arab or Iranian workers get about a fifth of what foreigners receive.

Esso, Shell and other bosses of the oil business understand quite well that the Sword of Damocles hanging over their heads may drop any day. To ensure their security, the cartel, besides plots, coups and armed intervention, applies various tactics of economic and ideological aggression against the developing countries. An important role in this fight is played by the fifth column.

ECHOING OTHER PEOPLE

Emile Bustani's début as a troubadour of the western oil monopolies took place in October 1960, at the Second Arab Petroleum Congress in Beirut, which he attended as a Lebanese delegate. About 500 delegates and observers from 20 countries, including the Soviet

Union, arrived at the Congress. Many delegates came to the Congress straight from the Fifteenth Session of the United Nations General Assembly, which, on the motion of the Soviet Union, had just then unanimously adopted the declaration on the complete abolition of colonialism.

The oil monopolies felt at once what trend the Congress in Beirut was going to take. Therefore, on the very first day of its work, a Jersey Standard spokesman appealed to delegates not to touch upon the most controversial problems during the general debate, but to have them discussed by a small committee of experts. "Will the Esso appeal be listened to?" inquired a correspondent of the France Press agency expressing the doubts of many other observers. Several years before such doubts would have seemed very strange, for was not Esso the leader of a powerful oil cartel, which had been dictating its will for years. But times had changed.

The forerunners of the imminent storm came when the Venezuelan delegate reported on his country's partial nationalization of the oil industry. His report was enthusiastically applauded. The real storm, however, broke out when the Arab states started sharply criticizing the activities of the oil cartel. For the first time at an international forum, a powerful protest was made against colonial methods of exploitation, the system of payments and prices policy of the oil monopolies. The Arab delegates were supported by representatives of various non-Arab countries.

It was here that the western oil magnates reminded Emile Bustani to whom he owed his villas, planes, the telescope and the precious diamond bracelet. Bustani took the floor at the moment when the Esso spokesman, Mr. Butte, had lost all hope of convincing the delegates that the oil companies did not spare themselves to justify the confidence of the oil-producing countries. The weapon used by Bustani was one that his protectors never dared to use openly at the Arab Petroleum Congresses, namely, anti-communism.

Bustani had at his disposal quite a number of inventions about Soviet oil exports spread in the USA and Great Britain by Jackson Rathbone, President of Esso; Brockett, Gulf Oil President; Stephans, Chairman of Shell, and oil bosses. According to these inventions, Soviet oil was sold at dumping prices and was forcing Arab oil out of the markets. For instance, having itself reduced prices in August 1960, causing the Arab states and Iran to lose annually from 50 to 70 million dollars, the Rockefeller Esso attributed it all to the negative influence of Soviet prices.

Emile Bustani repeated these inventions word by word. Criticizing the agreement signed not long before by the Italian concern ENI and Soviet foreign trade organizations, Bustani addressed the Congress with the following words: "The Arabs must tell Italy: if you're our friends, you must not buy Russian oil, because you're hurting our economies." [1]

---

[1] *Platt's Oilgram*, October 9, 1960.

The colonialists' favourite did his part. His appeal was taken up by his yesmen, and for a time it seemed that the attack was a success. France Press reported that if before debates had gone on mainly about prices and payments, now they had acquired the character of a public argument between supporters of the USSR. and those of the international oil companies.

Common sense, however, proved stronger than the onslaught of provocateurs.

Mohammed Salman, Director of Arab League's Committee on Petroleum Problems, exposed the mendacious version, according to which reduction of export prices carried out by the cartel on Esso initiative in August had been caused by the markets being flooded by Soviet oil. Russia, said Salman, daily produced 2.8 million barrels of oil, while Soviet home consumption of oil exceeded 2.5 million barrels. So, how could the companies assert, he went on, that this daily export surplus of 0.3 million barrels could compete with the 20 million barrels of oil produced daily in the other countries of the world?

Juan Pablo Perez Alfonzo, the Venezuelan Minister of Oil and Mining, said: "These retarded strategists think that it is still easy to deceive the underdeveloped countries, and that in the confusion of the economic cold war, the Soviet Union can be blamed for the price reduction they are seeking." [1]

E. Gurov, Chairman of Soyuznefteexport

---

[1] *Petroleum Week,* p. 84. August 19, 1960.

and Head of the Soviet delegation, gave a detailed explanation of Soviet methods of selling oil on international markets. Exposing the inventions about Soviet oil forcing Arab oil out of the international markets, he said: "The Soviet Union always was one of the main exporters of crude oil and petroleum products. In one of the prewar decades, 1925-35, West European countries' import totalled up to about 210 million tons of crude oil and petroleum products, including 30 million tons, or 14.3 per cent from the USSR, the share of the Soviet Union in 1930-33 amounting to 19 per cent. For the four-year period, 1956 to 1959 inclusive, the countries of Western Europe imported about 540 million tons of crude oil and petroleum products, including only 24 million tons, or 4.4 per cent from the USSR. It is absolutely obvious that no flooding of the western market with Soviet oil takes place."

In his statement E. Gurov convincingly proved that in spite of the monopolies' slanderous assertions, Soyuznefteexport sold its goods not at reduced or dumping prices, but at normal market prices. At the same time the Soviet delegate supported the just Arab demands on the western oil monopolies, and condemned the colonial custom of fifty-fifty, which enabled monopolists to appropriate profits from oil which did not belong to them.

The statement by the Chairman of Soyuznefteexport was listened to very attentively. During the interval all Congress delegates and pressmen rushed to the bookstall to buy the text of the Soviet delegate's report, which was sold out in no time. The following day many papers came out with front-page headlines announcing that the Soviet Union was not a rival of the Arabs in the oil trade.

The aim pursued by the oil cartel in slandering the Soviet Union was no secret. A certain Lebanese paper stated its views on the subject quite definitely, saying that the main purpose was to undermine Soviet-Arab friendship.

Immediately after the Congress the oil magnates started spreading Bustani's statements ignoring the views of the other Congress members. In the spring of 1961, for instance, the American journal *World Petroleum,* introducing Bustani as the supposed mouthpiece of the views prevailing in the Middle East, published a signed article by him entitled "Soviet Oil Threatens the Middle East."[1] The article told of rapid oil industry progress in the USSR, and contained the staggering conclusion that the Soviet oil industry was allegedly a great potential threat to the Arab states and other Middle Eastern countries. According to the primitive reckonings of its authors, the Soviet Union could not consume much oil, and, therefore, the oil would surely flow into international markets, forcing out Arab oil. The "chief confirmation" of these inventions was the fact that the fleet of privately-owned cars, which consume petrol, the main oil product, was relatively small in the USSR.

---

[1] *World Petroleum,* February 1962.

The article completely ignored that it was the interests of the whole people and not private ownership that determined Soviet economic development. There is not a single privately-owned diesel locomotive in the Soviet Union, but this does not prevent Soviet railways from carrying more loads than US railways.

Prospects for a rapid growth of oil production in the USSR should not cause anxiety to the Arab states and other oil exporters, mainly because oil produced in the USSR is and will be consumed chiefly within the country in the course of the rapid advance of the Soviet economy. The total volume of industrial production in the USSR has increased by 84 per cent during the last seven years (1959-65). At the same time the share of oil and gas in the power balance of the USSR has increased by 20 per cent in the least, and exceeded 50 per cent. The Soviet fleet of motor vehicles, which numbers millions, has been replenished in recent years by some 4 or 5 million additional vehicles, more than a million tractors, thousands of locomotives, ships and aircraft.

Emile Bustani, however, went on echoing other voices. He tried to make his fellow-countrymen believe, that, apart from oil, they had no other significant source of national income, and were not to expect it in the nearest future. "If the western oil companies suddenly relinquished the concessions, what should we do?" wrote Bustani. "Whether we like it or not, we are partners in business with the western oil companies, and, if they go bankrupt, we go bankrupt with them."[1]

The distant heavenly bodies which Emile Bustani watched sitting on his verandah, as well as the oracles from London and New York banks, failed to foretell, for instance, what would happen in the United Arab Republic in several years.

If one were to mark all the big oilfields on the map of the Arab East, a large blank spot would remain in the middle. The United Arab Republic is the only large Arab state where no considerable oil deposits have been discovered so far. In Kuwait oil production in 1963 was 98 million tons, in Saudi Arabia 81 million tons, Iraq 56 million, Algeria and Libya—55 million tons, while in the UAR it was only 6 million tons.

This cruel jest that nature played on the UAR has been frequently made use of by western monopolies for mercenary purposes. After the nationalization of the Suez Canal in 1956, the monopolies stopped their oil deliveries to Egypt, trying to strangle it by means of "oil starvation." Besides, they hoped that a shortage of oil would prevent UAR from continuing the struggle for genuine economic independence. But it is well known that supplies of Soviet oil helped the UAR to escape a fuel shortage.

At present the all-round friendly assistance rendered by the USSR in the construction of the Aswan hydropower project will make it possible for the Nile power resources to compensate to a great extent for the absence of

---

[1] *Petroleum Intelligence Weekly,* March 26, 1962

considerable oil deposits in the United Arab Republic. The annual income from the Aswan hydropower project, according to the Egyptian press, will be 230 to 240 million pounds sterling. It will be mentioned for the sake of comparison, that the income from oil in 1963 (in million pounds sterling) was 200 in Kuwait, 170 in Saudi Arabia and 135 in Iraq.

The enormous construction in Aswan helps the Arabs and other developing nations to reappraise values soberly, and to see for themselves what advantages lie for them in the independent use of their natural resources, in being master in their own house. The Aswan power project is the full property of the UAR, and its total income will go to the treasury of the Republic. The Soviet Union, in helping to build the dam, does not lay claim to any share in the profits, without which the western monopolies will never render any "aid."

THE AGENT IS NO LONGER NEEDED

Boasting of his democratic views, Emile Bustani used to say: "I like to help the servants... but my wife often stops me."

However, there was no one to stop Bustani from being subservient to western monopolies. Watching how zealously he went at it, the Arabs soon discerned Bustani's real face. The first failure in Emile Bustani's renegade career took place in October 1961, at the Third Arab Petroleum Congress in Alexandria. Bustani defended his patrons there so passionately and insolently that he actually became the laughing stock of the Congress. Not being able to bear the shame, he left the hall before the Congress closed. Bustani proved to be very touchy at the previous Congress in Beirut, too. When the Soviet delegation leader said that he did not believe that Bustani's slanderous statements against Soviet trade policy actually expressed the Arab point of view, Bustani, outraged in his "patriotic" feelings threatened to start legal proceedings, but changed his mind. Later on Bustani's vanity was on many occasions spared so little that probably no court could have examined all his complaints. "His bark is decidedly worse than his bite, for he does not represent any sizeable section of Arab public opinion and certainly not the oil-producing countries in whose name he often claims to speak"—so wrote the *Middle East Economic Survey* of Bustani after the Congress in Alexandria.

In the autumn of 1962, Emile Bustani's prestige in the Near and Middle East was shaken still more. The Contracting and Trading Company (CAT) headed by him had long been putting spokes into the wheels of the Arab states that tried to venture independently on the exploitation of their natural resources. In 1962, when the Iraqi Government nationalized a small oilfield and signed a contract with CAT for the construction of a pipeline from it, Bustani, obedient to his masters' will, did all he could to upset the fulfilment of the contract. In November 1962, the military tribunal of Iraq sentenced the saboteur Emile Bustani, *in absen-*

tia, to a fine and penal servitude for life for his subservience to the imperialists.

After that Emile Bustani began rapidly losing prestige in the offices of oil monopolies in London and New York. The London publishing firm of Robert Hale and Co. did not issue Bustani's book, *March Arabesque,* which had been widely advertised. There is every reason to believe that this "masterpiece" of Bustani's, with its putrid smell of colonialism, went straight from the printing works to the dump.

At the end of 1962 Bustani was given his last assignment by his mentors: to drive a wedge between the interests of the Middle Eastern countries and Venezuela in the Organization of Petroleum Exporting Countries. What came out of it can be seen from the Arab journal *Middle East Economic Survey,* of February 1, 1963, which says that Bustani was "merely echoing the views of the oil companies... merely repeating what Howard Page[1] had tried to sell to Iranians... trying to create enemies for the Arabs by attacking the Venezuelans..."

After these and similar exposures made by Bustani's fellow-countrymen, western reactionary propaganda stopped flattering Bustani, and by the end of 1962 his name was no longer mentioned. It was quite obvious that this fifth column figure in the Middle East was beaten.

Early on the morning of March 15, 1963, a small plane flying along the Lebanon coast

---

[1] Howard Page—Vice-President of the Rockefeller Jersey Standard.

and preparing to land suddenly made a sharp dive and the next moment disappeared forever in the light-green waters of the Mediterranean. Some fishermen who had been out at sea at the time and witnessed the catastrophe learned afterwards that the plane had had on board Emile Bustani, best friend of the western oil kings.

The Octopus Loses Its Tentacles

BIG BUSINESS TAKES THE UPPER HAND

Most nations regard oil as a very effective kind of fuel and a valuable raw material for the chemical industry. The monopolies, however, look at it from another angle. For them oil is first of all, a means of enrichment, a means of consolidating the positions of imperialism, a means of exercising economic and political pressure on other countries.

After World War I a certain ideologist of imperialism, whose view was quoted by Harvey O'Connor, wrote: "He who owns the oil will own the world, for he will rule the sea by means of the heavy oils, the air by means of the ultra-refined oils, and the lands by means of gasoline and the illuminating oils. And in addition to these he will rule his fellow-men in an economic sense by reason of the fantastic wealth he will derive from oil—the wonderful substance which is more sought after and more precious today than gold itself."[1]

---

[1] Harvey O'Connor. *The Empire of Oil,* New York, 1955, p. 259.

This revelation may be with good reason called the "oil doctrine" of imperialism, for it vividly expresses the very essence of the policy of monopoly capital towards oil problems. To put this doctrine into practice, the ruling circles of the leading imperialist powers and the United States in the first instance have created extremely favourable conditions for the development of their oil industries. For an indefinite period of time the oil industry was granted privileges that may be compared only to those enjoyed by key war industries. Some of the privileges granted to the oil producers have already served their purpose, but have not been withdrawn and are still a major source of profit.

In 1926, on the initiative of Andrew Mellon, then US Secretary of Treasury, the oil industry was granted by special law a privilege in the form of the so-called "depletion allowance." The substance of the privilege is as follows: if an oil producer makes, for example, a profit of 1,000 dollars, he pays income tax only on 725 dollars, while he keeps the remaining 275 dollars, or 27.5 per cent, to himself as an allowance for the depletion of deposits. The necessity to stimulate oil prospecting and speed up the development of oil production in the USA served as a pretext for introducing this tax relief.

Several years later the biggest oil-bearing beds in the Western Hemisphere were discovered in Texas. In addition, methods of oil prospecting were so improved from a technological point of view that the risk of unsuccessful boring was reduced many times. The tax relief, however, whose purpose was to compensate for the risk, remained unchanged. According to an estimate made by government experts, in the 'fifties the allowance brought oil producers an additional 500 million dollars annually.

Other American industries watch with envy how shrewdly the oil business makes use of taxation privileges to stengthen its influence upon the US Government. The struggle between supporters of privileges granted to the oil industry and their opponents has long ceased to be the concern only of taxation authorities and business offices, and has acquired a national character. Affecting the interests of the largest and most powerful corporations, this struggle is often one of the reasons for economic and political disturbances in the USA. The struggle became particularly acute at the beginning of the 'sixties, when the Kennedy Administration suddenly increased state expenditures to stimulate the American economy.

The report submitted by the Inter-Departmental Oil Committee set up by the US President stated that the price of oil in the United States was on the average seven dollars more per ton than on world markets. Taking into consideration, said the report, that the USA annually consumed about 500 million tons of oil, it became clear why the policy of restricting the imports of cheap oil cost the consumers so much. Abolition of control over oil imports could bring about a reduction in home prices of oil to world market levels.

The report prepared by the Presidential Committee was a most vivid expression of US imperialist policy towards the Arab states, Venezuela and Iran. The report actually proposed that American imperialism should shift all the domestic difficulties onto the shoulders of the oil-producing countries of Asia, Africa, and Latin America. The President's advisers drew a colourful and attractive picture of how many thousand million dollars could be saved by a further increase of oil imports from these countries.

However, the President's advisers said nothing of what the Arabs, Iranians and Venezuelans might gain from this project. The report was silent on this subject, because it proceeded from the premise that the extremely unfair conditions of the exploitation of countries rich in oil would be perpetuated. For many years to come these countries were to be the scapegoats in the struggle of American imperialism for world markets. They were forever to remain appendages of the USA, supplying it with raw materials and deprived of all rights.

But the word "forever" can hardly be used here. The predatory exploitation of the developing countries' oil resources by western monopolies threatens to leave these countries without a drop of oil by the end of the present century.

Patriots in Venezuela, for instance, are greatly troubled by the fact that with the present rate of oil production, its oil resources may be exhausted in 14 to 16 years' time, while the economic and cultural problems with which the country is confronted remain unsolved. The governments of the USA and Great Britain turn deaf ears to the sufferings of the people of Venezuela and other oil-producing countries. In this they are in accord with the oil monopolies, and share the same views as those stated by the *World Petroleum* in August 1964: "History might be on the side of the underdeveloped nations, but it might take, in the opinion of a British observer, 2,000 years for them to reach the standard of living developed countries have reached in the second half of the 20th century."[1]

It is well known that the nations fighting for freedom have many times spoiled the game for the colonialists. In Venezuela, which the USA regards as its chief "oil cellar" on no account to be allowed to slip out of its hands, the movement for genuine economic independence is under way. It has condemned in advance the colonialist plan drawn by the Presidential Committee.

The big American oil monopolies, while approving of the prospects of increasing oil imports from their concessions in Venezuela and the Middle East, were resolutely against a reduction of oil prices. Thousands of small and medium-size oil and coal producers were against both an increase of imports of foreign oil and a reduction of prices.

The *Texas Oil Journal* entitled one of its leading articles devoted to the plan for increasing imports of liquid fuel, "New Blow to Texas." The article put forth two main ideas. First, the increase of imports of cheap

---

[1] *World Petroleum,* August 1964.

oil would result in a slowing down of the local oil industry and undermine America's ability to provide itself with liquid fuel. Not relying on the usual economic arguments, however, the oil producers once more decided to apply arguments from the arsenal of political adventurers.

The second idea was aimed at intimidating the man in the street and making congressmen more pliant. "It doesn't take much imagination," threatened the journal, "to see enemy submarines, planes, and missiles cutting off much long-haul sea transport." [1]

Almost simultaneously the National Petroleum Council prepared a special report entitled "Impact of Oil Export from the Soviet Bloc." It suggested that, as oil was the largest item of exports from the USSR to capitalist countries, it was the chief economic weapon of the Communists; also since the export of oil was the most important means of paying for Soviet imports, oil buyers helped to increase the military and economic potential of the Russians.

Having depicted the threat to the western world, the National Petroleum Council stated that the situation was not quite so desperate, as the USA and its allies had such reliable defenders as Esso, Gulf, Texaco and other strongholds of the American oil business. The world would be saved, however, only if the governments of the USA and other countries left these monopolies' privileges alone. *World Petroleum,* praising the past and future merits of the

[1] *Texas Oil Journal,* March 1963.

American oil business, used the most colourful metaphors, and called it a goose that lays golden eggs. "Don't kill the goose!" exclaimed the journal.

In November 1963, the oil lobby induced the Senate Sub-Committee on Internal Security to publish a report charging the US Administration with not paying sufficient attention to the "Soviet oil threat."

The Presidents of the three largest oil associations called on President John Kennedy and expressed their dissatisfaction with his policy towards oil problems.

On November 11-13, 1963, the Congress of the American Petroleum Institute (API) was held in Chicago. This Congress is the most authoritative and representative forum of the USA oil business. It was attended by about 6,000 oil producers. In his speech Frank Ikard, President of the API, claimed that the policy of state control pursued by the American Administration threatened not only the oil business but the whole American economy.

Ten days following the Congress, the first President of the USA who dared to speak of restricting the unnecessary and unfair privileges of the oil business was killed in Texas. The cohorts of the oil business had celebrated their victory over the government by the end of the second week of national mourning, by having restored to the Department of the Interior and to their consultative organ attached to it—the National Petroleum Council—the right of working out independently the foundations of US oil policy. Dan Jones, one of the leaders of the American oil business, said on the subject: "We are reassured by this approach." [1]

PROFITS RUNNING INTO THOUSANDS OF MILLIONS

In respect to the oil supply most capitalist countries are, so to say, links in the same chain, one end of which is in the United States and the other in Great Britain.

Growing richer from year to year on speculations with the Middle Eastern and Venezuelan oil, the British and American monopolies have always had enough capital at their disposal to exploit not only new oilfields, but also to build in many countries refineries, reservoirs, marketing places, pipelines and other installations forming the economic basis of the oil market. As a result, both developed and underdeveloped countries became in the first half of this century the objects of exploitation by the American-British oil cartel.

The journal *Oil and Gas*, which is always ready to praise the oil monopolies to the skies, speaking once of the cosmopolitan scale of their activity, compared their achievements to the conquests made by ancient Rome. Such an analogy, of course, could not but flatter the oil kings. However, the treasury of ancient Rome would look very poor and insignificant when compared with the safes of Esso, Shell, Gulf, etc.

In 1964 alone the oil cartel members recei-

---

[1] *Platt's Oilgram*, December 10, 1963.

ved not less than 3.5 thousand million dollars of net profit from the whole capitalist world. Figuratively speaking, this amounted to more than 3,000 tons of pure gold. Such a tribute was never gathered by any of the conquerors of the past. Subsidiaries of the Standard Oil monopoly group alone remitted to the United States from abroad not less than 900 million dollars—almost as much as the national income of Pakistan, with more than a 100 million population. The collectors of tribute for the oil empires leave behind them in almost every underdeveloped country greater devastation, loss and damage than could be caused by hurricanes or other natural calamities. For the 60 million Arabs, Iranians, and Venezuelans, the imperialist oil cartel profits spell poverty, disease, military coups and foreign intervention.

However, the patience of the peoples has been tried to the limit. From year to year the nations step up their fight against the oil monopolies of the USA and Great Britain. They set up and develop their own national oil companies and strive to establish direct contacts with the Arab states and other oil-producing countries, and to trade with them without the cartels enslaving mediation.

LANKA GAINS POWER

Ceylon is not a major factor in the oil business. It is not at all like Saudi Arabia or Venezuela, whose oil annually brings American and British monopolies more than 1,000 million dollars net profit. Neither is it like Italy, where the same monopolies sell oil and oil products to the sum of about 400 million dollars. Ceylon is a small country with a population of 9 million people, and its annual consumption of oil products is a little more than a million tons. Even in the best of times Shell, Esso and Çaltex could not get from the island more than 10 to 15 million dollars.

But for Ceylon the import of oil products is a heavy financial burden and comes second after the import of rice. Besides, liquid fuel is the only source of electric power in Ceylon, and, consequently, the corner-stone of its economic development. Being convinced that the independent economic development of Ceylon was impossible without the elimination of Anglo-American oil domination, the progressive forces of Ceylon prepared at the end of 1960 a bill to create a Ceylon State Oil Corporation. As soon as the monopolies learned of the forthcoming discussion of the bill in Ceylon's parliament, they did all they could to wreck the bill.

On December 9, 1960, Shell sent a memorandum to all members of the Ceylon Government, heads of the Chambers of Commerce and to local bourgeois representatives with the aim of setting them against the State Corporation. Great Britain's High Commissioner in Ceylon, the British Minister for Commonwealth Relations and the American Ambassador began to frequent the private offices of Ceylon Government leaders, trying to persuade them to oppose the bill. The local reactionary press spread oil lobby propaganda among the population. But their only achievement was a certain delay of the discussion and the final approval of the bill. On June 1, 1961, the bill for the establishment of the Ceylon State Oil Corporation was passed.

For the new corporation to succeed, it was first necessary to create as a national material and technical basis—a wide network of filling stations, storehouses, depots for selling kerosene, oil reservoirs and transport facilities to deliver liquid fuel to remote districts. The Ceylon Government solved this problem by nationalizing part of the properties belonging to Shell, Esso and Caltex. Another important problem with which the Ceylon Oil Corporation was faced was the choice of a reliable supply source. It was clear that the American and British companies would erect obstacles to the state marketing of oil products.

The Soviet Union was the country that rendered the necessary help to Ceylon. In December 1961, the Ceylon Oil Corporation signed a contract with Soyuznefteexport for the delivery of 1.3 million tons of oil products to Ceylon over five years. This covered approximately 20 per cent of Ceylon's need in liquid fuel. After that Ceylon signed oil purchase contracts with foreign trade organizations in Rumania, the United Arab Republic and Iraq.

In March 1962, a Soviet tanker with the first consignment of oil products from the USSR for the Ceylon Oil Corporation dropped anchor in the port of Colombo. From that time, the State Corporation's distribution activities began. Its first operations covered about 40 per cent of domestic trade, while 60 per cent remained in monopolist hands.

Within a radius of more than 100 kilometres from Colombo the emblems of the foreign petroleum companies—the golden oriflamme of Shell, the oval of Esso and the Caltex star were replaced by the emblem of the Ceylon Oil Corporation. The emblem was a running man with a torch and the word Lanka, ancient name of Ceylon, written below. Looking at this symbol of their independence, the Ceylonese wished the messenger a happy journey.

The successful start made by the young Lanka Corporation caused a storm of indignation among the oil kings. And though the Government of Ceylon had promised to compensate them for confiscated property at market prices, they asked three times as much. Besides, Shell, Esso and Caltex demanded compensation for profits they could have made had their property not been nationalized. And lastly, the petroleum triumvirate demanded that the compensation should be paid in the shortest possible time—within six months. Ceylon turned down these exorbitant claims.

In early July, 1962, Mrs. Francis Willis, USA Ambassador in Ceylon, presented something of an ultimatum to the Ceylon Government. Its essence was that if Esso and Caltex demands were not satisfied, the USA would stop their economic "aid" to Ceylon. A still harsher presentation was made at the end of 1962, when a special representative of the US State Department arrived in Ceylon. And finally, on February 6, 1963, Ceylon received a note from the Government of the USA, declaring the cessation of American "aid."

The total sum of the "aid" the USA rendered to Ceylon during all those years did not exceed 30 million dollars. At the same time the oil monopolies alone took twice as much in clear profit, at a minimum. The American oil companies drew millions in profits from Ceylon, wrote the *Ceylon Daily Mirror*. Speaking of compensation, the paper said, it should be paid to Ceylon rather than to the American companies. A special statement published by the Ceylon Government said that the people of Ceylon should learn a lesson from their experience of foreign "aid," which aimed only at restricting the country's freedom of action. Ceylon's example showed the nations of Asia, Africa and Latin America once more how far removed were the true aims of American "aid" from their countries' needs.

The establishment of economic relations with socialist countries opened before Ceylon new vistas for solving urgent economic problems. While the American and British imperialists strove to preserve Ceylon as a supplier of agricultural raw materials, assistance rendered by the socialist states furthers the building of modern industry on the island, without which real independence is impossible.

Previously, Ceylon exported rubber and paid enormous sums for imported automobile tyres. The new tyre plant constructed with Soviet help will change this abnormal state of affairs. Previously Ceylon was obliged to import even nails. The new steel works built with Soviet assistance near Colombo will put out annually 35,000 tons of rolled stock.

In spite of foreign powers' blackmail and reactionary domestic opposition, Ceylon decided to transfer, beginning with 1964, all the functions of supplying liquid fuel to the national firm of Lanka. The note of the American Government that immediately followed this decision caused more laughter than indignation among Ceylonese.

The infuriated American oil magnates, however, started rushing about in search of new allies in their acts against Ceylon. They found them among the West German capitalists: the German Federal Republic also stopped rendering economic "aid" to Ceylon.

Ceylon's spokesmen stressed more than once that Lanka had started buying Soviet oil products because they were sold on mutually advantageous terms. The activities of socialist countries in the world oil market proved that an end could be put to the rapacious policy of western monopolies not only in trade, but in oil production as well.

In India, the UAR, Mexico and Argentina, state oil companies, which went through severe struggles against American and British oil monopolies, have long become solid, independent organizations. The state oil companies set up in Iraq, Pakistan, Venezuela and some other countries are gradually becoming stronger.

The adventurism, treachery and cruelty displayed by the western oil magnates is more often opposed now by a common front of countries struggling for independence in world oil trade.

ITALY'S CHALLENGE

"The fetters put on the markets by the big international oil companies must and shall be broken," once said Signor Enrico Mattei, president of the Italian state concern, ENI.

Italy was one of the first among the advanced countries to experience the heavy burden of dependence on the Anglo-American cartel. Unlike the FRG, Belgium or France, that have their own coal deposits, Italy has no fuel resources worth speaking about, and bases its power balance chiefly on oil. The share of oil in the Italian power balance already exceeds 60 per cent, whereas in the above-mentioned countries it has only reached 40 per cent. This resulted in Italian electric-power generation—the foundation of modern economy—being tied by an oily chain to the coffers of English and American oil kings faster than the power industry of other West European countries. This explains why Italy came out earlier than other advanced industrial countries against the oil cartel dictate. Italy's experience is very instructive.

The Italian oil and gas concern of ENI, founded in middle 'fifties, could not at first do without the rich Middle Eastern oil deposits. The Middle Eastern countries, however, refused to grant concessions on the old terms imposed upon them by the cartel—terms that had long become for them a symbol of western imperialism. ENI was faced with the dilemma: either to insist on the old cartel-imposed terms and not get any concessions at all, or to abandon the colonial principles and thus take the first step towards reducing dependence on the cartel. ENI chose the second way.

One cannot say that the terms proposed by the concern offered equal rights to both parties. And yet it had to some extent to take into account the spirit of the times, and abandon the orthodox methods of oil colonialism.

The main difference between the methods used by ENI and those of the cartel is that the former ensure participation of the developing countries in the exploitation of their natural resources. This participation is realized by cooperation of state capital of the given country with ENI capital. Let us suppose that to exploit an ENI concession a company is formed with a capital of 1 million dollars. One half of the capital is provided by ENI, and the other half by the government of the country in question. This allows the government to participate in production and export of oil from this concession. Thus, for the first time, that country begins to take part in the exploitation of its own oil resources.

As for dividing the profits, the government of the country gets all profits falling to its half of the capital, while the profits on the ENI part of the capital are divided in two, according to the "fifty-fifty" rule—50 dollars out of every 100 go to the government of the country as profit on its half of the capital, while 25 dollars are received as its share of ENI profits. As a result the government of this oil country gets 75 dollars, and ENI 25 dollars out of 100.

The ENI concern also agreed to spread this principle to the construction and operation of oil refineries, pipelines and the marketing network in the developing countries. Simultaneously, the Italian state concern offered these countries scientific, technological and financial help. In the course of several years the ENI concern received concessions and started building oil-refining plants in the UAR, Sudan, Morocco, Tunisia, Somali, Ghana and other countries.

The example of the Italian concern inspired other outsiders as well. A group of Japanese industrial firms formed the Arabian Oil Company, obtaining concessions from Saudi Arabia and Kuwait. The Japanese company was able to do this because it abandoned the terms of exploitation of oil-producing countries used by the cartel. However, it did not go so far as to cooperate with local capital, as ENI did, but it broke the ratio in the sharing of profits by offering these countries up to 57 per cent of all net profits. Inspired by the audacity of Italy and Japan, Pan-American, an "independent" American company, adopted the new terms of ENI, and also started attacking the cartel in the Middle East and other areas.

The outsiders were, of course, faced with the task of discovering oil on their concessions and organizing its production on an industrial scale. And yet their activities immediately brought practical results that were very unpleasant for cartel members. The point is that the old concession contracts contain a proviso, according to which the contracts are subject to revision if the countries in question succeed in concluding more favourable contracts. Thus the concession contracts signed with ENI and other companies became legal precedents. The Arab states used them to demand a revision of the old enslaving contracts from the cartel.

In 1960-61 the cartel made an attempt to get round Italy, and invited its state concern to cooperate in the exploitation of the Algerian oil deposits. But if one takes into consideration that a dirty colonial war was then going on in Algeria, it will be clear what price the cartel demanded of Italy for its readiness to cooperate in oil problems. They decided in Rome that it would be dangerous for Italy to pay for oil by participation in the colonial adventure, as it would harm Italy's relations with the Arab states.

In this light, quite logical appears the position taken by ENI during the conflict between the Iraqi Government and the Iraq Petroleum, a company owned by Esso, the Compagnie Française des Pétroles and some other members of the cartel. When the Prime Minister of Iraq threatened to nationalize Iraq Petroleum, the Italian state concern expressed its readiness to send 500 of its engineers and technicians to help Iraq. Speaking in Tunis, Enrico Mattei said: "Africa and Asia are no longer objects but subjects of history... ENI does not operate according to the obsolete pattern of 19th century colonialist capitalism, but looks towards financial co-participation and joint technical and commercial management on terms of perfect equality. We have offered a pole of economic development against the choking regime created by the interests of monopolists and political oligarchies."[1]

Quoting this statement the *Petroleum,* a British oil journal, asked with indignation: "Are these mere words? Propaganda? Or a creative response to a new challenge?"[2] And irrespective of what the answer might be, the oil magnates of the USA, Great Britain and France developed a true colonisers' hatred towards ENI and its President. Mattei's appeal to modernize the methods of exploitation of foreign natural resources sounded to Esso, Shell, CFP and others as a funeral service for their ultra-colonial policy in the oil-producing countries.

The Anglo-American oil cartel's indignation became greater still when ENI decided to buy part of the oil it needs from the Soviet Union, which, unlike the cartel, sells oil on mutually beneficial terms. Negotiations were started between Soyuznefteexport and ENI, which were soon joined by two other Soviet foreign trade organizations and an Italian metallurgical company. This is explained by the fact that from the very beginning the Soviet side expressed the wish not only to sell ENI oil, but also to buy some of its products. The Italian state concern, which includes more than 70 enterprises, was glad to have an op-

---

[1] *Petroleum,* February 1962, p. 45.
[2] Ibid.

portunity of increasing the sale of its products. Negotiations led to the signing of a contract for the delivery of 12 million tons of oil from the Volga region to the ENI concern during the period of 1961-65. Payment for oil was to be made by ENI partly in Italian currency and partly by delivering to the Soviet Union 240,000 tons of steel pipes of a large diametre, and certain types of equipment, synthetic rubber and other goods.

THE OAS THREATENS

In 1960 a Rome correspondent of the London *Times* visited the President of ENI in his private office. There he discovered a unique library: 23 printed volumes containing various statements against ENI and its President in the Italian and foreign press, in parliament and elsewhere. The last volume contained sharp criticism of ENI by the oil monopolies of the USA, Britain and France for its refusal to be the cartel's accomplice in the colonial war it waged against Algeria and for ENI's large purchase of Soviet oil and certain other actions.

This unique collection contains not only newspaper and magazine cuttings, but also official documents received by Italy from Washington, London and Paris. Among them is the report by the American Ambassador to Italy, who called the ENI policy "a stab in the back" to American interests. Here were also copies of diplomatic representations made to the Italian Government by the US State Department, protests against the ENI policy and resolutions drawn in the investigations of the Italian oil policy, staged by the US Senate. These continuous attacks spurred the Right-wing elements in Italy; they insisted that Mattei should be removed from the post of President of ENI, imputing to him all deadly sins and accusing him alternately of fascism and communism, though Signor Mattei had always belonged to the Christian Democratic Party.

On July 20, 1961, a letter from the ultra-colonialist organization OAS, whose ties with the cartel are well known, was added to the unique collection. The letter demanded under threat of death that the president of ENI should change his policy in the oil market. The Italian public, with the exception of extreme Right-wing groups, were indignant at this provocation, which had been undoubtedly inspired by the American and British oil magnates. However, the ENI concern, supported by broad business sections and the Italian public, continued to develop independent Italian trade.

But attacks on the Italian state concern became more and more violent and unscrupulous. Unlike in preceding years, when ENI was attacked under various pretexts, now the ideological assault was launched from the most fanatical anti-communist positions. The intensity of the American attacks increased with the appearance of new chapters of the report *The Impact of Oil Exports from the Soviet Bloc,* then being prepared in the USA by the National Petroleum Council. The American oil monopolies from the very first made use of this anti-communist manifesto to protect their privileges not only in the USA, but on the international arena as well.

The USA oil lobby organized a number of provocations on the highest level against Italy. In early July, 1962, Kenneth Keating, Nelson Rockefeller's yesman, a Republican Senator from New York State, started an investigation in the Senate Sub-Committee on Internal Security problems, aimed at slandering the Soviet oil trade with capitalist countries. Italy, a major importer of Soviet oil, was attacked most of all.

In exposing this provocation directed against ENI, the Italian press called it a regular attempt by the big foreign companies to compromise ENI, whose only fault was that it had broken the conspiracy of silence about the oil monopolies' activities and lifted some of the veils under whose cover they had been exploiting oil consumers all over the world for 30 years. Attention was also drawn to the fact that this US attack was directed not only against ENI, but also against Italy as a sovereign state.

The oil monopolies inspired anti-Italian attacks not only in the USA, but in other countries as well, particularly in those of the Common Market and NATO.

The very fact that Italy supplied the Soviet Union with steel pipes for gas mains was used by reactionary circles both in the USA and NATO to accuse Italy of strengthening Soviet economy, of offering the Soviet Union the possibility of producing guns instead of pipes and so on.

Not stopping at accusations, the American oil magnates went further, calling for the organization of economic and political obstructions against Italy, as if Italy were not a sovereign state of Western Europe, but an American colony.

Distortion of facts, deceit and slander with regard to the Italian state concern were clear to many business circles all over the world, while in Italy they often caused profound indignation. Answering the conjecture that imports of Soviet oil endangered the security of the West, the *Punto,* a weekly, closely connected with Italian business circles, wrote: "This is an obvious attempt to misrepresent facts. It is enough to remember that Italy altogether needs 32 million tons of oil annually, while the imports from the USSR will constitute only 12.5 per cent of this amount... The almost simultaneous reaction to the ENI policy observed in different international organizations proves that the campaign is not casual, but was deliberately prepared and coordinated beforehand by the international oil cartel, which also planned to exert pressure upon the governments concerned."

MATTEI'S POLICY LIVES ON

"Imports of Soviet oil are no danger to Italy nor to the West," Enrico Mattei resolutely announced at a big press conference held in February 1962. Having ridiculed the invention that he was a Soviet spy in the West, the President of the Italian state concern said: "The contract stipulating the sale of pipes, synthetic fibres and other goods to the sum of 135 million dollars not only provides Italy with oil, but also ensures employment to Italian workers."

The President had every ground to refer to the problem of employment for it is one of Italy's most painful problems. Every year thousands of Italians leave the country in search of work, and in spite of the "economic miracle" that had reached its zenith at the time, many Italian enterprises were not working at full capacity.

At the same time the United States chose Italy as one of its scapegoats, at whose expense it wanted to strengthen the dollar and overcome its financial difficulties.

In the late 'fifties the USA started an unprecedented foreign trade attack on Italy. During three years, from 1959 to 1962, the USA nearly doubled exports to that country without considerably increasing purchases of Italian goods. This resulted in an increase of Italy's foreign trade debt to the USA from 26 to 332 million dollars! Italy's gold and foreign exchange reserves began to melt away rapidly, and flow mostly to the USA through channels controlled by the oil monopolies.

If in 1962 Italy had bought from the American monopolies the same amount of oil it had imported from the USSR, its debt to the USA would have increased by almost 80 million dollars, while Italy's total exports would have been reduced by approximately the same sum. But by purchasing oil from the USSR, Italy was able to sell the USSR goods approximately to the same sum. Work on Soviet orders increased employment at Italian enterprises, and saved many Italians from the necessity of looking for work abroad. At the same time the Italian trade balance and balance of payments improved.

In the light of these economic arguments, the widespread talk about western pipes being more necessary to the Soviet Union than Soviet oil to the West, was shown to be absolutely absurd. "The problem of oil imports from the East," wrote *Punto,* "should be regarded from an economic point of view. All political considerations are not only preconceived and non-realistic, but have also been dictated by purely speculative motives, which damage the West in its competition with the Soviet Union."

Economic arguments for the expansion of trade have won over many supporters, not only in Italy, but in other countries as well. Thus the *Handelsblatt Deutsche Wirtschaft,* organ of FRG business circles, as if trying to find excuses for statements its contemporaries felt obliged to make, wrote as far back as 1961: "The repeatedly expressed view that the Soviets are interested in a systematic undermining of the world oil market in order to weaken western economy is absolutely groundless."

Even the closest allies of the American oil magnates, the oil monopolies of Great Britain, refused to support their demagogy directed against ENI. The British journal *Petroleum*

Times, wrote on the subject: "Without the Russian market, not only ENI's engineering subsidiaries, but a good many other companies would find themselves in great difficulties. There can be no doubt that, if Italy were to cease importing Russian oil, alternative outlets for many of her products would have to be found—a fact which no Italian Government is likely to overlook."[1] In April 1963, the journal added: "Flat prohibitions on Russian oil are not popular with the NATO countries."[2]

Losing support of business circles and even of America's allies, Esso, Gulf, Caltex and other oil monopolies of the USA decided to take extreme measures to influence the course of events they considered unacceptable. They demanded immediate measures through NATO to restrict oil trade between the socialist and capitalist countries.

The American oil monopolies' attacks heated the atmosphere in the world oil market to the limit. The persecution of the ENI President by the reactionaries reached its climax.

On October 27, 1962, Signor Enrico Mattei, President of ENI, was killed when his private plane mysteriously crashed not far from Milan.

The first impulse of all ENI opponents after Mattei's death was to force the liquidation of the state concern at all costs, and to hand its enterprises over to private persons. However, the demand of wide business and political circ-

---

[1] *Petroleum Times,* November 16, 1962, p. 685.
[2] Ibid, April 5, 1963, p. 167.

les of Italy to preserve ENI proved stronger than the attacks of Italian reactionaries and their American instigators. The "Italy" agency, closely connected with the Prime Minister, made a statement to the effect that the idea of decentralizing ENI and breaking it up into groups was regarded by competent circles as groundless. The Minister of Finance said that ENI activities were in keeping with Italy's economic interests.

The Italian reactionaries did all they could to have their placemen included in the new ENI executive. But their attempt failed. After long and strenuous discussions between leaders of the Christian Democrats, Republicans, Social Democrats and Socialists, it was decided to entrust the management of ENI to Mattei's closest associates. Professor Boldrini, former Vice-President of the concern, was made President, while Eugenio Cefis, a close friend of Mattei's and his comrade-in-arms in the partisan movement, became Vice-President.

Seeing the futility of their attempts to strangle ENI, the American oil monopolies had to retreat. Rockefellers' Esso and Mellons' Gulf took a step which not long before they would have regarded as betrayal of the cartel interests—they agreed to sell oil to ENI on reasonable terms. Under these circumstances the Italian concern could have reduced its imports of Soviet oil. However, the insidious record of British and American monopolies made ENI more vigilant, and taught it not to rely on these suppliers alone.

In November 1963, long before the term

of the previous contract expired, a new major contract was signed by ENI and Soviet foreign trade organizations. It stipulated the delivery of more than 25 million tons of Soviet oil to the Italian concern in 1964-70, and the supply of Italian machinery, equipment, petro-chemical products and other goods to the Soviet Union. The new contract proved that the death of the first President of the Italian state concern did not bring about any considerable change in its policy.

"Signor Mattei's death," wrote the *Petroleum Times,* "may well result in the disappearance of an actor, but the forces which prompted his actions are still with us."[1] Those who believed that the "trouble" lay only with Mattei were grossly mistaken. It became quite obvious after his death that the Italian state oil and gas concern remained a stronghold in the struggle carried on by many capitalist countries against the dictatorship of some western—particularly American—oil monopolies.

Changes over recent years on the Italian market are more or less typical for Japan, the FRG, Sweden, the UAR, India, Ceylon, Brazil and many other countries. Not only industrial and trade enterprises, but governments as well more often refuse to submit to the American oil monopolies' dictate. This tendency has been observed even in London. In 1963 wide discussions developed in Britain about buying a certain amount of Soviet oil in exchange for British ships. Obeying the US oil magnates' or-

---

[1] *Petroleum Times,* November 16, 1962, p. 685.

ders, some American senators appealed to Britain "to stop Soviet trade expansion." The English, however, regarded the matter in a different light. "If there is one subject," wrote the *Observer*, "on which it is worth standing out against United States pressure, and demonstrating our non-satellite status, it is the import of Russian oil in return for ship-building orders in areas of heavy unemployment. The Americans are still frozen in a rigid cold war posture on this, while most people in Britain regard such exchanges as a useful, if minor, way of maintaining contacts with the Communist world." [1]

Recent events in the capitalist oil market show that international trade cannot be subordinated to the interests of individual monopoly groups. Pointing with regret to the inevitability of oil trade between the USSR and West European countries, *World Petroleum* had to admit: "It seems obvious that most nations do not fear the USSR trade expansionist policy enough to limit their sales of steel pipes or other products to Russia, or to restrict drastically imports of Soviet oil. Their interests now seem to them to lie in expanding trade without reference to international politics." [2]

This forced admission ought to be very convincing to advocates of a discriminatory trade policy, because it came from the largest world market lobby—the oil lobby.

---

[1] *Observer*, February 10, 1963.

[2] *World Petroleum*, January 1963, p. 27.

Only multilateral trade without any discrimination or restrictions, based on the principle of mutual benefit, can protect any nation from unilateral economic dependence.

The American journal, *Oil and Gas,* used to call Mattei the Gadfly. The English had more respect for their adversary. The British journal, *Petroleum Times,* once called the ENI concern a young David that stood face to face with the Goliaths of the oil industry. And indeed, the oil assets of ENI are 50 to 60 times smaller than those of the international oil cartel. And if nevertheless the Italian concern managed to withstand the powerful cartel in combat, it was because ENI always considered the interests of its country and the actual course of history, while Esso and other oil giants overlooked these important factors.

"To ensure peaceful competition of nations, it is necessary that all forms of colonialism should be eliminated. It is necessary to be vigilant, to prevent the growth and consolidation of internal and external reactionary forces which lead to fascism, oppression and war." These words were spoken by the late Signor Enrico Mattei, a Christian Democrat and ex-President of the Freedom Volunteers Federation at a meeting for peace and democracy of 60,000 former Italian guerillas. The words, pronounced three weeks before his tragic death, sound as a behest to all people of the world, irrespective of their occupations and political views.

USSR in the Oil Market

The Soviet Union is a traditional exporter of oil and oil products. From the time of the world oil market's foundation, Russia was a major supplier. Before 1901, it ranked first among oil-producing and oil-exporting countries. Beginning with 1902, the United States pushed Russia aside to second place, which it retained till World War I. In 1913 Russia produced 9.2 million tons of oil and exported about 1 million tons of oil products to more than 20 countries.

AN INSTRUCTIVE STORY

Tsarist Russia, however, was not the real owner of its oil resources. Sixty per cent of its oil-producing industry, concentrated in Baku at the time, was in the hands of foreign capital, mainly English, Swedish and French. Oil-refining and export of oil products from the Transcaucasian districts were also chiefly controlled by foreign capital. An investigator of the Russian oil industry wrote in 1913 that there were actually no Russian exporters of oil. All the oil products produced in Russia for export were bought by foreign agents at the Russian ports. They derived benefit from any increase in market prices or reductions in Russian railway tariffs, and dictated their own prices to the Baku dealers.

The Great October Socialist Revolution of 1917 enabled the peoples of Russia to build a new society without exploitation of man by man and without private ownership of the means of production. By a decree of June 20, 1918, the oil industry in Russia was nationalized. However, over the next few years the oil-bearing districts of Transcaucasia, like the whole territory of Russia, became the field of fierce civil war and armed foreign intervention. The Russian capitalists and their allies from abroad hoped to restore capitalist domination.

The Russian counter-revolution was strongly supported by the Government of Great Britain, which usually followed the directions of Royal Dutch Shell. There was nothing surprising in this, for it was Shell that had suffered the heaviest losses from the nationalization of the Russian oil industry. Shell bosses were so sure their subversive activities would succeed that they continued to buy Caucasian oil shares even after the whole oil industry had been nationalized by the Soviet State.

The Americans decided not to lag behind the English. The Rockefeller Standard Oil bought from Swedish capitalists a big block of one of the largest Baku trust's shares. After this transaction, the US help to the Russian counter-revolution greatly increased. Taking advantage of the situation, German capitalists also decided to have their share of Baku oilfields. In September 1918, Turkish forces directed by the German General Headquarters captured Baku.

The peoples of Russia under the leadership of Lenin's Party defeated the intervention of 14 imperialist states. In April 1920, Soviet power was restored in Transcaucasia, and on May 28 nationalization of the oil industry was carried out. However, the rich Caucasian oilfields were in chaos. Drilling had stopped, wells stood abandoned, production was barely 60,000 barrels a day. After the nationalization the young Soviet Government faced the job of rebuilding the installations.

After seven years of imperialist war, civil war and intervention the national economy of Russia was in ruin, as was Transcaucasia's oil industry. Lenin then compared the state Russia was in with that of a man beaten within an inch of his life and hardly able to move, even on crutches.

The people had to exert every effort so that exhausted, poverty-stricken but free and victorious Soviet Russia could take its first steps on the road of independent development, and later surprise the world with its feats of peaceful construction.

Lenin considered the building of a powerful economic basis the main requisite of economic and political independence. All plans for economic development and foreign trade were subordinated to the task of rehabilitating and expanding heavy industry. In 1921 there appeared for the first time an opportunity to sell a certain amount of oil products on the world market. Proceeds were used to buy machinery and equipment abroad. From the very beginning Soviet oil export was controlled by the Soviet State, without mediation of foreign monopolies. Thus, all income derived from oil export served the needs of the national economy and working people.

RUSSIAN OIL

Export of oil and oil products from the USSR can be divided into two periods: the prewar period (up to 1940) and the postwar period (from 1946 and up to the present). In prewar times the USSR ranked fifth in world exports of oil. The total volume of Soviet oil exports during that period amounted to about 50 million tons. Soviet oil and oil products were bought by more than 40 countries. Practically all countries of Western Europe were purchasers of Soviet oil products, and bought about 80 per cent of all USSR oil exports. In Asia and the Middle East Soviet oil products were imported by Japan, India, Turkey, Iran, China, Afghanistan, Yemen and some other countries; in Africa by Egypt, Algeria, Morocco, Tunisia and the Congo; in the Americas by Uruguay, the USA, Argentina, Canada and Brazil.

In the prewar period the USSR exported on average every sixth ton of oil produced. At the beginning of the 'thirties, exports of Soviet oil and oil products reached 4 to 6 million tons annually, which was 30 to 33 per cent of the USSR total oil production. Oil and oil products were the main items of export from the Soviet Union, representing 13 per cent of the total pre-war value of Soviet exports.

In postwar years Soviet exports of oil and oil products began to expand rapidly from the middle 'fifties. By that time the Soviet Union had finally overcome the grave economic consequences of the war with fascist Germany, and had laid the foundations for a powerful oil industry in the Volga-Urals area (the "Second Baku") and in some other regions. USSR oil production during the following decade (1955-65) increased from 71 to 243 million tons. Thus the Soviet Union has now taken second place in world oil production after the United States, which produces about 380 million tons. However, the gap in oil production between the USA and USSR is annually reduced by 20 million tons on the average.

Rapid increase in demand for all kinds of fuel for the Soviet national economy and for other socialist states is the main impetus to the Soviet oil industry. At the same time, part of Soviet oil output is set aside for export to capitalist countries. In the first half of the 'sixties, the USSR exported to all countries about a quarter of its oil output.

From 1955 to 1964 exports of oil and oil products from the USSR increased from 8 to almost 57 million tons a year, including from 4.2 to 25.3 million tons to socialist states and from 3.8 to 31.3 million tons to capitalist countries. The Soviet Union ranks sixth in the volume of oil exports, after Venezuela, Kuwait, Saudi Arabia, Iran and Iraq.

Approximately four-fifths of Soviet oil exports go to European countries. Italy is the biggest purchaser of Soviet oil in Western Europe. In 1964 Italy imported about 8 million tons from the Soviet Union, in addition to more than 50 million tons imported from the Arab states and Iran. The biggest purchaser of Soviet oil in Asia is Japan. In 1964 Japan imported about 3.6 million tons—5 per cent of total Japanese oil imports. The remaining 95 per cent was supplied from the Middle East, Venezuela and Indonesia. On the whole the Soviet share in world oil imports does not exceed 4 per cent.

The advance of Soviet oil exports is characterized by a normal commercial increase not greater than the average increase of other oil exporters. Thus, from 1960 till 1964 exports of oil and oil products from the USSR increased by 23 million tons. During the same period the increase of oil exports from Libya was 41 million tons, from Venezuela 29 million, from Iran 30 million tons, from Kuwait and Saudi Arabia 24 million tons each, from Algeria 15 million and from Iraq 12 million tons.

Soviet oil and oil products are purchased by national oil companies, both privately-owned and state-owned, and also by mixed state-private companies. Most of these companies regard import of Soviet oil as an aid in their struggle against discrimination exercised in the oil trade by the Anglo-American cartel.

Export of oil and oil products from the USSR to all countries is conducted on an economic basis. The Soviet Union sells oil in order to buy the goods it needs. Earnings from the sale of oil are used by Soviet foreign trade organizations to purchase from industrially advanced countries machinery, equipment and ships, and from the developing countries raw materials, foodstuffs and other traditional exports. On the whole, exports of Soviet oil serve as an important means of paying for Soviet imports. This economic basis of the oil trade not only meets the interests of the Soviet economy, but is also very advantageous for buyers of Soviet oil. By importing Soviet oil, they get a most favourable opportunity of paying for it with their traditional goods rather than in foreign currency or gold.

The mutually beneficial basis in Soviet oil export is widely appreciated in business circles of most nations. At present more than 50 countries consider it profitable to cover part of their import requirements for oil and oil products by Soviet supplies.

Export of Soviet oil and oil products is conducted by the Soviet foreign trade organization Soyuznefteexport (SNE).

The prices at which SNE sells its goods are mutually advantageous, as they meet the interests of both the seller and purchaser.

It is to be regretted, however, that western oil monopolies, in their attempts to hinder the export of Soviet oil, try to create artificial price competition. On many markets they offer and sell their oil and oil products at prices lower than Soviet prices. This recently happened in Japan, Italy, Brazil and some African countries.

It is quite obvious that this policy of the international oil companies towards Soviet oil exports complicates the conditions of trade, and harms all oil exporters.

Like other oil exporters, the Soviet Union is interested in stable prices and improved trade conditions on the world oil market. The head of the Soviet delegation at the UN Conference on Trade and Development held in Geneva in 1964 named oil among the commodities in which trade, in the opinion of the Soviet Union, should be conducted within the limits of international stabilizing agreements, in which all main exporters and importers should participate.

AN IMPORTANT STIMULUS

World consumption of oil increases annually by 80 to 90 million tons on the average. This increase could be greater, for in many countries colonialism left behind a very low level of both industrial production and consumption of basic commodities, including oil. At present the consumption of oil products in the developing countries is only one-tenth of that in the well-developed capitalist countries. In some cases this gap is still more striking. Strange though it may seem, India with its population of about 450 million consumes only two-thirds as much oil as Belgium with a population of 10 million. If per capita oil consumption in the developing countries reached the present average level of consumption in the advanced capitalist countries, the need for oil would increase many times over.

The imperialist powers strive to preserve the developing countries as permanent appendages supplying them with raw materials. Various economic commissions in the West working on the problems of "aid" to developing countries advise their governments to refrain from supporting programmes for the industrialization of Asian, African and Latin American countries.

The USSR's attitude to this problem is quite different. The Soviet Union believes that it is quite possible to build an industrial basis to ensure economic independence in these countries. The bulk of Soviet economic and technical help is directed particularly towards key industries, without which no independent national economy can be built.

The Soviet Union, for instance, has granted the United Arab Republic a credit of 277 million dollars for the construction of important industrial enterprises; it has signed a contract with India providing for the construction of a steel plant at Bokaro and a credit of 385 million dollars for this purpose; it has also granted a credit of 126 million dollars to Algeria for the construction of a large-scale industrial combine, and has decided to make a present to

Algeria of everything necessary to establish an Oil and Gas Institute, where 2,000 Algerians could study simultaneously.

In January 1966, agreements were signed between the USSR and Iran for technical assistance to Iran in the construction of steel and engineering plants and of a trans-Iranian pipeline, which will enable Iran to sell the Soviet Union annually up to 10 thousand million cubic metres of natural gas. It is interesting to note that Iran for 30 years had been conducting negotiations with western firms concerning the construction of a steel plant in Iran, but under various pretexts they avoided helping Iran create a national heavy industry. Now the plant will be constructed in the shortest possible time and will save Iran 60 to 70 million dollars a year in import costs.

Soviet foreign trade activities are very closely connected with the world oil market. Besides helping oil-producing countries build independent national economies, some of these activities contribute to an increase in world oil market capacity. The launching of hundreds of industrial enterprises in Asia and Africa with Soviet assistance will increase oil consumption in these countries by many millions of tons annually. This increased demand is being satisfied mainly by supplies of Arab, Iranian and Venezuelan oil, and this will continue in future.

In the light of these facts the mendacity of imperialist inventions that the foreign economic and trade policy of the USSR threatens the Arab states and other oil-producing countries is particularly clear. The policies and actions of the Soviet Union, on the contrary, give vital impetus to the development of the world market, with advantage to all exporters and importers of oil.

Б. Рачков

НЕФТЬ, НАРОДЫ И МОНОПОЛИИ

на английском языке

Цена 25 коп.