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A COMPARATIVE STUDY OF ARAB MIDDLE EASTERN AND VENEZUELAN OIL CONCESSIONS

A THESIS

Presented in Partial fulfillment of the Requirements
for the Degree Master of Arts in the
Economics Department of the American
University of Beirut

By

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The American University of Beirut

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ARAB AND VENEZUELAN OIL CONCESSIONS COMPARED

By

HAYTHAM A. MALLUHI

P R E F A C E

The reason which prompted the choice of the topic of Venezuelan and Arab oil concessions as the subject of my thesis is the fact that oil concessions and royalties are assuming an increasingly important role in the Arab world not only in governmental circles but also in the formulation of Arab public opinion especially as concerns both political and economic issues .

I have divided the study into two major parts, the first descriptive and historical and deals with the set up of the world petroleum industry and a brief as well as exact description of Arab oil production concessions and the Venezuelan Hydrocarbons law . The second part is analytical and in it an attempt is made to compare oil proceeds ,labour conditions and concessionary provisions .

The writer wishes to acknowledge his deep gratitude to Professor Burhan Dajani under whose supervision this study was undertaken and whose valuable advice , encouragement and resilient patience proved invaluable in ironing out much of the ambiguities of this dissertation.

The author wishes also to express his gratitude to Mr. Talha Yaffi ,member of the Lebanese Planning and Development Board whose sound as well as severe criticisms, valauable advice and unfailing encouragement have been of valuable help to me in the preperation of this thesis .

I wish also to express my deep gratitude to Mr. Nabeel Saadeh ,chief of an agricultural section at the Agricultural,Industrial and Mortgage Bank, without his guidance , assistance and encouragement this study might have not been attempted .

Haytham A. Malluhi
American University of Beirut
December 30 , 1958

A B S T R A C T

The subject of oil concessions in the Arab world is receiving increasing attention since the nationalization of the Anglo-Iranian Oil Co. in 1951 mainly because roughly around 60 per cent of the world's crude oil reserves were discovered in the Arab countries and partly to the radical change in the political systems of some of the Arab countries. To Arab public opinion, oil constitutes the Arabian nights treasure which, if utilized wisely and properly, will lead to the industrialization of the Arab world and accordingly to a substantial increase in the living standard of Arab people .

The purpose of this thesis is to study thoroughly, examine critically and compare the provisions of Arab oil production concessions with Venezuela's . Of course , Venezuela has to be chosen as a comparison model because it is the world's first oil exporting country and is appropriately called " the oil pulse of the world". Other major oil producing centers such as the U.S. and the U.S.S.R. exploit by themselves their oil resources , while other oil secondary sources such as the Far East and Canada produce negligible percentage of the world's annual oil production and hence they do not serve for the comparative purposes of this study .

Such study I presume , if carried out properly, may result in gaining more insight into this debatable issue : Are Arab oil concessions compared with Venezuelan concessions justifiable ? and if the answer is in the affirmative in what respects and to what extent ? and if not why ?

This study falls into two major parts, the first is descriptive and historical and deals with the present condition of the world's oil industry and describes Arab and Venezuelan oil concessions and laws,and the second is

analytical and in it an attempt is made to compare oil proceeds,labour benefits and conditions, and concessionary terms, provisions and obligations in both Arab countries and Venezuela .

Although oil transit agreements are of prime importance especially to Arab non-oil producing countries such as the Syrian region,Lebanon and Jordan , they are not treated in this thesis mainly because they form another independent subject and their treatment will require another thesis .

In order to give a more comprehensive and clear idea about the world's oil industry characteristics and features, of which both Arabian and Venezuelan oil industries are only integrated parts, the first chapter was devoted to a brief description of the monopolistic control over the world's oil industry .

Naturally in such a study , the terms and provisions of Arab and Venezuelan oil concessions and laws have to be described explicitly . To this end the second chpater was devoted to a brief but exact description of the Venezuelan Hydrocarbons law and regulations - according to which oil concessions are granted- and the 1953 collective labour agreements. The third chapter deals with a description of the provisions,clauses and stipulations of the 14 Arab oil production concessions . The writer has also included, at the suggestion of Professor Dajani, in addition, the Arabian Oil Company Offshore concession with both Saudi Arabia and Kuwait concluded in 1957 and 1958 - which did not commence operations yet - in order to show the pronounced difference between old and recent Arab oil concessions as well as the new trends in Arab oil concessionary legislation .

In the analytical part of this thesis the writer was faced with the major obstacle of unavailable data and ,at best, inaccurate statistics and information. However whatever available data in both primary and secondary sources was included but nevertheless this factor set a sizeable limitation to both the findings and the scope of this study.

Since oil proceeds are of immense importance the fourth chapter was devoted for the purpose of comparing Arab and Venezuelan direct proceeds including different taxes defrayed,factors affecting cost of production of oil, the problem of oil pricing, an attempt to compare direct revenues on a per ton basis and some instrumental comments.

Because labour benefits come next to direct proceeds in the order of priority , the fifth chapter was devoted to a comparison of labour working and living conditions of Arab and Venezuelan employees and labourers . Among the important items treated were: wages,indemnities,percentage of national workers,training,medical and educational assistance,community services and labour unions .

In chapter six a comparison of all other concessionary provisions was attempted and it was clearly shown in it that Arab concessionaire provision depended mainly on the conditions under which these concessions were concluded which partly explains the pronounced difference between similar Arab and Venezuelan provisions where , in some cases, there was no bases for comparison . Among the 23 important provisions compared were: area of concession, duration,arbitration, fiscalization and inspection,cancelation,refining obligations, modification etc ... .

In the conclusion the writer has indicated the importance of Arab oil to the Western Powers and its indispensability to Europe . The writer's viewpoints and recommendations concerning possible modification of existing Arab oil concessions were summarized in 32 points .

Although some political value judgements were included in some sections, whatever political considerations and provisions were warded off because they lie outside the realms of this study .

The bibliography is selective , because a complete list of all the sources consulted in the preparation of this study would be quite long because the writer attempted to examine every oil publication,annual report,official document,book and article which were available to his pursual . Consequently I have limited the bibliography to 23 pages in which the important Arabic as well as English sources ,books, public documents,companies' reports, oil publications,periodicals and official texts of oil concessions used in the preparation of this study were mentioned .

The present thesis is by no means to be taken as a complete survey of the subject treated , accordingly it should be regarded as a preliminary study in which the writer attempted to compare the aspects of a large and complicated field about which even basic data are not available nor accesible and in many cases do not exist . This thesis is more in the nature of a preliminary attempt in which the writer depended in the analytical section mainly on the invaluable advice of Professor Dajjani , and on his own viewpoints than on any thing else .

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THE VENEZUELAN HYDROCARBONS LAW, ITS REGULATIONS AND THE LABOUR COLLECTIVE AGREEMENT

CHAPTER THREE

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L I S T   O F   C H A R T S

ABBREVIATIONS OF COMPANY NAMES COMMONLY USED IN THE OIL INDUSTRY AND IN THIS THESIS *

AIOC	Anglo-Iranian Oil Company .
Aminol	American Independent Oil Company.
AOC	Arabian Oil Company .
Aramco	Arabian American Oil Company .
Bapco	Bahrain Petroleum Company Ltd .
BOD	British Oil Development Corporation .
CASCO	California Arabian Oil Company .
Consortium	The participants in the 1954 oil agreement with Iran.
California Standard	Standard Of California Oil Company .
Gulf	Gulf Oil Corporation .
IPC	Iraq Petroleum Company (formerly TPC) the term IPC also covers the affiliated oil companies operating at Iraq (including BPC and MPC).
Jersey St'd.	Standard Oil Company of New Jersey .
KOC	Kuwait Oil Company .
MPC	Mosul Petroleum Company .
PWOC	Pacific Western Oil Corporation .
QPC	Qater Petroleum Company .
R.D. Shell	Royal Dutch-Shell Group .
Socony	Socony Mobil Oil Company (formerly Socony Vaccum Oil Company and originally Standard Oil Company of New York) .
Tapline	Trans-Arabian Pipeline Company .
TPC	Turkish Petroleum Company .

* Throughout this thesis the oil companies will be referred to by the abbreviations mentioned hereabove and usually applied to them in the petroleum industry .

CONVERSION FACTORS

Used in this thesis

COUNTRY	BARRELS PER TON			TONS PER BARREL	
	Long Tons	Metric Tons	Short Tons	Long Tons	Metric Tons
North America:					
Canada	7.891	7.766	7.046	.12673	.12877
Mexico	7.281	7.166	6.501	.13734	.13955
United States	7.459	7.341	6.660	.13406	.13021
South America:					
Argentina	7.134	7.021	6.370	.14017	.14242
Bolivia	7.841	7.717	7.001	.12754	.12959
Colombia	7.143	7.030	6.378	.13999	.14224
Ecuador	7.707	7.585	6.881	.12975	.13183
Peru	7.661	7.540	6.840	.13054	.13264
Trinidad	7.193	7.079	6.422	.13903	.14126
Venezuela	6.958	6.848	6.212	.14372	.14603
Europe:					
Albania	6.706	6.600	5.989	.14912	.15151
Austria	6.897	6.788	6.158	.14500	.14733
Czechoslovakia	6.891	6.782	6.153	.14513	.14746
England	7.440	7.322	6.643	.13440	.13656
France	7.177	7.064	6.408	.13934	.14157
Germany	7.129	7.017	6.365	.14027	.14252
Hungary	7.754	7.631	6.923	.12896	.13103
Italy	7.800	7.677	6.964	.12821	.13027
Poland	7.526	7.407	6.720	.13288	.13501
Roumania	7.525	7.406	6.719	.13288	.13501
U.S.S.R. (Except Sakhalin)	7.390	7.273	6.598	.13532	.13749
Africa:					
Egypt	7.116	7.003	6.354	.14053	.14279

COUNTRY	BARRELS PER TON			TONS PER BARREL	
	Long Tons	Metric Tons	Short Tons	Long Tons	Metric Tons
Asia (Middle East):					
Bahrein	7.446	7.328	6.648	.13431	.13647
Iran (Persia)	7.669	7.548	6.847	.13039	.13248
Iraq	7.600	7.480	6.786	.13158	.13370
Kuwait	7.482	7.364	6.680	.13365	.13580
Saudi Arabia	7.537	7.418	6.729	.13267	.13480
Asia (Far East):					
Borneo	7.345	7.229	6.558	.13614	.13833
India	7.356	7.239	6.567	.13596	.13814
Japan	7.143	7.030	6.378	.13999	.14224
Netherlands Indies	7.911	7.786	7.063	.12641	.12844
Sakhalin (U.S.S.R.)	6.930	6.820	6.189	.14430	.14662
Sarawak	6.762	6.655	6.038	.14788	.15025

API Gravity Conversion Factors

COUNTRY	BARRELS PER TON			TONS PER BARREL	
	Long Tons	Metric Tons	Short Tons	Long Tons	Metric Tons
28° Crude Oil	7.220	7.106	6.446	.1385	.1407
32° Crude Oil	7.401	7.284	6.608	.1351	.1373
36° Crude Oil	7.582	7.462	6.770	.1319	.1340
40° Crude Oil	7.763	7.641	6.931	.1288	.1309
44° Crude Oil	7.945	7.819	7.094	.1259	.1279

Conversion Factors for Lengths, Areas, Weight and Volumes

Acres multiplied by:
43560 = square feet
4840 = square yards
4046.873 = square meters
0.00156 = square miles
0.00405 = square kilometers
0.4047 = hectares
5645.4 = square varas (Texas)
40.47 = ares

Atmospheres (at mean sea level) multiplied by:
14.70 = pounds per square inch
76 = centimeters of mercury
29.92 = inches of mercury

Barrels (U.S.) multiplied by:
9702 = cubic inches
5.6146 = cubic feet
0.15898 = cubic meters
34.9726 = Imperial gallons
42 = U.S. gallons
158.984 = liters
0.1588 = metric tons (water 60°F.)
= tons of crude oil (see crude oil conversion factors table)

Centare multiplied by
1 = square meters

Centimeters, Linear multiplied by:
0.3937 = inches
0.0328 = feet
0.01094 = yards
0.01 = meters
10 = millimeters

Centimeters, Cubic multiplied by:
0.0610 = cubic inches
[illegible]0353 = cubic feet
0.0000013 = cubic yards
0.000001 = cubic meters
0.001 = decimeters

Centimeters, Square multiplied by:
0.1549 = square inches
0.0001 = square meters
100 = square milimeters

Feet, Linear multiplied by:
12 = inches
0.3333 = yards
30.48 = centimeters
0.3048 = meters
0.0003 = kilometers
0.3600 = varas (Texas)

Feet, Cubic multiplied by:
1728 = cubic inches
0.03704 = cubic yards
28,317.016 = cubic centimeters
28.320 = cubic decimeters

Feet, Cubic, continued
28.317 = liters
0.02832 = cubic meters
7.4805 = U.S. gallons
6.288 = Imperial gallons
0.17811 = U.S. barrels

Feet, Square, multiplied by:
144 = square inches
0.1111 = square yards
0.0929 = square meters
929.03 = square centimeters

Gallon, U.S. multiplied by:
128 = ounces
4 = quarts
8 = pints
0.8327 = Imperial gallons
0.0238 = U.S. barrels
231 = cubic inches
0.1337 = cubic feet
3785.332 = milliliters
3.78533 = liters
3785.43 = cubic centimeters
0.003785 = cubic meters

Gallons, Imperial multiplied by:
277.42 = cubic inches
0.16054 = cubic feet
4.54596 = liters
0.0045461 = cubic meters
1.2010 = U.S. gallons
0.028594 = U.S. barrels

Hectares multiplied by:
2.471 = square miles
0.00386 = square miles
10,000 = square meters

Inches, Linear multiplied by:
0.0833 = feet
0.02777 = yards
0.0254 = meters
2.54 = centimeters
25.4 = millimeters

Inches, Cubic multiplied by:
0.000578 = cubic feet
0.000021 = cubic yards
16.3871 = cubic centimeters
0.016387 = cubic decimeters
0.0163865 = cubic liters
0.0000163 = cubic meters
0.0036 = Imperial gallons
0.00433 = U.S. gallons
0.5541 = ounces
0.0173 = quarts

Inches, Square multiplied by:
0.0069 = square feet
0.00078 = square yards
6.4516 = square centimeters
0.0006 = square meters

Kilograms multiplied by:
2.20462 = pounds
.0011023 = short tons

Kilograms Per Square Centimeter multiplied by:
14.233 = pounds per square inch

Kilograms Per Square Meter multiplied by:
0.2048 = pounds per square foot
0.001422 = pounds per square inch
0.0000968 = atmosphere

Kiloliters multiplied by:
35.31 = cubic feet
264.14 = U.S. gallons
1000 = liters

Kilometers multiplied by:
3280.83 = feet
1093.6 = yards
0.6214 = mile
1000 = meters
10,000 = centimeters

Kilometers, Square multiplied by:
247.1 = acres
0.3861 = square miles

Liters multiplied by:
33.8147 = fluid ounces
1.0567 = quarts
0.2642 = U.S. gallons
0.2200 = Imperial gallons
0.00629 = U.S. barrels (oil)
2.202 = pounds (water 60° F.)
61.0251 = cubic inches
0.0353 = cubic feet
1000.03 = cubic centimeters
0.0013 = cubic yards
0.001 = cubic meters

Mercury (Inches) multiplied by:
0.3342 = atmospheres (mean sea level)
0.4912 = pounds per square inch
345.3 = kilograms per square inch

Meters, Lineal multiplied by:
39.3701 = inches
3.28084 = feet
1.09361 = yards
0.0006 = miles
100 = centimeters
0.01 = kilometers
1000 = millimeters

Meters (Cubic) multiplied by:
61,023.38 = cubic inches
35.31445 = cubic feet
1.30798 = cubic yards

Meters (Cubic), continued
1,000,000 = cubic centimeters
999.97 = liters
264.17 = U.S. gallons
219.97 = Imperial gallons
6.2898 = U.S. barrels (oil)

Meters, Square multiplied by:
1550 = square inches
10.764 = square feet
1.1959 = square yards
10,000 = square centimeters
0.0001 = hectares
0.0002471 = acres
1 = centare

Miles multiplied by:
5280 = feet
1760 = yards
1609.3472 = meters
1.6093 = kilometers
1900.8 = varas (Texas)
0.8684 = nautical miles

Miles, Square multiplied by
3,097,600 = square yards
2,589,998 = square meters
258.9998 = hectares
2.5900 = square kilometers
640 = acres

Milliliters multiplied by:
0.0338 = fluid ounces
0.00026 = gallons
0.001 = liters
0.0610 = cubic inches

Millimeters multiplied by:
0.03937 = inches
0.001 = meters

Ounces (Fluid) multiplied by:
0.0078 = gallons
1.8047 = cubic inches
0.0295 = liters
29.5729 = milliliters
28.35 = grams
16 = pounds

Poods multiplied by:
36.113 = pounds

Pounds multiplied by:
16 = ounces
0.0005 = short tons
0.4536 = kilograms
0.0277 = poods

Pounds per Square Inch multiplied by:
0.06804 = atmospheres

Pounds Per Square Inch, continued
703.066 = kilograms per square meter
2.036 = inches of mercury

Tons (Long) multiplied by:
2240 = pounds
1.01605 = metric tons
1.120 = short tons
1016 = kilograms

Tons (Metric) multiplied by:
0.9842 = long tons
2204.6223 = pounds
1.1023 = short tons
1000 = kilograms
6.297 = U.S. barrels (water 60° F.)

Tons (Short) multiplied by:
2000 = pounds
0.8929 = long tons
0.9072 = metric tons
907.2 = kilograms

Varas multiplied by:
2.7408 = feet (in Mexico)
2.7425 = feet (in Chile, Peru, Spain)
2.8408 = feet (in Argentina)
3.6083 = feet (in Portugal)
2.775 = feet (in Texas)
0.838 = meters (in Mexico)
0.8359 = meters (in Chile, Peru, Spain)
0.866 = meters (in Argentina)
0.8467 = meters (in Texas)
1.1 = meters (in Portugal)

Varas (Square) multiplied by:
0.0001774 = acres

Yards (Linear) multiplied by:
36 = inches
3 = feet
0.9144 = meters
91.4402 = centimeters
0.1200 = varas

Yards (Cubic) multiplied by:
46.656 = cubic inches
27 = cubic feet
764,559.4 = cubic centimeters
764.6 = liters
0.76445 = cubic meters

Yards (Square) multiplied by:
1296 = square inches
9 = square feet
8361.307 = square centimeters
0.8361 = square meters

<u>SOURCE</u>: World Oil:1957, vol. 145, No. 3, p. 200, August 15,1957 .

CONVERSION FACTORS

Used in this thesis

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Europe:					
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0.0163865 = cubic liters
0.0000163 = cubic meters
0.0036 = Imperial gallons
0.00433 = U.S. gallons
0.5541 = ounces
0.0173 = quarts

Inches, Square multiplied by:
0.0069 = square feet
0.00078 = square yards
6.4516 = square centimeters
0.0006 = square meters

Kilograms multiplied by:
2.20462 = pounds
.0011023 = short tons

Kilograms Per Square Centimeter multiplied by:
14.233 = pounds per square inch

Kilograms Per Square Meter multiplied by:
0.2048 = pounds per square foot
0.001422 = pounds per square inch
0.0000968 = atmosphere

Kiloliters multiplied by:
35.31 = cubic feet
264.14 = U.S. gallons
1000 = liters

Kilometers multiplied by:
3280.83 = feet
1093.6 = yards
0.6214 = mile
1000 = meters
10,000 = centimeters

Kilometers, Square multiplied by:
247.1 = acres
0.3861 = square miles

Liters multiplied by:
33.8147 = fluid ounces
1.0567 = quarts
0.2642 = U.S. gallons
0.2200 = Imperial gallons
0.00629 = U.S. barrels (oil)
2.202 = pounds (water 60° F.)
61.0251 = cubic inches
0.0353 = cubic feet
1000.03 = cubic centimeters
0.0013 = cubic yards
0.001 = cubic meters

Mercury (Inches) multiplied by:
0.3342 = atmospheres (mean sea level)
0.4912 = pounds per square inch
345.3 = kilograms per square inch

Meters, Lineal multiplied by:
39.3701 = inches
3.28084 = feet
1.09361 = yards
0.0006 = miles
100 = centimeters
0.01 = kilometers
1000 = millimeters

Meters (Cubic) multiplied by:
61,023.38 = cubic inches
35.31445 = cubic feet
1.30795 = cubic yards

Meters (Cubic), continued
1,000,000 = cubic centimeters
999.97 = liters
264.17 = U.S. gallons
219.97 = Imperial gallons
6.2898 = U.S. barrels (oil)

Meters, Square multiplied by:
1550 = square inches
10.764 = square feet
1.1959 = square yards
10,000 = square centimeters
0.0001 = hectares
0.0002471 = acres
1 = centare

Miles multiplied by:
5280 = feet
1760 = yards
1609.3472 = meters
1.6093 = kilometers
1900.8 = varas (Texas)
0.8684 = nautical miles

Miles, Square multiplied by:
3,097,600 = square yards
2,589,998 = square meters
258.9998 = hectares
2.5900 = square kilometers
640 = acres

Milliliters multiplied by:
0.0338 = fluid ounces
0.00026 = gallons
0.001 = liters
0.0610 = cubic inches

Millimeters multiplied by:
0.03937 = inches
0.001 = meters

Ounces (Fluid) multiplied by:
0.0078 = gallons
1.8047 = cubic inches
0.0295 = liters
29.5729 = milliliters
28.35 = grams
16 = pounds

Poods multiplied by:
36.113 = pounds

Pounds multiplied by:
16 = ounces
0.0005 = short tons
0.4536 = kilograms
0.0277 = poods

Pounds per Square Inch multiplied by:
0.06804 = atmospheres

Pounds Per Square Inch, continued
703.066 = kilograms per square meter
2.036 = inches of mercury

Tons (Long) multiplied by:
2240 = pounds
1.01606 = metric tons
1.120 = short tons
1016 = kilograms

Tons (Metric) multiplied by:
0.9842 = long tons
2204.6223 = pounds
1.1023 = short tons
1000 = kilograms
6.297 = U.S. barrels (water 60° F.)

Tons (Short) multiplied by:
2000 = pounds
0.8929 = long tons
0.9072 = metric tons
907.2 = kilograms

Varas multiplied by:
2.7406 = feet (in Mexico)
2.7425 = feet (in Chile, Peru, Spain)
2.8408 = feet (in Argentina)
3.6083 = feet (in Portugal)
2.775 = feet (in Texas)
0.838 = meters (in Mexico)
0.8359 = meters (in Chile, Peru, Spain)
0.866 = meters (in Argentina)
0.8467 = meters (in Texas)
1.1 = meters (in Portugal)

Varas (Square) multiplied by:
0.0001774 = acres

Yards (Linear) multiplied by:
36 = inches
3 = feet
0.9144 = meters
91.4402 = centimeters
0.1200 = varas

Yards (Cubic) multiplied by:
46,656 = cubic inches
27 = cubic feet
764,559.4 = cubic centimeters
764.6 = liters
0.76445 = cubic meters

Yards (Square) multiplied by:
1296 = square inches
9 = square feet
8361.307 = square centimeters
0.8361 = square meters

SOURCE: World Oil:1957, vol. 145, No. 3, p. 200, August 15,1957 .

P A R T O N E

CHAPTER I

MONOPOLISTIC CONTROL OVER THE WORLD'S OIL INDUSTRY

An adequate appraisal of Arab oil concessions requires an underestanding of the conditions of the world's oil industry, its hitorical background, charecteristics and monopolistic control to which this chapter is devoted .

The Importance Of Oil :

As a generator of energy and a strategic liquid resource, oil has occupied a pre-eminent position among the world's leading raw materials owing to an immense number of reasons the most important of which are the diversification of its products and therefore uses, its indespensability and vitality to modern industrial economies, its overwhelming role in fueling modern military weapons and thereby in winning wars and its predominant functions in fostering economic growth and development in peacetime . Hence, it can be said with certitude that oil is economically as well as militarily a vital necessity to all countries .

A- Monopolistic Control Over The World's Oil Industry:

Owing to the unique charecteristics of the oil industry and to government support to oil cartels, monopolistic tendencies were concomitant with oil operations. The only comprehensive study of monopolistic behaviour in the oil industry was undertaken upon the request of the Select Committee on Small Business by the staff of the Federal Trade Commission and was called " International Petroleum Cartel". This study indicated that five American major oil companies, Standard of California with 6615 million Dollar assets , Socony-Vaccum with $ 2257 million assets, Gulf Corp. with $ 1969 million assets, Texas Co. with 1946 million Dollar assets and Standard of California with $ 1678 million assets [1]

1. Harvey O'Connor , The Empire Of Oil , (London: John Calder, 1955) p. 40.

together with British-Dutch companies, Anglo Iranian and Royal-Dutch Shell constituted the most important international cartel by establishing a community of interests through the formation of jointly owned affiliated subsidiaries, interlocking directorates, other methods of financial interdependence,formal as well as informal underestandings and intercompany alliance. However " President Truman and the Senate Department,realizing that the report might be harmful to the United States in connection with delicate Middle East relations, had kept the document in a classified (Unpublished) status" [1]. The International Petroleum cartel is valuable for its factual contents because the commission staff had access to a great mass of unreleased and unknown material and whatever data contained in this study are by strict standards reliable.

This report indicated that the seven companies controlled in 1949 more than 99 per cent of oil production in the Middle East. Excluding the United States,the Soviet Union and other communist countries,these companies controlled 88 per cent of the world's oil production, 92 per cent of the proved reserves, 77 per cent of the refining capacity, 85 per cent of the cracking capacity, around 50 per cent of oil transportation facilities and nearly all the important oil pipelines[2].

It should be noted,however, that the rest of the world's oil production,refining,reserves,transportation and marketing capacities, is for all practical purposes divided between U.S. domestic oil companies and State oil monopolies in the Soviet Union,other communist countries and several countries in South America.

1- Factors That Helped The Formation Of Oil Monopolies:

Charecteristically, the oil industry possesses some unique economic,technological,geographical and political

1. Leonard Fanning, Foreign Oil and the Free World , (New-York: Mc Graw-Hill, 1954) p. 219 .
2. U.S. Senate, Federal Trade Commission, International Petroleum Cartel , (Hereinafter: I.P.C.) 82 nd Congress (Washington,Government Printing Office,1952), pp. 21-36 .

aspects, which created as well as intensified most of the tendencies leading to the gravitation of control over the oil industry into the hands of the major oil companies. Numerous justifications might be mentioned to support the aformentioned hypthesis and to explain the concentration of control of the world's petroleum industry into the hands of seven gigantic oil companies, the most important of which are the following:

a- Economic reasons:

Sine the petroleum industry is unique in that it handles a commodity from start to finish, expensive as well as highly specialized equipment units have to be used in four distinct but interrelated operations namely production, transportation,refining and marketing which obviously necessitates huge and ever increasing financial capacities. To exemplify the magnitude of such expenditures I like to indicate that total investments in the world's oil industry in 1956 amounted to $ 9.6 billion[1]. Such expenditures are by far beyond the means of individuals or companies with limited financial capacities . Likewise the transportation requires either a fleet of vehicles and tankers or the establishment of very long pipelines, in either case the costs are extraordinarily exorbitant especially that these media of transportation are peculiar to the industry and cannot be shared with other products.

Prospection operations involve risking considerable amounts of capital because such operations might turn into a complete failure for it actually resembles gambling and entails expensive plants and equipments[2]. Refining operations calls for the establishment of refineries which will incur huge costs . For these reasons it is generally believed that " In the production of oil, a monopoly has a tremendous advantage over a number of competing units" [3] mainly due to the reduction of drilling costs,pooling of

1. Petroleum Press Service,(Henceforth P.P.S.)"Rising Scale of Capital Neeeds", V. XXIV, No. 11,Nov. 1957,p.411.
2. P.P.S., " Discovering Oil is Gambling", V. XXII, No. 3, p. 14, March 1955.
3. John Ise, The United States Oil Policy, (New-Haven: Yale University Press, 1928) p. 239.

reserves, adjustment of production to demend, conservation of oil and lastly the elimination of waste. Compared to production refining and transportation costs, marketing costs are not so expensive but nevertheless they incur additional costs.

b- Technological Reasons:

As a corollary of the first reason monopolies are, usually due to their huge capital, in a better position to use superior production techniques, carry on experiments and detailed research programs, acquire cost reducing equipments, employ highly specialized experts, administrators, economists and engineers than competing units the financial capacities of which are probably beyond such expensive undertakings.

c- Geographical Reasons:

The relative scarcity of petroleum and the presence of about 78.1 of the world's discovered oil reserves[1] in underdeveloped areas[2], mainly in barren desert areas, made major oil companies vie for acquiring these rich fields and to stretch the scope of their operations to include risky overseas investments which might be undertaken only by dominant oil companies which possessed enough capital for such operations.

d- Remunerations Reasons:

Owing to the mounting inelastic demand for oil and the limitation of the world's petroleum supply - within certain limits-, oil companies were often in an exceptional position to secure high rates of gross as well as net profits as shown in table 1. The augmentation of these profits enabled the Majors[3] to expand further and to gradually tighten their control over this industry.

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1. World Oil," World Crude Reserves", V. 145, p. 199, August 1957.
2. By underdeveloped areas I mean countries of Asia and Africa.
3. By Majors is meant the seven leading international companies.

TABLE 1

MAJOR INTERNATIONAL OIL COMPANIES RESULTS[a]

Net Profits After Tax and Depreciation

Name of Company	1954	1955 (Million)	1956	1957
British Petroleum	£ 17.0	£ 46.2	£ 51.6	£ 46.3
Royal Dutch-Shell Group	£ 134.5	£ 160.0	£ 179.5	£ 212.7
Gulf Oil Corp.	$ 182.8	$ 218.1	$ 282.7	$ 354.3
Socony Mobil...	$ 183.8	$ 208.3	$ 249.5	$ 220.2
Standard of California	$ 211.9	$ 231.1	$ 267.9	$ 288.2
Standard of New Jersey	$ 584.8	$ 709.3	$ 808.5	$ 805.2
Texas Co.	$ 226.1	$ 262.7	$ 302.3	$ 332.3

(a) Figures from consolidated accounts.

Sources: Petroleum Press Service, " The Majors' Annual Reports", Volumes XXIII, XXIV, XXV, Nos. 6, Pages 204, 216, and 209 respectively, June 1956, 1957 and 1958.

e- Political Reasons :

Owing to the strategic importance of oil, the fear of oil shortage, the discovery of foreign huge reserves and the fear of oil monopoly, nearly all the major world powers especially the United States, the United Kigdom, France, Holland and Germany, not only supported their oil companies but participated in financing as well as administering these companies.[1]

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1. Ludwell Denny, We Fight For Oil , (New-York: Alfred A. Knopel Inc. , 1928) p. 25 .

B- GROWTH OF OIL CARTELLIZATION

1- The Former Phase: 1880-1928:

To preserve her vast empire and to maintain her economic as well as political supremacy, Great Britain in the person of Lord Admiral Fisher decided to reorganize the British navy by building ships burning power producer oil. Minister Winston Churchill persuaded the parliament to put Persian oil concessions concluded in 1909 under the government's control, the latter skillfuly merged in 1902 the biggest then existing oil companies namely Shell and the Royal-Dutch oil companies and in 1914 bought half the shares of Anglo-Persian Oil Co. . It was apparent in 1922 that Great Britain controling around 90 per of the world's foreign oil production[1] was trying to control almost all the world's remaining oil resources.

The American companies claiming that the Allies floated to victory in World War I on a wave of American oil and entering the international oil field somehow late, distrusted and even resented the over-all penetration of Great Britain in every oil center. These companies tried in vain to acquire a foothold in foreign oil fields , failing this and " Lacking the cohesion essential to the development of private cartel, they turned to their government for assistance" [2], thus the strife for oil became world wide. The United States took the initiative and in the name of the Monroe Doctrine prevented Great Britain from concluding oil concessions in South America[3], and regarded the San Remo agreement " As a manifesto dividing up the oil booty of war to the apparent exclusion of American interests"[4].

1. Pierre L'Espagnol de la Tramerye and Leonard Leese, The World Struggle For Oil, (London: George Allemand Unwin Ltd, 1923) pp. 117-119.
2. George Stocking and Myron Watkins, Cartels or Competition ? ,(New-York: The American Book Stratford Press, 1948) p. 68 .
3. Tramerye and Leese, op.cit., p. 100 .
4. E.H. Davenport and Sidney Russel Cooke, The Oil Trusts and Anglo-American Relations, (New-York: The Macmillan Co. , 1924) p. 61.

In her attempt to win the oil battle, Great Britain won France to her side by giving her a share in Iraq's oil, later Anglo-American relations deteriorated to a certain extent that it was made clear that the United States' " State Department does defend with diplomacy and if necessary with threat of war American oil interests" [1].

Germany tried to form a potent oil cartel to defy the British and American oil companies but was unsuccessful and even her oil fields were confiscated by the victorious Allies. Failing to obtain oil resources, Germany invented same by the use of complicated chemical processes in order to meet its demand .

Being a secondary world power, France's role was insignificant and it sided with Great Britain wherever their interests were common .

The aformentioned developments and the direct involvement of governments in oil strife, gave rise to centralization of control and to a consolidation movement in this industry of such size,power and scope never known before in any other industry and led actually to the internationalization of the oil cartellization movements which broademed in compass by time and became a quest for collective security. Thus oil cartellization might be appropriately called the new industrial feudalism of the twentieth century.

2- The Latter Phase: 1928- now:

However, the epic of world struggle for oil is over because both the British and American governments together with the major oil companies realized later the great harm done to both sides by the intense competition which included cut throat price reductions in certain international oil markets. And the seven major oil companies concluded the " As is " agreement whereby the then existing oil interests belonging to each contracting party was to be respected. In

1. Denny, op.cit., p. 165 .

1944 the American and British governments concluded an oil agrrement which stipulated clearly that any dispute arising between oil companies over new oil fields shall be solved by a permanent committee composed of six members ,three nominated by each government . The said agreement stipulated also that the international oil industry should be regulated according to an integrated policy [1], and henceforth no serious disagreements between the two governments over oil was revealed except perhaps in the Anglo-Iranian oil dispute of 1952, and even this issue is debatable.

C- FORMS OF OIL MONOPOLIES

1- State Oil Monopolies:

Owing to the pivotal importance of oil,fourteen countries decided to control oil production and distribution, Russia controls the petroleum industry in its territory and in other communist countries namely Rumania,Albania,Poland,Czechoslovakia,Hungary,Popular China and Sakhaline Island. In 1957 these countries produced 12.8 per cent of the world's oil production[2]. The other countries where state oil monopolies are prevalent are Mexico,Brazil,Bolivia,Chile,Spain,Yougoslavia and The United Arab Republic[3] ,but since they produce less than 2 per cent[4] of the world's oil prduction they are unable to exercise their monopoly power in world markets, besides nearly all of them -except Mexico-, are net importers of oil which is supplied naturally by the seven major oil companies. In two countries namely Argentina and Peru , the petroleum industry is operated under joint public and government control.

All these sixteen countries account for about 15 per cent of the world's oil production, besides only Russia,Rumania and Mexico can export petroleum in commercial quantities, the rest have to rely heavily on foreign imports. Hence one might assert

1. Shaker,Aryan and Makkar, Petroleum and Arab Politics, (Arabic), (Cairo:Dar el-Maref Press,1955), pp.92-98.
2. P.P.S., " Annual Production: An Eventful Year", V.XXV, No. 1, p.2, Jan. 1958.
3. All oil companies are at present placed under the sequestration of the U.A.R. government , however the situation is not yet clear.
4. I.P.C., op.cit., p. 21.

with certitude that since oil monopolies produce only one seventh of the world's oil production annually they are unable to alter significantly the existing conditions of the international oil industry, especially that the bulk of their production is devoted to local consumption requirements .

2- Control by the Majors :

a- Control Over Production :

The seven international oil companies exercise a dominant role in the world's oil production capacity. Chart I shows that in 1949 these companies controlled 54.6 per cent of the world's oil production capacity - excluding the Soviet Union and other communist countries-, about 99 per cent of oil output in the Middle East, over 96 per cent of the production of the Eastern Hemisphere . Excluding the U.S., the Soviet Union and other commnuist countries, their share of the remaining world oil production capacity swells to 88 per cent. State oil monopolies operating in Bolivia,Brazil,Chilie, Popular China, Mexico,Spain and Yougoslavia produced 1.8 per cent only of total world oil production in 1949. The Soviet Union and other communist countries controlled 6.1 per cent of world's reserves and 8.4 per cent of world's oil production capacity in the same year[1] .

Chart I and table 2 show the importance of the seven international oil companies in world's as well as Middle East's annual oil production capacity .

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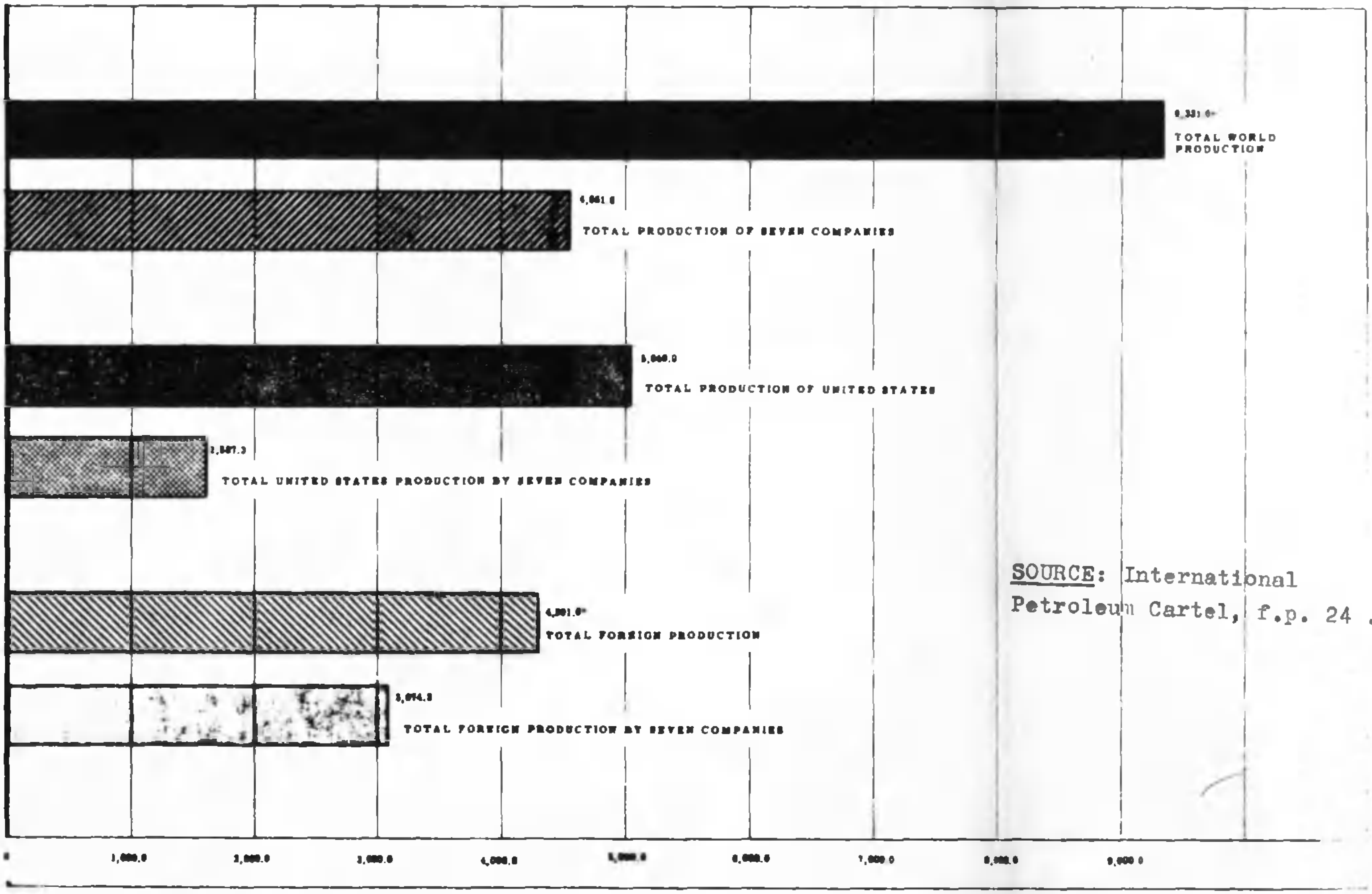
1. I.P.C., op.cit., pp.21-24.

ESTIMATED CRUDE OIL PRODUCTION BY SEVEN PETROLEUM COMPANIES, 1949

CHART "I" FOREIGN, U.S. and TOTAL

(in thousands of barrels daily)



SOURCE: International Petroleum Cartel, f.p. 24.

TABLE 2

STAKES IN THE MIDDLE EAST

1955 output in millions of metric tons

Name of Country	B.P.	Gulf	R.D. Shell	St.N.J.	St. Calif.	Texas	Socony
Middle East:							
Kuwait	27.4	27.4	--	--	--	--	--
Saudi Arabia	---	--	--	14.2	14.2	14.2	4.8
Iraq	2.9	--	7.9	4.0	--	--	4.0
Iran	6.4	1.1	2.2	1.1	1.1	1.1	1.1
Qatar	1.3	--	1.3	0.7	--	--	0.7
Rest of M.E.	0.4	0.2	0.4	--	0.8	0.8	0.3
Total M.E.	43.4	28.7	11.8	20.0	16.1	16.1	10.9
Total World[(a)]...	43.4	48.4	78.9	111.6	37.6	45.4	31.9

(a) On basis of seven barrels to one ton; taking conversion factor adjusted for each producing country, total 1955 output of seven companies was about 382 million tons , comprising 52¾ per cent of total output of free world.

SOURCE: Wilfred King,"Middle East Oil; Europe's Life Blood", The Banker, November 1956, p. 6.

b- Control Over World Oil Reserves:

Control over crude oil reserves means,in effect, control over future oil supplies through concessions. In 1949 the Majors controled 82 per cent of the proved reserves in the whole world,except the U.S.[1]. Excluding both the U.S. and the U.S.S.R. and the other communist countries the said percentage rises to 92 per cent[2]. However ,owing to the substantial increase in the world's proved reserves since 1949 and especially in the Middle East , the above percentage is believed to have increased. In 1957 Arab countries possessed 56 per cent of the world's crude reserves, this figure might be still too modest because geological surveys included only one third of Arab lands. The breakdown of crude reserves in the Arab world, Venezuela and all the other oil centers is shown in table 3 .

1. I.P.C., op.cit., p. 23.
2. Ibid.,

TABLE 3

Free World Proved Crude Oil Reserves

Reserves estimated by WORLD OIL with aid of oil companies and other sources.

(Thousands of Barrels)

Continent and Country	RESERVES Jan. 1, 1956 (Revised)	RESERVES Jan. 1, 1957	RESERVES Percent of World in 1957	PRODUCTION IN 1956 Thousands of Barrels	PRODUCTION IN 1956 Percent of Free World	Ratio of Reserves to 1956 Production
North America	**33,573,700**	**35,037,549**	**16.9**	**2,881,392**	**53.76**	**12.0**
Alaska	500	500	....	....	....	....
Canada	2,509,500	2,849,400	1.4	169,321	3.15	16.8
Cuba	3,000	3,000	....	543	0.01	5.5
Mexico	1,500,000	1,750,000	0.8	94,096	1.76	18.6
United States	29,560,700	30,434,649	14.7	2,617,432	48,84	11.5
South America	**14,125,000**	**15,945,000**	**7.7**	**1,036,535**	**19.33**	**15.4**
Argentina	350,000	460,000	0.2	31,717	0.59	14.2
Bolivia	70,000	75,000	....	3,196	0.06	23.5
Brazil	35,000	50,000	....	4,059	0.07	12.3
Chile	50,000	50,000	....	3,542	0.07	14.1
Colombia	600,000	750,000	0.4	44,132	0.82	17.0
Ecuador	25,000	30,000	....	3,394	0.07	8.8
Peru	225,000	250,000	0.1	18,383	0.34	13.6
Trinidad	270,000	290,000	0.2	28,929	0.54	10.0
Venezuela	12,500,000	14,000,000	6.8	899,183	16.77	15.6
Europe, Western	**1,150,000**	**1,197,500**	**0.6**	**70,228**	**1.32**	**17.1**
Austria	400,000	420,000	0.2	23,268	0.44	18.1
France	150,000	160,000	0.1	9,103	0.17	16.5
Germany	360,000	367,000	0.2	24,894	0.46	14.7
Great Britain	5,000	5,500	....	489	0.01	11.3
Italy and Sicily	125,000	145,000	0.1	4,822	0.09	30.1
Netherlands	110,000	110,000	....	7,652	0.15	14.4
Africa	**269,000**	**320,800**	**0.1**	**13,249**	**0.26**	**24.2**
Algeria	2,000	25,000	....	293	0.01	85.3
Egypt (Including Sinai)	250,000	275,000	0.1	12,174	0.23	22.6
Morocco	7,000	7,000	....	720	0.01	9.7
Other Africa	10,000	13,800	....	62	0.01	222.6
Asia, Total	**137,871,475**	**154,968,150**	**74.7**	**1,358,271**	**25.33**	**109.6**
Asia, Middle East	**133,011,800**	**148,060,000**	**71.4**	**1,262,943**	**23.57**	**117.2**
Bahrain	175,000	160,000	0.1	11,014	0.21	14.5
Iran	28,000,000	32,000,000	15.4	198,289	3.70	161.4
Iraq	15,000,000	22,000,000	10.6	233,421	4.35	94.3
~~Israel~~	1,800	15,000	....	152	0.01	98.7
Kuwait	50,000,000	50,000,000	24.1	399,874	7.46	125.0
Neutral Zone	250,000	300,000	0.2	11,725	0.21	25.6
Qatar	1,500,000	1,500,000	0.7	45,345	0.85	33.1
Saudi Arabia	40,000,000	42,000,000	20.3	360,923	6.74	116.4
Turkey	85,000	85,000	....	2,200	0.04	38.6
Asia, Far East	**4,859,675**	**6,908,150**	**3.3**	**95,328**	**1.76**	**45.8**
Burma	43,500	43,000	....	1,680	0.03	25.6
India	250,000	300,000	0.2	2,876	0.05	104.3
Indonesia	4,000,000	6,000,000	2.9	38,347	0.72	64.0
Japan	21,000	22,000	....	2,169	0.04	10.1
New Guinea	15,000	13,000	....	2,618	0.05	5.0
Sarawak-Brunei (Br. Borneo)	510,000	510,000	0.3	45,503	0.84	11.2
Taiwan (Formosa)	175	150	....	21	....	7.1
Pakistan	20,000	20,000	....	2,114	0.03	9.5
Australia-New Zealand	**500**	**500**	....	**18**	....	27.8
TOTAL WORLD	**186,989,675**	**207,469,499**	**100.0**	**5,359,693**	**100.0**	**38.6**

SOURCE: World Oil, Vol. 145, No. 3, p. 199, August 1957.

c- Control of the World's Cracking Capacity:

Excluding the United States and the Soviet Union and other communist countries, the seven Majors control 85 per cent of the world's cracking capacity. Such control is important in that it enables refining companies to obtain greater quantities of higher valued oil products such as high octan-gasoline and various other chemicals basic to many industries the most important of which are synthetic rubber and plastics. It is maintained that the "control of the world's cracking capacity is even more concentrated in the hands of the seven international petroleum companies than is control of crude refining"[1]

d- Control over world crude oil refining capacity:

In 1950 the seven international oil companies controlled about 57 per cent of the world's refining capacity, excluding the United States they controlled 75 per cent of same in the Western Hemisphere, likewise they held 79 per cent of same in the Eastern Hemisphere . If the United States and all communist countries are excluded the Majors share of the world's crude refining capacity swells to 77 per cent[2], in 1955 this percentage was further increased to 85 per cent[3].

e- Control over the world's transportation facilities:

Since oil has to be shipped from its wells to refineries and finally to consumers, the control over transportation facilities is of prime importance because it actually embodies another aspect of control fostering oil cartellization by the seven major oil companies. It is believed that " Since the seven large oil companies own or control about 12.4 million dead-weight tons, their percentage of control is about 2/3 of the total privately owned tanker fleet as compared to one-half of the world's total tanker tonnage"[4]

1. I.P.C., op.cit., p. 25.
2. Ibid.,
3. United Nations Economic Commission for Europe, The Price of Oil in Western Europe, (Secretariat, Geneva, March 1955) p. 31 .
4. I.P.C., op.cit., p. 27.

however this rate is believed to be too high for other recent estimates reduce the contol of oil companies over the world's tanker fleet to 40.4 per cent only as shown in the following table :

TABLE 4

WORLD TANKER FLEET
June 30, 1957

Ownership	Number	Dw. Tons	Percentage ownership in Dw. tons capacity
Oil Company ...	1,212	17,949,531	40.4 %
Tramp	1,397	24,680,531	52.8 %
Government	244	2,860,126	6.2 %
Miscelaneous...	37	415,125	1.6 %
TOTAL	2,890	45,905,441	100 %

Source: World Petroleum Report: 1958, No. 4, p. 22.

Outside the United States, nearly all the important oil pipelines whether in existence or prpposed are owned sepertely or jointly by the seven major oil companies. Most of these pipelines are dominated by American Oil companies as shown in the following table :

TABLE 5

A CONDENSED TABLE OF THE IMPORTANT OIL PIPELINES CONTROLLED BY THE SEVEN MAJOR OIL COMPANIES

Name of Pipeline	Length in miles	Country	Ownership
1- The Oficina Puerto la Cruz.	217	Venezuela	Mene Grande Oil Co, (Gulf subsidiary) and Creole Petroleum Corp. (Std. of Jersey subsidiary).
2- The Andian National.	335	Columbia	Andian National Corp. Ltd. (owned by a subsidiary of Std. of Jersey) .
3- The South American Gulf oil Co's line	252	Columbia	South American Oil Co. (owned jointly by Socony and Texas).
4- Kirkuk-Haifa	621	Iraq	Owned jointly by owners of Iraq Petroleum Co.

Name of pipeline	Length in miles	Country	Ownership
5- Kirkuk-Tripoli	532	Iraq	Owned jointly by owners of Iraq Petroleum Co.
6- Iranian Pipelines	---	Iran	Consortium
7- Trans-Arabian	735	Saudi Arabia	Owned jointly be Std. of Jersey, Std. of California Texas and Socony Vaccum.
8- Maracaibo-Amuay	143	Venezuela	Creole Petroleum Corp. (a subsidiary of Std. of Jersey and others)
9- Damam-Bahrain	34	Saudi Arabia	Bahrain Petroleum Co. (owned jointly by Aramco and Texas and Std. of Jersey).
10- The sociedad Anonima Petrolera las Mercedas	157	Venezuela	Sociedad Anonima Petrolera las Mercedas (owned jointly by Texas and Caracas Petroleum which is owned bt British interests)
11- Interprovincial	1100	Canada	Interprovincial pipelines Co. Ltd. (a subsidiary of Imperial Oil Ltd. which is in turn owned by Std. of Jersey).

Source: International Petroleum Cartel, pp. 27-28.

f- Control Over Marketing :

Owing to the concentration of control over oil production, reserves, transportation facilities,cracking and refining capacities , and due to the integration of the seven large oil companies from production through refining and transportation it is natural that the same cartel of companies should acquire a highly concentrated control over oil marketing. Unfortunately data proving the aforesaid hypothesis are unavailable except for few marketing agreements outlined on page 130 , but it is reasonable to assume that since the Majors are capable of supplying oil in substantial quantities they have built extensive marketing organizations reaching into consuming areas in all parts of the world. The power of these major companies is so substantial to be virtually unchallengeable except ,perhaps,in particular local marketing areas"[1].

It is generally maintained that there are certain recent marketing agreements between the leading oil companies, but unfortunately their clauses are neither known nor revealed. However,such agreements are believed to be more or less similar to the " Achnacary Agreement" or the " As Is Agreement" which were concluded in 1928 between the biggest three oil companies namely, Std. of Jersey, Royal Dutch- Shell and Anglo Iranian , and which stipulated that production should retain the advantage of geographical location, existing facilities to be used jointly, status quo to be maintained, the share of the volume of business of oil companies together with the future expected increase to be respected, oil supplies to be drawn from the nearest producing area and the preventation of any production surplus to alter the level of prices in other producing area thus eliminating competition. The said agreements and their latter supplements actually included an informal underestanding to limit oil production, regulate oil exports,assign quotas devised to freeze the market pattern and fix the selling price of crude oil[2].

D- DEVICES OF CONTROL

Through many layers of laybrinth intercorporate relationships,interlocking directortaes,jointly owned affiliated subsidiary companies and intermediate corporations, the seven international oil companies exercise an effective control over the greater portion of the world's petroleum industry[3], mainly through the unification of production as well as pricing policies.

1. I.P.C., op.cit., p. 29.
2. Ibid., pp. 269-320.
3. Except the Soviet Union and other communist countries.

Numerous devices of control are exercised the most important of which are the following two:

1- Joint Ownership of Affiliated Subsidiary Companies:

Outside the United States, the Soviet Union and the countries where the oil industry is controlled by the state, the world's petroleum industry is operated by a maze of subsidiary companies which are either affiliate branches of the seven Majors or combined through pyramids of intermediate subsidiary companies with one or more international holding oil companies at the top drawing a well integrated course of policy to be formulated as well as executed by all the multitude of affiliated subsidiary companies.

As shown in chart II, the majors jointly or through pairings and groupings own and control all the oil companies and their affiliates operating in the Middle East. Two of them Gulf and D'arcy Oil Corp.,a subsidiary of Anglo Iranian Oil Co. own the Kuwait Oil Co. , four of them namely Texas, Std. of California, Std. of Jersey and Socony Vaccum own Aramco. Four of them namely Std. of Jersey, Socony Vaccum, Royal Dutch-Shell and British Petroleum (previously known as Anglo-Iranian Oil Co.) together with Cie. Francaise des Petroles and Participation and Investment Ltd. , own jointly the Iraq Petroleum Co. . Likewise the said seven international oil companies own most of subsidiary oil companies operating in Latin America especially Venezuela as shown in chart III, their control is widespread in all the parts of the world including the Far East, U.S., Europe and Canada. This maze of concentrated ownership helps the harmonization if not the erection of a well knit structure of integrated oil policies which " Obviously provides opportunity,and even necessity,for joint action. With decision-making thus concentrated in the hands of a small number of persons, a common policy may be easily enforced"[1].

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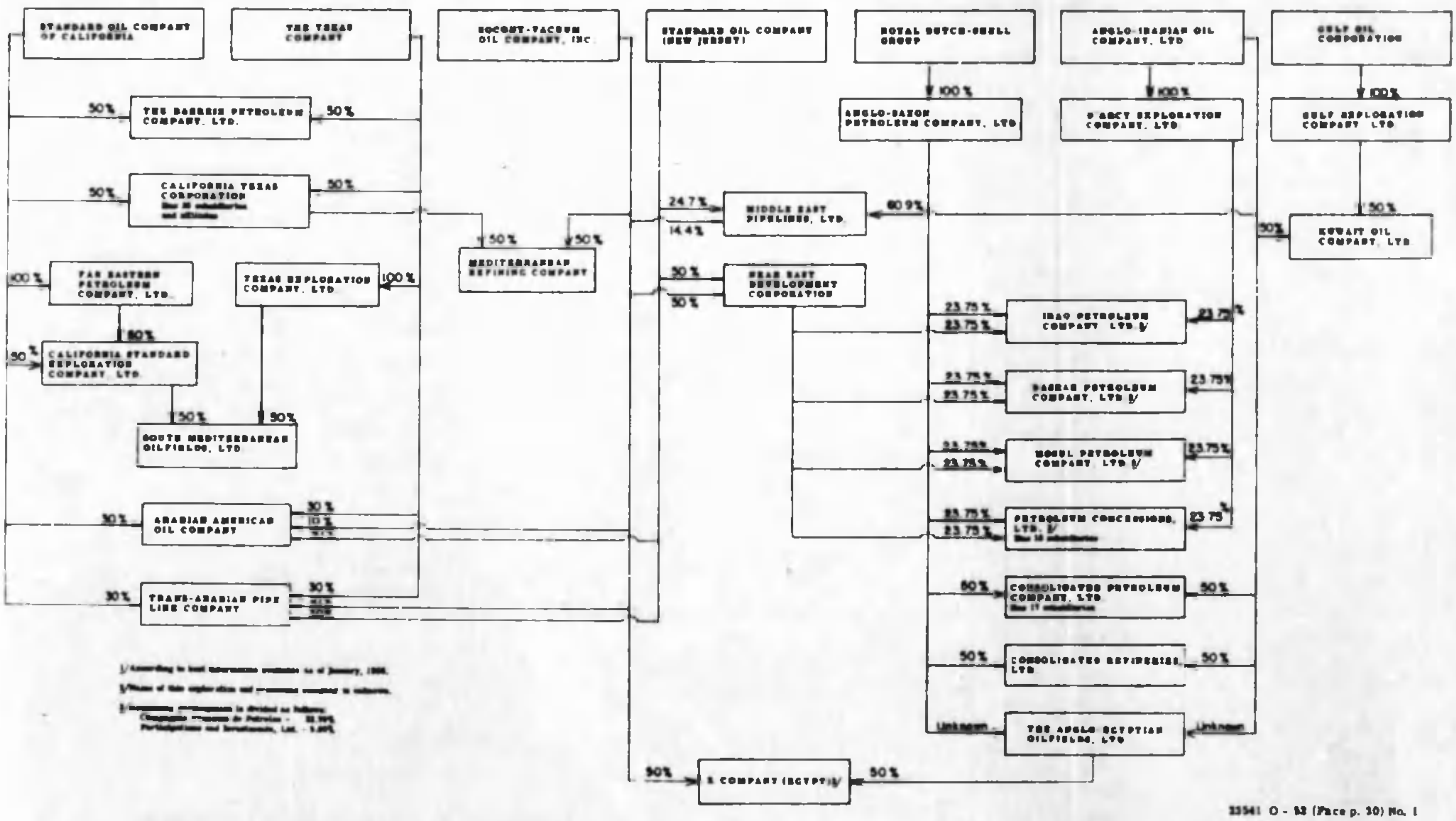
1. I.P.C., op.cit., p. 29.

CHART II

JOINT OWNERSHIPS BY INTERNATIONAL OIL COMPANIES OF SUBSIDIARY AND AFFILIATED COMPANIES IN THE MIDDLE EAST 1/

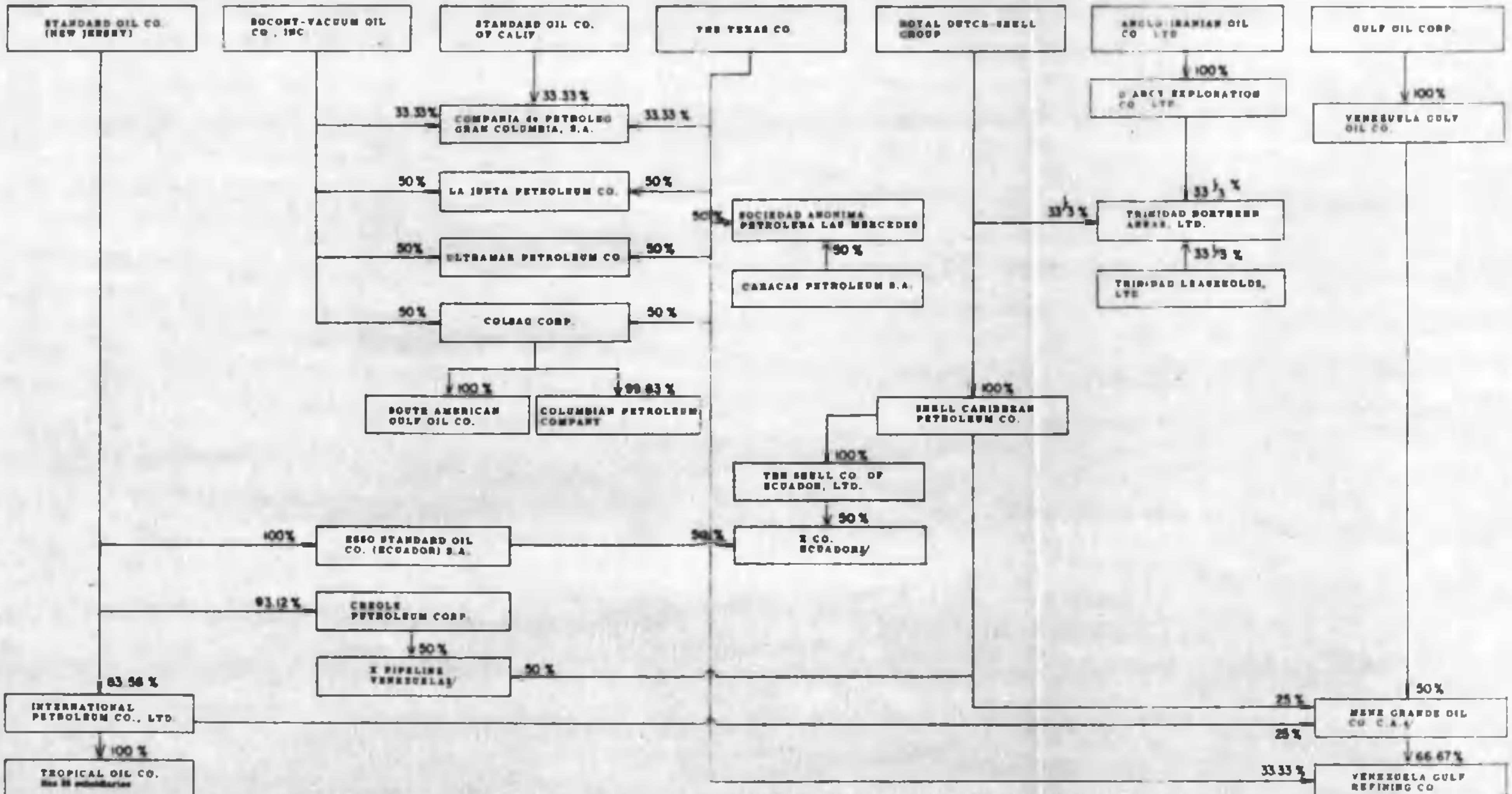


SOURCE: International Petroleum Cartel, f.p. 30.

f.p. 16

CHART III

JOINT OWNERSHIPS BY INTERNATIONAL OIL COMPANIES OF SUBSIDIARY AND AFFILIATED COMPANIES IN LATIN AMERICA 1/



1/According to best information available as of January, 1950.

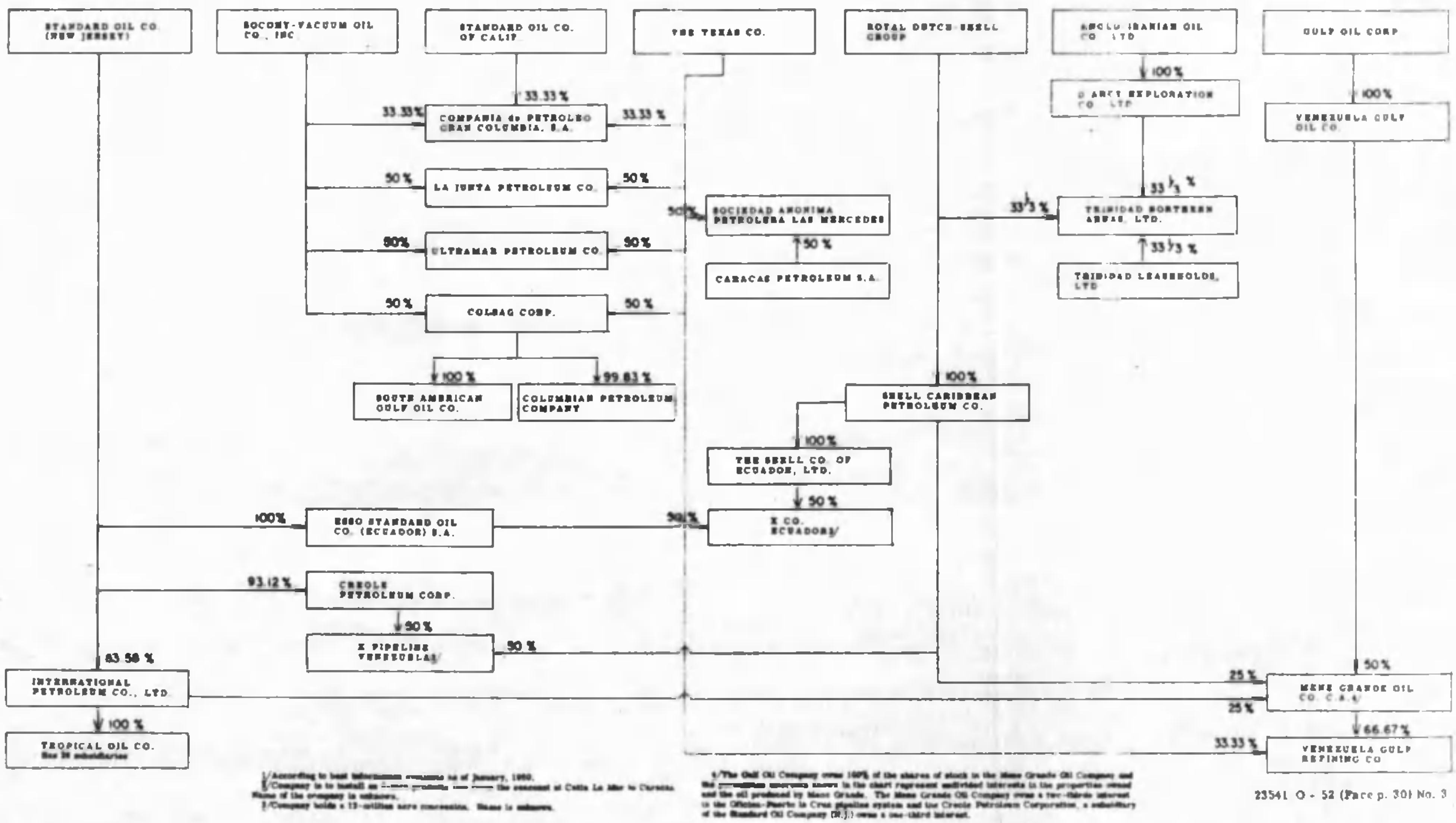
23541 O - 52 (Face p. 30) No. 3

SOURCE: International Petroleum Cartel, f.p. 30 .

F.p.16

CHART III

JOINT OWNERSHIPS BY INTERNATIONAL OIL COMPANIES OF SUBSIDIARY AND AFFILIATED COMPANIES IN LATIN AMERICA 1/



23541 O - 52 (Face p. 30) No. 3

SOURCE: International Petroleum Cartel, f.p. 30 .

f.p. 16

2- Interlocking Directorates:

Direct as well as indirect multiple interlocking directorates brought about the concentration of control in the petroleum industry into fewer hands, and as such rendered the harmonization of oil policies and the warding or ,at least, the adjustment of conflicting oil interests. Through such interlocking directorates three members of Aramco's board of directors occupy the same positions in the Iraq Petroleum Co., some of the directors who draw the policy of the Kuwait Oil Co. are also members in the board of directors of some oil companies operating in the Far East and Venezuela and so on. The extent of interlocking directorates among international oil companies operating in the Middle East is shown in chart IV.

Even in the United States interlocking directorates are also common , for example the directors of Std. of California interlock through intermediate corporations with the Union Oil Co. of California, the Std. Oil Co. (Indiana) and the Continental Oil Co.[1] etc.... as shown in chart V.

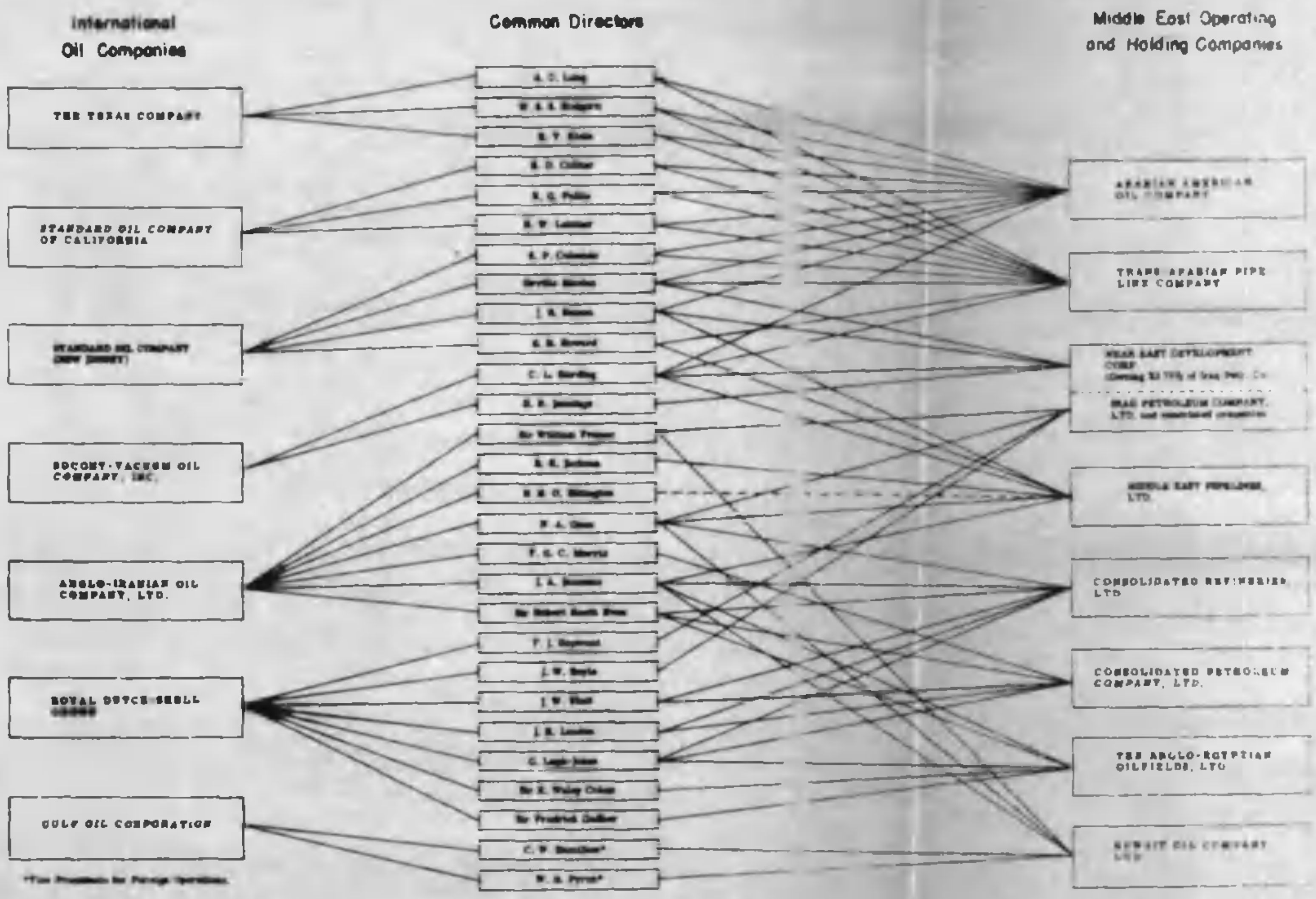
E- THE PRESENT SITUATION

As indicated in this chapter the intense oil competition which took place between major oil companies in 1931 and the adverse effects on prices and net profits created a determined effort on the part of oil producers to regulate international oil production and to control prices. To achieve these ends the representatives of American,British,Dutch and Rumanian oil producers held a conference in Paris in 1932 and an agreements was concluded whereby each producing group was assigned a quota based upon the percentage of its trade in oil foreign markets in 1931;[2] this quota was later ratified whenever the demand for oil increased substantially. In spite of the great distortion and disorganization caused by World War II, the international oil holding companies combined together in " making new plans and agreements for future

1. Ibid., p. 31 .
2. Alfred Plummer, International Combines in Modern Industry. (London: Sir Issac Pitman and Sons Ltd., 1951) pp. 71-72.

CHART IV

INTERLOCKING DIRECTORATES AMONG INTERNATIONAL OIL COMPANIES IN THE MIDDLE EAST [1]



23541 O - 52 (Face p. 32

SOURCE: International Petroleum Cartel, p. 32.

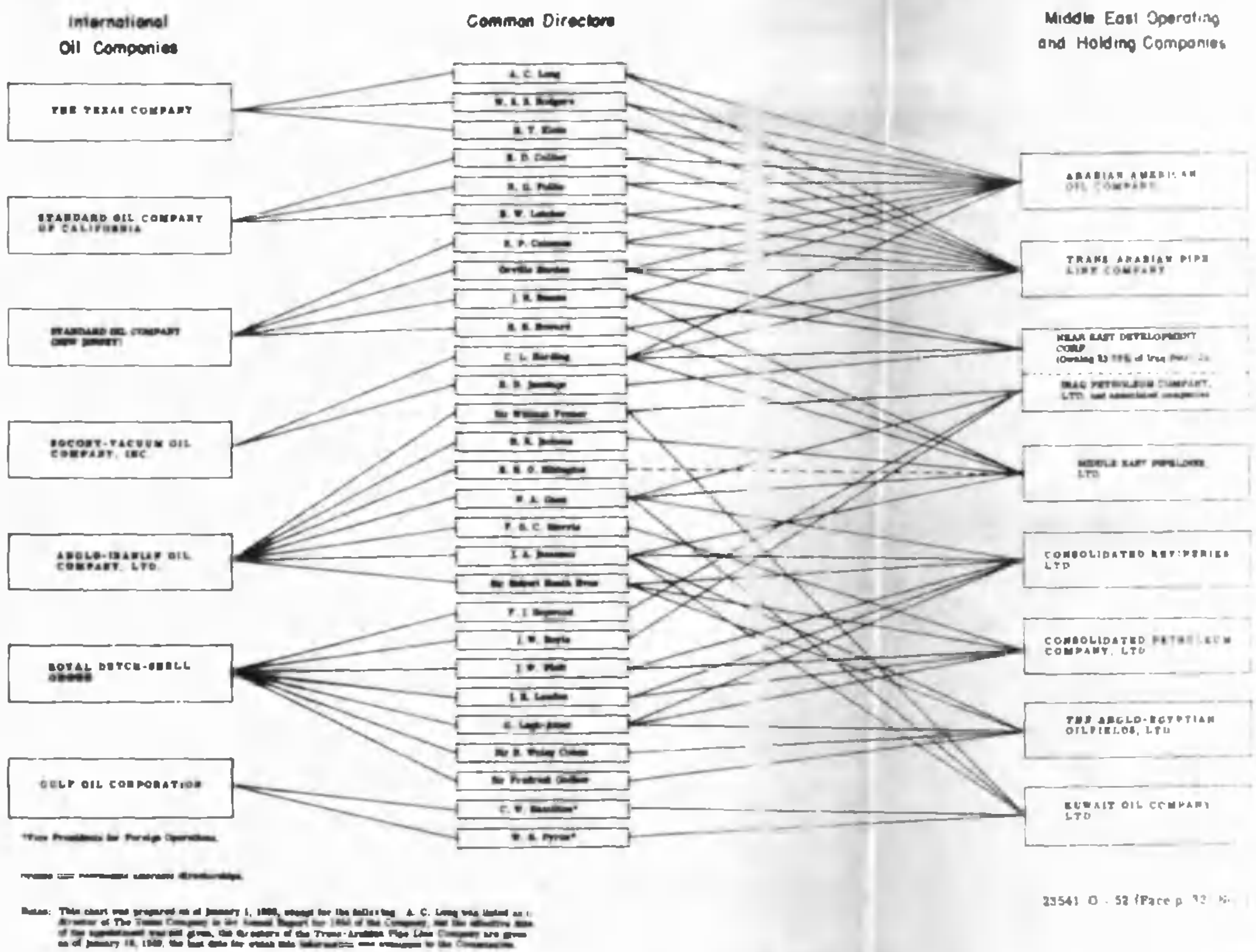
f p 17

Cartel, p. 32 .

f p 17

CHART IV

INTERLOCKING DIRECTORATES AMONG INTERNATIONAL OIL COMPANIES IN THE MIDDLE EAST[1]

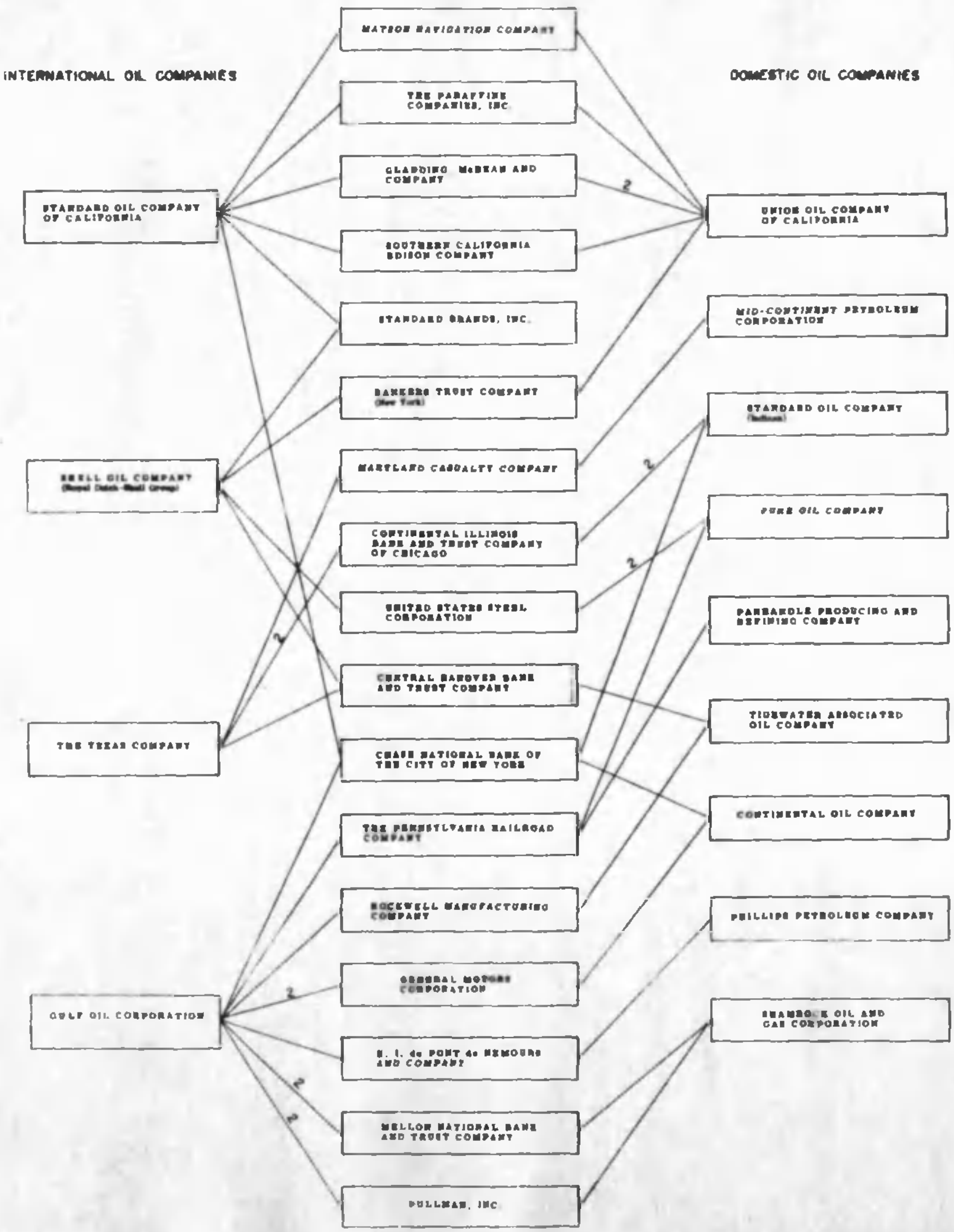


23541 O - 52 (Face p. 32)

SOURCE: International Petroleum Cartel, p. 32.

CHART V

RELATIONSHIPS BETWEEN INTERNATIONAL OIL COMPANIES AND MAJOR DOMESTIC OIL COMPANIES THROUGH INDIRECT INTERLOCKING DIRECTORATES [1]



[1] As of January, 1950

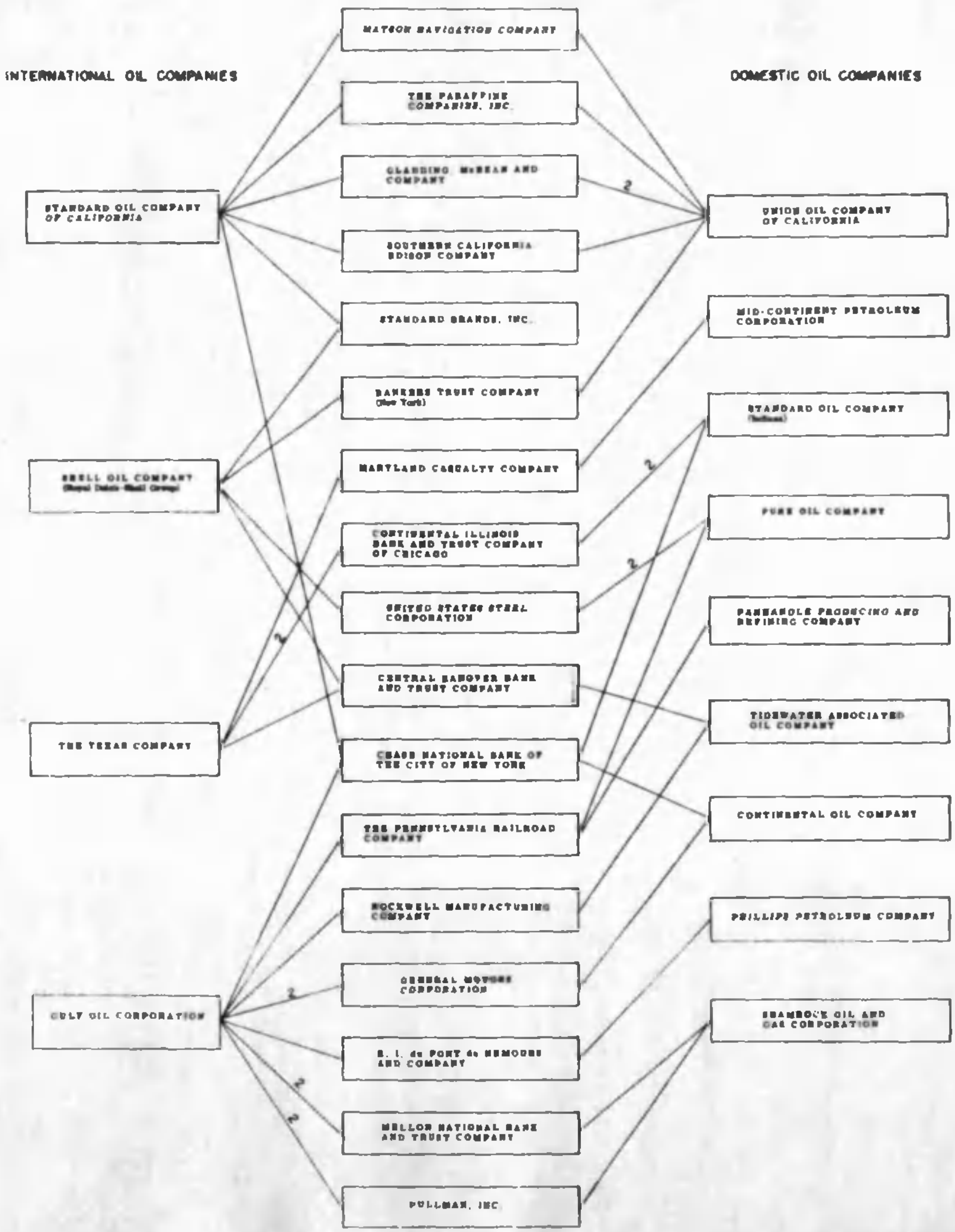
Notes: In cases where there are more than one interlocking directorate, the appropriate number is shown. Interlocking directorates among major domestic oil companies not having important international interests are excluded from this chart. For examples of such interlocks, see the Report on Interlocking Directorates, Federal Trade Commission, 1951, Chapter 13.

23541 O - 52 (Face p. 32) No. 2

SOURCE: International Petroleum Cartel, p. 32 .

CHART V

RELATIONSHIPS BETWEEN INTERNATIONAL OIL COMPANIES AND MAJOR DOMESTIC OIL COMPANIES THROUGH INDIRECT INTERLOCKING DIRECTORATES 1/



1/ As of January, 1950

Note: In cases where there are more than one interlocking directorate, the appropriate number is shown. Interlocking directorates among major domestic oil companies not having important [illegible] interests are excluded from this chart. For examples of such interlocks see the Report on Interlocking Directorates, Federal Trade Commission, 1951, Chapter [illegible].

23541 O - 52 (Face p. 32) No. 5

SOURCE: International Petroleum Cartel, p. 32 .

development especially in the Middle East to which the center of the world's oil industry is tending to shift"[1].

The previous discussion supports the conviction that seven international oil companies through their control over a considerable portion of the world's oil production,reserves, transportation facilities,marketing,refining and cracking capacities have extended their influence over the whole world except the communist countries and the sixteen countries where government oil monopoly is exercised. Furthermore , these companies try to create a sphere of influence whenever oil is discovered, their policy is aimed mainly towards the regulation of output, the maintainance of a certain level of prices and the maximization of their net profits .

Owing to the fact that American,British,Dutch,French and recently German interests are involved through joint ownership ventures,through purchase and sales contracts and through production and marketing agreements, oil companies operating in the Arab world were able to limit production, divide up markets,share territories,fix prices and carry on other activities designed to stabilize markets and control production of our oil. Because the bulk of Arab oil is sold to European countries, our oil gained an international aspect by the intense rivalry for acquiring oil concessions in the Middle East since 1914, which led later to the joint formation of the Iraq Petroleum Co. with four distinct national groups owning it and the participation of American and British interests in all other Arab oil concessions . However, gradually the British lion's share in Middle Eastern oil dropped from almost 100 per cent in 1913 to 78.3 in 1939, to 56.7 in 1946 and 35.3 only in 1955. At the same time U.S. oil share rose from zero befor 1913 to 15.7 per cent

1. Ibid., p. 246.

in that year , to 35.3 in 1946 and later to 58.4 in 1955. French interests amounted to 5.3 in 1955 while the remaining 0.9 per cent is held by Mr. Gulbenkian[1].

The most important reson for the domination of foreign interests over all oil operations in the Arab world are the huge proved reserves estimated at 56 per cent of the world's oil reserves in 1957, the fabulous profits accrued due to many factors to be discussed in Chapter IV, political,economic and social backwardness of Arab countries mainly due to prolonged foreign colonization, the shortage of oil mainly in leading industrial countries where except for the U.S. all other Western world powers possess very little, if any, oil sources at their home countries.

The significance of this control for the purposes of this comperative study is that it enabled operating companies in the Arab world to obtain concessions with very broad terms and immense advantages never known in world petroleum legislation or concessions against few obligations and scanty royalties. It enabled these companies also to fix post prices and costs of production on a per barrel basis arbitrarily, enforce only the policies which maximizes their profits , exploit Arab workers by paying them small wages and a minimum level of working and living facilities and to calculate profits arbitrarily as will be described in details in chapters IV, V, and VI.

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1. Aramco, Middle East Oil Development, 4 th ed. p. 27. March 1956 .

CHAPTER TWO

THE VENEZUELAN HYDROCARBONS LAW, ITS REGULATIONS AND THE LABOUR COLLECTIVE AGREEMENT

The Venezuelan Hydrocarbons law and regulations has become the most important law in the world as concerns petroleum concession legislation , and it defines the terms under which oil companies might operte . Exploitation concessions are granted for a period of 40 years , but a longer concesson period of 50 years is granted for manufacturing, refining and transportation concessions. The area of a prospection concession is limited to 10,000 hectars while exploitation concession to 500 hectars only. The Minstry of Mines issues informal invitations to bid for exploitation and prospection concessions and the successful bidder makes his official application for the concession . The regulations of the Hydrocarbons law defines explicitly the adminstrative and technical procedure relative to the application of the said law .

The Hydrocarbons law imposes surface, production, transportation, basic,graduated surtax and fiscal taxes. Custom duties exemption laws are very narrow and strict which often caused oil companies not to take full advantage of this exoneration. After the deduction of all operation costs* together with the aforementioned taxes,charges and other fees defrayed for services , the residuos net profits on all oil operations are divided equally between the Venezuelan government and the relevant company. Oil revenues received by the Venezuelan government amounted to slightly less than one billion U.S. Dollars in 1956 in contrast to $ 1.23 billion in 1957, these revenues comprised in both years 74 per cent of the Venezuelan government receipts[1].

No concession is to be ceded or transferred to other parties unless the consent of the Federal Executive is

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1. " Venezuelan Oil Industry Payments", World Petroleum Report:1958, (New-York:Mona Palmer Publishing Co. 1958) Vol. IV, pp. 126 and 134.

* Except depletion costs the deduction of which is never allowed .

obtained for such cession or transfer. The Federal Executive has also the right to inspect as well as fiscalize the company's operations and accounts . Any infraction of the legal or reglementary obligations of the concessionaire ,including damages and losses caused to others, shall subject the company to a fine the amount of which is decided by the Federal Executive . In case of disagreement between oil companies and the Minister of Mines, a solution is to be reached through arbitration at pertinent Venezuelan courts if no compromise could be agreed upon.

Labour conditions at Venezuela are excellent and are regulated by collective agreements concluded between oil labour unions and the companies. Agreements now in operation set minimum wages and fix wages for every category of workers and salaried officers , they also provide for the payment of 7 day wage for 6 day work,for a paid annual vacation of 30 days,and for overtime payment as well as housing allowance. These agreements provide also for other matters which are outlined together with the Hydrocarbon law and regulations in this chapter.

A- LAW OF HYDROCARBONS AND ITS REGULATIONS

1- Basic Provisions:

In Venezuela oil exploitation is declared as a public utility and oil concessions are regulated by a law passed in March 1943 and not by exclusive oil concessions. Except for few unimportant amendments made in 1955 the said law is still in operation and it governs all aspects of hydrocarbons substances extraction,production,refining,storage and all other aspects except marketing[1]. Oil prospection,whether geological or geophysical might be undertaken by Venezuelan subjects as well as local and foreign oil companies within the confines of the Venezuelan territory except specified zones of national interest . The National Executive is authorized to grant

1. World Petroleum Legislation: Venezuela, revised by J.S. Mc Clendon in June 1957, (New-York: Mona Palmer Publishing Corporation, 1957) p. 1.

exclusive exploration, production, refining and transportation concessions in accordance with the provisions of this law. Such concessions do not confer ownership of mineral deposits but constitute a right to explore as well as exploit [1].

The national Executive is also authorized to stipulate a special advantage to the nation, i.e. an agreed upon increase in the amount of taxes set forth in this law, and/or an obligation on the part of the applicant to refine extracted products in refineries located within the national territory etc...[2]. In no case, not even through an intermediary, may foreign governments, government corporations and foreign companies not legally domiciled in Venezuela be permitted to acquire oil concessions. The law also stipulates that no concession, whether in whole or in part, by agreement or through transfer might be given to top Venezuelan officials while they are in office such as the president, the ministers, the senators, the deputees, the employees of the Ministry of Mines and Hydrocarbons and others [3].

Four types of concessions might be granted:

1- Prospection in specified lots for an area which does not exceed 10,000 hectars.
2- Exploitation of specified parcels not exceeding 500 hectars each.
3- Manufacture and refining of extracted substances and products derived therefrom.
4- Transportation, refining and storage of extracted substances or products derived therefrom[4].

In case transportation concessions are granted seperately the contracting companies are regarded as a public service and hence should submit for the approval of the National Executive

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1. "Ley de Hidrocarburos", (Herinafter Hydrocarbons Law), Venezuelan Official Gazette extraordinary No. 46 dated March 13,1943, translated into English by Gilbert Grace Cover and published by the Embassy of Venezuela Information Service, Washington, D.C., articles 1 and 2, p. 7 .
2. Ibid., article 5, p. 9 .
3. Ibid., article 6, p. 9 .
4. Ibid., article 7, p. 10.

the schedule of rates to be charged as well as the pertinent conditions for transportation and storage[1]. Lapsed, annulled and renounced concessions, of all types, shall be regarded as free zones and might be granted totally or partially[2].

2- Exploration-Exploitation Concessions:

Exploitation concessions are granted in lots not exceeding 10,000 hectars each, exploratory work might be conducted only for three years during which the concessionaire must survey his lots and subdivide not more than half of them into rectangular production parcels, each not exceeding 500 hectars. The areas which are not selected because no oil was struck in them are considered as " national reserves" and are reverted to the nation.

Theoratically any person might apply for such concessions upon the presentation of a petition locating the area accompanied by a sketch map, however, the practice is that the Ministry of Mines issues informal invitations to bid for the exploitation and prospection of specified lots, and the successful bidder makes his official application for the concession[3].

Concessions are granted after the concession resolution is published in the official gazette provided that no objection to the plan presented is raised during a period of 30 days beginning from the date of the publication of the said resolution.

To safeguard the national interest, the Hydrocarbons law stipulated that " in the granting of these concessions , the Federal Executive shall take special care to avoid, at its discretion, the concentration or grouping of parcels that may result inconvenient (disadvantageous) to the national interest"[4].

Exploitation concessions are granted for a period of 40 years during which the concessionaire acquires exclusive right to extract as well as utilize hydrocarbon substances within the confines of his parcel, and in the exercise of these rights he might construct all necessary buildings, warehouses

1. Ibid., article 8, p. 11.
2. Ibid., article 11, p. 11.
3. World Petroleum Legislation: Venezuela, op.cit., p. 2.
4. Hydrocarbons Law, op.cit., article 22, p. 16.

means of transportation and other facilities including all operations necessary save restrictions as established by this law . It was also stipulated that each time the concessionaire exercises the right of utilization of " all the minerals that are found in the substances exploited, whether found in suspension or in combination, he should notify the Federal Executive for the purposes stipulated in this law, and he shall do likewise when, even though temporarily, he ceases to exercise the right" [1] .

3- Manufacturing and Refining Concessions:

Manufacturing, refining and transportation concessions might be granted apart from exploitation concessions, however, any person or concessionaire engaged in the exploitation of oil might submit to the Ministry of Mines a project for the manufacture, refining and/or transportation of oil accompanied by the relevant plans and descriptive literature. The Ministry of Mines might object to the proposed projects and the applicant should abide by these objections if the said ministry insisted that they should be executed. Besides, the law authorizes concessionaire companies engaged in exploration and exploitation to cede the rights of manufacture and refining to other parties upon obtaining a prior authorization from the Federal Executive [2] .

Manufacturing and refining concessions shall be in force for fifty years subject to extension for like periods while operations continue and at the petition of the interested party [3]. In the exercise of the refining and manufacturing operations the concessionaire enjoys the right to construct adequate reservoirs and necessary facilities [4] .

4- Transportation Concessions:

Basically, transportation concessions are similar to manufacturing and refining concessions and the applicant is expected to follow the same procedure outlined in the preceding section . The duration of transportation concessions is also

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1. Ibid., article 26 , p. 18 .
2. Ibid., article 28 , p. 19 .
3. Ibid., article 29 , p. 20 .
4. Ibid., article 30 , p. 20 .

50 years subject to be extended for like periods. Likewise, the concessionaire enjoys the right to construct all the necessary instalations needed provided that all necessary precautions are taken in the laying of pipelines in the sea, in lakes, in navigable rivers and beaches in order that navigation may not suffer interruption or hinderance[1].

Because pipelines are considered as a public service and common carriers, concessionaires referred to in this section are obligated, whenever their installations have sufficient capacity and without having to establish additional installations, to transport substances and products extracted and produced by others without discrimination at the same rates for all parties in equal circumstances[2]. The aforementioned stipulation however, excludes gathering lines and their auxiliary facilities used by the concessionaire for the exploitation of his own concession. The rates to be charged referred to in this section have to be submitted to the Ministry of Mines and may not be put into effect unless approved and a resolution to that effect is published in the official gazette[3].

5- <u>Taxes:</u>

In addition to the so called 50-50 tax, the Hydrocarbons law imposes surface, production, transportation and consumption taxes. Besides the Venezuelan income tax law imposes a 2.5 per cent basic tax (Cedular Tax), and a graduated surtax (Imperesto Complementario progresivo). Finally there is a fiscal tax of 5-mil gross (per thousand) receipt tax and the import duties [4] as explained hereunder:

Titleholders of exploration-exploitation concessions shall pay an annual surface tax of 2 Bolivars ($ 0.65) for each hectar or fraction thereof of their lots [5]. An initial tax of Bs. 8.00 ($ 2.6) for each hectar or fraction thereof of the area of their respective parcels should be paid by titleholders on the acquisition of a production title[6]. Besides, holders

1. <u>Ibid.,</u> articles 32,33,34 and 35, pp. 20-21.
2. <u>Ibid.,</u> article 37, p. 22.
3. <u>Ibid.,</u>
4. World Petroleum Legislation:Venezuela, <u>op.cit.,</u> p.3.
5. Hydrocarbons Law, <u>op. cit.,</u> article 38, p. 23.
6. Ibid., article 39, p. 23.

of exploration-exploitation concessions have to pay an annual surface tax of Bs. 5 ($ 1.55) per hectar during the first ten years subject to an increase of Bs. 5 every five years thereafter until it reaches Bs. 30[1] ($ 9.3). There is also another exploitation tax - erroneously referred to as royalty- of 16 2/3 per cent of crude oil, natural gas and asphalt sold by the relevant company[2]. This tax might be paid in kind or in cash at the option of the Federal Executive and is assessed on the market sale price in the producing field provided that these prices are at least equal to the minimum prices which run from Bs. 13.2 per cubic meter to 22.95 as shown in the following table:

TABLE 6

MINIMUM PRICES OF PETROLEUM AT FIELDS OF PRODUCTION

Specific Gravities Centesimals	Gravity A. P. I.	Bolivars per Cubic Meter
0,8155 and under	42 and over	22.95
0,8203-0,8160	41-41.9	22.55
0,8251-0,8208	40-40.9	22.15
0,8299-0,8256	39-39.9	21.75
0,8348-0,8304	38-38.9	21.40
0,8398-0,8353	37-37.9	21.00
0,8448-0,8403	36-36.9	20.60
0,8498-0,8453	35-35.9	20.20
0,8550-0,8504	34-34.9	19.80
0,8602-0,8555	33-33.9	19.45
0,8654-0,8607	32-32.9	19.05
0,8708-0,8660	31-31.9	18.65
0,8762-0,8713	30-30.9	18.25
0,8816-0,8767	29-29.9	17.90
0,8871-0,8822	28-28.9	17.50
0,8927-0,8877	27-27.9	17.10
0,8984-0,8933	26-26.9	16.70
0,9042-0,8990	25-25.9	16.35
0,9100-0,9047	24-24.9	15.95
0,9159-0,9106	23-23.9	15.55
0,9218-0,9165	22-22.9	15.15
0,9279-0,9224	21-21.9	14.75
0,9340-0,9285	20-20.9	14.40
0,9402-0,9346	19-19.9	14.00
0,9465-0,9408	18-18.9	13.60
0,9465 and over	under 18	13.20

Conversion Rate 1 U.S. $= 3.09 Bolivars

SOURCE : Hydrocarbons Law, p. 29.

1. Ibid., article 40, p. 23.
2. Ibid., article 41, pp. 23-25.

However, the practice is to levy the said tax in cash and not in kind [1]. With a view to render exploitation concessions more economical, the law authorizes the Federal Executive " in cases where it has been satisfactorily proven that the increasing cost of production, including the amount paid for taxes has reached a minimum that does not permit of commercial exploitation.... the Federal Executive is also authorized to reduce the tax " [2] provided that it might be raised to its original level if the reasons for making that reduction have changed . Furthermore article 42 clearly stipulates that whenever the concessionaire obtains a price higher than those indicated for the calculation of the exploitation tax, he shall pay the nation a tax of 16 2/3 per cent of excess price only if this excess price is due to the presence of substances other than hydrocarbons in the extracted materials . Besides, transportation concessionaires have to pay a tax of 2.5 per cent on their receipts from other parties using their pipelines[3].

The Venezuelan income tax law imposes a basic tax of 2.5 per cent on all types of enterprises including petroleum companies[4]. All taxable income of petroleum exploitation companies is subjected to an additional tax to insure that the nation receives at least 50 per cent of their net income ,In actual practice the government charges in the form of different taxes an overall ratio of about 56 per cent of net profits. According to press sources a new income tax law which raises the government's share from 50 to 61 per cent of net profits was enacted late in December 1958. The historic birth of the profit sharing system dates to 1948 when the Venezuelan government amended its income tax law to make this equal division mandatory. According to this system all the taxes defrayed to the government and described in this section are

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1. World Petroleum Legislation: Venezuela, op.cit., p. 4.
2. Hydrocarbons Law, op.cit., article 41, second paragraph, p. 24 .
3. Ibid., article 44, p. 26 .
4. World Petroleum Legislation: Venezuela, op.cit., p. 5.

deductible together with operation costs before the 50-50 tax is calculated [1].

In 1955 a new law relative to documentary stamps and sealed paper -which are used by oil companies- was issued imposing a 5-mil gross (per thousand) tax [2].

Although relevant customs laws authorize the Federal Executive to grant complete or partial exonerations of import duties on materials and equipments necessary for all operations, many companies do not take full advantage of this exoneration because exempted material have to be carefully guarded anf if sold, given away, stolen or used for any purpose other than that because of which it was exonerated the duty have to be paid. As a result, in some cases the amounts involved in exoneration may not justify the expenses of record keeping or the time necessary to obtain the exoneration permit [3].

By agreement between the central bank and the Ministry of Finance , Bolivars are exchanged by U.S. $ at the rate of 3.09 while the current exchange rate in the market is 3.33 thus making oil companies' Bolivars cost about 8 per cent more [4]. The revenues accrued by the government from this exchange income amounted to U.S.$ 51 million in 1956 [5] .

In addition to all types of taxes established in this section, concessionaires have to pay all general taxes of whatever kind and shall pay also the legal charges, contributions and dues for the services that might rendered to them, i.e. port charges, custom overtime charges, registration fees etc ... but they are not entitled to pay taxes other than those set forth in this section [6] .

6- Complementary Rights of the Concessionaires:

For operations of permanent nature concessionaires enjoy the right of establishing servitudes of temporary occupation , and of expropriation of the lands they might be in need of, but in such cases a judicial easement is necessary and a decree thereof should be issued [7]

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1. Ibid., p. 6 .
2. Ibid., p. 7.
3. Ibid.,
4. Ibid., p. 3 .
5. World Petroleum Report:1958, op.cit., p. 126.
6. Hydrocarbons Law, op.cit., article 46, p. 26 .
7. Ibid., articles 52 and 55, pp. 31-32 .

If the parties involved could not agree on prices or leases, an appraisal is made by two experts one appointed by the concessionaire and the other by the owner or the First Instance Civil Affairs Court. And in case the land owner is dissatisfied with the proposed solution he might resort to competent courts through the usual procedure .However it is clearly stipulated that in no case shall the occupation of lands,houses or gardens be made against the will of their owners or occupants [1] .

Concessionaires enjoy also the right to produce and utilize electric energy for their own work and for the work of others [2] . Likewise concessionaires enjoy the right to utilize the timber and the uncultivable lands lying within the boundaries of their lots provided that they pledge to respect the provisions of the laws of forestry and waters and to pay whatever expences called for in accordance [3] .

7- Complementary Obligations of the Concessionaire:

Concessionaires are obliged to undertake all the necessary measures in order to execute all operations adhering to the technical principles applicable,to protect water horizons which might be discovered, to avoid damage to mines or abandoned wells, to avoid loss or waste of substances produced, to prevent fires, to inform the Minister of Mines regarding all changes which may take place as to the representatives and officials of the company and to submit respective substantiation thereof, to keep records of their accounts in accordance with the administrative and legal provisions and to comply with all provisions applicable to them as contained in the laws,decrees and resolutions without prejudice to the rights they acquired by virtue of their concessions [4] . Concessionaires are obligated to present annual reports containing all concessions held,acquired,transferred or renounced,statements about drilling,refining and transportation

1. Ibid., article 55, special paragraph, p.32.
2. Ibid., article 57, p. 32 .
3. Ibid., article 54, p. 31.
4. Ibid., article 59, pp. 33-35 .

operations, the total amount of taxes paid or owed, the number of labourers indicating their nationality, salary and wage with a report about their living conditions, the medical and educational assistance they receive. Apart from these provisions concessionaires are obligated to submit any information or data, whether verbal or written, which the National Executive requires about the development of the petroleum industry, the geological and geophysical information abut theregion explored or studied [1] . Furthermore, it is clearly stipulated that " Concessionaires must notify the Minister of Mines of any agrrements or contracts other than those of cessions and transfers which they may enter between themselves for the exploitation of their concessions " [2] .

8- Cessions and Transfers :

Concessionaires have the right to cede,transfer or sell their concessions provided that the Federal Executive is notified and only if the assignee is not legally impeded from acquiring such concessions [3] . However a prior permit from the National Executive is necessary when the assignee is already holding 300,000 hectars for exploration and 150,000 for exploitation , and in such cases the Federal Executive may grant it or refuse to do so at his discretion [4] . The assignee acquires by virtue of the concession the same obligations and privileges of the assigner [5] .

9- Inspection and Fiscalization:

The Federal Executive have the full right to :

a- Inspect the works as well as the activities related to oil operations to which the law refers.

b- Fiscalize the operations of the concessionaire and carry out any other function of fiscal inspection authorized by the law .

On the other hand,concessionaires are required to

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1. *Ibid.*, articles 60 and 61, p. 35 .
2. *Ibid.*, article 62, p. 35.
3. *Ibid.*, articles 63 and 65, pp. 36-37.
4. *Ibid.*, article 64, p. 36 .
5. *Ibid.*, articles 65 and 67, pp. 36-37 .

furnish the relevant government officials with ample facilities they might ask for [1].

10- Nullity and Extinction of Rights:

Concession rights become nullified or lapsed if the relevant concessionaire:

a- Did not present the sealed paper and fiscal stamps for concession titles within one month following the publication of the resolution of the Minister of Mines in the official gazette.

b- Did not pay the first annual instalment of the respective exploration taxes within the specified period [2].

c- Did not submit the topographic plans within the time limit and in consonance with article 23.[3] The said time limit might be extended six months provided that the concessionaire pays an additional sum equal to 50 per cent of the initial exploration tax [4].

d- Fails to exploit a parcel during three consecutive years [5].

e- Fails - in the case of manufacturing and refining concessions - to start or finish work within the year following the date fixed therfor in the title[6].

f- Acted as an intermediary for foreign governments or states or corporations dependent upon them or on the behalf of those who are legally prohibited to acquire concessions [7].

g- Expresses renouncement of the parcel in writing,in which event he has to defray the treasury the taxes already due, the concessionaire may however, renounce at any time some or any of his parcels and keep the others[8].

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1. Ibid., article 68, p. 37-38 .
2. Ibid., article 69, p. 38 .
3. Ibid., article 72, p. 38 .
4. "Regulamento de la Ley de Hidrocarburos" (Herinafter Hydrocarbons Regulations), Venezuelan Official Gazette extraordinary No. 46 dated March 13, 1943, translated into English by Gilbert Grace Cover and published by the Embassy of Venezuela Information Service, Washington D.C. , article 57, p. 76 and Hydrocarbons Law, op.cit., article 73, p. 39 .
5. Hydrocarbons Law, op.cit., article 76, p. 40 .
6. Ibid., article 77, p. 40 .
7. Ibid., articles 79 and 83 , pp. 40-43 .
8. Ibid., article 81, pp. 41-42 .

Besides, concessions become extinct on the expiration of the term of their duration in which event the nation shall acquire -in the case of exploitation concessions- without any indemnity, the parcels that had been granted and likewise shall become the owner of the permanent works constructed thereon[1].

The Hydrocarbons law stipulates that concessions might be extended once, within the period between the twentieth and thirty eighth year inclusive in the life of the concession, for a new term not exceeding forty years provided that the conditions for this extension are considered by the Federal Executive as advisable to agree upon. But in no case whatsoever these conditions might be less favourable to the nation than those conditions stipulated in the original concession. It is also stipulated that in the grant of new concessions for parcels already exploited, the relevant concessionaire who do not owe any taxes to the government shall have once the right of preference and the parcel might be granted anew to him[2]. In the exercise of the extinction and nullity rights the concessionaire as well as the nation have the right to take any pertinent legal action under the relevant laws[3].

11- Penalties:

Any infraction of the legal or reglementary obligations of the concession, including cases where damages or losses are caused to the nation, as stipulated in ordinal number 5 of article 59, shall suffer a fine which ranges between Bs. 10,000 and 100. Likewise the refusal of the concessionaire to permit inspection or fiscalization described in article 68, shall subject him to a fine which ranges between Bs. 1,000 and 100 in each case of refusal[4]. The amounts of fines shall be proposed by the Minister of Mines[5], and have to be paid within five days following the issuance of the decision

1. Ibid., article 80, pp. 41-42.
2. Ibid.,
3. Ibid., article 84, p. 43.
4. Ibid., articles 85 and 86, pp. 43-44.
5. Ibid., article 87, p. 43.

unless the concessionaire appeals against the imposition of the fine and gives, at the same time, surety for the payment of the fine when the relevant appeal is definitely decided [1] .

12- Appeals:

Concessionaires may, when they do not accept the decisions of the Minister of Mines including penalties decisions, appeal to the Federal and Cassation Court within ten days [2]. If the concessionaire refuses to accept the decisions of the Federal Executive relative to the execution of the court's decisions he might bring suit befor the aforementioned court within six months . However the Federal Executive have the right to terminate contraversies arising between concessionaires and opposing parties by compromise if deemed expedient [3].

13- Final Provisions:

In order that the petroleum industry be improved and the greatest amount of petroleum produced in Venezuela be manufactured and refined in the national territory,the Federal Executive is authorized to take all the necessary and suitable measures to attain that purpose,and he might accordingly conclude special agreements with the concessionaires for increasing the refining capacity of their plants, installation of new plants,the improvement of the means of transportation without detriment to existing agreements. In exchange for these obligations,concessionaires might acquire all or any of the following benefits:

a- Exoneration or exemption from custom duties levied on materials, implements,installations etc... destined for manufacturing, refining and transportation activities.

b- Exoneration from import duties on crude petroleum imported from outside and destined to be refined in the national territory, and on the raw materials and substances necessary in the process of refining.

c- Special rules and regulations and custom facilities favourable to the concessionaire [4] .

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1. Hydrocarbons Regulations, op.cit., article 129,p . 101.
2. Hydrocarbons Law, op.cit., articles 89 and 90, p. 44.
3. Ibid., article 91, p. 44.
4. Ibid., article 105, pp. 52-53 .

Basic labour statute is the 1936 labour law with its subsequent amendements. While this law requires 75 per cent Venezuelan employees,oil companies are manned almost 100 per cent nationals in the wage earners category. There is a lesser number in the top management category but still substantial to bring average employment to about 90 per cent national . This is mainly attributed to the fact that gradually there has been built up in Venezuela a body of labourers which comprise the best oil workers in the world outside the U.S. from the standpoint of productivity and training [1].

In 1953 the oil workers labour unions concluded separate labour agreements with the 12 oil companies operating in Venezuela . The Ministry of Labour participated in laying the foundations of these agreements which are ,in essence, very similar.However,the Venezuelan Legation at Beirut published in 1956 the provisions of theses agreements in Arabic and called the book " The Petroleum Industry Agreements Concluded between the Petroleum Companies and the Independent Labour Unions in Venezuela in 1953". The most important provisions in the said collective agreements are summarized hereunder:

1- W A G E S

Direct cash earnings of the national oil worker are estimated at U.S. $ 4,500, side benefits bring this sum to 6,000 yearly.Seven days wage is paid for six days work[2] and the minimum wage of an unskilled labourer was fixed at Bs. 18.25 per day ($ 5.47) [3]while the wages and salaries of the skilled and permanent labourers and officials were fixed at certain levels as mentioned in the following two tables. However, it should be noted that the following rates were increased by about 10 per cent in 1956 :

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1. "Labour In Venezuela", <u>World Petroleum Report:1958,</u> No. 4, p. 136 .
2. <u>Ibid.</u>,
3. "<u>The Petroleum Industry Labour Agreements Concluded between the Petroleum Companies and the Independent Labour Unions In Venezuela in 1953</u>", translated to Arabic by Mohammed Saleh Bondak,(Beirut:Kashaf Publishing Company,1956) article 2, p. 13 .

TABLE 7

WAGES OF SKILLED VENEZUELAN LABOURERS

Nature of work	Wage per day in Bolivars
Car driver	29.15
Barman	24.25
Blacksmith category 1	31.65
Blacksmith category 5	22.25
Camp inspector category 1	24.25
Carpenter category 3	22.25
Cook category 3	26.25
Electrical worker category 1	33.85
Mechanical worker category 1	33.85
Fireman category 1	19.25
Labourer category 1	20.25
Labourer category 3	18.25
Nurse category 1	20.25
Plumber category 2	29.15
Equipment worker category 3	24.25
Refinery operator category 3	24.25
Sailor category 1	19.25
Guard category 2	19.25
Wells inspector category 3	22.25

Rate of Conversion : 1 U.S.$ = 3.3 Bolivars .

SOURCE : Petroleum Industry Labour Provisions Regulating the Collective Agrrement concluded between the Petroleum Companies and the Independent Petroleum Labour Unions in Venezuela in 1953, pp. 72-119.

TABLE 8

WAGES OF SOME VENEZUELAN OIL PERMANENT OFFICIALS

Nature of Work	Monthly Salary in Bolivars
Clerck category A	925.00
Clerck category B	780.00
Clerck category C	680.00
Clerck category D	610.00

SOURCE: Same as in table 7, pp. 16-17 .

In case the company requires its workers to work overtime or on Sundays it should compensate them at the rate of 150 per cent of their ordinary wage per hour [1]. And whenever the relevant company is supposed to furnish houses for its workers and fails to do so it should pay 4 Bolivars per day for each worker as a housing compensation [2]. Likewise the time lost in transportation due to the same reason should be compensated on the basis of the worker's ordinary wage per hour[3].

1. Ibid., articles 5 and 6, p. 17 .
2. Ibid., article 7, p. 18 .
3. Ibid., article 9, p. 19 .

2- INDEMNITIES AND DONATIONS

Wherever there is no social insurance program the oil companies pledge to pay the heirs of the worker who loses his life or become disabled permanently while working an indemnity which ranges between Bs. 15,000 and 25,000 [1]. In case a worker submits his resignation he is entitled to receive the ordinary indemnity stipulated in the labour law, however if the company dismisses a worker for reasons other than those indicated in article 31 of the labour law it has to pay him an amount equal to double his ordinary indemnity [2]. Twenty seven days of paid annual vacation are given to workers who served less than five years, twenty nine days for those with a service less than ten years, and thirty days for those who served more than ten years but if a national holiday happened to occur during the worker's vacation it will not be considered as part of it [3]. Pregnent women workers have the right,in cases where there is no social insurance program,to receive 50 per cent of their wages during the last six weeks preceding delivery, and their full wages during the first six weeks following delivery[4]. Sick workers at hospitals are entitled to receive Bs. 10 daily and Bs. 12 during convalescence[5]. Besides, these companies have to establish clinics and health units in the various production and refining centers[6], and to furnish disabled workers with free artificial limbs[7]. These companies must also provide for regular medical examinations for their workers especially those working in furnaces, electrical welding etc ...[8] .

3- PROVISION DEPARTMENTS AND DINING ROOMS

Petroleum companies must establish provision departments at the permanent production and refining centers and ports in

1. *Ibid.*, article 11, p. 21.
2. *Ibid.*, article 15, p. 23.
3. *Ibid.*, article 16, p. 24.
4. *Ibid.*, article 17, p. 25.
5. *Ibid.*, article 18, pp. 25-26.
6. *Ibid.*, article 23, p. 30.
7. *Ibid.*, article 24, p. 30.
8. *Ibid.*, article 25, pp. 30-31.

order to sell their workers various consumption goods a list of which together with their fixed prices was agreed upon between the contracting parties. Representatives of the Oil Labour Unions and the Ministry of Sanitation have the right to inspect the quality as well as the sufficiency of the goods offered for sale. The fixed prices of local goods include the wholesale price and transportation charges, while foreign goods include in addition custom duties and charges. However, it is clearly stipulated that petroleum companies may not include in the sale price either storage or distribution charges undertaken by these companies nor sell at a profit[1]. It is also stipulated that these companies should improve the existing dining rooms and establish new ones whenever the number of workers exceeds 250 for each room, or there is a felt need for such rooms [2].

4- EDUCATIONAL AND ENTERTAINMENT DONATIONS

Sons, brothers, sisters and nephews in nonage (under 21 years) living with the company's worker have the right to get educated freely at the company's schools[3]. Besides, these companies have to present all possible facilities for the worker's social clubs .

5- LIVING CONDITIONS

Oil companies have to spend every mean in their power in order that their labourers may work in good sanitary conditions [4], besides construction of the workers' houses undertaken by these companies must be approved by the Sanitation Ministry[5]. Equipment and tools have to be provided by the company and the time spent in receiving or giving it back is considered as ordinary work and if it takes place outside the regular hours the labourer should be paid on the basis of 150 per cent of his ordinary wage per hour[6]. Daily workers should receive their wages weekly[7] and promotions of labourers have to be based on seniority, capability and technical skill[8]. Besides, it was

1. *Ibid.*, article 27, pp. 30-34.
2. *Ibid.*, article 28, pp. 34-35.
3. *Ibid.*, article 29, p. 36.
4. *Ibid.*, article 34, p. 37.
5. *Ibid.*, article 40, p. 40.
6. *Ibid.*, articles 51 and 52 , pp. 46-47.
7. *Ibid.*, article 62, p. 58 .
8. *Ibid.*, article 56, p. 48 .

agreed that the wage rates schedule is a part of this agreement and these wages may in no case be reduced. And if need calls for new kinds of jobs, their wages have to be determined in agreement with the relevant labour unions [1] .

6- RECONCILIATION PROVISIONS

Any types of disagreements or disputes arising between the workers or their unions on the one hand, and the oil companies on the other hand have to be solved by the labourers chief , failing that the case is transferred to the company's representative to be solved within three days and in case of his failure the case is transmitted to the section's administrator who is supposed to solve it within four days or to transmit it to the relevant labour specialist of the section in order to either solve it or submit it to the labour court through usual procedures[2] .

7- LABOUR UNIONS PRIVILIGES

Labour unions have the right to receive the workers' subscription directly from the company[3]. Oil companies pledge to help oil labour unions and especially to furnish offices for meetings, grant the workers who resign in order to occupy various posts in the petroleum labour unions double their ordinary indemnity, give a paid vacation of one year for those workers elected for various posts in the said unions, such as secretaries elected for one year, without losing any of their rights as company's workers[4].

8- FINAL PROVISIONS

Petroleum companies are obligated to submit to relevant labour inspectors an additional copy of labour accidents reports[5] . Besides, it is stipulated clearly that the purpose of this labour agreement is to promote as well as create good

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1. Ibid., article 64, p. 51 .
2. Ibid., article 65, p. 53 .
3. Ibid., article 71, p. 57 .
4. Ibid., articles 73,74 and 75, pp. 59-61 .
5. Ibid., article 77, p. 62 .

and friendly relationships between the labourers and their labourers and their employers [1]. The term of this agreement was fixed at three years, after which it might be renewed for like periods, ratified or replaced by a new agreement[2] .

In Venezuela there are strong labour unions closely supervised by the government . The said collective contracts defines labour conditions for a considerable period of time, and the latest was signed in 1956 covering the 1956-1959 period[3].

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1. Ibid., article 78, p. 63 .
2. Ibid., article 82, p. 66 .
3. " Labour in Venezuela", World Petroleum Report:1958, op.cit., p. 136.

C H A P T E R   T H R E E

PRODUCTION OIL CONCESSIONS IN THE ARAB MIDDLE EASTERN COUNTRIES

This chapter is devoted to a brief and exact description of Arab oil production concessions of Kuwait,Saudi Arabia, Iraq,Qatar,Bahrain and the United Arab Republic especially those provisions bearing directly with the comparison of Venezuelan and Arab concessionaire obligations. Among the important provisions emphasized are : area of concession, its duration,dead rent, proceeds,inspection and fiscalization, minimum production requirements,number of national directors, nullity and cancellation,political provisions,refining obligation,ratification and arbitration stipulations.

A- K U W A I T

Kuwait is a tiny country of an area of approximately 6000 sq. miles, which is roughly the size of New Jersey state, and has a population of about 300,000 subjects. Kuwait was created by Great Britain and was wedged in so diplomatically between Iraq and Saudi Arabia in order to grab its oil treasure, 25 per cent of the proved crude oil reserves of the whole world, and to place it directly under her control.

Kuwait first oil well was discovered in 1936 at Bahara, other wells drilled were promising but operations were suspended in 1942 due to the compelling conditions of World War I to be resumed in October 1945, commercial shipments at the rate of 30,000 b/d began in June 1946 .

Kuwait's oval shaped Burghan field which covers 135 sq. miles is probably the biggest single oil field in the whole world . After Venezuela, Kuwait is considered the second oil exporting country and is expected to become the first during the next ten years for it has more oil per square foot than any other oil area in the world, and it encompasses the world's biggest concentration of oil reserves. Most of

Kuwait's oil is found in a strata which varies between 3500-5000 feet in depth, the average specific gravity of Kuwaiti oil is about 31.5° API. Kuwait's oil reserves are not yet estimated precisely but they are believed to range between 50 and 60 billion barrels and probably more. On the basis of 50 billion barrels Kuwait possesses slightly less than one quarter of the world's proved oil reserves of 1957.

Kuwait's wealth made Arabian nights dreams of fantastic wealth come true , the only difference is that this wealth is in the form of black and not yellow gold.

The history of oil concessions in Kuwait begins with the efforts of Major Frank Holmes, the representative of a British oil company called "The Eastern and General Syndicate Ltd" ; although Holmes did not obtain a concession he sold an American oil company called "Gulf Oil Corp. " any future rights his company might obtain .The British government -basing on its 1898 treaty with Kuwait which stipulated that no portion of Kuwait might be ceded or leased without her consent, and which was later reinforced by the 1913 agreement whereby the Sheikh agreed to show oil signs only to British observers and never to give an oil concession to any but persons appointed by the British-, stopped Gulf from obtaining a concession [1]. Several years later and through the intervension of the American State Department [2] a compromise was reached "... after two years of dragging negotiations, the two companies decided to apply jointly for the concession. An agreement between them on December 14, 1933 provided for the formation of a Kuwait Oil Co. to be financed and administered equally by the two groups" [3].

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1. " World Petroleum Legislation:Kuwait",(New-York: Mona Palmer Publishing Corporation,1957),p. 1 .
2. Raymond Micksell and Hollis Chenery, " Arabian Oil: America's Stake in the Middle East ",(New-York: The University of North Carolina Press,1949),pp. 55-56.
3. Stephen Hemsely Longrigg, " Oil in the Middle East", (London: Oxford University Press,1954), p. 111. Namely British Petroleum Ltd. and Gulf Oil Corp.

It was also stipulated that neither party will dispose of its interest therein without the consent of the other, besides both parties pledged to abstain from actions damaging each other's marketing position, and that production of oil should be to an extent demanded by either party. Basing on this agreement the Kuwait Oil Co. was formed in February 1934 with its headquarters in London and although the supervisory staff contains both Americans and British,the proportion of the British outnumbered the Americans by 14 times in 1952 [1] .

Kuwait's annual production of oil amounted to 57.3 million metric tons in 1957 [2], and basing on its production figures in the first half of 1958 its annual production is expected to rise to 67 million tons in 1958 [3]. Its proved reserves were estimated at 50 billion barrels [4] or about 7143 million metric tons approximately[*] .

1- Kuwait Oil Company Ltd (KOC) Concession- 1934:

Oil operations and exploitation at Kuwait are governed by the KOC concession concluded on December 23,1934 with the Sheikh of Kuwait, and later revised in December 1951 to the familiar 50-50 profit split formula already founded in Venezuela.

Because " The original Kuwait concession is the only one of the Middle East which has never been available in its complete original form" [5], whatever information relative to this concession have to be derived from bits of news contained in Kuwait's official gazette and other secondary souces. However, it is reported that this concession covers the whole area of Kuwait namely 6000 sq. miles except the islands of Kulor,Qaru,Um-al Maradim and the territorial waters of these islands. Its term is 75 years while the initial payments were Rupees(Rs) 470,000 and the dead rent amounted to Rs

1. Ibid., p. 111 and 220 .
2. P.P.S., " Crude Oil Production", Vol. XXV, No. 8, p. 320 , August 1958 .
3. World Petroleum Report:1958, " World Functional Division of Major Petroleum Data:1957", p. 14.
5. A letter dated January 3,1958 sent to the writer by Mr. Barrows editor of the World Petroleum publications.

*. Each Metric ton is calculated henceforth to be equal to seven American barrels approximately.

95,000 and a royalty of Rs. 3 per ton with an annual minimum revenue of Rs. 250,000 were agreed upon [1]. Since KOC was exempted from general taxes, a tax of ¼ of a Rupee per ton of oil produced was imposed . All these royalties and taxes amounted to about 13 U.S. cents per barrel over the decade following 1938,but after the Sterling pound was devaluated in 1949 and since all payments to Kuwait are made in Sterling the said ratio declined to 9 cents only [2] .

KOC is owned equally by D'Arcy Kuwait Co. - a subsidiary of the British Petroleum Co. Ltd- and the Gulf Kuwait Co. with each company appointing three directors [3].

2- Kuwait Oil Company Revised Concession- 1951:

In 1951, the provisions of the original concession were revised to bring it into line with other concessions in the Middle East and although its complete official text was not released, the following provisions are known: [4]

a- The sharing of net profits by the addition of a special income tax which raised the government share to 50 per cent of the company's net income before the deduction of foreign taxes. In the calculation of the net income the following are deductible from the gross profits: costs of production -including exploration,drilling,and development costs- depreciation,depletion,obsolescence costs and all other taxes- except foreign taxes- payable through the year such as royalties, levies,duties and rentals. All payments are made in Sterling pounds in quarterly installments.

b- The extension of the term of the original concession for 17 years until December 22, 2026 .

c- The company pledged to train Kuwaiti workers, and to make substancial financial contribution to the costs of higher

1. Kuwaiti Publications Department, " Al Kuwait Al Yaoum", (Kuwait's official Gazette), (Kuwait, Government Press), No. 124, dated May 19,1957, pp. 4-5 .
2. World Petroleum Legislation:Kuwait, op.cit., p. 1 .
3. Ibid., and Al Kuwait Al Yaoum, op.cit., No. 173, dated May 11, 1958 , p. 6.
4. World Petroleum Legislation:Kuwait, op.cit., pp. 2-3.

education of Kuwaiti students abroad [1].

d- The revision of this concession if more favourable terms were granted to any of the other Middle Eastern countries.

e- The provision -according to press sources- for a minimum payment of five million Sterling pounds in the event the company ceases production entirely .

According to press sources, the Kuwaiti government presently receives its share of profits based on full posted prices minus a discount of 7 per cent which consists of an incentive discount ranging from 8.5 per cent on production between 20 and 50 million tons yearly to a minimum of 5 per cent on the entire production. An additional 2 per cent discount is given for a type of brokerage allowance, thus making the total discount 7 per cent on the entire production [2].

KOC concluded two long run marketing contracts, the first with Shell Group and covers 1.25 billion barrels of crude oil over a period of 22 years and the second with Socony Mobil and Standard of New Jersey and covers 1.3 billion barrels of crude (800 million for Standard and 500 for Socony) over a period of 20 years on the basis of " price on cost plus" whereby to the cost of production is added a fixed profit per unit [3].

The profit sharing arrangement is based on the addition of Gulf's production costs with Shell's costs of marketing, transportation and refining and subtracting same from the amounts received from sales and the result is divided 50-50 between the company and the ruler of Kuwait [4].

3- <u>American Independent Oil Company (Aminol) Concession- 1948:</u>

The Neutral Zone's oil was the first in the Middle East to be exploited by the so called independent oil companies, - which are not incorporated or linked by major international oil companies -, one of which Aminol obtained a concession in

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1. Fanning, op.cit., pp. 120-121 .
2. World Petroleum Legislation: Kuwait, op.cit., p.3.
3. World Petroleum Report: 1958, " Kuwait's Oil Law Summary, Vol. IV, p. 150 .
4. Ibid..

June 28,1948 from the ruler of Kuwait covering for 60 years his undivided half interest in Saudi Arab-Kuwaiti Neutral Zone[1] including islands and territorial waters . Reportedly the terms include a down payment of U.S.$ 7.5 million in cah,a minimum annual royalty of $ 625,000 whether oil was discovered or not,[2] a royalty of $ 2.5 per ton produced[3] and a 15 per cent interest in the company. Aminol together with the American Pacific Western Oil Corp. which obtained a concession covering Saudi Arabia's half share in the zone , worked in agreement and began prospecting in 1949 and struck oil in 1953 and by 1954 oil was conveyed by pipes to the loading port of Kuwait[4]. The annual production of the Neutral Zone amounted to 3.5 million metric tons in 1957 while its proved reserves were estimated at 500 million barrels or 72 million tons approximately [5],

4- <u>The Arabian Oil Company Ltd (AOC) Offshore Concession- 1958:</u>

Early in 1958 the ruler of Kuwait granted a concession to AOC formed by a group of Japanese industrialists; this company pledged to commense exploration within six months and to dig its first well within two years, and if no oil was struck within 4.5 years the ruler of Kuwait may cancel this concession,but if oil was found a concession covering for 44.5 years[6] Kuwait's half share in the offshore area of the Neutral Zone will be granted within the following stipulations:

When production of oil reaches a commercial level - defined 30,000 b/d for 30 days- AOC is obligated to engage in refining,transportation and marketing activities and should accordingly build a refinery at Kuwait , and when production increases to 75,000 b/d it should increase the refining capacity of the said refinery to become capable of refining not less than 30 per cent of total annual production [7]. In addition to the payment of an initial rental of $ 1.5 million per annum

1. *Ibid.*, p. 366 .
2. Benjamin Shwadran, " *The Middle East Oil and the Great Powers*", (New-York: Praeger Co., 1955) p. 93.
3. Alfred M. Leestone, " *Magic Oil*", (Dallas : Juan Pablos Books Co., 1951) p. 93 .
4. *Ibid.*,
5. *Newsweek*, " Flow of Oil", Vol LII, No. 4, p.23, July 28, 1958 .
6. *Al Kuwait Al Yaoum* ," Offshore Oil Concession", No. 181, July 13, 1958 , article 2, p. 2.
7. *Ibid.*, article 5, p. 3.

together with an additional back dated rental of $ 1 million[1] - to be paid upon the discovery of oil-, AOC have to pay also a royalty tax and make up payments amounting not less than 57 per cent of the production net profits including marketing profits charged on Kuwait's 50 per cent share of oil produced[2] calculated at the basis of posted prices and at the level of Arabian Gulf crude prices[3]. The profit rate might rise above 57 per cent if exploration expenses were at a high rate because the company's activities were divided for accounting purposes into two phases:

a- Production and sale of oil.

b- Refining,transportation and marketing of oil .

Accordingly any losses incurred on one phase will not affect the amounts payable to the company as profits earned from the other phase[4]. AOC guaranteed a minimum revenue of $ 2.5 million per annum, besides unlike the similar Saudi Arabian agreement , it was stipulated that a bonus of $ 5 million should be paid when production reaches a level of 50,000 b/d [5]. Moreover, the Kuwaiti government is entitled to receive a royalty of 20 per cent of crude oil, natural gas and asphalt produced in kind or in cash at its discretion[6], All payments to the government were to be made in U.S. Dollars.[7]

Upon the discovery of oil in commercial quantities, the Kuwait's ruler is entitled to subscribe at par value up to 10 per cent of the capital stocks and another 10 per cent at the issue price whenever subsequent capital stocks are issued . Besides, his Highness is entitled to appoint one sixth of the board of directors with a minimum of two, and one half the members of the purchasing committee established to supervise the company's purchases[8].

1. Ibid., article 6, pp. 3-4 .
2. Ibid., articles 4 and 7, pp. 3 and 4-5 .
3. Ibid., artcle 8, p.5.
4. Ibid.,
5. P.P.S., " The Neutral Zone to the Japanese Group", Vol. XXV, No. 6, p. 207 , June 1958.
6. Al Kuwait Al Yaoum, " Offshore Oil Concession", No. 181, article 6, pp. 3-4.
7. Ibid., articles 7 and 34, pp. 4-5 and 13.
8. Ibid., articles 11 and 15, pp. 7 and 8-9.

AOC undertook also, when production reaches a certain level, to erect as well as maintain, at its expense a research institute for the study of Kuwait's natural resources and water supply and other aspects of its economic potentialities [1]. Provided that equal terms are offered, AOC will give priority to Kuwaiti tankers[2], besides government consent should be obtained in the transfer of this concession to other parties[3].

In addition to these stipulations the company undertook to sell Kuwait's ruler 10 per cent of its total oil production for local consumption requirements at a discount of 5 per cent and another 10 per cent to friendly Arab countries[4]. It pledged also neither to sell oil to countries which are hostile or unfriendly with Kuwait nor to grant any rights acquired through this concession, directly or through an intermediary, to any foreign government or government corporations, and to give priority of purchase of provisions and goods to Kuwaitis or other Arabs on the same sale terms as given to general buyers[5]. AOC undertook to adhere to the best applicable technical procedures in all operations, and not to commense extraction of oil from wells unless the government representative is convinced that the relative well was dug and will be operated according to the best technical procedures applicable in the oil industry. The company is also obligated to consult the Sheikh regarding the amounts of crude that should be extracted from every well in order to insure that the maximum amount that can be extracted is being produced without delay [6].

Quarterly reports relative to the quantities produced should be submitted together with an annual report which should include statistics relative to the level of production, the amount of taxes paid, the revenues and profits assessed, detailed information about prospection, refining, transportation and production operations, the number, nationality, wages and

1. _Ibid._, article 28, p. 12.
2. _Ibid._, article 19, p. 10.
3. _Ibid._, article 26, pp. 11-12.
4. _Ibid._, article 11 and 31, pp. 7 and 13.
5. _Ibid._, article 11, 19 and 31, pp. 7,10 and 13.
6. _Ibid_., articles 3 and 16, pp. 3 and 9 .
7. _Ibid._, articles 10 and 16, pp. 6-7 and 9 .

salaries of workers and officials , sanitary,educational ,and social donations granted to workers [1]. Geological and technical reports relative to exploration and production operations should be submitted to the government which pledged to treat it as secret information[2].

AOC have the right to build whatever buildings and works it needs, and to use freely soil and other building materials available at the government lands, likewise it possesses the right to expropriate freely the government's uncultivated lands [3]. All the company's imports , including imports of the company's personnel ,building materials used in the ocnstruction of houses,foodstuffs and drugs might be imported freely and if sold as second hand, a sale's premium is to be charged [4]. The ratio of Kuwaiti employees to others should be at least 70 per cent of the total labour force working within Kuwait and the Neutral Zone, and 30 per cent of the employees working outside the said regions. If this ratio cannot be maintained efficiently by Kuwaitis , priority is given to subjects of the Arab States and other friendly nations respectively, but in no case officials might be employed against the will of the Kuwaiti government which possesses also the right to ask any official who does not abide by the laws to leave Kuwait [5].

AOC is expected to build proper houses for its workers and employees,and to provide for medical care as well as to establish clinics and health units [6], likewise it undertook to build houses, prepare offices and buildings for the government's telephone,post and public security officials , mosques, water and lighting facilities,bathrooms,provision departments and roads in all the company's quarters [7].

Upon the expiry of the term of the concession all the permanent works of the company shall become freely the property

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1. Ibid., articles 10 and 16, pp. 6-7 and 9.
2. Ibid., article 16, p. 9 .
3. Ibid., articles 14 and 17, pp.8 and 9-10.
4. Ibid., article 18, p. 10.
5. Ibid., article 21, pp. 10-11 .
6. Ibid., Ibid.,
7. Ibid., article 27, pp. 11-12 .

of the Kuwiti and Saudi Arabian governments, AOC's works outside Saudi Arabia,Kuwait and the Neutral Zone shall either become the property of the said two governments upon the payments of 43 per cent of its estimated value, or might be ceded to the company if the latter pays to the two governments 57 per cent of its estimated value [1]. Transfer of concessionaire rights by the company to others necessitates the prior consent of the Kuwaiti government, but the company possesses the right to cancel the concession upon the presentation of 180 days prior notification [2].

AOC is obligated to keep exact as well as authentic its records and accounts and to present same to government inspectors who have the right to inspect and fiscalize the company's operations and accounts [3]. Provided that equal terms are offered ,the company have the priority to extend the term of its concession [4]. AOC undertook not to interfere in the Sheikhdom's political and religous affaire [5]. Disputes arising between the contracting parties should be solved by mutual agreement or underestanding, failing this each party should appoint one arbitrator and in case of their failure one arbitrator is to be assigned by the head of the International Court of Justice whose resolutions were to be final.[6] The same provision applies also to ratification provisions of this concession if need calls for such ratifications .

The concession might be cancelled if the company failed to fulfil its obligations , or if it did not comply with arbitration procedures and decisions except in periods of " force majeur ", but in no case should the Sheikh terminate this concession arbitrarily [7]. Furthermore , it was stipulated

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1. Ibid., articles 23 and 25 , pp. 11-12.
2. Ibid., articles 24 and 26 , pp. 11 and 12 .
3. Ibid., articles 16 and 35 , pp. 9 and 13 .
4. Ibid., article 37 , p. 13 .
5. Ibid., article 31 , p. 13 .
6. Ibid., article 33 , p. 13 .
7. Ibid., articles 30 and 33, p. 13 .

that if in the future a neighbouring Middle Eastern country concludes an agreement in which oil royalties were to be increased over those set forth in this concession, Kuwait have the right to request similar increases [1].

One fifth of the unexploited area should be relinquished three years after the discovery of oil and a further one fifth every five years thereafter [2]. The English text and not the Arabic one should prevail in case of discrepencies between the two texts [3].

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1. Ibid., article 38, p. 13.
2. Ibid., article 13, p. 7.
3. Ibid., article 40, p. 13.

B- S A U D I   A R A B I A

The area of Saudi Arabia is over 800,000 sq. miles while its existing population is estimated to range between 6 and 9 million. The country consists of the Hijaz plateau and barren deserts dotted with oases which are visited by the Bedwins who live there whenever water and grass are available . Saudi Arabia's resources are very meager except oil which constitutes the only dependable source of income for both the government and the people .

The discovery of oil in Bahrain and Kuwait encouraged oil companies to seek a concession in Saudi Arabia, and in 1933 three companies were competing for a concession, Eastern and Central Syndicate Ltd. represented by Major Frank Holmes, Iraq Petroleum Co. represented by Stephen Longrigg and Standard of California represented by Mr. Twitchell . Holmes knowing that before applying he should defray to the Saudi Arabian government £ 6000 being the amount due from his 1923 concession, left Jeddah. IPC was not ready to consider the payment of more than £ 10,000 as a lump sum on account of future royalties while the Saudis insisted on £ 100,000 which was paid by the successful bidder California Standard which obtained a concession on May 29, 1933. After few months , the said company transferred its concession rights to the California Standard Arabian Co. (CASCO) [1] which upon the discovery of the first commercial oil field at Damam in October 1938 concluded a supplementary agreement with the Saudi Arabian government on May 31,1939. The text of these two agreements is outlined in some details in the following section. CASCO was renamed in 1944 Arabian American Oil Company (Aramco)[2]. And owing to the extension of its works and the need for heavy expenditures, an agreement was concluded in 1947 between the California Standard , Texas Co. and Standard Oil of New Jersey and

1. Ministry Of Finance of Saudi Arabia, " Oil , its Derivatives and Minerals Exploitation Agreements", (Holy Mecca: Government Press, 1940), p. 23.
2. Longrigg, op.cit., p. 34 .

Socony Mobil Oil Co. , whereby the first three were to acquire 30 per cent each of Aramco's shares while Socony will acquire the remaining 10 per cent [1]. Saudi Arabia's annual oil production amounted to 49.5 million tons in 1957 [2] while its proved reserves were estimated in the same year at 45,000 million barrels[3] or about 6430 million tons .

1- Standard of California Concession- 1933 :

An oil concession was concluded on May 29,1933 between the Saudi government and California Standard covering for 60 solar years [4] all eastern Saudi Arabia as far west as Dahana and the area lying between Southern and northern borders including islands,territorial waters and offshore area[5]. The company undertook to advance firstly an initial loan of £ 30,000 (gold) or its equivalent during 15 days after this agreement is put into effect [6], secondly a loan of £ 20,000 within 18 months [7] and thirdly to pay an annual rent of £ 5000 (gold) [8]. These loans were not recoverable unless the concession is cancelled, but are deductible from future royalties [9].

The company agreed to surrender the plots of lands which after being explored were not to be used henceforth, however, the company reserved its right to use these plots only in case they facilitate transportation [10]. Furthermore, the company undertook to advance to the government upon the discovery of oil a loan of £ 50,000 (gold) and another to the same amount one year later, both loans were to be deducted from future royalties [11].

1. Micksell, op.cit., pp. 55-56 .
2. P.P.S., " World Crude Oil Production ", Vol. XXV, No. 8, p. 320, August 1958 .
3. World Petroleum Report:1958 , " World Functional Division of Major Petroleum Data:1957, Vol. 4, p. 14.
4. Saudi Arabian Ministry of Finance,"Oil its Derivatives and Minerals Agreements. Arabian- Standard of California Oil Agreement of 1933, (Holy Mecca: Government Press 1940) article 1, p. 5 and article 33, p. 18 .
5. Ibid., article 2, p. 5 .
6. Ibid., articles 4 and 18, pp. 6-12 .
7. Ibid., article 6, p. 6 .
8. Ibid., article 5, p. 6.
9. Ibid., article 7, p. 7.
10. Ibid., article 9, p. 7.
11. Ibid., article 11, p. 8 .

The company was obligated to start operations not later than the end of September 1933 [1], and if oil extraction was not commenced within three years the Saudi Arabian government is entitled to cancel the concession [2]. Excluding petroleum substances used by the company in its operations and the amounts given freely to the Saudi Arabian government, the company was required to pay a royalty of 4 gold shillings per ton produced or, at the company's choice, one $ plus the difference in the market value of 4 gold shillings minus 10 cents [3]. In case the company extracts, stores or sells any kind of natural gases it should pay the government a royalty equal to $\frac{1}{8}$ of sales receipts thereof [4].

Government employees and inspectors have the right to inspect the quantities of petroleum substances and natural gas produced as well as to fiscalize the company's accounts provided that the government considers this information, except those destinated for public release, as secret[5]. The company pledged to erect a plant for refining a quantity of gasoline and kerosine sufficient for the ordinary needs of the government - which does not include local consumption requirements-, likewise it pledged to give the government freely an annual amount of 200,000 gallons of gasoline and 100,000 of kerosene [6]. Implements and installations necessary for all operation purposes might be imported freely provided that they are not sold within the kingdom, and if sold as second hand the corresponding custom duty should be defrayed . The company was exempted from all levies, direct as well as indirect taxes [7] and it possessed the right to construct all necessary facilities and is entitled to use for this purpose the soil, timber and other building materials available in its territory [8].

1. <u>Ibid.</u>, article 8, p. 7 .
2. <u>Ibid.</u>, article 10, p. 8 .
3. <u>Ibid.</u>, article 14, pp. 9-10 .
4. <u>Ibid.</u>, article 15, p. 10 .
5. <u>Ibid.</u>, article 16, pp. 10-11 .
6. <u>Ibid.</u>, article 19, pp. 12-13.
7. <u>Ibid.</u>, article 21, p. 13 .
8. <u>Ibid.</u>, article 22, pp. 13-14 .

The company's employees should be ,as much as possible, Saudi Arabians ; foreign employees might be employed if their posts cannot be efficiently handled by Saudis . Furthermore, the company's working conditions were required to be in conformity with the Saudi Arabian labour law [1].

Except for religious and monument places, the company might buy or use the lands owned by Saudis provided that a fair rent or price,based on the occupant's benefit, is defrayed. In case of disagreement thereto the government might extend to the company resonable assistance [2], furthermore the government have the right to grant concessions or to explore by itself whatever minerals,other than petroleum products, which might be found in the company's territory [3]. The company is required to submit to the government the topographical and geological surveys and maps as well as an annual report about its operations on condition that they are treated as secret information [4]. In case the company could not fulfil its obligations due to " force majeur ", the government should not consider same as nullifying the concession [5]. California Standard might terminate this concession upon a 30 days prior notification, in which event all the company's permanent possessions shall become the government's property [6], on the other hand the government might cancel the concession if the company did not defray the due amounts quickly after the receipt of the government's notification [7], or if it violates the provisions of this agreement, except if an appropriate indemnity is agreed upon either by mutual agreement or through arbitration [8]. Disputes arising between the contracting parties relative to the interpretation of the provisions of this agreement should be settled by mutual agreement, failing

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1. Ibid., article 23, p. 14 .
2. Ibid., article 25, pp. 14-15 .
3. Ibid., article 24, p. 14 .
4. Ibid., article 26, p. 15 .
5. Ibid., article 27, p. 15 .
6. Ibid., article 28,pp. 15-16 .
7. Ibid., articles 29 and 37, pp. 16 and 18-19 .
8. Ibid., article 30, pp. 16-17 .

they should refer the case to two arbitrators one selected by each party. In case the arbitrators failed to reach a solution both parties were to appoint a single arbitrator, if no agreement was reached , they were to request the president of the International Court of Justice to appoint one arbitrator whose decision was to be final, besides, it was stipulated indirectly that solutions of disputes should be through mutual underestanding [1].

In no case the company might transfer to others its concessionaire rights without the consent of the government , however, the company enjoys the right to organize companies for its exploration and operation purposes and might transfer to them its concession upon prior notification to the government. Should these companies offer shares for sale to the general public Saudi Arabian subjects should be given the opportunity to buy at least 20 per cent of the shares offered [2]. In case of disagreement relative to the interpretation of this agreement , the English text and not the Arabic one should prevail [3]. It was also clearly stipulated that neither the company nor any of its employees or officials may interfere in the administrative,ploitical or religious affairs of the kingdom [4].

<u>California Arabian Oil Co. (CASCO) Supplementary Agreement-1939:</u>

On May 31,1939 the Saudi Arabian government signed a supplementary agreement with CASCO to whom the 1933 agreement was transferred [5] in which the new company pledged to pay £ 140,000 (gold) as an initial payment and upon putting this agreement into effect, an additional payment of £ 20,000 -over the original £ 5,000- should be defrayed annually as rent until oil is discovered in commercial quantities in the additional area or until the company withdraw completely, and it undertook to pay also £ 100,000 when oil is discovered [6].

1. <u>Ibid.</u>, article 31, p. 17 .
2. <u>Ibid.</u>, article 32, pp. 17-18 .
3. <u>Ibid.</u>, article 35, p. 18 .
4. <u>Ibid.</u>, article 36, p. 18 .
5. Oil, Its Derivatives and Minerals Agreements, <u>op.cit.</u>, Supplementary Agreement of the 1933 Oil Concession, concluded with California Arabian Oil Co. on July22, 1939, articles 1 and 2, p. 27 .
6. <u>Ibid.</u>, article 4, pp. 27-29 .

and to increase the government allotment of free gasoline to 2,300,000 gallons and of natural gas to 100,000 when oil is discovered in commercial quantities in the additional area granted [1]. The original area was extended by 80,000 miles (total becoming 440,000 sq. miles) covering for 60 solar years [2] all the eastern part of Saudi Arabia, the northern part to the borders of Iraq and Jordan and the southern part to the borders of Yemen and the Sheikhdoms and the Neutral Zone which is shared equally between Saudi Arabia and Kuwait [3]. Article 9 in the 1933 agreeemnt was ratified to permit the company not to surrender to the government before the lapse of ten years the plots of land which were explored but no oil was discovered in them [4], but the royalty per ton was unaltered.

3- Arabian American Oil Co. (Aramco) Revised Conecssion-1950:

Owing to the profit sharing arrangement concluded between oil companies and the Venezuelan government in 1948 , the Saudi Arabian government began to press Aramco for larger revenues in 1949 and after talks which lasted several months, Aramco concluded an agreement with Saudi Arabia on December 1950 whereby it accepted an income tax- from which the 1933 and 1939 agreement had specifically exempted it-, calculated to bring the government's receipts up to one half of the company's production profits .In the calculation of the net profits all expences including exploration,development,operational expences,local and foreign taxes and depreciation were deducted from gross income [5]. For this purpose the government issued an income tax law which stipulated that the fixed royalty per ton, the rents, and any other miscelaneous taxes and levies defrayed to the government are deductible from gross earnings but they do not constitute a part of the

1. Ibid., article 8, pp. 31-32.
2. Ibid., article 10, p. 33 .
3. Ibid., article 5, pp. 29-30.
4. Ibid., article 7, p. 31 .
5. Saudi Arabian Ministry of Finance, " Aramco's Oil Concession of November 30, 1950", (Holy Mecca: Government Press, 1950) article 1 paragraph A, p. 2 and Longrigg, op.cit., pp. 209-210 .

50 per cent government share [1]. In return Aramco was permitted to pay the income tax in such currencies as the sale of the petroleum products might have entitled it to earn and in the same proportion [2]. Besides, Aramco was entitled to obtain Saudi Arabian Riyals at the prevailing rate , in place of a highly disadvantageous premium rate as hitherto, and it was agreed that gold and foreign currencies should be calculated henceforth at official international rates as declared to the International Monetary Fund [3]. The government agreed that the royalty should be charged by English ton which is equal to 2240 lb. instead per matric ton which is qequal to 2204 lb. and that Aramco should deliver petroleum to Tapline at Keysuma [4].

Aramco agreed also to increase the government's allotment of free gasoline to 2,650,000 gallons and of benzene to 200,000 and to give in addition 7500 tons of asphalt provided that the expences of producing these quantities are considered as operational expences [5]. The company agreed to pay $ 700,000 as expences and charges of government representatives at Aramco provided that this sum is also considered as operational expences [6], to employ the best technical and scientific processes in the operations and to keep its accounts according to the usual procedure relative thereto [7].

The last article indicated that this concession should be put into effect till the expiry of the original concession in 1999 [8].

However, this concession did not long satisfy the Saudi Arabians who demanded in 1952 :

a- The splitting of profits before instead after the deduction of foreign taxes .

b- Appointment of more Saudi Arabian directors.

c- A more rapid surrender of unexploited territory. [9]

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1. Ibid., article 3, p. 25 .
2. Aramco's Oil Concession of November 30,1950, op.cit., article 2, paragraph A, p. 3 .
3. Ibid., article 45, p. 4 .
4. Ibid., article 4 , p. 3 .
5. Ibid., article 6 , pp. 4-5 .
6. Ibid., article 7 , p. 5 .
7. Ibid., article 8 , p. 5 .
8. Ibid., article 9 , p. 5 .
9. Longrigg, op.cit., p. 210 .

d- 50-50 split to include other operations than production .
e- Aramco to post its prices for crude and products and make sales directly rather than delivering it to parent companies : Jersey Standard, California Standard, Socony and Texas [1].

Aramco yielded to the first two demands and removed its headquarters from New-York to Dahran, and agreed to appoint more Saudi Arabian directors; while the third demand together with the fourth are still under consideration [2]. But it resisted the last demand on the basis that such a change would tend to put it in direct competition with its owners especially if world marketing facilities have to be set up [3].

4- Pacific Western Oil Corporation (PWOC) Concession- 1949:

After Aramco's surrender of its interest in Saudi Arabian undivided interest in the Neutral Zone in return for the extension of the company's rights to include offshore areas in the Persian Gulf, Saudi Arabia granted on February 20,1949 a concession covering for 60 solar years its share in the said zone to the Pacific Western Oil Corporation [4]. A lump sum of $ 9,500,000 [5] plus the first year minimum royalty of $ 1 million was paid at the signature of the concession, and PWOC guaranteed to pay the said minimum royalty for three years at least [6]. The royalty per barrel of oil was to be charged at the rate of 55 U.S. Cents [7], the company should also defray 25 per cent of its net production profits,20 per cent of its net refining profits [8] and 12.5 per cent of the gross receipts accruing from the sale of natural gas and its derivative substances [9].

1. World Petroleum Report:1958, Vol. 4, p. 171 .
2. Longrigg, op.cit., p. 210 .
3. World Petroleum Report:1958, Vol. 4, p. 171 .
4. Saudi Arabian Ministry of Finance, " Pacific Western Corporation Oil Concession of February 20,1949 ", (Memiographed, Holy Mecca, 1950) articles 1, 47 and 50 pages 4,31 and 33 .
5. Ibid., article 4 , p. 6 .
6. Ibid., articles 6 and 7, p. 8 .
7. Ibid., article 5 , p. 7 .
8. Ibid., article 7 , pp. 7-8 .
9. Ibid., article 5 , clause B, p. 7 .

However, the government share of profits was later ratified to the familiar 50-50 formula .

In addition to the government right to obtain freely 100,000 gallons of gasoline and 50,000 gallons of kerosene [1], the government is also entitled to buy 20 per cent of the company's annual production of oil,natural gas and their derivatives at a discount of 5 per cent for local consumption purposes only [2]. PWOC had a drilling obligation of 6000 feet which increases upon the discovery of oil to 16,000 , and it pledged also to build a refinery in the Neutral Zone with a minimum capacity of 12,000 b/d when its annual production reaches a limit of 75,000 b/d, in addition it should produce at production costs minus a discount of 5 per cent , the quantity of asphalt requested by the Saudi Arabian government [3].

Provisions relative to fiscalization and inspection are similar to the provisions relative to same described in the 1933 agreement [4], likewise transfer provisions are similar except if the company sells its concession rights to another party , in which event , the Saudi Arabian government is entitled to take 25 per cent of the capital net profits - if any- accrued by the selling company , should capital stocks be issued and offered to the public Saudis are entitled to subscribe up to 25 per cent of the stocks offered [5].PWOC undertook to submit to the government ,or at the latter's request, all the relevant exploration maps and information together with an annual report provided that same is treated by the government as secret information [6]. The company's drilling obligation of 16,000 feet was to be accomplished within three years only [7]. Saudi Arabian employees should be employed as much as possible ; foreign employees and experts might be employed only if their posts cannot be efficiently handled neither by Saudis nor by

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1. _Ibid._, article 11, p. 11.
2. _Ibid._, article 9, pp. 9-10.
3. _Ibid._, article 10, p. 10 .
4. _Ibid._, articles 12 and 13, pp. 11-13 .
5. _Ibid._, articles 15 and 16, pp. 13-15 .
6. _Ibid._, articles 18 and 19, pp. 16-17 .
7. _Ibid._, article 17, pp. 15-16 .

subjects of friendly Arab countries . Besides, the company is expected to pay its labourers fair wages, to prepare a labour code as well as social insurance program for its workers [1], to offer to them freely the neccessary medical services [2], to build elementary schools for the employees and workers' children, to train Saudi Arabian employees to become efficient officials and experts and to send, at its expence, gifted students to American universities [3].

PWOC undertook to build as well as prepare in its permanent units, offices, houses for government officials and inspectors, two buildings to be used by public security forces and government post and telephone officials, proper houses for its employees, a mosque, water pipes and bathrooms, water and lighting facilities, markets if possible and roads [4].

The company should sell the petroleum products produced, when conditions are equal, to local consumers as well as to consumers belonging to friendly western nations [5]. But, it should never sell same, directly or indirectly, to hostile or unfriendly countries or to their subjects [6]. The government might use freely the company's ports, pipelines, communication facilities etc... provided that the company's operations are neither disrupted nor damaged [7]. In the case of emergencies, wars or the shortage of oil products the government is entitled to take whatever quantities of oil it needs at fair prices and it might ask the company to increase the quantities produced [8]. In no case the company or its officials might violate Saudi Arabian laws and regulations [9] or interfere in political or internal affairs of the kingdom or prospect in religous and monument places [10].

1. *Ibid.*, article 21 , pp. 18-19 .
2. *Ibid.*, article 22 , p. 19 .
3. *Ibid.*, article 23 , pp. 19-20 .
4. *Ibid.*, article 26 , p. 21 .
5. *Ibid.*, article 28 , p. 22 .
6. *Ibid.*, article 29 , p. 22 .
7. *Ibid.*, article 30 , p. 22 .
8. *Ibid.*, aticle 31 , pp. 22-23 .
9. *Ibid.*, article 33 , p. 24 .
10. *Ibid.*, articles 34 and 36 clause D, pp. 24-25.

PWOC shouls also inform the government whenever it finds, through exploration operations, water resources or any minerals such as gold, silver, copper etc ...[1] and should build provision stores to supply employees with consumption goods [2] and pledged to adhere to all technical principles applicable in the oil industry [3].

Arbitration provisions are similar to those relative to same indicated in the 1933 concession [4]. Delay or violation by the company of any provision stipulated in this concession and caused by act of God or uncontrolable circumstances, is allowed for provided that the company notifies ,in writing , the Saudi Arabian government about the relevant violation or delay and should either undertake, within 90 days, whatever necessary measures to deal with, or put an end to the violation or delay satisfactorily, or transfer the whole issue for arbitration , otherwise the government might cancel this concession.[5]

This concession might be terminated either by mutual agreement or as established in the previous paragraph and in such event all the company's permanent installations shall be given freely to the government , same applies if the company decided to withdraw [6] or after the lapse of its term [7]. No custom duties should be levied on installations imported for all operation purposes [8]. This agreement might not be ratified except by mutual agreement and its Arabic as well as English texts are authentic and of equal value [9]. It should be noted that exonerated materials used in oil operations have to pay licence taxes and registration levies imposed on land, marine and air automotives . The exoneration also does not include municipal taxes and levies [10].

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1. Ibid., article 26 clause C and E, p. 25 .
2. Ibid., article 40 , p. 26 .
3. Ibid., article 42 , p. 26 .
4. Ibid., articles 43 and 45, pp. 27-30 .
5. Ibid., article 44 , pp. 28-29 .
6. Ibid., article 47 , p. 31.
7. Ibid., article 48 , pp. 31-32 .
8. Ibid., article 49 , pp. 32-33 .
9. Ibid., article 53 , p. 34 .
10. Ibid., article 49 , pp. 32-33 .

5- The Arabian Oil Company Ltd. (AOC) Offshore Concession- 1957:

The Arabian Oil Co., formed by a group of Japanese industrialists obtained on December 9, 1957 from the Saudi Arabian government a concession [1] covering its share in the offshores of Saudi Arabia-Kuwait Neutral Zone from a line beginning six sea miles from the mean low water mark as far out as the median line between Iran and the Neutral Zone. AOC had a drilling obligation of 10,000 feet and pledged to commence exploration within six months of the signature of this agreement. Exploration phase may last for four years and if oil was discovered in commercial quantities - defined as 1500 b/d for 30 days-, a concession for 40 years shall be granted to the said company . In addition to the payment of $ 1.5 million as initial rentals, another $ 1 million should be paid upon the discovery of oil ; the concession provides also for royalty tax and make up payments amounting not less than 56 per cent of the net profits accrued on all operations calculated at the basis of posted prices before the deduction of foreign taxes [2] (Unlike the similar Kuwaiti agreement which seperates taxable income into two phases as discussed on page 46). In the calculation of the income tax the following are deductible from gross profits: all taxes and expences paid to Saudi Arabia or to others, ordinary and reasonable capital charges and a reasonable sum for amortization. A royalty of 20 per cent of crude oil, natural gas and asphalt produced to be paid to the government in kind or in cash at the latter's option provided that a minimum royalty on crude, gas and asphalt produced of $ 2.5 million is guaranteed. However, if the royalty is to be paid in cash the value is to be paid on the basis of posted prices[3].

When production reaches a limit of 30,000 b/d for

1. P.P.S., " The Japanese Saudi Oil Agreement", Vol. XXV, No. 2, p. 7, February 1958 .
2. World Petroleum Report:1958 , " Saudi Arabian Japanese Concession", Vol. 4, p. 171 .
3. Ibid.,

three months the company should erect within two years a refining plant in Saudi Arabia, Likewise when production increases to 75,000 b/d it should increase the refining capacity of the said plant to become capable of refining not less 30 per cent of the annual production of oil and should erect a petrochemical factory for the production of natural gas derivatives [1], and it should produce also all possible products of high value including lubricating oils and asphalt.

Upon the discovery of oil, the Saudi Arabian government is entitled to subscribe at par value up to 10 per cent of the capital stocks of the company [2]. Likewise it has the right to appoint one sixth of the board of directors;the headquarters as well as the accounts of AOC should be located in Saudi Arabia, besides the company should not grant,directly or through an intermediary, any rights acquired through this concession to any foreign government or government corporation and to build offices, houses and buildings for use by government officials and public security forces as well as its employees [3]. The ratio of Saudi employees to others should be at least 70 per cent of the company's employees working within Saudi Arabia and 30 per cent at least of its employees working outside Saudi Arabia, if this ratio cannot be maintained efficiently by Saudis priority is given to the subjects of the Arab League states or other Arab Arab states/or to subjects of other friendly nations respectively [4]. AOC is required to give priority of purchase of products to Saudi or other Arab contractors on the same sale terms as given to general buyers [5]. In no case should AOC buy equipment from unfriendly nations,and in case the company's tankers are insufficient priority is given to Saudi Arabian tankers [6].

1. P.P.S., " The Japanese Saudi Oil Agreement",Vol. XXV, No. 2, p. 7, February 1958 .
2. Ibid.,
3. Ibid.,
4. Ibid.,
5. World Petroleum Report:1958, " Saudi Arabian Japanese Concession", Vol. 4, p. 171 .
6. P.P.S., " The Japanese Saudi Oil Agreement", Vol.XXV, No. 2, p. 7, February 1958 .

One fifth of the unexploited area should be relinquished three years after the discovery of oil , and a further one fifth every five years thereafter [1]. The company was exempted from import duties on materials used in operations but it does not include imports of personal effects of the company's personnel . The selling price of oil will be the best price available in the free market posted and announced by AOC, but no discounts will be allowed for without the government's consent [2]. Likewise government consent should be obtained on post prices of oil,which should in no case be less than the Persian Gulf post prices, and also on the number of barrels to be extracted from each well and parcel [3].

AOC might transfer this concession, within one year of the date in which this contract is put into effect, to another company if the latter does not contain stockholders objectionable to the government [4]. AOC must submit annual report of operations , and other reports every three months which include the number and nationality of employees,taxes to be paid or owed, commercial discoveries, information about operations and results of geological studies and such information . It was also stipulated that the government may have access to the company's technical records [5].

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1. Ibid.,
2. World Petroleum Report:1958," Saudi Arabian Japanese Concession", Vol. 4 , p. 171 .
3. Ibid.,
4. Ibid.,
5. Ibid.,

C + I R A Q

The area of Iraq amounts to 171,000 sq. miles while its population has been variously computed between 4-5 million. Unlike other Arab oil producing countries, Iraq is primarily an agricultural and pastoral country and its most important proven minerals, other than oil, are coal,sulphur,copper and salt .

Iraq's oil concessions which are still operative consist of the Turkish Petroleum Company concession of 1925, the British Oil Development Company concession of 1932 and the Basra Petroleum Company concession of 1938 . Some of the provisions of these agreements were ratified in 1952 in order to increase the Iraqi government share of profits to 50 per cent of net profits realized by operating companies . Since the agreements of 1925, 1932 and 1938 are very similar and because the latter is the only one available in its original complete official text, I have mentioned the first two briefly, while the 1938 agreement was outlined in details in this section together with the 1952 supplementary agreement and the Khanqin-Rafidain concession.

Oil companies operating at Iraq are owned by the Iraq Petroleum Company whose shares are owned by four different national groups namely the British, Americans , Dutch and French; and as such this company is primarily a producer of crude oil which is later apportioned among the partners rather than a full operating company [1] .

The formation of IPC was mainly due to political considerations . The British allowed the French to acquire 23.75 per cent of the shares in exchange with the Mosul vilayet which was later ceded to Iraq instead to Syria, the American government wanted a share because it declared war against Turkey in 1917, and hence it deserves a share

1. Shwadran., op.cit., p. 236 .
2. Lionel Curtis, " Wells Of Power ", (London: Macmillan and Co. Ltd., 1951), p. 86 .

of the oil of the countries which were dominated by Turkey and it acquired 23.75 per cent of the shares. In addition to their 23.75 per cent of the shares, the British hold 40 per cent of the 23.75 per cent of shares held By the Royal Dutch Shell , while the Dutch own the other 60 per cent; the remaining 5 per cent of the shares were granted to the original Armenian American concessionaire Mr. Gulbenkian [1] as shown in chart VI.

Iraq's annual production amounted to 31 million tons in 1956, while its 1957 production was reduced to 21.7 million tons [2] due to the Suez crisis , and basing on its production figures in the first half of 1958, Iraq's annual production is expected to amount to 32.4 million tons in 1958 [3]. Iraq's proved reserves were estimated in 1957 at 25,000 million barrels [4] or 3750 million metric tons approximately .

1- <u>Turkish Petroleum Company (TPC) Concession- 1925:</u>

On March 14,1925, TPC obtained a concession covering for 75 years all the lands of Iraq except Basra vilayet and the transferred territories [5], and provided for a royalty of 4 shillings (gold) per metric ton of oil produced to be paid for 20 years after which the royalty might increase or decrease according to the averaged market value [6]. TPC was under obligations to supply Iraq's petroleum products requirements, to give the government 20 per cent of oil produced in kind or in cash [7], to prepare a geological survey within 8 months [8] and to begin drilling within three years with five drilling rigs working simultaneously [9].

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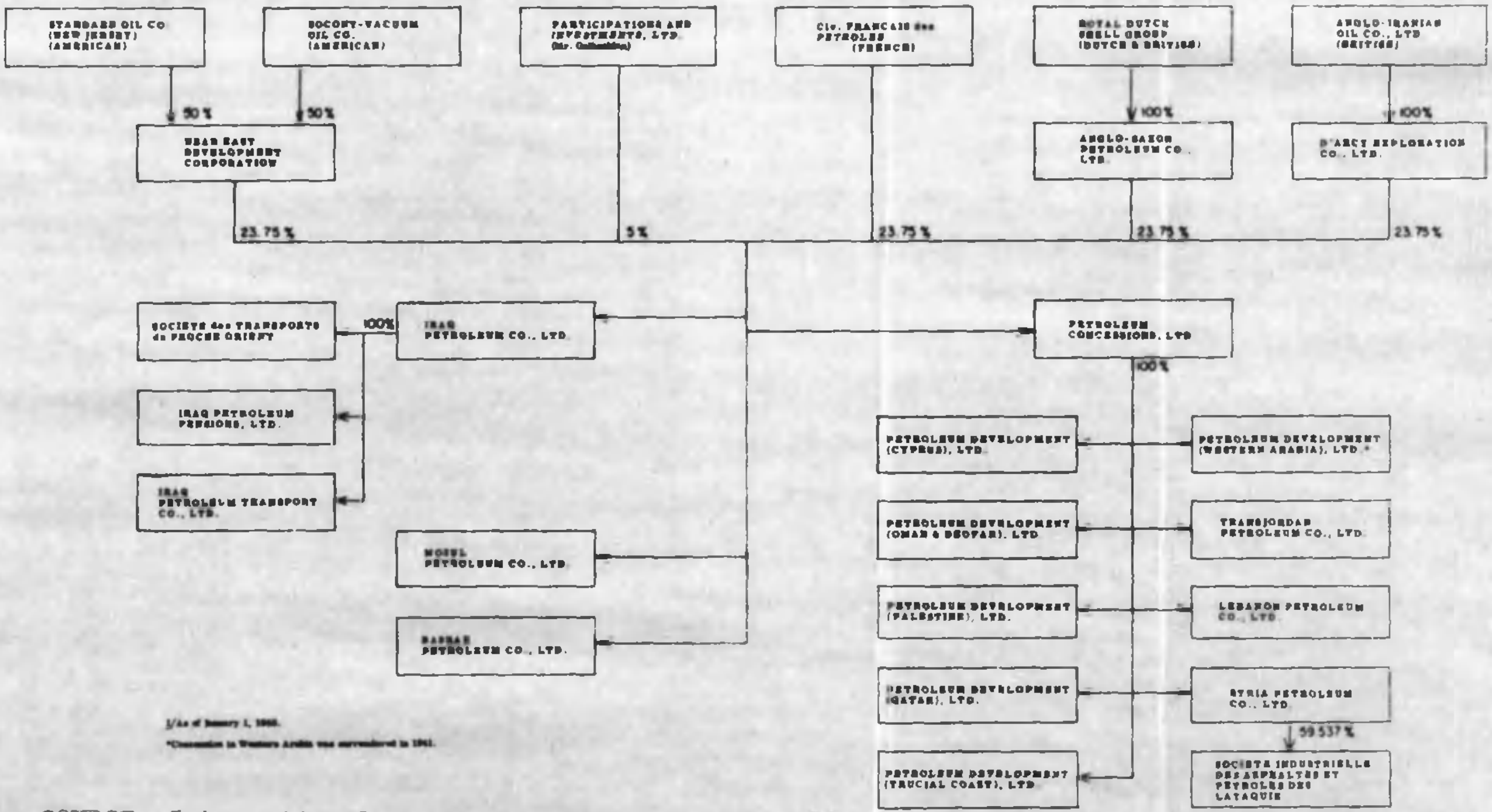
1. Shaker,Aryan and Makar, op.cit., pp. 23-53 .
2. <u>P.P.S.</u>, " World Crude Oil Production ", Vol. XXV, No. 8, p. 320, August 1958 .
3. <u>World Petroleum Report:1958</u>," World Functional Division of Major Petroleum Data:1957", Vol. 4, p.14.
4. <u>P.P.S.</u>, " Ups and Downs in Crude Oil Production", Vol. XXV, No. 8, p. 284, August 1958 .
5. <u>Turkish Petroleum Company Ltd. Oil Concession of March 8, 1925</u>,(Baghdad: Al Salam Press, ?) articles 1, 2 and 3 , pp. 2-3 .
6. <u>Ibid.</u>, article 10 , pp. 8-11 .
7. <u>Ibid.</u>, article 14 , pp. 13-14 .
8. <u>Ibid.</u>, article 4, p. 3 .
9. <u>Ibid.</u>, article 5, pp. 3-5 .

CHART #I

CORPORATE ORGANIZATION OF IRAQ PETROLEUM COMPANY, LTD., AND ASSOCIATED COMPANIES [1]

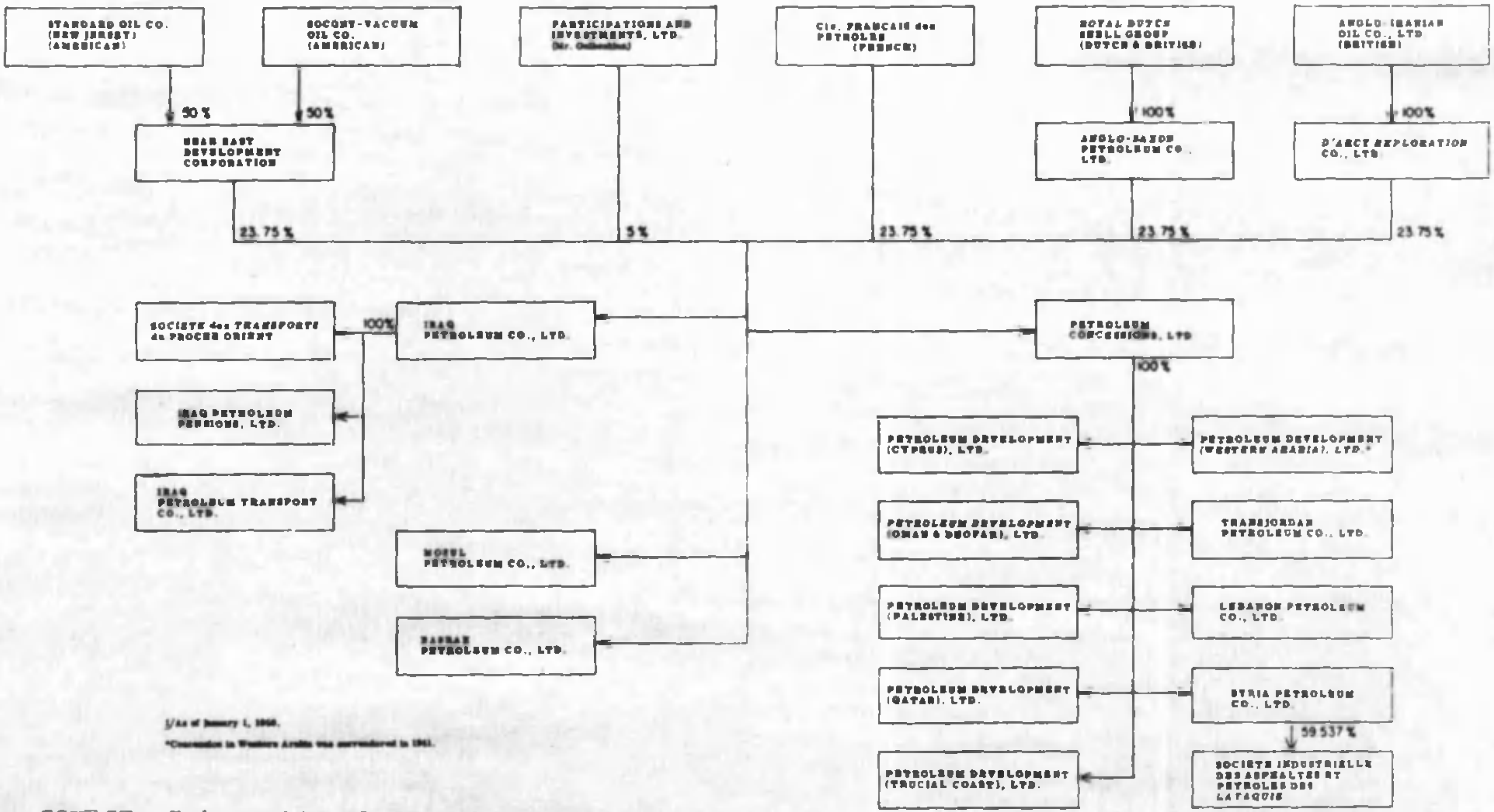


SOURCE: International Petroleum Cartel, face p. 84.

23541 O - 52 (Face p. 84)

CHART [illegible]

CORPORATE ORGANIZATION OF IRAQ PETROLEUM COMPANY, LTD. AND ASSOCIATED COMPANIES 1/



SOURCE: International Petroleum Cartel, face p. 84.

23541 O - 52 (Face p. 84)

In 1929, TPC changed its name to Iraq Petroleum Co. (IPC) and ratified its 1925 agreement on March 1931 in which the area of the concession was restricted to 32,000 sq. miles in Mosul and Baghdad vilayets [1] and undertook to pay forthwith and until the commencement of exports £ 400,000 (gold) of which half would be recoverable from royalties and the other half is dead rent [2]. TPC was obligated to build a pipeline to the Mediterranean sea with a capacity of not less than 3 million tons per year; the pipeline was to be completed not later than December 31, 1935 [3].

2- British Oil Development (BOD) Concession -1932:

BOD obtained on April 20, 1932 a concession covering for 75 years an area of 46,000 sq. miles including all Iraq west of Tigris river and north of latitude 33 [4]. The said concession stipulated the payment of £ 100,000 as dead rent increasing £ 25,000 annually to reach a limit of £ 200,000. The royalty was fixed at 4 shillings (gold) per ton with a minimum of annual receipts of £ 200,000 (gold). In addition the Iraqi government was entitled to take, free of charge, 20 per cent of oil produced to be used for local consumption or for resale to the company [5]. BOD undertook also to construct a pipeline with a minimum annual capacity of one million tons or to make arrangements for the transfer for export of the said minimum quantity [6].

IPC, worried about BOD's competition and, relatively speaking, the generous terms contained in this agreement managed in 1941 to liquidate and transfer BOD's assignments of this concession to one of its subsidiary companies, the Mosul Petroleum Company (MPC) [7].

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1. Longrigg, <u>op.cit.</u>, pp. 74-75 .
2. Shwadran, <u>op.cit.</u>, p. 274 .
3. International Petroleum Cartel, <u>op.cit.</u>, p. 70.
4. British Oil Development Co. Concession of May 20, 1932, (Typewritten), articles 1, 2 and 3, p. 7.
5. <u>Ibid.</u>, article 10, p. 9.
6. <u>Ibid.</u>, article 6, p. 8 .
7. Longrigg, <u>op.cit.</u>, p. 80 .

3- Basra Petroleum Company Concession (BPC) - 1938 :

On july 1938, the Iraqi government signed a concession with BPC [1], another IPC affiliate covering all the lands of Iraq not already granted to IPC, MPC and Anglo Iranian Oil Co. , the term of this concession was limited at 75 years [2]. BPC had a drilling obligation of 12,000 feet within three years , and after stricking oil 20,000 feet at least, and it undertook to present to the government exploration maps before starting operations as well as to produce not less than one million tons annually and to commence within seven and a half years the transport to a sea port of ,at least, one million tons annually [3]. BPC is obligated to submit,before the end of June, an annual report about its operations [4], besides it was stipulated that oil wells should be operated economically and in certain way so as to prevent damages to water wells or to other's property [5]. It also undertook to pay an annual dead rent of £ 200,000 (gold) until oil is exported in commercial quantities provided that the government's revenue therefrom is not less than the aforementioned sum, however, it was stipulated that in case the oil discovered is equal to or exceeds the amount of petroleum produced at Kirkuk, the dead rent as well as the minimum amount to be transported should be doubled [6]. It was also agreed that the royalty charged by the government for the 20 years following the exportation of oil , is 4 gold shillings per ton . After the said 20 years the royalty might increase or decrease depending on the amount of profits accrued by the company [7]. The government was entitled to 20 per cent of the oil produced to be paid in kind at the option of the government and to be used for local consumption purposes or for resale to

1. " Alwaqai' Al Iraqia", Iraq's Official Gazette, Oil Agreement With the Basra Petroleum Company, (Baghdad: Government Press, 1938) pp. 1-24 .
2. Ibid., articles 2 and 3 , p. 2 .
3. Ibid., article 6, p. 3 .
4. Ibid., article 8, p. 4 .
5. Ibid., articles 7 and 9, pp. 3-4 .
6. Ibid., articles 10 and 12, pp. 4-7 .
7. Ibid., article 11, pp. 4-6 .

the company or to others , but the government have to notify the company about its intentions as regards the quantity of oil it is entitled to before one year [1]. Furthermore, BPC was requested to keep,under all circumstances, authentic as well as exact records of its operations and accounts and to show same to government representatives and inspectors [2]. BPC was given the rightt to construct railways, communication systems and all necessary facilities [3]provided that a rent of 10 fils (about 3 U.S. cents) per hectar of cultivable government lands and a fair rent for cultivable lands is paid. In addition to the rent the company have to pay to individuals cultivating the lands expropriated a fair indemnity, but the government have the right to ask the company to surrender the lands which are not being used by the company for its operations within a resonable period of time [4]. Any losses or damages caused to others by BPC or its employees should be compensated for fairly [5]. Timber, stones and other building materials might be taken from government lands within the relevant laws and provided that the necessary fees are defrayed [6], likewise the company is entitled to use roads,railways,rivers and ports within the relevant laws and provided that charges and fees are defrayed [7]. No custom fees are charged on installations and materials necessary in oil operations including building materials and electrical apparatus used in the construction of houses and offices ,for a period of 10 years, provided that exempted material are not sold at Iraq and if sold as second hand a premium is charged on the sale price [8]. BPC's employees should be,as much as possible, from the national territory and foreign experts are only employed if no similar Iraqis are available, besides, it was stipulated that BPC

1. Ibid., article 14, pp. 7-8 .
2. Ibid., articles 16 and 18, pp. 8-9 .
3. Ibid., article 21 and 22, pp. 10-11 .
4. Ibid., article 23 , p. 12 .
5. Ibid., article 32 , pp. 16-17 .
6. Ibid., article 27 , pp. 13-14 .
7. Ibid., article 28 , p. 14 .
8. Ibid., article 30 , p. 15 .

should train Iraqis as much as possible and within the shortest period possible, to undertake and manage oil operations [1]. BPC was registered in Britain and a copy of its charter and by-laws should be presented to the government [2].

In order to fulfil the obligations contained in this agreement,BPC may set up one or more subsidiary companies whenever deemed necessary provided that the same obligations and rights are applicable to them [3]. Iraqi subjects have the right to subscribe up to 20 per cent whenever BPC issues stocks [4]. The company might cede, transfer or even sell its concessionaire rights in whole or in part to others -excluding its subsidiary companies- only and if a written permission is obtained from the government, provided that the latter will not be strict in, or refrain from giving such a permission in an irrational or proposterous manner;and in case the company violates this stipulation the government has the right to cancel the concession and confiscate freely the company's possessions including stored petroleum [5]. The company is entitled to cancel the concession during the first 30 years of its duration upon a 30 days prior notification [6].

Any violation of the provisions of this concession will subject BPC to a fine the amount of which is decided either by mutual underestanding or through arbitration[7] as explained in the following paragraph. In case of disagreement between the contracting parties relative to the interpretation of the provisions of this agreement, each will assign an arbitrator to solve the case, if they failed the case should be transmitted to the International Court of Justice . Besides, any ratification of the provisions of this agreement should take place only through mutual underestanding [8]. The government have

1. Ibid., article 31, p. 16 .
2. Ibid., article 34, p. 16 .
3. Ibid., article 35, p. 17 .
4. Ibid., article 36, p. 17 .
5. Ibid., article 37, p. 17 .
6. Ibid., article 39, p. 18 .
7. Ibid., article 38, p. 18 .
8. Ibid., articles 41 and 43, p. 19 .

the right to appoint one Iraqi in the board of directors [1], furthermore the English text of this concession and not the Arabic one should prevail in case of discrepencies between the two texts [2].

4- <u>The IPC , BPC, and MPC Revised Agreements- 1952</u> :

The Iraqi government concluded on February 3, 1952 a new supplementary agreement [3] with IPC, MPC and BPC whereby some of the provisions of the three agreements mentioned in the previous sections were ratified [4] as detailed hereunder , the remaining provisions, it might be noted, are still operative:

Profit of oil companies was defined to mean the difference between :

a- The real fixed cost of production per ton of petroleum within the Iraqi territory calculated exactly and including production, operation and depreciation costs- the latter calculated at the rate of 10 per cent annually- .

b- The post or selling price in the free market where the oil is being sold , and if such a market does not exist, the price is either agreed upon between the contracting parties or through arbitration. In the latter case it is stipulated that the price of petroleum per ton at other petroleum markets, after allowing for adjustments in transportation and insurance charges, should be taken into due consideration [5].

Royalties charged from petroleum companies should be equal to 50 per cent of the net realized profits before the deduction of foreign taxes and within the stipulations contained in articles 4 and 6 of this concession [6]. For this purpose the Iraqi income tax law was ratified on March 3, 1952 accordingly to include all commercial petroleum and hydrocarbons activities yielding profit and covering production operations . No income tax might be charged on the government share of crude oil namely 12.5 (instead of 20 per cent as stipulated in the original

1. <u>Ibid.</u>, article 44 , p. 19 .
2. <u>Ibid.</u>, article 46 , p. 19 .
3. "<u>Al Waqai' Al Iraqia</u> ", " Oil Concession Concluded with the Iraq, Mosul and Basra Petroleum Companies on February 3, 1952, No. 3064, dated February 18, 1952 .
4. <u>Ibid.</u>, article 13, p. 14 and 16-20 .
5. <u>Ibid.</u>, article 1 , pp. 7-9 .
6. <u>Ibid.</u>, article 2 , p. 9 .

concessions) per cent of the petroleum produced annually in kind and might either dispose of it in the open market or sell it back to the companies at current world prices [1].

BPC pledged that in no case should the government's annual share of profits be less than 33.3 per cent of the value of petroleum it produces in a calander year calculated at the basis of posted prices. On the other hand IPC and MPC pledged that the said government's share of profits should not be less than 25 per cent only of the value of petroleum produced [2].

Beginning January 1954, IPC guaranteed a production of 20.75 million tons of crude oil per annum, MPC guaranteed only 1.25 million tons annually, while BPC 8 million tons beginning January 1, 1956 . These amounts include the government's share of crude oil; the said guarantees , it might be noted, were to be effective for the life of the concession [3].

Contracting oil companies pledged jointly and severally that the government's share of profits should in no case be less than £ 20,000,000 in 1953 and 1954, and £ 25,000,000 in 1956 and each year therafter [4].

In case the contracting companies could convince the government that due to certain circumstances uncontrolable by them , or due to "force majeur", the amounts of crude oil produced and marketed during a certain year were less than the minimum set forth hereabove, the amounts to be produced in the next year as well as the corresponding government's share of profits might be reduced by as much [5], but in no case the said government's share of profits might be less than £ 5,000,000 per annum and the three operating companies pledged jointly and severally to supplement this share until it reaches a minimum of £ 5 million annually [6].

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1. *Ibid.*, article 3, pp. 9-10 .
2. *Ibid.*, article 4, p. 10 .
3. *Ibid.*, article 5, p. 10 .
4. *Ibid.*, article 6, p. 10 .
5. *Ibid.*, article 7, p. 10 .
6. *Ibid.*, article 8, pp. 10-11 .

However,it was clearly stipulated that circumstances arising from commercial considerations and leading to the reduction of the amounts of crude oil produced or marketed beyond the minimum limit set up in article 5 and mentioned in the previous section , will not be considered in all cases as uncontrolable circumstances [1]. Other taxes included in this agreement are not deductible from net profits but from the contracting companies' gross profits [2].

Contracting companies have to pay to the government within the last seven days of each quarter an amount equal to the government's revenue in the corresponding preceding quarter . These advances are deductible when the annual share of the government is calculated finally not later than March 31 every year , In case the company fails to paysame within three months only the Iraqi government possesses the right to prevent the exportation of petroleum until the due amount is defrayed , but if the relative company fails to pay within another three months , the government is entitled to cancel this concession and confiscate freely all the possessions of the company at Iraq including stored oil [3].

For purposes of prices and profits calculations , other than those made by Sterling pounds , the official rates of currencies declared to the International Monetary Fund are considered for such exchange rates [4] .

In case of disagrement arising between the contracting parties relative to the interpretation of this agreement , both parties might resort to arbitration at the International Court of Justice [5]. The English text as well as the Arabic one are operative , but in the event of discrepencies between the two texts , the English text should prevail [5] . In settlement of past disputes the companies agreed to pay £ 5 million .

In addition to this agreement the contracting parties

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1. *Ibid.*, article 7 , p. 10 .
2. *Ibid.*, article 9 , pp. 11-12 .
3. *Ibid.*, article 11, pp. 13-14 .
4. *Ibid.*, article 12, p. 14 .
5. *Ibid.*, article 13, paragraph C, p. 15 .
6. *Ibid.*, article 15, p. 15 .

agreed to the following enclosures: [1]

a- If in the future , a neighbouring Near Eastern country concludes an oil concession in which royalties were increased above those charged according to this agreement, Iraq have the right to request similar increases [2].

b- The contracting companies agreed to send at their expense fifty Iraqi students annually to British universities to specialize in oil industry [3], and IPC undertook to establish in Kirkuk a workers training school [4].

c- The contracting companies agreed to supply government refineries of all the crude necessary for local consumption at 5.5 shillings a ton [5].

d- No foreign official or expert might be appointed without a written statement from the Ministry of National Economy confirming that his post cannot be efficiently handled by Iraqis [6].

e- Each of the three companies to appoint two directors in its board of directors [7].

In 1957, the government indicated that it will not approve the IPC's 1956 accounts, the dispute centers over the posted prices at Fao oil terminal which was cut 5 cents (U.S.) per barrel in 1956. The Iraqi government indicated that this is the only company operating in the Persian Gulf which had decreased its price at that time [8]. A second dispute is being investigated concerning actual costs in 1955. However, the 2 per cent discount given off posted prices to owner companies of IPC and its affiliates was reduced to 1 per cent retroactive January 1,1957, thus increasing Iraq's share of profits about $ 1.4 million . The said discount is based on actual posted prices at Fao [9].

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1. The Baghdad Chamber of Commerce Magazine, " Official Declaration of the Iraqi Government", (Baghdad: ?) Nos. 1 and 2, January-February 1952, pp. 47-54 .
2. Ibid., ordinal 7, p. 48 .
3. Ibid., ardinal 11, p. 48 .
4. Ibid., ordinal 12, p. 48 .
5. Ibid., ordinal 6, p. 48 .
6. Ibid., ordinal 13, p. 49 .
7. Ibid., ordinal 10, p. 48, and Shwadran, op.cit., p. 262.
8. World Petroleum Report:1958, Vol. 4, p. 160 .
9. Ibid.,

5- The Khanqin and Rafidain Concession - 1952:

The Iraqi government decided in 1952 to undertake by itself the production,distribution and sale of oil and other fuels inside Iraq, and for this purpose and in order to fulfil these operations ,it concluded on Decmber 25,1952 with the Khanqin and Rafidain oil companies a concession[1] whereby the two companies agreed to sell their refineries and possessions [2] to the Iraqi govrnment, and to produce,refine and distribute on the behalf of the government all the petroleum substances needed for local consumption during the period 1952-1961 [3], after this period the Iraqi government hoped that an Iraqi national company will assume efficiently these responsibilities,

The Khanqin Petroleum Co. pledged to export within seven years 2 million tons of crude oil annually except in uncontrolable circumstances [4], otherwise it has to cede to the government the parcels which it exploits. Profits accumulated through exportation and exploitation of oil have to be split between the government and the said company [5]. This company pledged also to train Iraqi officials at the expense of the Iraqi government in order to operate and handle efficiently petroleum operations whenever deemed necessary [6]. To define as well as to regulate the operations of this nationalized refinery the Iraqi government issued law No. 9 dated March 16, 1952 [7].

The nationalization of domestic oil operations was undertaken only under the pressure of the Anglo Iranian oil dispute and in order to persuade Iraq not to follow Iran's example .

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1. Al Waqai' Al Iraqia, " The Khanqin-Rafidain Oil Concession, Law number 3, 1952, issue No. 3064 dated February 18,1952, pp. 1-5 especially article 1 .
2. Ibid., articles 2 and 5 , p. 2 .
3. Ibid., articles 3 and 6, pp. 2-3 .
4. Ibid., article 12, pp. 3-4 .
5. Ibid., article 13, p. 4 .
6. Ibid., article 11, p. 3 .
7. Al Waqai' Al Iraqia, Law No. 9, 1952, issue No. 3071, dated March 16,1952, pp. 1-3 .

D- Q A T A R

Qatar a British protectorate lying south of the Bahrain islands, is a peninsular wholly desolate and barren of an area of about 8000 sq. miles inhabited by 300,000 people. The Sheikh of Qatar granted an oil concession to the Anglo-Persian Oil Co. in 1935 covering for 75 years all the territory of Qatar, Unfortunately the official text of the agreement is not yet released but it is reported that a payment of Rupees 400,000 was made on the signature of the concession and a minimum annual rent of Rs. 150,000 to become 300,000 after five years was guaranteed together with a royalty of Rs. 3 per ton [1]. In 1937 the Petroleum Development Co. of Qatar, an IPC subsidiary took over the concession and began drilling at the end of 1939 and discovered its first producing well at a depth of 5800 feet at a rate of 5000 b/d of 36 API oil. After two months only operations were suspended for the duration of the Second World War to be resumed in 1947; oil exports from Dukhan, the country's only oil field, began late in 1949 [2].

The tonnage royalty was raised in 1952 to Rs. 10[3] and on September of the same year the company signed a supplementary agreement establishing the 50-50 profit sharing principle which increased the Sheikhdom's oil revenues from $ 1 million in 1950 to $ 9 million in 1952 and to $ 23.3 million in 1954 [4]. Another oil agreement covering the offshore waters of Qatar was granted to the Royal Dutch-Shell in 1952 covering for 75 years an area of about 10,000 sq. miles of continental shelf offshore from Qatar beyond 3 mile limit [5], but its official text is also unreleased. Qatar's annual production of oil amounted to 6.7 million tons in 1957 [6] and is expected to increase to 8 million tons in 1958 while its proved reserves were estimated in 1957 at 1500 million barrels[7] or about 215 million tons.

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1. Leestone, op.cit., p. 94 .
2. P.P.S., " Qatar from Poverty to Opulence", Vol. XXV, No. 10, pp. 380-382 , October 1958 .
3. Longrigg, op.cit., p. 231 .
4. Shwadran, op.cit., p. 399 .
5. Leestone, op.cit.,pp. 94-95 .
6. P.P.S., " World Crude Oil Production", Vol. XXV, No. 8, p. 320, August 1958 .
7. World Petroleum Report;1958," World Functional Division of Major Petroleum Data", Vol. 4, p. 14 .

E- B A H R A I N

Bahrain Petroleum Company (Bapco) concession- 1930,1940 and 1952:

The Bahrain Sheikhdóm, a British protectorate, is composed of a group of islands in the Persian Gulf situated about 15 miles off the north eastern Persian Gulf coast of Saudi Arabia. Major Frank Holmes, the representative of the Eastern and General Syndicate obtained in December 2,1925 an exclusive oil concession from the Sheikh of Bahrain over an area of about 100,000 acres, but this concession was transferred later to the Eastern Gulf Corporation [1] who transferred it also on Dcember 2, 1930 to the Canadian Standard Oil Co. of California which established its subsidiary : The Bahrain Petroleum Co. (Bapco) to undertake oil operations [2].

Oil was discovered in commercial quantities on May 31, 1932 and by 1935 there were 16 producing wells, however, Standard of California which was searching for markets for its increased crude oil production, sold one half of its share in Bapco to the Texas Oil Co. for half the latter's eastern marketing facilities and a new company by the name of Caltex was organized for marketing Bahraini oil [3].

The difficulty of finding markets for Bahraini crude led to the establishment of a refinery in the island with a capacity of 10,000 b/d and was subsequently increased to 186,500 b/d in 1958 [4].

In june 1940, Bapco signed a supplementary agreement in which it extended its concession territory to include entire Bahrain lands, of about 210 sq. miles, for a period of 55 years starting 1944. Rupees 400,000 were paid on signature

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1. Shwadran, op. cit., pp. 271-273 .
2. Micksell, op.cit., p. 50 .
3. Shwadran, op.cit., p. 274 .
4. World Petroleum, " Important World Oil Refineries and Capacities " , Vol. 29 , No. 8, p. 132, July 15 , 1958 .

and a minimum annual royalty of £ 95,000 for the first 15 years or up to £ 127,000 if oil was discovered in the additional area was guaranteed , The said minimas are to be reduced after 15 years to £ 11,250 and 22,500 respectively . The royalty per ton remained Rs. 3 and 8 Anas [1], and was raised to Rs 10 (U.S.$ 2.10) in 1950 after the devaluation of the Rupee in 1949 .

In line with the 50-50 profit sharing principle, another supplementary agreement was signed in 1951 increasing the Sheikhdom's share to one half of net profits [2]. But it should be noted that the basis for calculating these profits is narrow because posted prices are not equal to prevailing posted oil prices elsewhere, and are arbitrarily set by the parent companies [3] .

Bahrain's proved oil reserves were estimated in 1957 at 200 million barrels or around 30 million tons [4], its annual production amounted to 1.5 million tons in 1956 [5] and 1.67 million tons in 1957 [6] .

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1. Longrigg, op.cit., pp. 135-136 .
2. Shwadran, op.cit., p. 376 .
3. Ibid., p. 383 .
4. World Petroleum Report:1958, " World Functional Division of Major Petroleum Data" , Vol . 4, p. 14.
5. The Economy of Lebanon and the Arab World, World Petroleum Production, edited by the Beirut Chamber of commerce and industry, No. 64,p. 49, May , 1958 .
6. Burhan Dajani, " Arab Economy: Population and Production ", (Beirut: Al Bayan Press, 1957) p. 166.

F- UNITED ARAB REPUBLIC

1- Egyptian Region Petroleum Concessions and Law :

Oil was known in Egypt as early as 1869 , and in 1909 the Anglo-Egyptian Oilfields Ltd. , a Shell subsidiary struck oil and in 1912 it obtained a lease from the Egptian government which provided for a royalty of £ -/-/6 per each 100 gallons of crude oil produced. Upon the discovery of oil in Ras Gharib , the said company concluded in 1938 another lease which provided for a royalty of 14 per cent of the oil produced to be paid either in kind or in cash at the option of the Egyptian government which had the right to buy up to 20 per cent of the amounts produced at favourable prices . The said lease was granted for a period of 30 years and might be extended for another 15 years . Another similar lease was granted to the Anglo Egyptian Oilfields and Socony Vaccum who owned jointly the Sudr and Asl fields [1] .

The Egyptian government restricted later the freedom of foreign oil companies by enacting on January 20,1947 a a companies law which required that 40 per cent of the board of directors be Egyptians , that 75 per cent of the company's employees and 90 per cent of its labourers be Egyptians provided that they earn at least 65 per cent of total salaries paid and 80 per cent of total wages paid, and that 29 per cent of the company's shares should be held by Egyptians , and after one year another law raised the said percentage to 51 per cent [2] . Furthermore the Egyptian government issued on August 12,1948 the Mines and Quarries law which provided that only Egyptian oil companies might obtain oil mining licences in the future. Foreign oil companies operating there refused to accept this law and some of them such as Standard of New Jersey abandoned its concession and withdrew in 1949, while Socony Vaccum and Anglo-Egyptian companies suspended all exploration operations [3] and Egypt was considered as a " Striking example of political

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1. Shwadran , op.cit., pp. 420-422, and Longrigg, op.cit., pp. 22-24 .
2. Rashed Berrawi, " The Oil Battle In the Middle East", (Arabic) (Cairo:Al Nahda Al Haditha Press, 1950) pp. 60-64 .
3. Ibid.,

and economic nationalism -bordering on xenophobia- hampering foreign investment and making promising oil operations difficult, even unattractive,for foreign companies " [1]. In 1950 a confideration of petroleum syndicates was established at Suez and it concluded new agreements providing for a considerable increase in rates of renumeration to take place of the e expired 1948 agreements [2].

Following the Anglo-French-Israeli aggression on Egypt late in 1956, the Egyptian government placed foreign non-Arab companies operating at Egypt under its sequestration and established the Economic Ins titution to operate these companies,[3] among these companies were the petroleum companies operating at Egypt [4]. More oil was found by the newly established petroleum authority in 1957 and 1958 ,

The evntual aim of the U.A.R. government might be the complete nationalization of the oil industry for it announced in 1957 the formation of a 100 per cent state owned oil exploration company and also found the General Petroleum Authority, an autonomous body with an independent budget under the supervision of theMinister of Industry.

The functions of the newly established Petroleum Authority includes the following:

1- Managing the government's refinery and all other public establishments engaged in the production of petroleum and its by products .
2- Refining of oil as well as all other activities relative to exploration,exploitation,marketing and transportation of oil.
3- Participation in the capital of other establishments engaged in similar activities.
4- The authority expresses its views on matters submitted to it by the Ministry of Industry concerning prospection licences and exploitation licences .

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1. Leestone , op.cit., p. 117 .
2. Longrigg , op. cit., p. 261 .
3. "The Cairo Chamber Of Commerce Magazine", The Economic Institution, No. 1, p. 11, January 1957 .
4. Ibid., " The Companies Sponsored by the Economic Institution , No. 10, p. 57, October 1957 .

Egypt's annual oil production amounted in 1957 to 2.4 million tons [1] while its proved oil reserves were estimated in 1957 at 275 million barrels [2] or about 43 million tons .

2- The Syrian Region Oil Law and Concessions :

The Syrian oil law authorizes the grant of exploration concessions for four years which might be renewed for like periods provided that a surface tax of $ 4.5 per acre is paid annually by both exploration and exploitation concessionaires . Fiscal requirements of exploitation concessionaires may not be less than 50 per cent of realized net profits [3] .

After the unification of Syria and Egypt in February 1957, a General Petroleum Authority similar to the Egyptian Petroleum Authority was set up in the Ministry of Industry which is expected to carry out all exploration activities [4]. However late in November 1958 , the Syrian government suspended the operations and blocked the funds of the Menhall Prospecting Co. and its associate the Syrian Arabian Oil Co. ; Syrian shareholders in these companies were to recover their investments . Menhall obtained a concession in 1955 and struck oil in five wells in the Karatchuk area. Deutch Erdoel AG Co. , a German oil company which obtained a prospection concession in 1957 is so far unaffected. The Regional Syrian government alleges that Menhall assigned interests in his concession to American oil companies objectionable to the government such as Atlantic Oil Co. and others [5]. The Syrian Petroleum Authority was charged with handling henceforth all petroleum operations including exploration,production, refining and distribution.

However, the situation is not yet clear in both Egypt and Syria to permit any conclusions about the future of oil operations and industry there .

Other Middle Eastern concessions together with those outlined in this chapter are mentioned in Appendix I.

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1. The Economy Of Lebanon And The Arab World, "Petroleum News ", No. 61, p. 61, January 1958 .
2. World Petroleum Report: 1958, " World Functional Division of Major Petroleum Data", vol. 4, p. 14, Jan. 15, 1958.
3. Ibid., "Syrian Oil Law Summary", p. 167 .
4. P.P.S.,"News In Brief",vol. XXV,No. 7,p. 274, July 1958.
5. P.P.S., "U.A.R. Oil Activity", vol. XXV,No. 11, p. 421, November 1958 .

P A R T   T W O

C H A P T R   F O U R
ARAB AND VENEZUELAN PROCEEDS COMPARED

Since oil proceeds are of immense importance to this study,the writer has devoted this chapter for the purpose of comparing Arab and Venezuelan proceeds. This chapter includes a comparison of all the different taxes defrayed, a thorough analysis of the factors reducing cost of production of Arab oil and raising same costs in Venezuela, geographical ,social and geological factors together with the magnitude of total investments . The third section of this chapter deals with the pricing of oil and in it an attempt is made to illustrate the historical evolution of the present Equalization Point pricing system . This section includes also some elaborations about the pricing of Arab oil, the European position towards the pricing pattern and criticisms of the present pricing structure.

In the fourth section a comparison between net profits realized by operating companies in the Arab world as well as in Venezuela is attempted. These profits were divided into production,refining ,transportation and marketing . The writer has attempted to compare the direct revenues of all Arab countries with Venezuela's on a per ton basis , but unfortunately the lack of accurate statistics made the results of this comparison paradoxical and rather erroneous . In the last section an attempt was made to indicate the indispensability of Arab oil to all the world especially Europe and the United States with an emphasis on the fact that nuclear power will not replace oil as a major economic energy source during the next 20 years at least . Some of the writer's viewpoints about the 50-50 deal and its workability are also mentioned .

Because many concessions have to be compared, the writer has quoted chapters two and three of this dissertation in an attempt to evade too many quotations, furthermore because available statistics and studies group all Middle Eastern countries the writer had to compare all Middle Eastern countries instead of Arab countries only, which will naturally include Iran in the discussion. Lastly the lack of relevant exact statistics and information especially about the operations of British oil companies had set a sizeable limitation to the scope as well as the results of this comparison .

A- DIFFERENT TAXES AND ADVANTAGES COMPARED

1- Initial Taxes and Initial Payments :

Whereas Venezuelan titleholders are required to pay on the acquisition of their production titles an initial tax of 8 Bolivars ($ 2.58) per hectar of the area of their respective titles [1], Arab concessions provided for lump sum initial payments the amount of which are mentioned in the following table :

TABLE 9

INITIAL CONCESSIONARY PAYMENTS TO ARAB COUNTRIES

KUWAIT :		Initial Payment	Equivalent in U.S. $
KOC	Rupees	470,000	U.S. $ 98,000
AMINOL	$	7,500,000	
AOC	$	1,500,000	
SAUDI ARABIA:			
Aramco's 1933 and 1939 agreements	£	240,000	672,000
PWOC	$	9,500,000	
AOC	$	1,500,000	
IRAQ :			
IPC, MPC and BPC		Not Stipulated	

1. For details and quotation refer to pp. 25-26 .

QATAR :

QPC	Rupees	400,000	$ 83,334

BAHRAIN:

BAPCO	Rupees	400,000	$ 83,334

SOURCES: All Arab oil concessions , for details and quotations please refer to pages: 42,43,45,46,52,55,58,62,66, 67,68,76 and 77 .

The Venezuelan formula is believed by the writer to be superior to the lump sum system because it yields more income , to exemplify this fact we have to compare the intial payments of all the Arab countries,ten in number,which yielded $ 21 million-during all the history of oil discovery in the Arab world- with $ 686[1] million (equivalent to 2.2 billion Bolivars) yielded by the new 1956 and 1957 concession titles the area of which were 820,000 hectars[2] paid in the form of initial and surface taxes. However, it should be noted that due to the intense competition for acquiring concessions in Venezuela,the intial tax was raised to Bs. 150 per hectar instead of Bs 8 stipulated in the Hydrocarbons law , likewise the annual surface tax was raised from Bs. 5-30 stipulated in the said law to Bs. 100 per hectar [3].

Unfortunately no data are available about the amount paid in Venezuela in the form of initial taxes only per annum, but since these payments are relative to the area granted, the writer believes that more income is yielded than the lump sum system . If this system was applied in the Arab oil producing countries more income would have been yielded especially that most ,if not all, of Arab concessions cover most of the area of their respective countries .

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1. P.P.S., " Venezuela's Revolt ", vol. 25, No. 3, pp. 101-102, March 1958 .
2. P.P.S., " More Areas Granted In Venezuela ", vol. 24, No. 6, pp. 226-227, June 1957 .
3. P.P.S., " Bids For New Areas In Venezuela ", vol. 23, No. 10, pp. 380-381, October 1956 .

2- Surface Taxes and Annual Dead Rent :

In actual practice land rent is a function of its yield,but in the petroleum industry the difficulty of distinguishing precisely yields made the application of this law for taxation purposes impracticable. Consequently I have neutralized this factor in the following discussion. But nonetheless, one should bear in mind that although the yield per acre of Arab parcels exceeds by far similar yields in Venezuela - as will be explained later in the section of geological factors , pp. 99-103 -, Venezuelan surface taxes exceed Arab rents per hectar by many folds which might be as high as 100 per cent .

Whereas the Venezuelan law provides for an annual surface tax of Bs. 2 per hectar of exploitation concessions and Bs. 5 ($ 1.57) per hectar of production concessions to be increased every five years thereafter until it reaches a maximum of Bs. 30 or $ 9.7 [1], Arab concessions provided for annual dead rents the amount of which are as follows :

TABLE 10

ANNUAL DEAD RENT PAID TO ARAB COUNTRIES

Country and Concession	Equivalent Annual Dead Rent in U.S. $	Annual Rent	
KUWAIT :			
KOC	$ 19,800	Rupees	95,000
AMINOL	,625,000		
AOC	1,000,000		
SAUDI ARABIA:			
Aramco's 1933 and 1939 concessions	70,000	£	25,000
PWOC	1,000,000		
AOC	1,000,000		
IRAQ:			
IPC	560,000	£	200,000
MPC	280,000	£	100,000
BPC	560,000	£	200,000

Cont'd

1. For details and quotation refer to pp. 25-26 .

QATAR:		
QPC	$ 31,250-62,500	Rupees 150,000 to be raised after 15 years to 300,000
BAHRAIN:		
Bapco	355,600-63,000	£ 127,000 to be reduced after 15 years to 22,500.
TOTAL	$ 5,501,650-5,240,300	----------

SOURCES : All Arab oil concessions, for detailas and quotations refer to pages: 42,43,45,46,52,55,58,62,66,67,68, 76 and 77 .

On the basis of the annual dead rent paid to each Arab country and the respective areas of the concessions,the writer have divided same in order to reach the approximate rent per hectar for comparison purposes. Surprisingly enough in the three major Arab oil producing countries namely Kuwait,Saudi Arabia and Iraq the rent per hectar was even less than half a cent compared to a minimum od $ 1.51 and a maximum of $ 9.7 in Venezuela as shown in the following table :

TABLE 11

ARAB ANNUAL DEAD RENT AND VENEZUELAN SURFACE TAX PER HECTAR COMPARED

Country	Area in square miles	Dead Rent in U.S. $	Dead Rent per Hectar in U.S. $	% of Venezuelan minimum surface tax	% of Venezuelan maximum surface tax
Venezuela	7.07[a]	-----	1.51-9.6	100 % - $ 1.51	100%- $ 9.6
Kuwait	6500	19,800	0.016	less than 1%	negligible
Saudi Arabia	365,000	70,000	0.008	less than 1%	negilgible
Neutral Zone	1,100	1,000,000	3.58	225%	37%
Iraq	170,000	1,400,000	0.035	less than 1%	negiligible
Qatar	8500	32,000	0.014	less than 1%	negligible
Bahrain	231	355,000	6.0	400%	60.4%

SOURCES: Area : American Geographic Society, The Columbia Lippincott Gazette of the World .
Dead Rent: Same as in chart 10.
Percentages and Dead rent per hectar calculated by the writer .

(a) the total area of concession titles in Venezuela is 7.07 million hectars while Venezuela's area exceeds 200,000 miles .

The relativity of the Venezuelan surface tax is believed to yield more income than the annual dead rent system which does not change with the increase of the area of the concession. Furthermore the said Venezuelan formula is subject to change as mentioned earlier when the intense competition led to an increase of the surface tax from a rate which ranges between Bs. 5-30 to 100 [1]. This formula is superior to the Arab dead rent system in two ways :

a- It urges the concessionaire to explore his lot as soon as possible in order to either discover oil or to renounce it back to the country in order to evade the payment of surface taxes, thus resulting in a more rapid surrender of unexploited territories .

b- It yields more income, but unfortunately no exact statistics are available about the amount received by the Venezuelan government in the form of surface taxes,but since no concessions were granted since 1944 - except in 1956 and 1957- it is reasonable to assume an average rate of 20 Bolivars per hectar of the total 6.25 million hectars [2], being the total area of oil concessions granted up to 1955, yielding about 125 million Bolivars annually ($ 38 million) compared to $ 5.5 million paid to all Arab 11 concessions per annum.

The new petroleum concessions granted in Venezuela in 1956 and 1957 yielded in the form of initial and surface taxes $ 685.2 million as shown in table 12, however, it is beyond any doubt that the Venezuelan system of limiting the size of each concession as well as the maximum area that might be held by one concessionaire made possible the increase in the rates of surface taxes as detailed hereabove .

Another important distinction which should be emphasized in the treatment of surface taxes and annual rents is the fact that in Venezuela annual surface taxes [3] are deducted from

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1. <u>P.P.S.</u>, " Bids For New Areas In Venezuela", vol. 24, No. 10, pp. 380-381, October 1956 .
2. <u>P.P.S.</u>, " Venezuela In A Competing World", vol. 21, No. 3, p. 7, (Arabic ed.), March 1954 .
3. Which does not include initial taxes paid in order to obtain concessionary license .

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TABLE 12

New Petroleum Concessions Granted in Venezuela, by Companies

(Includes all awards between July 4, 1956, and August 1, 1957)

COMPANY (Names in Heavy Type Indicate Company is a New Venezuela Operator)	Number of Concessions	Type of Concession	Location	No. of Acres	Total Price* U. S. Dollars	Dollar Per Acre
Mene Grande Oil Company; International Petroleum Co.; and Compania Shell de Venezuela	2	Exploitation	Lake Maracaibo	49,420.00	$ 56,000,000.00	$1,133.15
	1	Exploitation	Lake Maracaibo	24,660.27	17,183,238.83	699.21
	1	Exploitation	Lake Maracaibo	32,060.66	32,392,912.61	1,010.03
	1	National Reserve	Lake Maracaibo	9,986.77	9,287,413.37	930.00
	1	National Reserve	Lake Maracaibo	10,893.53	19,618,122.98	1,833.67
	4	Exploration	Apure	98,840.00	1,941,747.57	19.64
	10			225,065.[illegible]	$136,113,465.38	$ 604.44
Creole Petroleum Corporation	1	Exploitation	Lake Maracaibo	25,443.71	$ 24,980,390.17	$ 982.53
	2	Exploration	Apure	54,402.00	1,067,961.[illegible]	19.64
	2	Exploration	Zulia	44,478.00	873,756.11	19.64
	3	Exploration	Monagas Sucre	72,149.72	15,220,320.39	210.21
	8	Exploration	Barinas	197,680.00	15,080,908.15	76.29
	3	Exploration	Monagas	77,332.42	19,661,980.52	254.25
	19			471,715.85	$ 76,913,317.8[illegible]	$ 163.04
Compania Shell de Venezuela	2	Exploitation	Lake Maracaibo	49,420.30	$ 38,935,932.06	$ 787.85
	1	National Reserve	Lake Maracaibo	10,188.62	28,020,488.35	2,750.35
	2	Exploration	Tachira	49,420.00	970,873.78	19.64
	3	Exploration	Zulia	49,420.00	970,873.78	19.64
	1	Exploitation	Gulf of Paria	24,710.00	11,763,754.05	476.07
	9			183,156.92	$ 80,661,821.09	$440.40
Signal Exploration Co.; Hancock Oil; Standard of Ohio; Pure Oil Co.	1	Exploitation	Lake Maracaibo	27,014.27	$ 33,679,906.74	$1,219.58
	4	Exploration	Zulia	98,840.00	1,941,717.57	19.64
	5			126,454.27	$ 35,621,654.31	$ 281.70
Venezuelan Sun Oil Company; Venezuelan Atlantic Refining Co.	1	Exploitation	Lake Maracaibo	24,710.00	$ 18,122,977.35	$ 733.43
	2	Exploration	Apure	49,420.00	970,873.78	19.64
	3			74,130.00	$ 19,093,851.13	$ 257.57
Venezuelan Sun Oil Co.; Venezuelan Atlantic Refining; **Seaboard Oil; Pan Venezuelan Oil**	1	Exploitation	Lake Maracaibo	24,710.00	$ 32,698,084.14	$1,322.79
Venezuelan Sun Oil Co.; Venezuelan Atlantic Refining; **Venezuelan American Independent Oil**	1	National Reserve	Lake Maracaibo	2,079.15	$ 1,934,692.56	$ 930.00
San Jacinto Petroleum Co.; Tennessee Gas Transmission; Union Oil & Gas; Lion Murphy Corp.; Petrofina de Venezuela; cie. Financiere Belges des Petroles; Sharples Oil Co.	2	National Reserve	Lake Maracaibo	1,969.38	$ 3,873,786.42	$1,964.54
	1	Exploration	Apure	24,710.00	485,436.89	19.64
	3			26,679.38	$ 4,359,223.31	$ 163.39
San Jacinto Petroleum Co.; Phillips Petroleum; **El Paso Natural Gas; Sunray Mid-Continent Oil; Western Natural Gas**	1	Exploitation	Lake Maracaibo	24,710.00	$ 48,543,689.32	$1,964.54
	1	Exploration	Tachira	24,710.00	485,436.89	19.64
	2			49,420.00	$ 49,029,126.21	$ 992.09
Superior Oil Company of Venezuela	1	National Reserve	Lake Maracaibo	7,775.77	$ 22,019,833.98	$2,831.68
	1	Exploration	Apure	24,710.00	485,436.89	19.64
	2			32,485.77	$ 22,505,270.87	$ 692.77
Venezuelan American Independent Oil Co.	1	Exploration	Zulia	23,598.05	$ 540,857.60	$ 22.92
Phillips Petroleum Co.; **Sunray Mid-Continent Oil; Ashland Oil & Refining; Western Natural Gas; El Paso Natural Gas; Kerr-McGee Industries; Pacific Petroleums; Canadian Atlantic Oil Co.**	1	Exploitation	Lake Maracaibo	24,710.00	$ 32,362,459.54	$1,309.69
	1	Exploitation	Monagas	24,710.00	11,362,459.54	459.83
	1	Exploration	Tachira Zulia	24,710.00	485,436.89	19.64
	1	Exploration	Tachira	24,710.00	485,436.89	19.64
	4			98,840.00	$ 44,695,792.86	$ 452.20
Venezuelan Atlantic Refining Company	1	Exploitation	Gulf of Paria	19,229.32	$ 6,827,508.74	$ 355.06
	3	Exploration	Apure	74,130.00	1,456,310.67	19.64
	4			93,359.32	$ 8,283,819.41	$ 88.73
Venezuelan Atlantic Refining; Sun Oil Co.; **Pan Venezuelan Oil Co.**	3	Exploration	Barinas	53,225.34	$ 3,485,430.88	$ 65.48
Venezuelan Atlantic Refining Co., Sun Oil Co.; **Seaboard Oil Co.; Pan Venezuelan Oil Co.**	1	Exploitation	Barinas	27,865.12	$ 21,937,232.04	$ 787.26
Continental Oil Co.; The Texas Co.; **Ohio Oil Cities Service; Richfield Oil**	6	Exploitation	Gulf of Paria	152,003.57	$101,637,699.03	$ 668.65
	4	Exploration	Apure	98,840.00	1,941,747.57	19.64
	10			250,843.57	$103,579,446.60	$ 412.72
Pan Venezuelan Oil Co. (Pan American)	1	Exploitation	Gulf of Paria	22,263.71	$ 4,665,372.17	$ 209.55
	3	Exploitation	S. Monagas	70,062.74	32,184,043.67	459.36
	4	Exploration	Apure	98,840.00	1,941,747.57	19.64
	8			191,166.45	$ 38,791,163.41	$ 202.92
King-Mill	1	Exploration	Zulia	24,561.74	$ 482,524.27	$ 19.64
	2	Exploration	Barinas	49,420.00	4,207,119.74	85.13
	3			73,981.74	$ 4,689,644.01	$ 63.39
GRAND TOTAL	89			2,029,420.16	$685,221,900.59	$ 337.64

* Bolivares converted to U. S. dollars at 3.09.

SOURCE: World Oil : 1957, vol. 145, No. 3, p. 131, August 15,1957 .

gross income with other taxes and levies in order to determine the realized net profits [1]. In contrast, Saudi Arabia's dead rent is considered a part of the government's share of profits for Aramco's 1950 supplementary agreement stipulated that in no case should the rents,taxes,levies and income taxes paid to the government exceed 50 per cent of net realized annual profits [2]. Reportedly annual rents are also included in the Iraqi share of profits.

Evidently the Venezuelan system is superior to the Arab system because it enables the government to nibble an additional sum of money without enabling the company to charge half of it; and the net gain of this system is,of course,half the annual surface tax or dead rent .

Deputee Saleh Mallom criticized the payment of Iraqi annual oil rents as very negligible [3] .

3- Exploitation Tax and Payments In Kind :

The Venezuelan law provides for an exploitation tax -erroneously referred to as royalty- of 16 2/3 per cent of the crude oil,natural gas and asphalt produced to be paid in kind or in cash provided that the selling price is not less than the rates mentioned in table 6,(p. 26). In contrast Arab concessions provided for the following percentages:

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1. World Petroleum Legislation:Venezuela, op.cit., p.6.
2. Saudi Ministry of Finance, "Aramco's Concession of November 30,1950", op.cit., article 1, paragraph A , p. 2.
3. Iraqi Parliament, "Parliamentary Debates Of the 12 th Session 1951 ", (Henceforth Iraqi Parliamentary Debates),(Baghdad:Government Press,1952),p. 116 .

TABLE 13

ARAB PAYMENTS IN KIND PERCENTAGES

Name of Company	Percentage to be paid in Kind
KUWAIT:	
KOC	Unknown ,probably not stipulated .
Aminol	Unknown ,probably not stipulated .
AOC	20 % of crude oil,natural gas and asphalt.
SAUDI ARABIA:	
Aramco	Not stipulated,instead the government is entitled to take,free of charge, 3,600,000 gallons of benzine and 200,000 of natural gas .
PWOC	20 % of crude oil,natural gas and their derivatives .
AOC	20 % of crude oil,natural gas and asphalt.
IRAQ:	
IPC,MPC and BPC	20 % reduced to 12.5 % in 1952 .
QATAR :	
QPC	Unknown,probably not stipulated .
BAHRAIN :	
Bapco	Unknown,probably not stipulated .

SOURCES: All Arab Oil Concessions , for details and quotations refer to pages : 46,53,57,59,62 and 71 .

Except for the Arabian oil Co. , which did not commense exploration operations as yet, and PWOC where annual production is relatively negligible, namely 4 million tons annually, other Arab oil concessions either provide for 12.5 per cent of oil produced as in Iraq, or do not provide for any percentages whatsoever as in Kuwait,Qatar and Bahrain.The Saudi Arabian government is entitled to take free of charge 3.6 million gallons of benzine and kerosene, and 0.2 million gallons of natural gas instead of payments in kind. If the Saudi Arabian agreement with Aramco stipulated the payment of 12.5 of the oil produced in kind, the amount yielded would be 985 million gallons-on the basis of 1957 annual production- instead of 3.6 million received now by the government. The reduction of the amount of Iraqi share from 20 to 12.5 per

per cent in 1952 was criticized in the Iraqi Parliament by the deputees of the National Socialist Party vehemently [1].

It is needless to emphasize the fact that the Venezuelan law is superior to Arab concessions as concerns payments in kind, besides unlike Arab concessions the Venezuelan law has provided for minimum prices of the government's share-to be paid in kind- if it was resold to the companies again. The recent trend in Venezuela is to increase the normal rate of 16 2/3 per cent payable under existing legislation. Sun Oil Co. agreed to pay 25 per cent of any oil produced, Signal Exploaration Co. 20.25 per cent and Venezuelan American Independent Oil Production Association 20per cent [2].

4- Income Tax:

Unlike the Arab income tax provisions, the Venezuelan law imposes a basic income tax of 2.5 per cent on net profits of all enterprises including oil companies. Besides, all taxable income of petroleum companies engaged in extraction of oil are subjected to an additional tax to insure that the nation receives at least 50 per cent of their net income. [3] This sharing principle was first applied in 1948 and was the precursor of the so called 50-50 principle in other oil producing areas in the world, and it allows for the deduction of all other taxes established on pages 25-28 with the exception of foreign taxes. Also deductible from gross income operational costs which might include writeoff of bad debts, operational losses, depreciation of fixed assets, the costs of finding oil, custom duties, sealed paper tax and other fees defrayed within Venezuela [4]. Arab concessions differ from Venezuelan law as regards income taxes in the basis for calculating the net profit which is vague and not defined explicitly, and it allows the inclusion of all types of taxes dead rents , fees and other payments made to the government in its 50 per cent share . The strict inspection system in

1. Iraqi Parliamentary Debates:1951, op.cit., p. 114.
2. P.P.S., "Bids For New Areas In Venezuela ", vol. 23, No. 10, p. 380, October 1956 .
3. For further details refer to pp. 25-28 .
4. World Petroleum Legislation:Venezuela, op.cit., p. 6 .

Venezuela insures the authentic calculation of realized net profits as will be detailed under the profit section.

Kuwait receives its 50 per cent share of profits based on posted prices as declared by the company minus a discount of 7 per cent as described on page 44. Saudi Arabia receives its share on posted prices but no discounts are reported. Iraq received in 1957 its share of profits minus a 2 per cent discount given off posted prices by IPC to parent companies but it was reduced later to 1 per cent upon the protest of the former Iraqi regime. Qatar and Bahrain are believed to receive half the profits including sizeable discounts the magnitude of which is not clearly known or revealed. According to U.N. sources oil companies operating in the Middle East " Were able to obtain petroleum at a discount of 15-20 per cent from the posted prices " [1]. If this statement holds true Arab oil revenues are ,in actual practice, reduced drastically.

Although in no other field of economic activity the 50-50 principle is expressly applied, and though, if calculated precisely it connotes a sense of partnership, equality and fairness and may prove to be sound and workable arrangement, it might, still, be put into jeopardy in the near future mainly due to the recent two agreements concluded between Iran and the AGIP Italian Company, which provided for the payment of 75 per cent of net profits, and the Arabian Oil Co. concession which provided for the payment of 57 and 56 per cent of net profits to Kuwait and Saudi Arabia respectively. According to press sources Venezuela enacted a new income tax law which requires oil companies to pay 61 per cent of their net profits instead of 50 per cent. This law if applied will naturally lead to similar increases in the Arab oil producing countries and the ratification of Arab concessions become a matter of time.

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1. United Nations Department of Economic and Social Affairs, "Economic Developments In The Middle East: 1954-1955", (New-York: U.N. Publications, 1956), p. 66.

Even if the said agreements were not concluded the respective governments were seeking changes in the existing agreements especially because they realized that the " 50-50 is a principle rather than a mathematical exactitude " [1]. These governments began to press the companies for greater royalties, an exact calculation of net profits, the cancellation of discounts, the sharing of profits realized on all operations such as refining, transportation and marketing instead of production profits only . As a matter of fact " Venezuela receives more than 50 per cent of net income " [2] because as commented earlier , it takes surface, production, transportation, consumption, basic cedular, income and fiscal taxes and after the deduction of all these taxes and operational costs, whatever profits left are divided equally, compared with the negligible annual rents, small payments in kind, if any, and half the net profits which are based on whatever arbitrary posted prices minus certain discounts.

Moreover it is believed that the political considerations enforced by the recent Iraqi "Coup D'Etat", and the Soviet Union's offer to any oil producing Arab country that signs a concession " with Russia will get 90 per cent of the revenues, the U.SS.R. only 10 per cent to cover costs" [3], have caused some lively interest in the subject and according to press sources, "Executives of Middle East oil companies are planning a summit meeting of their own . They'll discuss how to meet expected demands of Arab governments for a bigger share of oil profits" [4]. In an attempt to win Iraqi goodwill the British Foreign Office is doing its best to "Persuade the western owned Iraq Petroleum Company to consider a new contract modeled on the recent Italian-Iranian agreement under which the present 50-50 split would be replaced by a 75-25 deal in Iraq's favour " [5].

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1. P.P.S., " 50-50 More Or Less ?", vol. 25, No. 3, pp. 80-82, March 1958 .
2. World Petroleum Legislation :Venezuela, op.cit., p. 6.
3. Newsweek, "Periscribing the World", vol. LI, No. 23, p. 9, June 9, 1958 .
4. Newsweek, "Periscribing the World", vol. LII, No. 8, p. 8, August 11, 1958 .
5. Ibid., p. 24.

5- Fiscal Taxes :

Whereas the Hydrocarbons law requests sealed paper-which have to be used by oil companies-[1] to bear documentary stamps to the value of 5 per thousand, No such taxes are reported to be levied in any Arab country except Iraq where fiscal stamps of Iraq Dinars 2.25 and 50 were levied on Basra concession of 1938 and the 1952 supplementary concession respectively .

6- Other Taxes :

In addition to the taxes already established, the Hydrocarbons law imposes a consumption tax,on refined oil or any other products sold by the concessionaire in Venezuela, of 50 per cent of its corresponding custom duty [2]. Transportation concessionaires have to pay a tax of 2.5 per cent on their receipts from other parties using their pipelines [3]. These taxes,it might be noted,are not stipulated in any of the Arab concessions.

7- Currency Stipulation:

By agreement between the central bank and the Venezuelan Ministry of Finance,Bolivars are exchanged by U.S. $ at the rate of $1 = Bs. 3.09 instead of the current rate of 3.33 [4], thus making oil companies Bolivars cost about 8 per cent more which made a new source of income for the government. In 1956, 3.6 per cent of the government's income namely $ 51 million were charged as exchange income. In no Arab concession a similar provision is tipulated,although the original Aramco concession stipulated that Saudi Arabian Riyals should be exchanged by Dollars at the official rate, but this provision was cancelled in Aramco's 1950 supplementary agreement .

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1. For further details and quotations please refer to pp. 27-28 .
2. Ibid., p. 27 .
3. Ibid., p. 27.
4. Ibid., p. 28 .

8- Minimum Revenues :

No minimum revenue provisions are stipulated in the Hydrocarbons law, mainly because there is no need for such a stipulation, but some, if not all, the Arab concessions included minimum annual revenues of £ 5 million in Kuwait guaranteed by KOC [1], $ 1 million by PWOC [2], $ 2.5 million by AOC to both Saudi Arabian and Kuwaiti governments [3], £ 25 million guaranteed by IPC, MPC and BPC starting from 1956 and therafter [4], and £ 127,000 in Bahrain by Bapco [5].

The reason for providing for minimum annual revenues is obvious, especially because most Arab oil producing countries are dependent wholly if not mainly on oil revenues. The writer believes that it is very improbable that the amounts of oil produced in these countries 40 years henceforth might be reduced, except in periods of crisis, to a certain level which might yield an amount of profits which is less than the minimas set forth hereabove, hence this stipulation is, in practice, of no value except perhaps the psychological sense of security it gives to Arab oil producing countries.

9- Special Advantages:

The unique charecteristics of the Hydrocarbons law, mainly the limitation of the size of concession territories, made possible the entry of around 20 oil companies and created intense competition among these companies for acquiring new concession titles. The Hydrocarbons law, on the other hand, provided also for special advantages to be presented by the Federal Executive [6] if deemed advisable. To cite an example about the workability of this stipulation, which no other Arab oil concession provided for, I like to mention that in recent

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1. For details and quotations please refer to p. 44.
2. *Ibid.*, p. 58 .
3. *Ibid.*, p. 62.
4. *Ibid.*, p. 72 .
5. *Ibid.*, p. 78 .
6. *Ibid.*, p. 33 .

concession titles granted in 1956 and 1957, Sun Oil Co. undertook to give the government 25 per cent of the petroleum produced in kind instead of 16 2/3 stipulated in the law, likewise Signal Exploration and Venezuelan American Independent Oil Producers Association agreed to grant the government 20.25 and 20 per cent of the oil produced in kind respectively [1]. It should be noted also that other relevant companies agreed to refine in Venezuela 15 per cent of any crude produced from their new concession titles .

Other special advantage were offered by Mene Grande (Gulf) which agreed to carry out and interpret,free of charge, a 12-month aerial magnetometer or scintillometer survey over areas to be designated by the government. Royal-Dutch Shell undertook to give 60 million cubic meters of natural gas annually for 15 years from its new concession territory for the national petrochemical industry [2]. Besides, all new contracts provide for " The highest conservation standards being maintained particularly in respect of natural gas though the Venezuelan industry has a comparatively good record in this respect. The companies have also agreed to foster the use of natural gas by other industries and to cooperate with the government plans to establish a national gasoline network" [3].

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1. P.P.S., "Bids For New Areas In Venezuela ", vol. 23, No. 10, pp. 380-381, October 1956 .
2. Ibid.,
3. Ibid.,

B- FACTORS REDUCING PRODUCTION COSTS OF ARAB OIL :

Unique economic aspects combined together to make Arab oil exploitation the most profitable oil industry in the whole world,as will be elaborated in this section, mainly due to the relatively low costs of production,exploration and refining, the relatively low labourers' wages,the immense priviliges enjoyed by the operating companies,the small size of the capital invested as compared with world oil industry investments,the fixing of the post prices and the relatively scanty direct as well as indirect revenues paid to Arab countries which led to the realization of a fabulous rate of profit which sometimes amounted to 60 per cent of the value of the company's assets as it was the case in Aramco's net earnings in 1957 [1]. This section is devoted to the treatment of Arab oil cost of production as compared with similar costs in Venezuela,

However, the writer likes to indicate at the outset of this section that no precise information were released about the costs of production of both Arab and Venezuelan oil mainly because,for obvious reasons,the relevant companies were reluctant to declare these costs in an attempt to maintain their large profits,and partly due to the difficulty in calculating these costs, hence such information has to be derived from secondary sources.

Crude oil costs of production are dependent on such considerations such as concessionaire priviliges,geological as well as social factors and the volume of capital investments:

1- Concessionaire Priviliges :

Whereas oil concessions granted in Venezuela are regulated by a law which insured the supremacy of the Venezuelan legislature over these companies and which restricted their monopolistic behaviour and prevented the

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1. Burhan Dajani, " The Future Development Of Petroleum At The Arab Countries ", The Economy Of Lebanon and The Arab World", No. 65, p. 8, May 1958 .

operation of foreign state owned oil corporations and gave also the Minister of Mines full authority to regulate the oil industry in the interest of the nation, Arab oil concessions included immense privileges for operating companies which are outlined seperately and in details throughout this and the next chapters, The most relevant of these privileges leading to the reduction of the operation costs of Arab oil on a per barrel basis are the following :

a- Exemption from all types of taxes,including sometimes custom duties [1], and the relatively low royalties paid per barrel if compared with similar royalties in Venezuela.

b- The vast area of concession territories,sometimes including all the country,which permits the use of unified operations and the most efficient methods of production and prospection [2], leading to the reduction of exploration costs especially that dry holes expences tend to be compensated by producing wells discovered elsewhere, compared with relatively high costs of production in Venezuela and limited concession territories .

c- The inefficient inspection and fiscalization system and provisions which enabled most,if not all,the oil operating companies in the Arab countries to fix arbitrarily both costs of production and the selling price , compared with strict inspection system in Venezuela.

d- The weak position of the Arab oil producing countries as concerns the potential modification of these concessions necessary to safeguard their national interest,mainly due to the fragmentation of the Arab world into many weak and artificial seperate countries and Sheikhdoms,the indirect interferance by the countries to which the operating oil companies belong [3], and the massive control over all oil operations exercized by the seven major international oil companies which are operating in the Middle East through their affiliates, compared with Venezuela's strong

1. Abbousi, op.cit., p. 57 .
2. Ibid.,
3. Ibid., pp. 58-61 .

position towards the 20 companies operating there.

2- GEOLOGICAL FACTORS :

The greatest portion of the world's proved crude reserves are concentrated in several geological regions, the most favourable of which are the basins where the earth's surface has been sinking slowly and has allowed great thickness of sediment to accumulate. Some of these ancient basins exist in tropical and subtropical regions in North America and central Asia, while the Gulf of Mexico-Carribean basin and the Persian Gulf-Caspian sea basins [1] contain at least 79.1 per cent of the so called free world's 1957 proved crude oil reserves .

A unique combination of several factors has made exploration costs in the Middle East very small and made as well exploration rewards so high. Total Arab countries 1957 reserves, already about 56 per cent of the world's proved reserves, may easily rise to a total of 70 per cent. The Middle East is distinctive in that its oil resources are on quite a different scale from those in other places; the favourable geological circumstances, the yield per well, the size of the individual field and the richness of the zone will hardly be found severally or jointly in any other major oil producing area [2].

Although like other petroleum producing areas, the Middle East was a part of a major sedimentary trough which has been subsequently subjected to compressive mountain building deformation , yet its charecteristics of sedimentation, the structure and the timing of crustal movements has been peculiarly auspicious for oil , comprising great thickness of marls rich in organic remains which make good oil source rocks; its limestone and sands form excellent reservoirs and most significantly there is a recurrence of effective cap rocks [3] which led to the formation of a very big crescent

1. Micksell, op.cit., pp. 14-15 .
2. P.P.S., "The Incomparable Middle East", vol. 23, No. 7, p. 239, July 1956 .
3. Ibid.,

shaped oilfield belt of 1200 miles long and an average of 500 miles in weadth, extending from southern and south western foothills of the Taurus and Zagrous mountains in Turkey to 200 miles off the eastern coast of Saudi Arabia, and extends about 100 miles between Mosul in western Iraq to Qatar on the south west shores of the Persian Gulf and extends further southwest into the whole eastern Iranian borders , occuping some 6000 square miles [1]. The oil field belt led to the formation of a mountain belt of Iraq and Iran which has been appropriately called " A Gigantic Oilfield Graveyard", and led also to the formation of two greatest fields yet found in terms of proved capacity: the 140-mile long Ghawar field in Saudi Arabia - probably the largest in the world-, and the Burghan field in Kuwait. Next comes Kirkuk in Iraq with 44 producing wells each producing half a million tons of oil per annum. Other great fields are Masjid-i-Suleiman , Naft Kel, Agha Jairi, and Gach Saran in Iran, Abqiq in Saudi Arabia, Dukham in Qatar and Zubair and Rumaila in southern Iraq. In these eleven fields lie 90 per cent of the Middle East present total proved reserves which enables it to meet the whole world's oil demands for some years without drawing more than 5 per cent annually of its reserves [2].

The said unique charecteristics have led to the following exploration as well as production reducing cost factors :

a- Lower exploration costs due to the small percentage of dry holes explored in the Middle East which ranges between 4-9 per cent only as compared with an average of 8-9 dry holes of every 10 wells explored in the U.S. [3], while 95 dry holes out of 177 exploratory wells drilled in 1955 were found , or about 53 per cent [4]. In 1953 out of exploration expenditure of U.S. $ 1,956 million spent in

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1. Ibid., and Micksell, op.cit., p. 28 .
2. P.P.S., "The Incomparable Middle East", vol. 23, No. 7, pp. 239-241, July 1956 .
3. P.P.S., " Slim Hole Drilling Spreads ", vol. 23, No. 7, p. 268, July 1956 .
4. P.P.S., "Venezuela's Mounting Oil Revenues", vol. 23, No. 9, p. 341 , September 1956 .

the United States ,$ 797 million were spent on dry holes or 41 per cent of total expenditures . The cost of finding oil has risen in the U.S. from $ .09 per barrel in 1935-37 to $ .43 in 1945 [1], and to $ 1.76 in 1954 [2]. U.S. oil exploration costs were estimated in the postwar period to range between $ 42 and 56 per ton [3], which led to the use of slim hole drilling in order to reduce exploration costs by 60 per cent [4]especially because exploration costs on a per barrel basis have risen in the U.S. by 40 per cent in the period 1948-57 [5]. Unfortunately no similar statistics are available for both Venezuela and the Middle East but the fact that over half of the exploratory wells drilled in Venezuela in 1955-57 were dry holes compared with a maximum of 9 per cent in the Arab countries, and the fact that every Dollar spent on exploration operations in the Middle East has yielded a quantity of reserves which exceeds by 17 times the similar yields discovered in Venezuela [6], supports the widespread conviction that prospection costs ,as regards the percentage of dry holes, are lower by around 75 per cent in the Arab countries than similar costs in Venezuela , and is likely to be less than the U.S. costs by many folds . Additional exploration costs are incurred , over similar Arab costs in both Venezuela and the United States where a considerable portion of the wells prospected and drilled are under the sea because the expenses of marine prospection amounts to $ 31,020 per well compared with an average of $ 10,260 per land well [7].

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1. Micksell, op.cit., p. 20 .
2. P.P.S., "Finance For The Future ", vol. 23, No. 3, p. 87, March 1956 .
3. P.P.S., "Signposting The Future ", vol. 23, No. 8, p. 283, August 1956 .
4. P.P.S., "Slim Hole Drilling Spreads ", vol. 23 , No. 7, p. 268, July 1956 .
5. P.P.S., " Higher Costs And Diminishing Returns", vol. 24, No. 4, p. 130, April 1957 .
6. Abbousi, op.cit., p. 53 .
7. P.P.S., "Oil From The Under Sea", vol. 24, No. 1, p. 10, January 1957 .

b- The relatively small depth of Arab wells ,generally not exceeding 5000 feet in a strata whose average depth ranges between 200-1000 feet [1],whereas the depth of Venezuelan wells is much more , and the U.S. wells have reached a maximum of 22,570 feet in Texas [2]. The increase in average drilling depths has been a factor in raising the costs of prospection from an average of $ 49,000 in 1948 to $ 71,000 per well in 1957 [3] which supports the claim that additional reserves in Venezuela and the United States are being found only at steadily increasing costs and that although "Exploratory drilling techniques are constantly being improved they are being more than offset by the increased depth of wells and the smaller discoveries in the United States " [4].

c- The huge yield per Middle Eastern well permitting a large production of 177.5 million tons in 1957 out of a total of less than 1500 wells drilled in search of oil compared with 537,682 in the U.S. producing twice as much, and 30,262 wells in the Carribean area and Canada producing 170 million tons. Average production rate per U.S. barrel amounted to 11 barrels per day in 1950 [5]as compared with 200 barrels in Venezuela and 6000 in the Middle East which constituted one of the reasons accounting for the exorbitant increase in exploration costs in Venezuela over similar costs in the Middle East [6]. The size as well as the richness of Arab fields has made exploration rewards so high that over 13,000 barrels of oil has been proved per foot drilled compared with around 600-700 barrels in Venezuela and with no more than 20-30 barrels in the United States [7].

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1. P.P.S., " The Incomparable Middle East ", vol. 23, No. 7, p. 240, July 1956 .
2. P.P.S., "News In Brief", vol. 25, No. 7, p. 275, July 1958 .
3. P.P.S., "Higher Costs and Diminishing Returns ", vol. 24, No. 4, p. 130, April 1957 .
4. Micksell, op.cit., p. 17.
5. Shwadran , op.cit., p. 441 .
6. P.P.S., "Venezuela In A Competing World ", vol. 21, No. 3, p. 10 (Arabic ed.), March 1954 .
7. P.P.S., " The Incomparable Middle East ", vol. 23, No. 7, p. 239, July 1956 .

Probably no other area has proven as much as 1000 barrels per foot drilled in search for it [1]. The Middle East's outstanding huge reserves are " Due not to any extraordinary yield per cubic sediments, but to the great thickness and extent of effective sediments, and to those fortunate geological circumstances which favoured the preservation of the oil and its concentration in large formations" [2]. Production wells in Saudi Arabia amounted to 154 in 1955 [3], around 90 in Iraq in 1956 [4] 116 in Kuwaiti-Saudi Arabian Neutral Zone in 1958 [5], 83 in Bahrain in 1954 [6] and 248 in Kuwait in 1956 .

3- SOCIAL FACTORS :

Cost of production of Arab oil is reduced substantially due to the relatively lower wages paid to Arab labourers [7] who are drawn from a large pool of unemployment , compared with very high wages in the U.S. and relatively high wages in Venezuela where following the 1948 general strike, the oil workers ' unions were able to increase their wages 10 per in 1951, 1953 [8] and 1956 and concluded also an excellent labour agreement with the relative oil companies as detailed on pp. 34-39 . These high wages made Arab oil cheaper than Venezuelan oil at the U.S. markets [9]. Besides an intense price competition would have resulted if post prices were not fixed by the major oil companies. To cite an example about the cheapness of Arab labour I would like to indicate that the Saudi unskilled labourer received in 1956 six Saudi

1. Ibid.,
2. Ibid., p. 240 .
3. Aramco, "Report Of Operations To The Saudi Government 1955", p. 4.
4. P.P.S., " Iraq Reassures Its Future ", vol. 21, No. 5, p. 10 (Arabic ed.), May 1954 .
5. P.P.S., "Kuwait's Neutral Zone Reserves ", vol. 25, No. 8, p. 307, August 1958 .
6. P.P.S., "Abundance In Bahrain ", vol. 21, No. 8, p. 22 (Arabic ed.), August 1954 .
7. Hans Zanka, " Petroleum Economic Colonization and Its Geographic Backgrounds ", Translated from German to Arabic by Ihsan Al Jabiri, (Beirut: Dar al Fikr al Jadid , 1954), p. 58 .
8. P.P.S., "Venezuela In A Competing World ", vol. 21, No. 3, pp. 4-6 (Arabic ed.), March 1954 .
9. Ibid.,

Riyals [1] ($ 1.73), compared to $ 5.53 earned by the Venezuelan unskilled labourer in 1956, or about 320 per cent more.

Cost of production of oil is directly affected with the level of wages which probably comprises 20-25 per cent of total operation costs. Besides, the number of highly salaried skilled labourers and experts required in the oil industry is relatively small. To cite an example, Aramco has employed in some of its early operations 18,500 unskilled labourers against only 2000 skilled labourers and technicians necessary to conduct the work efficiently [2]. Wages in the U.S. are very exorbitant and it is estimated that average hourly earnings in the U.S. oil industry rose by 51 per cent between 1948 and 1956 [3].

A detailed discussion of labour conditions in both the Arab countries and Venezuela is given in the next chapter .

4- INVESTMENT IN THE MIDDLE EASTERN AND VENEZUELAN OIL INDUSTRIES:

Unfortunately relevant information and capital investment statistics group all Middle Eastern oil producing countries, hence the following discussion includes, in addition to Arab countries, Iran .

A striking example which evidences ,beyond doubt, the low costs of oil production in the Middle East might be exemplified by indicating that out of $ 71 billion invested in the so called free world's oil industry during the period 1946-1956, only $ 3 billion [4] were invested in the Middle East. In other words, only 4.3 per cent of world oil industry investments were enough to produce 20.6 [5] and 20.1 [6] per cent of the world's oil production in 1956 and 1957 respectively.

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1. P.P.S., "Aramco Continues Its Success", vol. 24, No. 7, p. 293 , July 1957 .
2. Zanka, op.cit., p. 68 .
3. P.P.S., "Higher Costs And Diminishing Returns", vol. 24, No. 4, pp. 130-131, April 1957 .
4. P.P.S.,"Rising Scale Of Capital Needs", vol. 24, No. 11, pp. 408-411, November 1957 .
5. P.P.S., " World Production:1956 ", vol. 24, No. 1, p. 2, January 1957 .
6. P.P.S., "World Production An Eventful Year ", vol. 25, No. 1, p. 2, January 1958 .

To indicate the insignificance of the $ 3 billion invested in the Middle Eastern oil industry I like to mention that in a study undertaken by the Chase Manhattan Bank it was calculated that world oil industry annual investments amounted to $ 9.6 billion in 1956, that is 320 per cent more than total investments in the Middle Eastern oil industry for a period of 11 years . The breakdown of these investments is shown in the following table :

TABLE 14

ESTIMATED EXPENDITURE FOR AND INVESTMENT IN PROPERTY PLANTS AND EQUIPMENTS IN THE FREE WORLD PETROLEUM INDUSTRY:1946-1956

Million U.S. $

Capital Expenditure : 1956	Free World	Venezuela	Middle East
Production	6,025	680	135
Pipelines	325	35	50
Marine (inc. Tankers)	675	5	0
Refineries and Chemical Plants	1,150	70	50
Marketing	1,050	10	15
Others	175	0	50
TOTAL	9,800	800	300
Gross Investments At End of 1956 for the period 1946-56			
Production	34,250	3,275 ...	1,050
Pipelines	4,700	240 ...	660
Marine (inc. Tankers)	6,900	35 ...	0
Refineries and Chemical Plants	13,900	550 ...	675
Marketing	9,400	90 ...	235
Others	1,725	10 ...	380
TOTAL	70,875	4,200 ...	3,000

SOURCE: P.P.S.,"Rising Scale Of Capital Needs", vol. 24, No. 11, p. 411 , November 1957 .

Capital investments in Venezuela for the period 1946-56 amounted to $ 4.2 billion compared with only $ 3 billion invested in all six oil producing Middle Eastern countries. In other words, although the Middle East produced 20.6 and 20.1 per cent of the world's oil production in 1956 and 1957 respectively compared with Venezuela's production of 15.5 [1] and 16.8 [2] per cent of the world's production in the same years, investments in the Venezuelan oil industry exceeds similar investments in the Middle East by 27 per cent.

Besides, it is noteworthy to indicate that only $ 1,050 were quite enough to provide facilities for the production of 174 million tons of oil in 1957 in the Middle East compared with $ 3,275 in Venezuela, or more than 300 per cent, spent for providing facilities for the production of 146.3 million tons in Venezuela in the same year. The small investments in the Middle East obviously reflect lower wages,operational and exploration costs.

Except for expenditures spent over production and tankers ,other Middle Eastern oil industry expenditures exceed corresponding investments in Venezuela which indicates the peculiarities of the Middle Eastern oil industry.

Since long pipelines have to be laid in the Middle East in order to carry oil from far desert producing centers to Mediterranean ports it was necessary to spend $ 660 million compared with $ 240 million in Venezuela , however, transportation expenditures are not likely to continue to increase at this rate in the future. Likewise ,refinery and chemical plants investments amounted in the Middle East to $ 675 compared to $ 550 in Venezuela mainly because most of the sizeable refineries of the Middle East were built during the period 1946-56. Because Middle Eastern oil has to be marketed in many individual markets,mostly European, while most Venezuelan oil is marketed in near markets of the U.S. and other countries of South America, expenditures in the Middle East spent on marketing facilities amounted to $ 235 million against Venezuela's $ 90 million marketing expenditures .

At the end of 1946 and 1956 Venezuela accounted for 16.6 and 15.5 per cent respectively of total U.S. foreign oil

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1. P.P.S., "World Production : An eventful Year ", vol. 24, No. 1, p. 2, January 1957 .
2. P.P.S., "World Production: An Eventful Year", vol. 25, No. 1, p. 2, 1958 .

investments while the Middle East accounted for 13 and 11 per cent of American similar investments in 1956 and 57 respectively.

Future world's oil industry investment requirements are expected to increase sharply , for according to a survey undertaken by the Chase Manhattan Bank these investments are estimated to reach an annual level of over $ 16.6 billion by 1966 and will amount to $ 130 billion over the period 1957-1966 [1].

Although it is natural to expect a steady increase in the volume of Middle Eastern oil industry investments in the future, such an increase is likely to be less than the corresponding increase in other major sources especially because relevant information indicate " ... that projecting recent trends, it is foreseen that in 1961-65, 68 per cent of the total world capital expenditures in the U.S. will be in respect of exploration and production , compared with 40 per cent in other free countries. The difference is due largely to the existing higher reserve-production ratio in some of the most important producers , among these countries the Middle Eastern, but the prportion is expected to rise as their reserve ratio declines " [2].

American oil companies accounted for 47 per cent of oil investments in the Middle East at the end of 1955 compared with 61 per cent in Venezuela, 54 in Canada and 39 in the Far East. [3]

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1. Ibid., p. 408 .
2. P.P.S., "Finance For The Future ", vol. 23, No. 4, p. 89, March 1956 .
3. P.P.S., "Oil Investment Dissected ", vol. 24 , No. 2, p. 56, February 1957 .

C- COST OF PRODUCTION OF ARAB OIL

Although the literature and the reports published by oil companies operating in the Arab world as well as all other oil publications contain immense material especially about operations, which has sometimes even criticized the religious, political and administrative set up of the Arabs,there has never been any direct or indirect clear discussion about the cost of production of Arab oil save in very vague terms which implied that these costs should be kept low in order to make up for the heavy transprtation charges in order that Arab oil may compete with the Venezuelan crude at world markets especially the U.S. markets [1]. This situation might be attributed partly to the reluctance of oil companies to reveal the real costs lest their real profits might be estimated more exactly by both their governments ,which will charge additional corporate income taxes, and the relevant Arab countries which will naturally be entitled to greater revenues on the basis of the 50-50 profit sharing agreements; and partly to the fact that a proper study of this subject faces a peculiar difficulty of assessing costs of production mainly due to the interrelationship of oil operations. Therefore any discussion about this subject is limited in scope and has either to depend on rough estimates from scattered secondary sources,or to be calculated roughly by adopting a certain theoratical framework .

Thanks to the 1947-8 investigations by the U.S. Congress when it wanted to get reassured that the navy was not being overcharged for the oil it purchased for its military use from certain American oil companies, revealed for the first time the costs of production of Arab oil . The said investigation committee was of the opinion that notwithstanding the war demands and the national obligations, Caltex and Aramco offered to the navy fuel oil at $ 1.05 a barrel on a take-it-or-leave-it basis, the navy

1. For further details please refer to : P.P.S., " Economies Of Middle East Oil ", vol. 21, No. 3, p. 18, (Arabic ed.), March 1954 .

was forced to take it at these terms and the U.S. government was overcharged between $ 30-38 million on sales made to the navy during the period 1942-1947 by paying an excessive price higher than the price these companies had a right to insist upon on the basis of their previous dealings with the government.[1]

During these investigations ,it was revealed that the cost of producing Arab oil on a per barrel basis was U.S. Cents 40.6 in Saudi Arabia- including a royalty of 21 cents-, 25 in Bahrain -including a royalty of 15 cents- and 27 cents in Kuwait -including a royalty of 14 cents-, hence actual production costs were 19.6 cents in Saudi Arabia, 10 cents in Bahrain and 13 cents in Kuwait in 1949 [2], compared with 85 cents in Venezuela and $ 1.85 in the U.S. in 1946 [3]. Shwadran estimated Saudi Arabian production costs in 1952 at 25 cents [4], while the Economic Commission For Europe report of 1955 estimated same at 35 cents in 1954 [5]. On the other hand Life magazine maintained that the costs of producing one Kuwaiti barrel of oil " ..cannot be much more than 10 cents " [6].

Theoratically production costs can be arrived at,or estimated roughly, by multiplying total annual revenues paid to the relative Arab government by two representing the assumed annual net profits shared by the company and the government,then subdivide it by the number of barrels produced to arrive at the net profit per barrel which is subtracted from the selling price; the residuous sum is supposed to represent the cost of production. According to this method used by Mr. S. Nasser [7] the costs were calculated by the writer and the results obtained were higher than those indicated in the International Petroleum Cartel , for Kuwait's cost per barrel amounted to

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1. For further details refer to I.P.C., pp. 357-60 and Micksell, pp. 132-139 .
2. I.P.C., op.cit., pp. 357-8 and 364-5.
3. Micksell, op.cit., p. 19 .
4. Shwadran, op.cit., p. 351 .
5. O'connor, op.cit., p. 310 .
6. *Life*, November 12, 1956, p. 86 .
7. For further details refer to S. Nasser, "Middle East Oil and World Oil", M.A. Thesis, Department of Arab Studies, American University of Beirut, June 1957, p. 155 .

25 and 26 cents in 1955 and 1956 respectively; 28.6, 26.1 and 23.3 cents in Saudi Arabia in 1955, 56, and 57 respectively. Unfortunately since the bulk of Iraqi oil is conveyed through pipelines the price quoted at Tripoli and Saidon are not representative , for the purposes of this calculation , because transportation costs as well as profits are involved in it .

The aformentioned theoratical framework might be completely erreneous because it treats the profits and the prices declared by the companies as true while innumerous indications imply exactly the contrary .

Oil companies maintain that their operating costs have increased steadily;but no sound evidence can be presented to support such a claim especially that oil extraction in the Arab countries is recent and even less than 9 per cent of the proved reserves were extracted, a fact which indicates clearly that the low level of costs of production are likely to remain at their present level for the next 15 or 20 years. The natural trend is for increased production costs when growing physical difficulties of finding oil occurs, as it is the case in the United States, where production costs are steadily increasing and have jumped on a per barrel basis 72 per cent during the period 1948-56 [1], mainly because the bulk of the reserves was extracted.

Arab oil production costs may rise if a substantial increase in wages occurs which did not take place as yet, or if exploration costs increased steadily which is not the case as explained on pages 97-107 . Hence one is left with the conclusion that Arab oil costs of production are appreciably lower than similar costs in other major producing areas .

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1. P.P.S., " Higher Costs and Diminishing Returns " , vol. 24, No. 4, p. 130, April 1957 .

D- FACTORS RENDERING COSTS OF PRODUCTION OF VENEZUELAN OIL HIGH

Unfortunately no data is available about the costs of producing Venezuelan oil, except the estimate of $ .85 made by Micksell. However ,the relevant articles and oil information indicate clearly that Venezuelan costs are rapidly increasing and that its oil is facing an increasing competition from Middle Eastern oil especially Arab oil. The main causes for this situation are the following :

1- The low productivity per well,which was estimated at 220 barrels compared with 6000 barrels in the Middle East with Iraq leading at the rate of 11,000, and the higher exploration costs[1] mainly due to the relatively big number of producing wells estimated at 25,000 as compared with only 1500 in the whole Middle East ; and partly to the greater percentage of dry holes of about 50 per cent in Venezuela compared to less than 10 per cent in the Middle East. These three factors combined render exploitation and prospection costs higher than similar costs in the Middle East .
2- The fact that 60 per cent [2] of Venezuelam oil is composed of heavy oils of API gravity less than 25 which is best suited for the production of heavy oils needed badly by the U.S.,. Light Venezuelan crudes , needed by Europe, has to be extracted mainly by the use of complicated pumps especially from old fields, thus incurring additional costs [3]. Furthermore, light gravity oil is considered more profitable by oil companies.
3- The relatively high wages paid to Venezuelan workers, these wages were increased 10 per cent in 1951, 1953 and 1956; the minimum wage was set at Bs. 18.25 or about L.L. 16. Besides, the immense indirect benefits paid to workers are also reflected in higher costs of production [4].

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1. P.P.S., "Venezuela In A Competing World", vol. 21, No. 3, p. 6,(Arabic ed.), March 1954 .
2. P.P.S., "Venezuela:More Oil Less Demand", vol. 25, No. 4, p. 126, April 1958 .
3. P.P.S., " Venezuela In A Competing World ", vol. 21, No. 3, p. 7, (Arabic ed.), March 1954 .
4. Ibid., p. 8.

4- The great inflationary pressures caused by the improper balance of payments of Venezuela,mainly due to the backwardness of agriculture which can supply only two thirds of the local demand for agricultural products, the remaining third is imported from outside at a total cost of $ 400 million annually [1]. The migration of farmers to the towns has complicated its agricultural system, these inflationary tendencies have resulted in an overall higher costs of living [2] and in lower purchasing power of the Venezuelan Bolivar as evidenced by the difference between the official rate of Bolivar of $ 1= 3.09 Bolivars and the market rate of Bs. 3.33 [3].

5- Due to the large increase in Venezuelan refining capacity estimated in 1957 at 710,000 b/d [4], most of the oil exported was in the form of refined petroleum products, while Europe, the greatest single oil market, have saturated refining capacity and naturally it prefers to keep refining profits for its own refineries which are mostly owned by the respective governments. Hence crude Middle Eastern oil was at an advantage over refined Venezuelan oil at European markets, which is revealed by the fact that 90 per cent of the petroleum refined in 1954 in Europe came from the Middle Eastern countries [5]. Furthermore refining costs in Venezuela was in 1954 " higher than in any of the other countries " [6], consequently the demand for refined Venezuelam oil was gradually shrinking especially that the United States, the greatest single customer for Venezuelan oil, have saturated refining capacity .

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1. Ibid., p. 8.
2. Ibid., p. 6.
3. P.P.S., " Venezuela:More Oil Less Demand", vol. 25, No. 4, p. 127, April 1958 .
4. Ibid., p. 128 .
5. P.P.S., "Venezuela In A Competing World", vol. 21, No. 3, p. 6, (Arabic ed.), March 1954 .
6. Ibid., p. 7.

E- DISADVANTAGES OF ARAB OIL AS COMPARED WITH VENEZUELAN OIL

Although Arab oil enjoys unique favourable charecteristics the following three reasons give Venezuelan oil an advantage over Arab oil:

1- The remoteness of Arab oil producing areas from the main consuming centers which for so long has delayed the realization as well as the development of Middle Eastern oil resources, involving a long sea travel, passage through the Suez Canal and the use of long pipelines, which is reflected in higher transportation charges which might be as high as $ .86 which are deducted from Arab posted prices [1].

2- The quality of Arab oil suffers from its high sulphur contents and the relatively low quality of straight-run gasoline produced from it . This handicap has been largely offset by advances in refining techniques and by the growing demand for Arab oil distillates [2].

3- Climatic conditions which involve much abnormal expenditures mainly due to the presence of climatic natural difficulties in performing oil operations properly and for the development of the oil industry in general. This factor led to an increase in the cost of providing , in much greater degree than elsewhere, ancillary services to oil operations such as trunk roads , water, health and welfare facilities etc... [3] .

However, inspite of these disavantages the other unique favourable charecteristics of Arab oil mainly of concessio-naire privileges ,low percentage of dry holes , the small depth of wells prospected, the huge yield per well, the extraordinary richness of oil fields, the small number of producing wells, the low wages paid to Arab workers and the

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1. P.P.S., " The Incomparable Middle East ", vol. 23, No. 7, p. 242, July 1956 .
2. Ibid.,
3. P.P.S., " Economies Of Middle East's Oil ", vol. 21, No. 3, p. 18, (Arabic ed.), March 1954 .

lower exploration as well as production costs .

In the opinion of the writer, it apperas unlikely that any other oil producing sources will ever achieve a comparable position equal to that enjoyed by the Arab oil producing countries. The Petroleum Press Service admitted that Venezuela is facing a mounting competition from the Middle Eastern crude where production increases at decreasing costs reflected in more competitive prices, whereas Venezuelan costs of production are steadily increasing . This competition led to the reduction of Venezuelan oil production in 1953 when the European countries began to compete for obtaining the relatively cheaper Middle Eastern oil [1] .Another factor giving Arab oil an advantage is that Venezuelan oil is sold only by U.S. Dollars and is appropriately called the Dollar oil while the bulk of Middle Eastern oil is Sterling oil, and because the greatest single oil market, namely Europe, suffers from Dollar drain most European countries prefered the purchase of the Sterling oil [2]. This competition is expected to result in reducing the 1958 annual oil production in Venezuela from the 1957 level, especially after the United States declared that its future oil imports shall be restricted .

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1. For further details refer to P.P.S., " Venezuela In A Competing World", vol. 21, No. 3, pp. 3-7 (Arabic ed), March 1954 .
2. O'connor, op. cit., pp. 306-310 .
3. P.P.S., " Venezuela:More Oil Less Demand", vol. 25, No. 4, pp. 124-128, April 1958 .

F- PRICING OF OIL

The growing importance of oil as a source of basic energy in the whole world especially in Western Europe has created a lively and increasing interest,in recent years, in oil pricing system.

The charecteristic feature of international pricing in the oil industry derives from its inherent technical,economic and structural peculiarities the most significant of which is the free movement of oil on an unparalleled scale from two major supply sources namely the Middle East and Venezueal, and a number of tributary supply sources such as the Far East, Canada ,Rumania and the Soviet Union. Oil from these sources is sent virtually to every country in the so called free world, thus creating and ensuring a unified world market for the most important single commodity in international trade [1] .

To underestand properly the international oil pricing structure , one should get acquainted with the historical evolution of the present pricing system which is summarized in the following section :

Before the outbreak of the second World War, major international oil companies followed a system of pricing which had the effect of eliminating price differences among them to any buyer at any given destination point, making all buyers pay exactly the same price for identical qualities of oil regardless of whether the purchases are made from a near by source such as the United States, from a low cost source such as the Middle East,from a distant source such as the Far East or from a high cost source such as the United States and to a certain extent Venezuela. Such systematic elimination of price differences was achieved by adopting an international basing system generally referred to as " Gulf Plus" under which any changes in the U.S. oil prices were soon reflected in higher similar prices in Venezuela, the Middle East and all other oil sources [2].

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1. P.P.S., " The Pricing Of Oil ", vol. 23, No. 3, pp. 89-92 , March 1956 .
2. I.P.C., op.cit., p. 349 .

The underlying doctrine was that there is a homogeneous world oil market,accordingly oil prices should be homogeneous everywhere [1].Under the basing point system a particular area -usually the United States which was the main world's oil producer as well as consumer- was designated as the "Base Point", at which the base price is established. Producers at other areas " arrive at a delivered price by adding to the base price freight charges therefrom to the point of destination"[2]. Consequently near by producers reap the advantage of the difference between their actual costs and the freight costs from the basing point to the buyer which is called "Phantom freight", while sellers located farther from the buyer than the basing point have to absorb the difference in freight charges[3].

This pricing system,known also as the "Import Parity System",persisted until 1939 with few minor changes but the war compelling needs,the gradual transformation of the U.S. from a major producer to a net importer of oil and the pressure exerted by the American and British governments especially the latter - which claimed that it seemed odd that while the British were fighting for their country's life,Anglo-Iranian Oil Co. was charging the government for its oil purchases at Texas Gulf prices-, made oil companies finally name the Persian Gulf as a new basing point [4].

Under the new pattern of pricing,a new secondary basing point was established especially at the Persian Gulf for two main reasons :

1- To exclude the highly discriminatory freight charges .

2- To admit the fact that the Middle East is the future's oil supply source .

However,except for the elimination of the said freight charges,the basing point system was fundementally unaltered especially when the "British government,which after long

1. Ecomomist, "What Price Oil ? ", pp. 739-40, February 26, 1955 .
2. I.P.C., op.cit., p. 349 .
3. Ibid.,
4. O'connor, op.cit., p. 299 .

discussions with the oil interests had failed to bring to light the actual cost of production at the Abadan refinery agreed to accept as the Persian Gulf base price the United States Gulf base prices" [1].

Although this system established a dual basing system based on what is called the "Equalization Point" and admitted the highly discriminatory phantom freight charges, nonetheless identical delivered prices of the same qualities of oil shipped to any destination regardless of the source of supply was preserved. Thus the pricing system was controled by an oligopoly of few, and publicly posted bulk cargo prices for crude oil and for the main products were still the basic elements in the international pricing structure . Important changes in the prices quoted for certain oil qualities by any major supplier lead to reconsideration by his, so called, competitors but actually interest colleagues, and to adjustments and readjustments until the price settles at a new level. Thus in the final analysis all published prices for a certain identical grade of oil at any supply source tend towards the same level .

The second postwar development affecting crude pricing structure was the rapid increase of price in the U.S. Gulf prices to a record of $ 2.22 per barrel, but this rate was severely criticized by the European countries especially the European Cooperation Administration which called in a panel of experts to look into the prices of Arabian oil, and about a year later major oil companies adopted the suggestion which called for the equalization of the price of Middle East crude of 36 API gravity with Caribbean crudes at New-York and the price was set at $ 1.75 per barrel fob. Ras Tannura [2]. At this rate Arabian crude was competitive, i.e. could be delivered

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1. I.P.C., <u>op.cit.</u>, p. 356 .
2. <u>Ibid.</u>, pages 361 and 367 .

,tanker freight charges included, at the same cost as Venezuelan and Texan crudes on the Atlantic coast of the Americas all the way from New-York to Buenos Aires [1].

The third postwar development was undertaken in order ,it was said, to stimulate exploration and production of oil supplies in the U.S. for defence requirements, accordingly the prices of U.S. crude was boosted 25 cents to $ 2.90 a barrel in June 15, 1953; a week later prices were raised in both the Middle East and Venezuela[2].

The fourth and last postwar development in crude prices emerged from the Suez crisis and led to a sharp increase in crude oil prices [3] in both the western and eastern hemispheres mainly due to the sharp increase in tankers freight charges and to additional costs incurred in producing greater quantities of oil both in the United States and Venezuela in order to supply Europe during and after the Suez emergency which resulted in the blockage of the Suez canal and the blowing of the Iraqi oil pipelines in Syria. However, these prices were reduced partially later [4] when the Suez emergency was over and when Iraqi oil resumed its ordinary flow and especially when the rate of increase in the United States oil domestic consumption rate showed signs of slackening mainly due to its mild economic recession.

Crude oil prices were at the time when this dissertation was typed, late in November 1958, as follows:

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1. O'connor, op.cit., p. 356 .
2. Ibid.,
3. For further details refer to : P.P.S., " The Changing Pattern of Prices ", vol. 25, No. 3, pp. 7-9 , January 1958 .
4. For further details refer to : P.P.S., " The Drop In Prices", vol. 25, No. 3, pp. 82-84 , March 1958 .

TABLE 15

CRUDE OIL PRICES : December 1958
in U.S. $, Prices posted in field

Name of Source	API Gravity	Price per barrel
North America:		
Oklahoma Kansas	36.0-36.9	$ 3.07
East Texas	39.0	3.25
West Texas	29.0-29.9	2.80
Venezuela :		
Mulata	37.0-37.9	3.09
Oficina	35.0-35.9	3.05
Jusepin	32.0-32.9	2.99
Tia-Juana light	31.0-31.9	2.80
Middle East:		
Arabian (Safania) ex Ras Tannura	27.0-27.9	1.65
Arabian ex Ras Tannura	34.0-34.9	2.08
Arabian ex Saidon	36.0-36.9	2.49
Qatar ex Umm Said	40.0-40.9	2.21-2.23
Iraq Kirkuk ex Tripoli and Banias	36.0-36.9	2.47-2.49
Iraq Basra ex Fao	36.0-36.9	1.98-2.00
Kuwait, ex Mana Al Ahmadi	31.0-31.9	1.85
Iranian light ex Bandar Mashur	34.0-34.9	2.04
Iranian light ex Abadan	34.0-34.9	1.99
Iranian Heavy ex Abadan	31.0-31.9	1.80

SOURCE: P.P.S., " Representative Market Quotations ", vol. 25, No. 12, p. 474, November 1958 .

1- PRICING ARABIAN OIL :

In general , Arabian crude supplies from the Persian Gulf going to countries west of the Suez, are priced to meet competition from supplies coming from nearer sources, except for this factor, freight and government charges Persian Gulf prices are broadly in line with U.S. Gulf-Caribbean prices.

In the post war years, and as a result of the massive growth of the oil supply potential in the Arab countries, and to accord with the area's relatively unfavourable location in relation to important consumption markets such as Europe, the rate of increase in the prices of Arabian oil was always less than the corresponding increases in the western sources. This fact might be exemplified by reference to west Texan sour crude and Saudi Arabian crude, both of approximately equivalent value to the refiner,were each of little over 1 $ per barrel at seaboard in 1945, but rose in 1956 to almost $ 3 per barrel of Texan crude at Gulf coast as compared with slightly under $ 2 per barrel of Arabian oil in its Persian Gulf terminal. After allowing for fair long term freight rates and for the U.S. import duty of 10.5 cents a barrel on light foreign crudes, Arabian crudes are still competitive in the United States' eastern Gulf coast with crudes coming from Venezuela [1]. The present long run tendency is to widen, more and more, the differential between comparable western hemisphere and Middle Eastern crudes in favour of the former in order, according to the Petroleum Press Service, to seek ever widening markets for the rapidly increasing Arab oil production. The said differential rose from 50 U.S. Cents per barrel in 1947 to 97 cents in 1950, to $ 1 by November 1956. The recent 1957 average increase in the prices of Arab crude was 13 cents compared with 25 cents or slightly more in the western hemisphere, thus the differential was further widened to $ 1,12 a barrel [2].

2- THE EUROPEAN POSITION :

A question often raised, mainly by European countries, is why the price of Arab oil should be ultimately related to that of the U.S. crude prices notwithstanding the fact that Arab costs of production are appreciably lower and its prices at loading ports are significantly cheaper ? Many discussions and complaints were raised especially by the European Cooperation Administration who demanded in its formal discussions with oil companies in 1951 that the $ 1.75 price per barrel be reduced to $ 1.43 only [3]. The Mutual Security Administration estimated that the 25 cents boost in prices of 1953 would cost Europe $ 122 million a year and would also increase its

1. P.P.S., "The Pricing Of Oil", vol. 23, No. 3, pp. 89-92, March 1956 .
2. P.P.S.," The Changing Pattern of Prices", vol. 25, No. 1, pp. 7-8, January 1958 .
3. I.P.C., op. cit., p. 370 .

already serious Dollar drain [1]. The issue of oil prices flared into the open once again in 1955 when the United Nation's Commission for Europe published its report on the subject and labour members at the British House of Commons assailed the oil cartel as "Public Enemy Number 1" [2]. In the said report it was pointed that "Europe is being bled by needlessly high monopolistic oil prices. It is estimated that if countries,other than the U.S., were allowed to purchase oil at its real economic price, there would be a saving of $ 400 million annually in the rest of the world's expenditure " [3]. Rumours spread later that the powerful oil cartel as well as the U.S. State Department officials were equally opposed to the release of the said report.

3- THE OIL COMPANIES POSITION :

The oil companies position as concerns pricing might be summarized as follows:

a- Prices are set on a certain high level in order to assess large profits needed by the oil industry for its highly expensive operations. The essential fact about profits is not their absolute size but their expenditure outlets and what they do to people [4].

b- Production costs are higher than the opponents estimates, these costs embrace not only the lifting costs but steadily increasing exploration expenditures,vast ancillary costs of establishing and sustaining whole communities in desert regions [5].

c- Provision has continually to be made from high prices enough to generate within the industry most of the funds necessary for new exploration and development , in order to satisfy world rising demand without sharp increase in prices [6].

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1. O'connor, op.cit., p. 302 .
2. Ibid., pp. 302-309 .
3. Ibid., p. 309 .
4. P.P.S., "Higher Costs and Diminishing Returns", vol. 24, No. 4, p. 129, April 1957 .
5. P.P.S., " The Incomparable Middle East", vol. 23, No. 7, p. 240, July 1956 .
6. P.P.S., " Many Sided Competition !", vol. 25, No. 7, p. 240, July 1956 .

d- Prices should be maintained at this level in order that companies pay what they have to pay to keep the governments of the Arab world contended enough to let these companies continue to take this oil out [1].

4- CRITICISMS OF THE EXISTING PRICING SYSTEM :

The existing oil pricing system might be criticized on the following grounds:

a- Freight absorption and differences in net realization at the Persian Gulf continued to exist on shipments to destinations which are freightwise closer to the United States' Gulf [2]. Likewise it did not take into consideration the savings per barrel carried by pipelines to the Mediterranean ports instead by tankers, and which was estimated in 1948 at about 30 cents per barrel . The fictitiosness of this system was revealed when the considerable fluctuations in freight charges were not reflected in Arab oil posted prices which remained stable [3].

b- It still tends to eliminate differences in delivered prices among the various sellers at any given point of destination thereby strengthening monopolistic control over the industry [4] .

c- It made the base price depend on the relatively high U.S. Gulf prices for both crude as well as refined oil thus boosting artificially prices inspite the fact that the U.S. has become a net importer of oil instead of a major oil exporter [5].

d- It made possible the realization of profits of such billion U.S. $ magnitude never known in any other industry. Only a small portion of these profits may cover easily production as well as exploration costs

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1. O'connor, op.cit., p. 310 .
2. I.P.C., op.cit., p. 369 .
3. S. Yari, "The Markets For Middle East Oil", Middle Eastern Affairs, vol. 12, Nos. 6-7, June-July 1956 .
4. I.P.C., op.cit., p. 347 .
5. P.P.S., " The Pricing of Oil ", vol. 23, No. 3, p. 89, March 1956 .

especially that these costs are high in Venezuela,and relatively low in the Middle East especially in the Arab oil producing countries. The latter two sources of oil,supply the bulk of annual world oil consumption requirements .

In the opinion of the writer such claims as ".. in Mr. Pattman's (of Shell New-Jersey) price competition in the international oil industry is massive rather than hysterical" [1] are neither valid nor reflect any measure of truth,since all indications point out that the once cut throat competition between oil producers in the early twenties as well as any mild form of competition belong only to the past . Evidence to support this conviction were discussed in the cost of production section , this section and will be supplemented in the oil profits section .

Oil pricing outside the U.S. shall ultimately be determined in the future mainly by the very narrow so called competition,if any, between Middle Eastern and Venezuelan crudes; to be modified ,of course,by intercompany relationships, by currency considerations ,by freight charges and at certain markets by potential competition from Russian and Rumanian oil.

Although such a monopolistic pricing structure,which is out of all relations to production costs, is bearing heavily on consumers , the Arab countries are reaping a small and even insignificant portion of this excess price while the companies are getting the lion's share . Apparently the high level of oil prices is expected to last , at least in the short run for " ... neither the British ,Dutch , French and the United States governments was likely to run counter to the imperial interests of the big seven who composed the international oil cartel" [2] .

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1. P.P.S., " The Pricing Of Oil ", vol. 23, No. 3, p. 89, March 1956 .

2. O'Connor, op.cit., p. 310 .

G- PROFITS OF OIL COMPANIES OPERATING IN THE ARAB WORLD:

Once more the lack of precise information and statistics put a sizeable limitation to any discussion of profits of oil companies; especially that these companies do not publish exact and authentic financial reports[1] lest they might be subjected to both excessive corporate income taxes and greater royalties to be paid to Arab governments. Unfortunately similar Venezuelan statistics are not available, hence the following discussion will depend mainly on secondary sources and partly on estimates.

Four types of profits might be distinguished for the purposes of this study and include production, refining, transportation and marketing profits:

1- PRODUCTION PROFITS :

Wheras scanty information might be collected about the operations of the British oil companies, there are relatively more published data about American oil companies profits. Basing on California Standard net profit statements, after adjustments the nature of which was not specified, the International Petroleum Cartel put these profits as follows :

TABLE 16

PROFITS OF CALIFORNIA STANDARD OIL COMPANY

Year and Company	California Standard equity	% control by Calif. St'd.	Total estimated net profits	Average net profit per barrel
1948:				
Bahrain	$ 28,181,773	50%	$ 56,363,546	--------
Aramco	24,968,299	30%	83,227,663	--------
Total	----------	---	139,591,209	$ 0.90
1949:				
Bahrain	30,688,796	50%	61,377,592	-------
Aramco	34,518,646	30%	115,062,153	-------
Total	---------	---	176,439,745	$ 0.95
1950:				
Bahrain	25,310,285	50%	50,620,570	------
Aramco	38,212,174	30%	127,373,913	------
Total	--------	----	177,994,913	$ 84.5

SOURCE: International Petroleum Cartel , p. 377 .

1. Abbousi, op.cit., pp. 172-173 .

On the other hand O'connor's estimates, based on annual reports of the oil companies, put the profit per barrel at smaller ratios than those indicated in the International Petroleum Cartel , namely around 70 cents . This might be attributed to the increase in royalties paid to Arab governments since 1952. O'connor's estimates ran as follows:

TABLE 17

EARNINGS OF BIG SEVEN COMPANIES IN 1954 OTSIDE THE U.S.

Company	Net Income Millions of $	Profit per barrel in U.S. Cents
St'd Jersey	425	85
Shell	285	59
Texaco	121	85
Socony	83	82
Gulf	121	60
St'd Calif.	117	99
Anglo Iranian	68	30

SOURCE: O'connor, The Empire Of Oil, p. 301 .

According to O'connor also, the profits of Aramco, bapco and KOC were as follows:

TABLE 18

NET PROFITS OF SOME OIL COMPANIES OPERATING IN THE ARAB WORLD

Name of company	PROFITS (Millions of U.S. $)		
	1950	1951	1952
Aramco	115.0	159.9	180.0
Caltex-Bapco	50.6	98.4	115.0
KOC	38.6	43.0	41.0

SOURCE: O'connor, The Empire Of Oil, p. 302 .

The breakdown of Middle Eastern companies earnings in 1953, which include earnings from Arab countries only because Iranian production was stopped due to the Anglo-Iranian dispute were as follows :

TABLE 19

MIDDLE EAST 1953 EARNINGS BY COMPANY

Company	Profits(in U.S. $. Million)
St'd California	117.5
Texas	117.5
St'd New Jersey	65.5
Gulf	76.0
Socony	35.5

SOURCE: O'connor, The Empire Of Oil, p. 302 .

In contrast Creole oil Corp. , one of the major companies in Venezuela declared that its net profits amounted to $ 336.5 and 397 million in 1956 and 1957 respectively.

These profits do not represent the actual profits of oil companies, however the evaluation of the operating companies' assets and the value of its concessionary rights is considered as an indicator of the immense , and rather fabulous,net profits accrued by these companies which exceeds by far the moderate estimates included in the foregoing four tables. Although the value of such assets does not give us a precise idea about these profits, one might derive an overall idea from such evaluations. This fact might be best exemplified by citing the example of Aramco .

Standard of California original investment in Saudi Arabia was $ 50,000 and was increased by California Arabian Standard to $ 700,000 . In 1936 California Standard sold Texas half its interest for $ 21 million and by 1945 the parent companies declared that they have invested in Aramco $ 100,293,540 this was broken down to capital stocks of $ 700,000, earned surplus of $ 4,700,000, capital surplus of $ 3,150,000 and loans from the parent companies of $ 19 million. In 1946 the assets of the company were estimated at $ 150 million which was apparently a very conservative estimate [1] .

In 1946 an agreement was concluded whereby Standard of Jersey agreed to buy 30 per cent of Aramco's shares at $

1. Shwadran , op.cit., pp. 348-350 .

$ 76.5 million, and Socony Vaccum to buy only at $ 25.5 million ; thus the selling price of 40 per cent of Aramco's shares amounted to $ 102 million, besides the said two companies agreed to grant Standard and Texas a prior claim to Aramco's earnings and Standard of Jersey and Socony were excluded from participation in dividends until the aggregate amount of dividends paid on Califonia Standard and Texas shares equalled $ 37.3 million in 1947, $ 15 million in 1948, $ 15 million in 1949 and beginning 1950 a sum equal to ten cents per barrel produced until dividends based on the total production of 3 billion barrels, namely $ 300 million has been paid. Thus Jersey Standard and Socony paid for their 40 per cent share in Aramco about half a billion Dollars and upon the basis of this valuation Aramco's assets would have jumped from $ 101 million in 1945 to 1.2 billion [1], this evaluation is believed to have increased steadily during the last ten years with the increase in proved oil reserves .

Available fragmentary data about the financial operations of IPC indicate that it was a highly profitable venture. In 1937 Jersey Standard estimated its property in the Red Line area, excluding Basra concession and Qatar, between $ 119 and 143 million compared with a total investment of $ 14 million , thus for every Dollar of investment Jersey Co. obtained $ 10 of capital value and it realized an average profit of about 52 cents per barrel [2].

In Bahrain Bapco started with an original investment of £ 100,000 which was increased to £ 1 million in 1936 by Caltex group, and in 1946 the accumulated reserves and supplies amounted to $ 118.8 million and by the end of 1950 its capital supplies amounted to $ 254.4 million [3].

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1. I.P.C., op. cit., pp. 120-125 .
2. Ibid., pp. 95-96 .
3. Mohammed Yaganeh, " Investment in the Petroleum Industry of the Middle East ", Middle East Journal, vol. 6, No. 2, p. 245 .

2- REFINING PROFITS :

Since crude oil is not demanded for itself ,refining became an integrated part of the oil industry,and it constitutes accordingly an important source from which oil companies accumulate profits; and inspite of the fact that building refineries in non oil producing countries could not be justified on economic grounds,the bulk of Arab crude is refined in foreign refineries mostly European. Only a small percentage of Arab oil is refined at the relevant Arab countries as will be discussed later under refining provisions.

Actually the Middle East refineries can dispose of their total production at prices which do not reflect any element of freight disadvantage vis-a-vis the West [1]. European countries as well as the U.S., having saturated refining capacity insist on refining crude at their refineries because such operations are very profitable .

According to a study made by Messers Nelson and Kersten in which two crudes,one from the Middle East and the other from Venezuela - each of 31 API but with differing charecteristics- it was calculated that the total value of products yielded per barrel as a result of processing each crude in a modern refinery, - not withstanding the fact that these experts assumed for illustrative purposes that in each case the delivered price is the same and is equal to $ 3 per barrel-, amounted to $ 4.87 for the Venezuelan crude and $ 4.60 for the Middle Eastern crude. Net refining profits were calculated at 94 cents per barrel of Venezuelan crude as compared with 73 cents per barrel of Middle Eastern crude; these profits,it might be noted, might be doubled by the introduction of cooking refining process [2].

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1. P.P.S., " The Changing Pattern of Prices ", vol. 25, No. 1, p. 9, January 1958 .
2. P.P.S., " Evaluating Crude Oil ", vol. 25, No. 3, p. 148 , April 1958 .

The difference in the yield and profit is attributed to the difference in the qualities of the crudes because Venezuelan crude is best suited for heavier oil products whereas Middle East crude is lighter and greater quantities of benzine and gasoline can be extracted from it . Refining profits of Middle East oil might rise to $ 1 because delivery prices were assumed to be equal while there is a difference of about 25 cents in each barrel.

These refining profits are quite appealing to oil companies if compared to production profits which range - according to the relevant companies estimates- between a maximum of $ .95 and a minimum of $ .55 as compared to refining profits which range between $ 1 and .73 per barrel. These profits might still rise above these levels if refined at the Arab refineries due to lower wages and operational costs .

Middle East refinery margins might be considered as the highest in the world as shown in the following table:

TABLE 20

ESTIMATED REFINERY MARGINS IN MAJOR PRODUCING AREAS

(U.S. $ /barrel)

Date Oct. 15	U.S. Gulf	South America	Middle East	North-West Europe	South Europe
1948	0.75	0.76	1.12	0.50	0.90
1949	0.84	0.13	0.92	0.43	0.72
1950	0.98	2.33	1.14	0.48	0.86
1951	1.02	0.35	1.18	0.37	1.04
1952	1.08	0.27	1.05	0.45	0.98
1953	1.06	0.43	1.05	0.87	1.05
1954	0.82	0.37	0.97	0.84	1.00

SOURCE: The Price of Oil In Western Europe .

3- MARKETING PROFITS :

Because the oil companies operating in the Arab countries are subsidiaries of the parent seven international major oil companies marketing contracts were concluded between the two parties under which the operating companies pledged to sell their parent companies crude oil for periods which range between 18 and 22 years at arbitral or rather nominal prices which had no relation whatsoever to prevailing market prices, consequently profits were kept at a minimal level [1]. This will serve two purposes, first it reduced the profits to be paid to Arab governments; secondly it reduced the income tax which have to be paid to governments to which these companies belong [2]. This system of marketing enabled the relevant companies to reap fabulous profits, and because of this situation operating oil companies are regarded as crude producers only and not full operating oil companies, especially that they use the facilities of the parent companies in transporting, refining and marketing Arab crude oil abroad .

The main marketing contracts which were concluded and released for public are the following :

1- The KOC-Shell Group marketing contract for the sale of 1.25 billion barrels of crude over a period of 22 years on the basis of fixed profit prices [3].
2- The KOC-Socony and Jersey Standard marketing contract covering 1.3 billion barrels of crude (800 and 500 million barrels for Jersey Standard and Socony respectively) over a period of 20 years on the basis of "price on cost plus" formula whereby to the cost of production is added a fixed profit per unit.[4]
3- The off-take agreement with Aramco concluded in 1947 with Caltex covering the sale of 380-500 thousand barrels of crude per day to be delivered for a period of 18 years .

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1. Shwadran, *op.cit.*, p. 280 .
2. *Ibid.*,
3. "Kuwait's Oil Law Summary", *World Petroleum Report:1958*, vol. 4, p. 150 .
4. *Ibid.*,

This agreement regulated Aramco's production,prices and delivered buyers of Saudi Arabian oil [1] .

4- TRANSPORTATION PROFITS :

The Equalization Point pricing pattern assumes that oil has to be carried only by independent tankers and as such the full freight rates are deducted from the U.S. or Persian Gulf base prices,whereas at least 50 per cent of the world's tanker fleet is owned by the seven major oil companies and their affiliates. This situation tends to increase transportation profits in three ways :

a- Since oil companies own tanker fleets they will naturally assess the net profit which is included in the freight charges of independent tankers , but unfortunately no statistics are available about the magnitude of these profits.

b- Because of the collective control over half of the world's tanker fleet,tanker's realized transportation net profits have to exceed the profits of independent tankers mainly due to economies of scale and partly due to the elimination of whatever commission,brokerage of unjustified increases in freight charges .

c- Not all Arab oil is carried all the way by tankers for around 16 million tons [2] are carried by Tapline which amounts to one third of Saudi Arabia's annual oil production ; a greater quantity of 25 million tons [3] of Iraqi oil is carried through pipelines to Tripoli and Banias which amounts to about 80 per cent of Iraq's annual oil production . These quantities might be increased around 20 per cent by the installation of more pumping stations . The profit realized by the use of pipelines are considerable mainly because pipelines reduce the routes , for example Tapline's pipeline whose length is 1,100 miles reduces the Suez route by 3,700 miles [4]

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1. I.P.C., op.cit., p. 126 .
2. P.P.S., " The Toll Of Strife", vol. 23, No. 12, p. 433 , Decmber 1956 .
3. Ibid.,
4. P.P.S., " Comparing Tankers and Pipelines", vol. 20, No. 8, pp. 24-25, August 1953 .

and evade the passage through the Suez canal and the payment of the canal charges of 18 cents per barrel, and partly because the costs of laying pipelines in the Arab countries which consist mainly of smooth deserts and plains are appreciably lower . Likewise labour wages are also low which makes labour costs of laying pipelines lower.

According to the U.S. Senate investigations, the Tapline realized in 1947 a saving in transportation costs from the Persian Gulf to the Mediterranean of about 30 cents per barrel [1]. This rate is likely to have increased nowadays especially after the sharp increase in tanker's freight charges immediately after the Suez crisis in November 1956 [2]. On the other hand, according to the Iraq Petroleum Company's memeorandum submitted to the Syrian government on November 29, 1955 the transportation profits were estimated at £ -/9/7 per mile ton out of which -/7/6 were net profits of the pipeline and -/2/1 per mile ton on the terminal[3] which is roughly equal to 27.3 cents per barrel. The lebanese government have estimated the net profit per mile ton at 23 shillings[4] or about 45 cents per barrel .

5- ESTIMATED TOTAL PROFITS CHARGED BY COMPANIES FROM ARAB OIL:

As established in this chapter innumerous indications can be presented to support the conviction that the oil industry's net profit are immense, but unfortunately no precise data are available to reduce this conviction into terms of numbers . But according to the Economic Commission For Europe the net profits of the Midlle East oil industry during the period 1945-1954 amounted to $ 3.5 billion, and on the basis of the present Mid dle East oil production the net profits which are estimated for the period 1955-1964 at $ 8 billion might be still considered a very moderate estimate. These profits may rise to an annual rate of $ 2.835 billion if

1. I.P.C., op.cit., p. 369 .
2. From an IPC memorandum to the Syrian government No. D/2 dated November 29, 1955.
3. P.P.S., "Tanker Freight At Post-War Peak", vol. 24, No. 1, pp. 14-15, January 1957 .
4. Nasser, op.cit., p. 185 .

the relevant companies invested $ 5 billion in order to increase annual Middle East oil production to 450 million tons[1].

It may be worthwhile in this connection to attempt to estimate total profit per barrel of Arab oil basing on estimates which were indicated before:

TABLE 21

ESTIMATED NET PROFIT PER BARREL OF ARAB OIL

Types of Profits	Profits as declared by oil companies	Profits as estimated by other sources
Production	$ 0.50-085	$ 0.90-1.10
Refining	n.a.	0.73-0.80
Transportation	0.25-0.30	0.25-0.30
Marketing	n.a.	0.20-0.30
Total	n.a.	2.08-2.50

SOURCE: Private .

The minimum total profit of $ 2.08 is close to the rate of $ 2.12 which was estimated by the French newspaper L'Express basing on a study undertaken by the Economic Commission for Europe[2]. Assuming an overall average cost of production of $ 0.35 and an average royalty of $ .75 per barrel the total will range between $ 3.18 and 3.55 which is roughly equal to the current post price of crude at U.S. Gulf of $ 3.35 .

However, major international oil companies declared their net profits as follows:

TABLE 22

MAJOR INTERNATIONAL OIL COMPANIES RESULTS ($ million)

Name of Company	1954	1955	1956	1957
British Petroleum	47.6	129.4	144.5	130.2
Royal Dutch-Shell	372.6	448.0	519.6	595.5
Gulf Oil	182.8	218.3	282.7	354.3
Socony Mobil	183.8	208.3	249.5	220.4
California St'd	211.8	231.1	267.9	288.2
Jersey Standard	584.8	708.3	808.5	805.2
Texas	226.1	262.7	302.3	332.3

SOURCE: P.P.S., " The Majors Annual Reports", volumes 23,24 and 25, Nos. 6.

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1. Al Syasiah Newspaper, " The Complete True Story of Oil MOnopolies in the Middle East ", translated from the French newspaper L'Express, August 17, 1958, p. 5.
2. Ibid., p. 5.

6- ARAB COUNTRIES AND VENEZUELA'S DIRECT OIL REVENUES COMPARED:

For comparison purposes of the direct oil revenues paid to Venezuela and the Arab countries on the basis of their annual production, the writer thought that net revenues per ton might be derived by dividing the revenues of each year by the corresponding production, but unfortunately the results were puzzling, paradoxical and obviously erroneous as well as irrelevant for although the relevant statistics showed a marked difference in proceeds per ton up to 1954, these proceeds became close in 1954, equal in 1955 and increased in 1956 over Venezuela's; The results as well as the reasons for such paradoxical results are discussed in this section .

Whereas it is easy to accumulate production statistics from the Petroleum Press Service and other oil publications and annual reports, oil revenues of each Arab country were not available, and even those which were stated in secondary sources were contradicting and accordingly might be regarded as nothing but guesses or very rough estimates. Except for Iraqi oil revenues which have to be correct because they are included in a well organized budget, other oil producing Arab countries neither publish exact budgets nor declare the exact sums received in the form of oil revenues. Actually Saudi Arabia draws on her future oil royalties whenever it deems it necessary, consequently no regular and exact announcement about the size of these revenues was even necessary. Kuwait's oil revenues are never released. Bahrain and Qatar are British protectorates and naturally neither budgets are published nor the volume of oil revenues is declared. Thus any estimates of these revenues will be , in the opinion of the writer, nothing but an approximate figure . Even those estimates published by the United Nations Department of Economics and Social Affairs are also rough estimates. However the writer has depended in this study on U.N. estimates which are mentioned in the following table :

TABLE 23

ANNUAL OIL REVENUES AND PRODUCTION OF THE ARAB COUNTRIES AND VENEZUELA

Revenues in $ million and production in million tons

	1950		1951		1952	
	Rev.	Prod.	Rev.	Prod.	Rev.	Prod.
Venezuela	376.8	78.2	480	89.1	503.7	92.3
Arab Countries	148.4	55.2	236.9	79.9	476.7	103.8
	1953		1954		1955	
Venezuela	530.7	92.3	530.6	98.6	610.3	112.4
Arab Countries	487.4	120.4	680.0	134.4	790.0	145.4
	1956		1957		1958	
Venezuela	1035.6[a]	129.0	1230.0[b]	145.3	n.a.	
Arab Countries	794.0	145.0	n.a.	140.2	n.a.	

a. Includes $ 370 million paid as intial taxes for new concessions granted.
b. Includes $ 316 million as initial taxes paid for new concessions granted .

SOURCES: Statistics on production , Petroleum Press Service, volumes 21,22,23,24 and 25 .

Statistics on revenues of Arab countries for the years 1950-1956 : Economic Developments In The Middle East, for the years, 1951-1952, 1952-53, 1954-55 and 1955-56 published by the United Nations Economics and Social Affairs Department .

Statistics on Venezuela's revenues , World Petroleum Report:1958, vol. 4, p. 136 . and Petroleum Press Service, vol. 25, No. 3, March 1958 .

In actual practice it is very puzzling to notice that the whole production of Arab countries in 1954 exceeded that of 1953 only by 14 million tons while the corresponding revenues increased $ 192.6 million at the rate of $ 13.7 million per ton - the writer has divided the increase in revenues by the corresponding increase in production to reach this figure-, On the other hand 1953 production exceeded that of 1952 by 16.6 million tons while corresponding revenues increased $ 11.1 million at the rate of $ 0.7 per ton only. This wide fluctuation in 1954 revenues cannot be explained in terms of reasonable increase in production prices or revenues .

The writer believes that owing to the following reasons either the 1953 revenue estimates of Arab countries or the 1954 revenues or both are erreneous :

a- This fluctuation cannot be attributed to additional oil revenues caused by higher royalties stipulated in new concessions , because the profit sharing agreements were concluded in 1952 , besides no oil concession was concluded in 1954 .

b- It is completely errenous to assume that out of a total of Arab revenues of $ 680 million in 1954, $ 192.6 million were due to an increase of 16.6 million tons in annual production since it is not valid to assume that an increase of 11.6 per cent in production will lead to an increase of 40 per cent in revenues.

c- The price increase of 25 U.S. Cents per barrel which took place in June 1953 in all oil basing points will not produce such a drastic increase in revenues especially that this increase in prices was includedduring the second half of 1953 . An evidence to support this supposition is that Venezuelan revenues in 1953 and 54 did not increase at all and amounted to $ 530.7 and 530.6 in 1953 and 1954 although production rose from 92.3 million tons in 1953 to 98.6 in 1954 .

d- It is unlikely that costs of production had decreased suddemly and drastically between 1953 and 1954, besides, oil companies pretend that costs of production are increasing steadily and ,of course, annually.

This wide fluctuation in 1954 revenues cannot be attributed to economic factors,hence one has to conclude ,or even to assume that these figures are only rough estimates which might be completely errenous especially that they are derived from the petroleum companies statements which are anxious to release rosy picture in order to convey to

Arab governments and public opinion and to any committee which attempts to analyse and compare Arab and Venezuelan revenues that both parties are getting exactly equal revenues per ton produced - as explained in table 24-, whereas all indications imply exactly the contrary .

In the following table ,the writer has divided the annual production of both Venezuela and the Arab countries by the corresponding revenues-indicated in table 23- to arrive at the revenue charged-according to U.N. sources- on a per ton basis :

TABLE 24

ASSUMED REVENUES PER TON CHARGED BY VENEZUELA AND ARAB COUNTRIES

in $ million

Year	Venezuela's direct revenues per ton	Arab Countries direct revenues per ton	Difference per ton
1950	4.83	2.68	+ 2.15
1951	5.38	2.97	+ 2.14
1952	5.31	4.58	+ 0.73
1953	5.74	4.05	+ 1.69
1954	5.38	5.05	+ 0.33
1955	5.43	5.43	0.00
1956	5.16[a]-8.02[b]	5.48	-0.32 + 2.54
1957	6.29[c]-8.46[d]	n.a	n.a.

a- Excluding the intial payments for new concessions which amounted to $ 370 million.
b- Including the above mentioned payments.
c- Excluding the intial payments for new concessions of $ 316 million.
d- Including the above mentioned intial payments.

SOURCES: Same as in table 23, p. 135.
Revenues per ton calculated by the writer .

In the writer's conviction ,the figures of 1950-53 are likely to be more exact since they reflect a significant difference in the rates of revenues charged by Arab countries on a per ton basis compared with Venezuela's in the interest of the latter. In 1950 and 51 the difference is equal and it amounts to 49 and 43 per cent respectively. This difference is reduced substantially to 14 per cent in 1952 mainly due to the new profit sharing agreements and partly due to the settlement of previous debts to Iraq and Saudi Arabia. The difference rises again to 30 per cent in 1953 to decrease drastically to 6.4 per cent in 1954 and to 0 per cent in 1955 .

Surprisingly enough Arab countries' revenues pe r ton exceed Venezuela's - with the exception of the rates which includes the $ 370 million paid in the form of intial taxes for new concessions- for the first time by 6.2 per cent in 1956 .

It should be noted that the writer has included in the calculations the intial payments paid for new concessions in order to show the importance of these payments if compared with the insignificant initial and dead rent payments of the Arab countries.

In concluding this section , the writer feels that since the precise figures relative to the revenues of Arab oil producing countries are not available, any comparison of this sort would be rather errenous . The only conclusion that I can make is that the revenue figures avialable are nothing but guesses or ,at best, very rough approximate figures .

H- CONCLUDING COMMENTS

Although the surprising pace of technological advance may create new energy sources widely available, and though intensive wildcatting is taking place in all the parts of the world in order to make available ,further ahead, abundant oil supplies for many years to come, the writer still believes that the Arab countries possessing 60 per cent of the world's oil proved reserves, will become certainly the world's balancing source equating world demand and supply for oil.

Demand for oil is increasing meteorically in Western Europe , while at the same time , consumption at the U.S. is running progressively ahead of its production . The underdeveloped countries' demand for oil is increasing overwhelmingly because greater sources of energy are needed in order that their development projects might be executed. With the gradual depletion of U.S. and Venezuela's present proved oil reserves it is estimated that the 1957 level of production in U.S. and Venezuela will exhaust all their 1957 proved oil reserves in 15.7 and 12.3 years respectively [1] . The Middle East's reserves are very huge and will be exhausted , on the basis of 1957 reserves and production, in 123.7 years [2].

According to a study undertaken by the Chase Manhattan Bank , U.S. oil production is estimated to rise from 8 million barrels per day in 1956 to 11 million in 1966 while domestic consumption will rise about 67 per cent to reach a level of 14.3 million barrels per day in the same year, and the U.S. will import 3.3 million barrels daily [3]. The Middle East's production is estimated to rise from its present level of 3.5 million barrels per day to 8.6 million in 1966 and its share of the so called free world oil production will rise from 20.9 to 30.2 per cent while Venezuela's production is estimated to rise insignificantly from 15.6 per

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1. World Petroleum Report:1958, vol. 4, p. 14, The ratios are calculated by the writer .
2. Ibid.,
3. P.P.S., " American Oil:The Next Ten Years", vol. 24, No. 8, p. 9, August 1957 .

cent to 15.8 of the world's production , while its production will rise from 2.5 to 4.5 million barrels per day in 1965 [1].

In another study undertaken by the American journal of Commerce [2] the following estimates were mentioned:

a- Consumption of oil in 1965 in the western hemisphere [3] will exceed its production by 0.5 million barrels per day. The U.S. will produce 9.7 and consumes 12.9 million barrels per day in 1965 and has to import the remaining 3.2 barrels. Canada will produce in the same year 1.4 and consume 1.3 million barrels per day. South American states will produce 5.1 and consume 2,5 million barrels per day in 1965. Hence it is estimated that the production of North and South America will amount to 16.2 million barrels per day in 1965 compared with 16.7 million barrels to be consumed daily, the remaining 0.5 million barrels have to be imported daily.

b- Western Europe to consume daily 4.8 million barrels of which it produces 0.4 million tons and has to import the remaining 4.4 million barrels.

c- The Far East and other Asian countries to produce 1.3 million barrels per day and consume 3.2 million barrels and has to import the remaining 1.9 million barrels daily.

d- The Middle East to produce 7.5 million barrels daily in 1965 of which it consumes 0.7 million barrels and the remaining 6.8 million barrels to be exported as follows:

(1) 4.4 million to Europe .

(2) 0.5 to the Western hemisphere.

(3) 1.9 million to the Far East .

Thus it was concluded that the Middle East will supply all the world's oil markets with oil in 1965 in ample quantities.

In the said study it was concluded that the Eastern

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1. Ibid.,
2. The Economy Of Lebanon And The Arab World, " The Relationship Between the Current Middle East Crisis With Petroleum ", No. 58, pp. 37-39. Translated from the American Journal of Commerce.
3. By Western Hemisphere in meant North and South America, while The Eastern Hemisphere includes - for the purposes of this study- all the rest of the world .

hemisphere and Western Europe will produce in 1965, 9.2 million barrels of oil out of which they consume 8.7 and export the remaining 0.5 million barrels to the Western hemisphere, which is exactly the amount needed by the latter. [1] For this reason it seems that " ... It would be prudent for the West to do without Arab oil " [2].

Prospects for alternative sources of energy are not very bright , at least in the coming 15 years; coal mines are being depleted and gradual replacement of oil as a source of energy is taking place more rapidly due to its greater calorific contents, its adaptablity to the needs of modern industry and its cheapness if compared with the rising costs of producing coal and thereby its prices .

The other source of energy is atomic power which might replace oil as a source of energy only after the lapse of a reasonable period during which all the world's oil reserves would be exhausted , and only if gradual transformation in the industrial techniques is being allowed for . However, it is misleading to assume that nuclear power will replace oil not even within the next 30 years for "The drastic impact of political events in the Middle East has given renewed importance to the question as to what extent,and how soon, could atomic power be called up to contribute to energy supplies but it is evident that atomic energy is not developed enough to contribute to the world's energy demands" [3]. Nuclear fuels are being produced most rapidly by the United Kingdom which has since long depleted its coal reserves, especially that many indications ,the last of which was the Iraqi "Coup D'Etat", imply that Britain will not be able to control for long its oil share in the Middle East especially in the Arab world . Both the U.S. and the U.S.S.R. are developing nuclear fuels by a variety of methods and

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1. Ibid.,
2. Newsweek, "Aftermath Of A Speech", vol. LII, No. 8, p. 17, August 25, 1958 .
3. P.P.S., "Criteria For Competitive Atom Power", vol. 23, No. 12, p. 448, Decmber 1956 .

" New types of experimental pilot reactors are put into the test and more are under construction and design " [1], but in this stage " Neither of these large atomic pioneer stations will yet be economically competitive with oil fired powered stations, or even coal fired power sattions" [2]. To exemplify this fact it was estimated a KW produced by a nuclear unit will cost U.S.Cents 3 compared with 0.7 cents for ordinary electricity KW. Although no definite conclusions can be derived as regards the economic uses of nuclear power but still it can be maintained that such expenses are too great to be used economically in the industries on a wide scale and is likely to remain so in the next 15-20 years after which such expensive fuels will be suitable only " For some of the present application of conventional fuels, and for few of those of oil " [3]. Put in the U.K. Minister of Works words " Splitting the atom is the most promising and powerful, but also the most dangerous and expensive of all discoveries "[4].

Hence we are left with the conclusion that Arab oil is is indispensable to the world's mounting demand for oil fuel sources. The Arab countries being the world's future major oil reservoire might modify the respective oil concessions in their interest or else a major oil crisis will happen which might be similar to the Anglo-Iranian oil dispute of 1952. Furthermore the writer thinks that oil companies will yield in the final analysis to Arab demands in order to evade an oil shortage which will injure the economies of Europe and the rest of the world as evidenced in the short lived Suez crisis, besides, the collective bargaining power of the Arab countries which might result from the unification of some of the Arab countries will contribute to such a favourable solution .

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1. P.P.S., " Atomic Enterprise ", vol. 22, No. 1, p. 8, January 1958 .
2. Ibid.,
3. Ibid., p. 11.
4. P.P.S., "Using Atomic Fuels ", vol. 21, No. 4, p.132, April 1954 .

This conclusion will be incomplete if we exclude from our discussion the promising Arabian Sahara oil reserves in Algeria discovered recently which might become a big producing area and might in the long run rival the big exporting areas of the Middle East [1], besides more oil is expected to be discovered in the Arab oil producing countries where only about one third of its total area has been explored.

An evidence to support the writer's conviction that Arab oil is indispensable to the world is the many articles emphasizing the fact that " It would be prudent for the West to prepare to do without Arab oil , at best stiff bargaining lies ahead " [2]. Besides, the Western governments especially the British began to spend every mean in its power to persuade , and if necessary oblige, the British operating oil companies for higher royalties to be given to the Arab governments on the basis of 75-25 deal in the Arab countries' interest [3]. In order to satisfy the masses " The demands of poverty and anti-British nationalism would tempt them (the new Iraqi regime) to nationalize the western owned Iraq Petroleum Company " [4], in which event other Arab oil producing countries might be tempted to follow suit and the nationalization fever will spread in the whole Middle East.

The American press views the future of Arab foreign oil companies as uncertain , and that it would be very dangerous to leave anything to chance , " What happens if the worst happened and all the oil of the Middle East came under the absolute power of Nasser or the Soviets or both ? one oil expert put it this way: those who gain control of it will set the terms on which the free world lives" [5].

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1. P.P.S., " 50-50:More Or Less ", vol. 25, No. 3, p. 82, March 1958 .
2. Newsweek, "Aftermath Of A Speech ", vol. LII, No. 8, p. 17, August 25, 1958 .
3. Newsweek, "New Wedge", vol. LII, No. 6, p. 24 , August 11, 1958 .
4. Newsweek, " Baghdad Bloodbath", vol. LII, NO. 4, 4, p. 13, July 28, 1958 .
5. Ibid., p. 14 .

In the writer's conviction the 50-50 deal , at least in its present terms, will not last for long because the respective Arab governments have nowadays strong temptations to nibble at at the operating companies half share because of the following reasons :

a- The amounts of profits shared with the governments are not calculated exactly on the basis of actual realized net profits but are determined arbitrarily or rather fortuitously [1], besides such profits are subject to discounts. In addition, actual costs of production are neither revealed nor known by the respective Arab governments which led also to an arbitrary estimate of these costs which has to be deducted from gross profits.

b- The breaking of the familiar 50-50 deal by the new comers: the Italians in Iran and the Japanese group in the Neutral Zone which offered 75 and 57 per cent of net profits respectively . In case of the success of these two groups to discover and produce oil and to market it as well, the monopolistic position of the international petroleum cartel will be subjected to serious dangers which might result eventually in terminating its control over the world's oil industry. The new Venezuelan income tax, which according to press sources requires 61 per cent of net profits instead of 50 only will put an end to the 50-50 basis and is likely to be copied in all the Middle East .

c- The mounting demand for oil in Western Europe which has become gradually dependent on Arab oil especially as the reserves of the U.S. and Venezuela are depleted. In this situation operating oil companies have to meet the demands of the whole world by depending more and more on Arab oil, and here lies the greatest bargaining

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1. Abbousi, op.cit., p. 172-175 .

opportunity of the Arab countries . Any solution or compromise should naturally be similar to Venezuelan income tax law and concessionary obligations and terms, and should obviously increase both direct as well as indirect revenues .

d- The revolutionary change in the political regimes of the Arab countries and the potent unification drive which created more stable governments with a popular base which possess greater bargaining power especially during the current cold war between the Western and Eastern camps .

e- The expected collapse of the international petroleum cartel mainly due to the awakening of the Arab and Middle Eastern public opinion as concerns oil problems and prospects, and partly to both the protest of the European countries against the monopolistic oil prices and the gradual collapse of Britain as a world power, and lastly due to the collapse of the military regime in Venezuela and the victory of D. Betancourt whose party formulated the Hydrocarbon law and who accused the military regime of giving special advantages to oil companies which to him created and encouraged the rise of military regimes in Venezuela, which " made it possible for oil companies to obtain immediate economic advantages ... and enabled them to follow practices which have not benefited Venezuela" [1].

f- The relatively insignificant royalties paid to Arab countries in the form of direct revenues, mainly due to:

(1) The payment of six types of taxes in Venezuela namely surface,production,transportation,consumption , basic cedular and fiscal taxes compared with annual rent and payments in kind, in addition to

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1. President Romulo Betancourt,"Venezuelan Views On Oil", <u>World Petroleum</u> , vol. 29, No. 7, p. 46, July 1958 .

the income tax paid in both .

(2) The vague system of the calculation of net profits by oil companies operating in the Arab world and the inclusion of sizeable discounts, compared with authentic calculation of profits in Venezuela as a result of the strict inspection and fiscalization system there.

(3) The immense indirect benefits caused to the Venezuelan economy mainly because of the high level of wages of oil labourers, and the excellent labour agrrement of 1953 compared with relatively low wages of Arab oil industry labourers .

It would be bold indeed to predict the actions of the Arab governments as concerns oil royalties ,or the terms of possible agreement, but the writer's conviction is that the modification of Arab concessions will take place in the very near future and perhaps in the next two years and probably sooner, otherwise the nationalization of Arab oil industry might be the outcome of the refusal of the relevant companies to yiels to Arab demends.

The writer believes also that any compromise should ultimately include the participation in profits realized from the four operations namely production, refining, marketing and transportation. The companies offer- according to press sources - of 75-25 deal in the interest of the Arab countries which includes only production profits should never be accepted by the relevant Arab countries because, as discussed in this chapter, profits from the other three operations amount nearly to double the size of production profits .

CHAPTER FIVE

LABOUR PROVISIONS AND CONDITIONS COMPARED

This chapter is devoted to a comparison of the labour provisions and conditions in Venezuela and the relevant Arab countries especially because wages and labour benefits come next in the order of priority to direct proceeds. This source of direct payments is relatively low if compared with Venezuelan similar payments mainly due to the low level of wages and because the bulk of local workers are in the wage earners category who are paid insignificant wages .

Owing to the fact that some of the minute economic details about the working and living conditions of labourers have to be treated, and because the companies' reports do not include all the necessary information and statistics, the writer has included in this chapter whatever scanty available economic information about labour living and working conditions. But the bulk of this chapter is devoted to a description of the social aspects of labour conditions. The writer had also compared the terms of Iraqi,Saudi Arabian and Venezuelan labour codes whenever deemed necessary .

Unfortunately no information could be obtained about Qatari labourers conditions even from secondary sources and little information was available about both Bahrain and Iraq. In the case of Iraq this was mainly due to the fact that IPC's annual reports were very simplified and contained very scanty information about the subject treated. IPC's Public Relations Department at Beirut was reluctant to release any information about the subject treated. Due to the relative comprehensiveness of Aramco's reports, the information about Saudi Arab labourers was ,relatively, more ample. Furthermore due to the lack of some relevant information, few sections contained fragmentary data. The bulk of the informationa and data about Venezuela was derived from the labour collective agreement of 1953 and the World Petroleum Report of 1958 .

The most important labour provisions compared in this chapter include wages,indemnities,number and nationality of foreign labourers,training,housing,medical care,educational facilities,provision departments,community services, vacations,holidays and labour unions .

A- W A G E S

Unfortunately no information about the salaries and wages of employees and skilled labourers in the Arab world was available to the writer,mainly because relevant companies do not reveal same,consequently the following discussion had to be confined to the treatment of minimum wages paid to unskilled labourers .

The history of the Venezuelan oil labourers collective agreement include prolonged collective bargaining,agitation and strikes,but with the help of the Venezuelan government and the organizational set up of the Labour Ministry, a sound framework could be furnished for the administration and enforcement of the Venezuelan " Progressive labour law which far exceeded in scope the modest Wagner Act in the United States" [1]. This liberal law covered every phase of work relationship including wages,hours,living and working conditions,indemnities,vacations,obligatory social insurance, labour unions and methods for handling labour disputes. Among its more advanced provisions were requirements to build sanitary houses,to furnish primary education for workers' children,to grant scholarships to gifted employees, to provide health units and the establishment of separate labour courts to handle mediation,arbitration and judicial labour disputes. In short the 1936 labour law was an extremely modern and complete body of labour legislation [2].

1. O'Connor, op.cit., p. 265 .
2. Fanning , op.cit., pp. 71-79 .

However a period of 10 years lapsed before this law was put into effect in a satisfactory manner;esimates indicate that the 1946 and 1948 oil labour contracts combined gave employees wage and benefit gain of 86 per cent [1]. Wages were also increased 10 per cent in 1951,1953 [2] and 1956. Collectve labour agreements were concluded as detailed on p. 34-37 and on the basis of these contracts average direct payments by Creole Co., the largest single oil company in Venezuela,to wage employees in 1954 amounted to " $ 14.5 a day compared compared with $ 6.09 in 1945,an increase of 138 per cent. Benefits and wel-fare plans represented $ 4.03 a day against $ 1.98, and supplementary contributions were $ 1.64 a day against $ 0.03 . This means that in 1954 the company was paying the average oil worker in wages and benefits at a daily rate of $ 20.17 compared with $ 8.10 in 1945 " [3] .

Under the new collective agreement of 1953 wages of all categories of daily and permanent workers as well as employees were fixed,and the minimum wage was set at Bs. 18.25 ($ 5.46) [4], but in 1956 it was increased together with all wages around 10 per cent and it became Bs. 20.25 ($ 6.0). The average daily base rate per effective work day amounted in 1957 to Bs. 26 ($8) per day. The highest base rate per effective work day for the highest category of skilled workers -that is drillers- is Bs. 43.6 ($ 13),together with other items of direct,indirect and employee welfare expenses,it swells to Bs. 120 ($ 36) per day,which is ,of course,believed to be the highest wage paid to any worker in the whole world [5].

Average annual direct cash earnings of the Venezuelan oil worker in 1957 were estimated at $ 4,500, side benefits bring this sum to $ 6,000 [6]. Both Venezuelan and foreign employees occupying the same positions enjoy basically equal

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1. Ibid., p. 97 .
2. P.P.S., "Venezuela In A Competing World", vol. 21, No. 3, p. 6, (Arabic ed.), March 1954 .
3. Fanning, op.cit., p. 98 .
4. For quotation please refer to p. 34 .
5. World Petroleum, "How Oil Workers Fare In Venezuela", vol. 29, No. 7, pp. 65-66, July 1958 .
6. "Labour In Venezuela", World Petroleum Report:1958, op.cit.,p. 136 .

privileges [1]. Surprisingly enough the cash earnings of an average worker together with all other benefits offered by the company were estimated in 1957 at Bs. 51.36)($ 15.5) as shown in the following table :

TABLE 25

1957 CASH EARNINGS OF AN AVERAGE VENEZUELAN WORKER PER DAY WORKED[a)]

Item	Venezuelan Bolivars	Equivalent in U.S. $
Base Day	25.25	7.58
Overtime	1.96	.59
Travel Time........	3.15	.95
Night Bonus	1.03	.31
Sunday and Holiday Premium Pay	.80	.24
Rest-Day-Pay	4.33	1.30
Vacation Day	2.48	.74
Thrift Fund Contribution	1.90	.57
Payment in Lieu of Housing	3.19	.96
Profit Sharing ..	6.69	2.07
Other Payments b) ..	.85	.26
Total Cash Earnings	51.63	15.47
Sub-Total-Additional Earnings (excluding Base Pay)	26.38	7.99

a) on the basis of 287 work days per year.
b) Includes sickness benefit,holiday pay,special premium payments and temporary cost of living allowance in Maracaibo and Caracas .

SOURCE: World Petroleum, "How Oil Workers Fare In Venezuela", vol. 29, No. 7, p. 66, July 1958 .

Another substantial premium payment recieved by Venezuelan oil workers,which is not known in any of the Arab countries,is that known as "Utiliades" profit sharing,whereby in accordance with the labour law of 1938 all industrial establishments were required to distribute 10 per cent of their earnings at the end of each fiscal year not to exceed a maximum of 2 months pay. These receipts are equivalent to 16 2/3 per cent of the wages and salaries received annually by oil workers. However, it is customary in the oil industry

1. Fanning, op.cit., p. 107 .

to pay this bonus whether or not it may have been earned in a given year [1].

The absence of labour unions in the Arab oil producing countries,except in-Iraq where they were discouraged by successive governments of the old regime due to assumed political agitation-[2], made Arab labourers lose their collective bargaining power. On the other hand,the concerned governments did not encourage or even permit the formation of labour unions for special reasons,beyond the scope of this study, which caused as well as resulted in a relatively low level of wages as well as working and living conditions.

When Aramco started its operations the minimum wage of an unskilled labourer was set at Saudi Arab Riyal (SR) 0.75 and was subsequently raised to 1.5 and 3 in 1945 and 1950 respectively [3], and owing to the inflationary pressures and to Aramco's new policy-which calls for improving the overall conditions of the labourers in order to keep both the Saudi Arabian government and public satisfied so that its concession might not be cancelled- [4], increased minimum wages to SR 4 in 1951 [5], 6 in 1954 [6], 6.5 in 1956 [7] and 7.5 in 1957 [8]. Reportedly, the minimum daily wage for an unskilled Kuwaiti labourer was raised by KOC from Rupees 0.75 in 1946 to 7.0 ($ 1.7) in 1954 [9]. Wages in Bahrain are substantially lower for " at the beginning of 1954 the average (not Minimum) daily wage for Bapco local employees in the lowest category (non-contract daily) was R 4.25 or $ .90" [10]

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1. World Petroleum, "How Oil Workers Fare In Venezuela", vol. 29, No. 7, p. 66, July 1958 .
2. Longrigg, op.cit., p. 177 .
3. P.P.S., "Changing Conditions In Saudi Arabia", vol. 20, No. 8, p. 11, (Arabic ed.), August 1953 .
4. Shwadran, op.cit., p. 354 .
5. P.P.S., "Changing Conditions In Saudi Arabia", vol. 20, No. 8, p. 11, (Arabic ed.), August 1953 .
6. Aramco, Report Of Operations:1954, p. 25 .
7. Aramco, Report Of Operations:1956, p. 28 .
8. Aramco, Report Of Operations:1957, p. 27 .
9. Abbousi, op.cit., p. 213 .
10. Finnie, David, " Desret Enterprise ", (Cambridge : Harvard University Press, 1958) p. 109 .

The Iraqi labour law fixed in 1953 the minimum wage of an unskilled labourer at Iraqi Dinars (ID) .25 ($ .7),[1] but no information was published in IPC's reports about this subject, likewise no data was obtained about wages in Qatar but the level of wages there is relatively low and is probably lower than Saudi Arabia's. Reportedly low wages in Bahrain obliged Bahrainis to quit Bapco and work in near by oil producing countries[2].

Although the lack of precise data limits our comparison but one can conclude, beyond doubt, that wages of Arab oil labourers are appreciably lower than similar wages in Venezuela as shown in the following table :

TABLE 26

MINIMUM WAGES OF ARAB AND VENEZUELAN DAILY WORKERS IN THE OIL INDUSTRY

Nationality of labourer	Minimum wage in U.S. $	Minimum wage in national currency	Per Cent of the Venezuelan wage
Venezuelan	6 (a)	Bolivars 20	100 % base
Saudi Arabian	2 (b)	Saudi Riyals 7.5	33.3%
Iraqi	.7 (c)	I. Dinars .25	11.6%
Kuwaiti	1.7 (d)	Rupees 7.0	28.3%
Bahraini	.9 (e)	Rupees 4.25	15.0%

SOURCES : a) Wage in 1957, World Petroleum , vol. 29,No.7, p. 65, July 1958 .
b) Wage in 1957, Aramco, Report Of Operations:1957, p. 27.
c) Minimum wage set by the Iraqi labour law.
d) Wage in 1954, Abbousi, p. 213 .
e) Wage in 1954, Finnie, p. 109 .

Of course, the above percentages has to be adjusted to include differences in cost of living indices, but nevertheless the difference in percentages is still substantial and probably no pronounced result will be the outcome of such an adjustment and the basic conclusion still holds true. However, if the total cash earnings of an average Venezuelan worker of $ 15.47 is consdered , these percentages will exceed Arab wages percentages by about 600-900 per cent.

It should be noted that foreign experts and employees

1. Kamel Samerai', "Labour And Labourers Laws", (Baghdad: Dar Al-Marief Press, 1955) , p. 77 .
2. Shwadran , op.cit., pages 378 and 381 .

working in the Arab oil industry are paid exceptionally high wages in order to persuade them to come to desert areas where living conditions are relatively unhealthy [1],for this reason western employees are always envied by national workers [2]. Many people think that the recent trend to employ as much national workers as possible is caused primarily by the high costs of persuading foreign employees including high salaries and ample expensive ancillary services, while local workers are paid appreciably lower wages and salaries and are content with a minimum level of ancillary services. Thus it is only for ecomomic reasons that these companies have established more training centers in order that the Arab trainees may replace imported expensive artisans .

The low level of wages paid to Arab workers caused some resentment on the part of these labourers,and labour strikes took place in Iraq,Bahrain and Saudi Arabia but were dealt with by force. These low wages caused as well a substantial migration of skilled labourers, and even when the level of wages was increased the problem of the substantial annual loss of Arab skilled labourers was felt by all the operating oil companies in the Arab world [3].

B- INDEMNITIES AND DONATIONS

The Venezuelan labour collective agreement stipulated that in cases where oil companies have no social insurance program the worker who loses his life or become disabled permenantly while working is entitled to an indemnity the amount of which ranges between Bs. 15,000-25,000 ($ 4,500-7,500) [4].

In contrast the Saudi Arabian labourer gets in similar circumstances the following sums :

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1. Abbousi, op.cit., pp. 55-56 .
2. Finnie , op.cit., p. 4.
3. Ibid., pp. 92-93 .
4. For details please refer to p. 36 .

TABLE 27

COMPENSATIONS PAID TO SAUDI ARABIAN WORKERS WHO GET DISABLED OR LOSE THEIR LIVES

Grade of Worker	Compensations in Saudi Riyals	Equivalent in U. S. $
1	27,000	7,200
2	18,000	5,000
3	12,000	3,200

SOURCE: Saudi Arabian Labour Law, article 25, p. 14 .

A new permanent and total disability plan was introduced by Aramco in 1957 and it provides for a gratuity to employees who become totally incapaciated for further work by reason of sickness or off-the-job accident equal to a full year's wage. During 10 months Aramco paid 37 employees according to this plan SR 164,000 ($ 44,000) [1] at an average of $ 1162 per employee .

In 1957 Aramco paid in the form of indemnities for severance,death and disability benefits SR 5,299,000 ($ 1,413,000). In case of death the maximum payment to the employee's family amounts to one year's pay if sufficient service is involved, but if the employee is temporarily disabled by industrial or non-industrial accidents he is entitled to a maximum payment of 26 weeks of full pay [2].

The Iraqi labour law entitles the worker who become disabled or loses his life an indemnity equal to a full two years wage [3]. But unfortunately no details about the scheme of indemnities was discussed in IPC's reports.

If permenently disabled or in case of death,Bapco pays a compensation whose size is determined by the length of service [4] of the worker but unfortunately no further details were revealed .

Upon submitting his resignation the Venezuelan worker with a service of one year or more is entitled to receive

1. Aramco, Report Of Operations:1957, p. 28 .
2. Ibid.,
3. Iraqi Labour and Labourers Law, op. cit., article 11, pp. 34-36 .
4. Bapco, Annual Report To The Ruler Of Bahrain:1952, p. 21 .

his ordinary indemnity as stipulated in the labour law, but if he was dismissed by the company he is entitled to double his ordinary indemnity [1]. Besides, when a worker is terminated by the company he is entitled to receive the equivalent of one month's notice in cash plus indemnities approximately six weeks earnings calculated on final pay for each year of uninterrupted employment [2].

In contrast the Saudi Arabian labour law stipulates that in cases where the labourer is dismissed he is entitled to receive 15 day's wage for each year of service on the basis of the last wage provided that his total indemnity does not exceed the wage of 6 months. Monthly employees are entitled to receive 15 days' wage for the first six years and one month's pay on the remaining years of service provided that the total indemnity does not exceed the pay of nine months unless the employee's service exceeds 20 years in which event the maximum indemnity that might be paid is 18 months pay [3].

The Iraqi labour law entitles the dismissed worker whose service exceeds four years an indemnity of 15 days pay per year of effective service [4], but no specifications could be obtained about indemnities paid by IPC to its employees.

The leaving benefit scheme introduced by the Kuwait Oil Co. provides for gratuties for workers who have more than one year's continuous service. Gratuities payments to workers with less than three years service are nominal, but it rises sharply thereafter and a worker with five years service receive a total of 105 days pay ; indemnities grade up to a maximum of 1,575 days' pay (52 weeks) with forty years service [5] .

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1. For quotation please refer to p. 36 .
2. World Petroleum," How Oil Workers Fare In Venezuela", vol. 29 , No. 7, p. 66, July 1958 .
3. Saudi Arabian Labour Law, op.cit., article 12, pp. 8-9 .
4. Iraqi Labourers and Labour Laws, op.cit., article 3, pp. 29-30 .
5. KOC, The Story Of Kuwait, op. cit., p. 41 .

Likewise leaving benefit scheme of Bahrain depend mainly on the length of service of workers [1], but unfortunately no further details were specified .

Fragmentary information about disablity and death indemnities paid to Arab oil workers of a maximum of one year pay in Saudi Arabia or 27,000 SR and of two years pay in Iraq are obviously less than the lump sum system of Venezuela according to which the worker is entitled to receive an amount which ranges between $ 4,500-7,500 . Likewise the leaving benefit scheme of Venezuela is by far superior to similar Arab schemes in two ways :

a- It entitles the worker who resigns his full indemnity whereas no similar provision is stipulated in Arab labour codes .

b- It entitles workers who are dismissed double their indemnities which is equivalent to a pay of a 6 weeks per year of continuous service compared to a pay of 2 weeks per year stipulated in Iraqi and Saudi Arabian labour codes.

Among foreign oil companies operating in the Arab world, Aramco's disability and death indemnities and KOC's leaving benefit scheme are relatively superior to others, but nevertheless Venezuelan similar provisions are absolutely superior to ours where social insurance programs are applied, and relatively superior where the Venezuelan labour law is applicable . Reportedly most of the operating companies have introduced social insurance programs for their labourers .

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1. Bapco, <u>Annual Report To The Ruler Of Bahrain:1952</u>, p. 21 .

C- NUMBER AND PERCENTAGE OF NATIONAL LABOURERS

As a result of the labour law which required 75 per cent Venezuelan employees, and the labour collective agreement " There gradually has been built up a body of labour which comprises the best in the world outside the U.S. from the standpoint of productivity and training .... the oil companies are manned almost 100 per cent by nationals in the wage earners category. There is a lesser number in the top management category but still substantial to bring average employment to about 90 per cent national "[1]. This is mainly due to the aforementioned stipulation which obligated companies to establish and sponsor intensive training programs as will be discussed later .

The percentage of Arab workers and employees is appreciably lower, and probably the highest percentage is employed by Aramco as shown in the following table:

TABLE 28

NUMBER AND PERCENTAGE OF SAUDI ARABIAN LABOURERS AT ARAMCO

Year	Total number of workers	Number of Saudi Arabian workers	Percentage of Saudi Arabian workers	Percentage of American employees	Percentage of employees of other nationalities
1952	24,838	14,819	59.7%	16.4%	23.9%
1953	22,345	13,355	62.2%	14.5%	23.3%
1954	21,858	14,182	64.9%	14.3%	20.8%
1955	20,397	13,371	65.6%	14.6%	19.8%
1956	19,632	13,213	67.3%	14.7%	18.0%
1957	18,325	12,729	69.5%	14.6%	15.9%

SOURCE: Aramco, Report Of Operations , for the years 1952, 1953, 1954,1955,1956 and 1957 .

The bulk of Saudi Arabian labour force consist of unskilled,semiskilled labourers and clerks,while the senior and intermediate staff is filled by Americans and others [2]. The foregoing table shows that the total number of Aramco's labour force decreased steadily from 1952 onwards but the percentage of Saudi Arabian labourers rose steadily from 60 per cent in 1952 to slightly less than 70 per cent in 1957.

1. World Petroleum Report:1958, "Labour In Venezuela", vol. 4, p. 136 .
2. Shwadran , op.cit., p. 347 .

Aramco is spending great efforts to train Saudi Arabian employees , consequently the length of service of local workers was increased, and in 1957 was as follows:

TABLE 29

LENGTH OF SERVICE OF SAUDI ARABIAN EMPLOYEES:1957

Length of Service	Number of native employees	% of total national labour force
20 years or more	72	0.565 %
15-19 years	356	2.79 %
10-14 years	3,081	24.20 %
5-9 years	5,255	41.28 %
0-4 years	3,965	31.14 %
TOTAL	12,729	99.975 %

SOURCE: Aramco, Report Of Operations:1957, p. 29 .
Percentages calculated by the writer .

No precise information could be obtained about the percentage of Iraqi labourers or even their number for IPC's reports do not reveal same , reportedly the percentage of local workers might be as high as 90[1] per cent but this percentage is not reliable because only 22 per cent of IPC's staff in 1955 were Iraqis while 69 per cent were British, likewise only 15 and 21 per cent of BPC's staff in 1953 and 1954 respectively were Iraqis [2]. The writer believes that since a considerable portion of the Iraqi labour force are employees, especially that the exploration operations are carried at a turtle's pace , the percentage of national workers might be probably 70 per cent mostly in the wage earners category.

Unfortunately IPC's annual reports did not indicate neither the total labour force nor the breakdown of nationalities of labourers and employees. However, Shwadran mentions that at the end of 1947 the total labour force of IPC and its subsidiaries amounted to 14,556 of whom 13,900 were Iraqis [3] compared to a total of 11,818 [4] in 1953. The number of oil

1. Finnie, op.cit., p. 116 .
2. Ibid.,
3. Shwadran, op.cit., p. 273 .
4. Abbousi, op.cit., p. 179 .

labourers in Iraq is relatively low mainly because IPC and its subsidiaries did not erect refineries there, as a result the Iraqis were not satisfied with the companies' employment policy especially that more than 70 per cent of the companies' staff,employees,technical and administrative senior positions are filled by non-Iraqis. The total number of workers employed by KOC amounted to 7,600 in 1956 [1] but was later reduced to 6,000 only in 1957 [2]. Reportedly the percentage of Kuwaiti workers is exceptionally low for in 1953 only 29 per cent of a total of 8,200 workers being the total labour force of the company , were Kuwaitis, compared to 37 per cent of Indian and Pakistani workers, 22 per cent Arab , and 11 per cent American and British senior staff employees [3].

Bapco employed a number of Bahrainis almost exclusively in the lower grades and in 1948 out of a labour force of 6,078 , 4,650 were Bahrainis or 76.5 per cent of the company's labourers and 4.6 per cent of Bahrain's population. In 1954 the total labour force was increased to 8,833 [4] but the percentage of national workers dropped to 64 per cent namely 4,937 [5] mainly due to the low level of wages paid by Bapco which motivated the national workers to seek employment in other neighbouring oil producing countries where wages were more attractive and Bapco was short of labourers and had to employ more foreigners at additional costs and large numbers of Indians and Pakistanis were imported [6]. The percentage of Bahraini labourers amounted to 66.2, 68.3 and again 68.3 per cent in 1952, 1953 and 1954 respectively as shown in the following table:

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1. P.P.S., "Kuwait's Incredible 10 Years", vol. 23, No. 8, p. 289, August 1956 .
2. KOC, The Story Of Kuwait, p. 40 .
3. Finnie, op.cit., p. 119 .
4. P.P.S., "Welfare In Bahrain", vol. 21, No. 8, p. 22 (Arabic ed.) , August 1954 .
5. Finnie, op.cit., p. 119 .
6. Shwadran , op.cit., p. 378 .

TABLE 30

BAPCO'S EMPLOYEES BY NATIONALITY: 1952-1954

Nationality	1952		1953		1954	
	No. of employees	% of total	No. of employees	% of total	No. of employees	% of total
Bahrainis	5,770	66.2%	6,049	68.3%	5,829	68.3%
British	1,016	11.7%	1,033	11.7%	1,002	11.7%
Indian	621	7.1%	583	6.6%	612	7.2%
Pakistanis	160	1.8%	139	1.6%	132	1.6%
Others	1,149	13.2%	1,049	11.8%	957	11.2%
TOTAL	8,716	100.0%	8,853	100.0%	8,532	100.0%

SOURCE: Finnie, p. 107 .

Half of Bapco's national workers served for five years and only 170 for more than 20 years [1]. The oil labour force at Qatar and the Neutral Zone is estimated at 4,500 and 600 respectively [2] but no breakdown of nationalities could be obtained.

Therefore, in contrast with 100 per cent national workers in the wage earners category and about 80 per cent in the higher grades of Venezuelan oil industry, the percentage of Arab workers amount to 70,29,70 and 68 per cent in Saudi Arabia, Kuwait, Iraq and Bahrain respectively mostly in the wage earners category .

The relatively small percentage of national workers in the Arab oil industry is caused by many reasons the most important of which are the following:

a- The inefficient training system of Arab workers as will be discussed later under training section, especially as concerns senior and post graduate training which reduced to a minimum the availability of trained senior local employees .

b- The vagueness of stipulations relative to the percentage of local labour force , Both Saudi Arabian and Iraqi concessions require that the highest possible percentage of national labourers be employed without specifiying

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1. P.P.S., "Bahrain:Trading Center", vol. 25, No. 7, p. 269, July 1958 .
2. Finnie ,op.cit., p. 104 .

a minimum percentage and without providing a scheme according to which no foreign worker is employed unless the relevant Ministry of Social Affairs is convinced that no similar suitable national is able to replace him efficiently. However, the trend in recent concessions such as AOC's is to require at least 70 per cent of the company's labour force be national.

c- The scanty amount of petroleum refined at the Arab countries which reduced the amount as well as the percentage of national labourers. To exemplify this fact I like to indicate that three outmoded refineries at Abadan with a total capacity of 415,000 b/d [1] afforded employment to 25,600 workers and employees in 1955 [2]. Of course modern refineries require a smaller percentage of Arab labourers, but nevertheless if only 25 per cent of Arab oil is refined at Arab territories , Arab labour force estimated by Finnie at 56,000 in 1956,compared to Iran's of 49,079 in 1955, might increase by about 35 per cent and possibly 60 per cent .

D- JOB SKILL, INDUSTRIAL AND SUPERVISORY TRAINING

In order that the law which requires 75 per cent Venezuelan labour force be put into effect,the operating oil companies spent intensive efforts to educate and train all grades of Venezuelan workers and employees in the arts of the oil industry including the technical and managerial so that they can take over in the due course of time. Training programs were introduced in every oil field and office trade center,and by 1944 Creole Co., the greatest single Company operating in Venezuela, declared that " All its drillers in proved areas were Venezuelan and many of its top-rank drillers,its caporales,or foremen,as well as supervisors also are national " [3]. University scholarships extended by the operating companies include such subjects as civil,

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1. World Petroleum,"Major World Refineries Capacities", vol. 29, No. 8, p. 132, July 15, 1958 .
2. Finnie, op.cit., p. 95 .
3. Fanning, op.cit., p. 103 .

petroleum and mechanical engineering,geology,chemistry and medicine. The only requisite for admission is that the applicant be Venezuelan and to pass series of aptitude tests; scholarship receipents may work with the government or in public agencies after they finish but priority is given to oil companies [1]. As a result of these efforts Venezuelan graduates became an excellent source of senior personnel,to exemplify this fact, Creole Co. declared that its 68 physicians were Venezuelan. This was called by Fanning as a form of nationalization " Based on a policy of inclusion... building up a truely national industry, provides ever-increasing employment of home labour and strikes a popular response which appeals to the Venezuelans' personal and national pride. In these respects the progress of the oil industry in Venezuela is a pronounced success ... it has also proved good politics, a bulwark against expropriation" [2].

60,000 Venezuelan workers were employed in 1954 in the oil industry which represent about 3 per cent of total Venezuelan labour force [3]. Creole's labour force amounted to 14,400 in 1954 [4], 91 per cent of which were national [5].

Aramco is spending great efforts to train Saudi Arab workers on all levels; job-skill training increased in 1957 five folds, industrial training centers were established recently and include full line courses in mechanical and scientific fields related to the employees work, The "Muqaddam" plan started in 1954 gives Saudi Arab workers,showing leadership potential ,as soon as they can qualify an opportunity to assume supervisory positions . A more developed supervisory plan called the "Mushrif" plan (first-line supervisory) was developed in 1957 under which more advanced courses are given for qualified employees [6].

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1. World Petroleum , "Socony's Venezuelan Training Center", vol. 29, No. 7, pp. 70-71, July 1958 .
2. Fanning, op.cit., pp. 104-105 .
3. Ibid., p. 99 .
4. O'Connor, op.cit., p. 265 .
5. Fanning, op.cit., p. 103 .
6. Aramco,"Report Of Operations for the years 1956 and 57" pp. 32-34 and 32-35 respectively .

IPC have some training centers in which vocational and technical training is provided and the major training center is situated in Kirkuk where special courses in civil, electrical and mechanical engineering,chemistry,physics and petroleum geology are given to qualified employees [1]. The five year course of Kirkuk's training center aims mainly at training skilled personnel within the company's field of operations. Another five year apprentice course is also extended ; a nine months commercial training course with an objective to train Iraqis to become clerks and office employees is given . Another two year artisan training course and on-the-job training courses are given. [2]

Bapco has provided a similar industrial training program and in 1952 , 2,785 employees were trained, this represents approximately 41 per cent of all Rupee payroll personnel [3]. Besides a number of Bahraini workers are released annually to attend the government's mechanical and construction technical schools . In 1954 Bapco's craft training center was opened [4].

KOC established a training center at Magawa to teach local employees the skilled trades needed in the operations of the oil industry. Another supervisory scheme is based upon industrial training and it includes courses in job-relations and instructions given to instructing staff of all categories , is also given [5] .

Measured by the results of training centers in both Venezuela and the relevant Arab countries, one can maintain beyond doubt that Venezuelan training schemes are more specialized,technical and productive if compared with Arab training schemes . The main difference between the two schemes is the level of training given, for in Venezuela more emphasis is laid on highly specialized technical , industrial and supervisory schemes while Arab schemes are concentrated on the lower levels of training such

1. IPC, "Iraq Oil In 1953", p. 8 .
2. Finnie, op.cit.,pp. 122-123 .
3. Bapco, "Report To The Ruler Of Bahrain:1952", pp. 29-31 .
4. Finnie, op.cit., p. 121 .
5. KOC, "The Story Of Kuwait", p. 55 .

as job-skill, artisan and craft training .

In the opinion of the Iraqi National Democratic Party, IPC did not train Iraqi labourers purposely [1].

The writer thinks that all evidences indicate that training centers in the Arab countries were not organized properly except in the last five years or so , and only when symptoms of disconetent were apparent mainly in the ranks of workers who wanted to participate in the more specialized jobs, and also when some of the relevant Arab governments demanded a greater percentage of local workers be employed .

E- H O U S I N G

The Venezuelan labour law of 1936 required oil companies to build houses for their workers and upon the failure of these companies to live up to all the requirements of this provision [2], the collective labour agreement of 1953 stipulated that a housing compensation of Bs. 4 ($ 1.10) per day should be paid upon the failure of the company to afford houses [3].

The total number of houses built by the operating companies in Venezuela amounted up to 1952, 30,000 and the gross investment in housing by all companies rose from $ 180 in 1950 to 204 million in 1952 . The houses should be,according to the labour law, modern and sanitary and should be supplied with water ,light,gas facilities and sewer system and only a nominal rent is paid by workers to the company [4].

Except for the recent concession of the AOC concluded with both Saudi Arabia and Kuwait , all the other Arab concessions did not include a housing stipulation , and in an effort to improve their policies the operating oil companies inSaudi Arabia , Kuwait and Iraq established instead employee housing programs .

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1. The National Democratic Party," The Iraqi Oil Case". (Baghdad:Al Zahra Press, 1952,) p. 71 .
2. Fanning , op.cit., p. 78 .
3. For quotation and details please refer to p. 35.
4. Fanning, op.cit.,p. 105 .

Aramco invested up to 1955 more than $ 77 million in housing and related facilities for its employees , but the bulk of this sum was spent to provide houses for foreign personnel;for Arab workers the company provided a housing loan project whereby houses are sold to employees interest free and the necessary funds are advanced by the company to be repaid later and when 80 per cent of the loan is repayed the company contributes the remaining 20 per cent , apparently this project succeeded for in 1954 and 1955 ,825 loans were approved [1]. Besides, the number of employees accomodated in the company's masonry buildings amounted to 13,132 in 1952 which is equal to 77.1 per cent of the total labour force of Aramco in that year [2].

Reportedly IPC has built a number of houses but mostly to be used by the senior foreign staff [3], a sililar Home Ownership Scheme was introduced in 1953 whereby the company advances the necessary funds provided that the relevant worker has paid 10 per cent of the estimated value of the land and house ; this loan is to be paid within a period which ranges between 10-20 years [4]. The company provides also advise in design and construction freely, however it should be noted that the Iraqi labour law obligates all industrial establishments employing 100 workers and more to build houses for their workers [5], but it seems that the former Iraqi regime did not like to enforce this law .

Bapco introduced in 1953 housing loan plan whereby Bahraini workers with more than 5 years of service might borrow specified percentages of their credits in the

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1. Aramco , "<u>Aramco World</u> ", November 1955, p. 2.
2. Finnie, <u>op.cit.</u>, p. 134.
3. <u>Ibid.</u>, p. 133.
4. <u>IPC</u> , "<u>Iraq Oil In 1953</u> ", p. 7 .
5. Labour and Labourers Laws, <u>op.cit.</u>, article 1, Law No. 29, dated 24/7/1947 , pp. 51-55 .

company's Thrift Plan for buying houses but no further details are avilable except that apparently this scheme was not successful for workers complained that this " Scheme is adequate only to enable them to improve existing houses rather than build new ones" [1].

KOC built during the period 1946-1951 , 600 houses[2] and by 1956 , 3,700 bachelors and 300 families lived in the company's accomodations [3]. The company has also a Home Ownership Scheme introduced in 1957 to encourage local workers and employees to build their own houses and it provides for the extension of necessary funds by the company payable at 4 per cent per annum and when 80 per cent of the loan is paid the company contributes the remaining 20 per cent [4].

It is needless to mention that Venezuelan housing provisions which call for building modern and sanitary houses at nominal rents to workers , or the payment of a housing daily compensation are by far superior to housing loan schemes introduced by the operating oil companies in the Arab world which calls for the extension of loans to workers repayable in the future while the company's assistance is confined in extending the loan and sometimes 20 per cent of it . In contrast daily cash earnings received by the Venezuelan labourer in the form of payments in lieu of housing amounted in 1957 to Bs. 3.19 ($ .96) [5].

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1. Finnie , op.cit., p. 137 .
2. KOC, " Oil In Kuwait ", n. p.
3. P.P.S., " Kuwait's Incredible 10 Years ", vol. 23, No. 8, p. 290, August 1956 .
4. KOC, "The Story Of Kuwait ", pp. 43-49 .
5. World Petroleum, " How Oil Workers Fare In Venezuela ", vol. 29, No. 7, p. 66 , July 1958 .

F- MEDICAL CARE

Venezuelan labour collective agreement provided for free medical examination, prpoer medical care,the presentation of free artificial limbs and the establishment of ample clinics and health units . Besides, these companies hav e to provide free medicines and hospatilization for both industrial and non-industrial types of accidents and illnesses which include in addition the wives and children of the workers [1].

Saudi Arabian labour code requires industrial enterprises to offer free medical treatment and necessary drugs to their workers [2]. However Aramco's record in this aspect is quite good for she built in the three principal oil centers clinics and hospital facilities at a total cost of SR 40,500,000 ($ 10,800,000) . In 1957 over half a million patients visited the company's various clinics and a total of 7,761 patients were cared for in hospital facilities . 79 per cent of the clinics patients and 63 per cent of the hospital cases involved company employees and their dependents . Aramco also sponsored trachoma research studies and extended valuable help to the Ministry of Sanitation for the control of malaria rates among the people of the kingdom . Sanitary inspection of company-operated facilities are being made regularly, besides more qualified Saudi Arabians are receiving medical training to become dental assistants ,dental hygienists ,nurses etc ... [3] .

In 1952 IPC had three modern hospitals , 11 clinics and 23 dispensaries in Kirkuk area , one hospital 2 clinics and 3 dispensaries in the Basra area . [4]

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1. For quotations and details please refer to p. 36 .
2. Saudi Arabian Labour Code , op.cit., article 15, pp. 37-39 .
3. Aramco, Report Of Operations : 1957, pp. 37-39 .
4. Shwadran , op.cit., p. 279 .

KOC provides free medical treatment in its air conditioned hospital at Margawa which has 211 beds and 23 childrens' cots. The company built also a number of clinics where regular routine medical examinations are dealt with, and plans are now being prepared for building another hospital with 250 beds . Furthermore the company's industrial health division undertakes comprehensive medical preventive examinations .[1]

Bapco operates a hospital and a number of clinics at Bahrain [2] and in 1952 it employed 11 doctors ,a dentist, 12 nurses,4 laboratory technicians and a staff of 78 medical attendants .[3]

It seems to the writer that medical care extended by oil companies in both Venezuela and the Arab countries are , more or less, similar although the Venezuelan collective labour agreement provided for better terms as concerns the free presentation of artificial limbs ,free delivery services, and free medical care extended to wives and children of workers .

G- EDUCATIONAL FACILITIES

The Venezuelan collective labour agreement stipulated that sons,brothers and nephews ,under the age of 21, living with the company's worker are entitled to get educated at the company's elementary schools [4]. By 1950 the operating companies there built a number of schools with a total capacity of 12,622 pupils . However the major emphasis is focused on university scholarships which included such subjects as civil,petroleum and mechanical engineering, geology , chemistry and medicine . Reportedly the number

1. KOC, "The Story Of Kuwait ", pp. 50-52 .
2. Shwadran , op.cit., p. 378 .
3. Bapco, " Annual Report To The Ruler Of Bahrain:1952", p. 33.
4. For quotation and further details please refer to p. 37.

of these scholarships is quite big for one company, namely Creole, extended in 1954, 238 scholarships 53 of which for studies in U.S. universiteies [1] which exceeds the number of Iraqi students sent abroad annually by IPC,BPC and MPC of 50 students only .

The efforts to train Venezuelan personnel to occupy senior staff positions are in actual practice a deliberate attempt to nationalize the companies' personnel .

Aramco helped the Saudi Arabian government in building primary schools which are transferred to the said government after being finished , but the company continues to pay operation and maintainance costs . Aramco's scholarships program was revised and expanded to provide 20 college and university scholarships in 1957,1958 and 1959, thereafter a total of 60 scholarships per annum will be maintained . These scholarships might be granted to any suitably qualified Saudi Arab whether or not employed by the company [2].

KOC provides co-educational elementary school for its expatriate employees but reportedly very few schools are built by KOC [3]; an obvious reason which justifies this belief is that ample schools and colleges are built by the Kuwaiti government . A number of college students are sent to universities abroad but no further specifications were given [4].

The three operating companies at Iraq undertook to send 50 students annually to British universities to specialize in oil industry branches [5], but unfortunately no specifications were given about these branches . Reportedly IPC and its subsidiaries do not build schools for their workers'children .

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1. Fanning, op.cit., p. 104 .
2. Aramco,"Report Of Operations:1957"p. 35 .
3. KOC ,"The Story Of Kuwait " , pp. 48-49 .
4. Ibid.,
5. For quotations and further details please refer to p. 74 .

Bapco together with the Bahraini government built a number of schools both primary and secondary and delivered them to the said government ; reportedly Bapco sends a number of college students for specilization in different fields abroad [1], but no further details were revealed .

Although both Arab labour codes and relevant concessions did not stipulate that operating oil companies should build schools , these companies shared in building and operating a number of elementary schools and sent also a limited number of graduate students for specilization abroad . Among oil companies operating at the Arab world Aramco's educational program is relatively the best,while only a limited number of graduate scholarships is extended by the companies operating at Iraq,Bahrain and Kuwait , but nevertheless the similar services extended by the companies operating in Venezuela are greater in scope , provide for sending a bigger number of college students for specilization abroad in defined specilizations which are needed in the oil industry such as geology, petroleun engineering and chemistry .

H- RECONCILIATION PROVISIONS

As explained on page 38, a special procedure was laid down in order to settle any labour disputes in Venezuela according to which labour specialists and labour national courts play a predominant role .

Saudi Arabian labour law stipulated that labour disputes might be submitted to the government and a committee of two arbitrators ,one appointed by the government and the other by the employer should solve it and in case of disagreement the Minister of Finance may

1. Bapco,"Annual Report To The Ruler Of Bahrain ", p. 41 .

appoint a third arbitrator whose decision was to be final [1]. In case the dispute could not be solved,the case should be transferred to local labour courts [2].

Iraqi labour reconciliation law of 1954 requires labour disputes to be reported in writing to the Minister of Social Affairs who might appoint either one labour specialist as an arbitrator or an arbitration committee composed of equal number of representatives appointed by the labourers as well as the employer headed by a neutral labour specialist,and decisions are taken by voting, if no agreement was reached one arbitrator who does not belong to the Ministry of Social Affairs is appointed by the Minister to solve it . Furthermore, it was stipulated that in no case should strikes be legal unless the minister is informed about it before 14 days [3]. The procedure to be followed in case of disagreement with IPC and its subsidiaries is to have labour committees discuss labour demands with the companies' authorities .

Unfortunately no information about reconciliation procedures in Kuwait , Bahrain and Qatar was available to the writer .

In the writer's opinion ,labour reconciliation procedures,no matter how detailed and comprehensive they are ,are mostly of little value if no labour unions are organized to safeguard the labourers rights ,accordingly Venezuelan reconciliation system is ,by far,superior to Arab similar systems where labourers cannot exercise their collective bargaining power in order to solve satisfactorily any dispute with the operating companies .

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1. Saudi Arabian Labour Law, <u>op.cit.</u>, article 38, p. 16 .
2. <u>Ibid.</u>, article 40 , p. 16 .
3. Iraqi Labour and Labourers Laws, " Labour Reconciliation Law No. 63, dated 26/9/1954 , <u>op.cit.</u>, pp. 80-83 .

I- PROVISION DEPARTMENTS AND CAFETERIAS

Operating oil companies at Venezuela are required to establish provision departments in order to sell their workers various consumption goods ,a list of which together with the fixed prices of each item was agreed upon with the labour unions. The prices include wholsale and transportation costs only. Furthermore, dining rooms were to be established whenever necessary especially in remote areas [1].

Upon the request of the Royal Commission appointed in 1953 to investigate labour conditions, Aramco built six provision departments in which some foodstuffs and clothes were sold to employees at 20 per cent discount on retail prices [2]. A number of cafeterias were established at which general and intermediate employees may eat their breakfast and lunch at a price of SR ¼ ($ .07) per meal [3].

Groceries in which foodstuffs are sold to employees were constructed by IPC together with the cafeterias in which subsidized meals are sold [4].

No provision departments are constructed by KOC but meals are served at the company's well equipped canteens at a cost of Rupees ¾ ($ .14) [5]. Unfortunately no information relative to this subject could be obtained about both Bahrain and Qatar .

The object of the establishment of provision departments and cafeterias is to enable the workers ,especially those with low wages,to buy necessary goods and meals at reduced prices. However ,although Arab countries concessions did not provide for similar services some of the oil companies established a limited number of provision departments and cafeterias , but still these services compared with similar services in Venezuela are both inferior in quality and limited in scope .

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1. For further details and quotations refer to pages 36-37.
2. Aramco, "Report Of Operations To The Saudi Government:1954" p. 28.
3. Aramco,"Report Of Operations To The Saudi Government:1957" p. 30.
4. IPC , "Iraq Oil In 1953", p. 15 .
5. KOC , "The Story Of Kuwait ", p. 42 .

J- COMMUNITY SERVICES

Oil companies operating at Venezuela are obligated to offer necessary buildings for the workers social clubs, likewise Aramco has provided social clubs, playgrounds, swimming pools for its labourers [1]. IPC has provided social clubs, cinemas, swimming pools and playgrounds [2]. KOC has also provided facilities for organized recreations such as playgrounds, social clubs, swimming pools and other amenities [3]. In 1952 Bapco provided a number of playgrounds, swimming pools and one cinema[4]. In Venezuela all these recreational facilities are established but they are broader in scope and encompass other recreation facilities.

IPC has established recently a saving scheme for its employees but no details could be obtained about it. Aramco provided for an Employees Saving Scheme under which the company's awards depend upon the individual's seniority and may range as high as 100 per cent of his savings if he has 15 years of service [5].

Bapco has also provided for a similar scheme [6] but no details about it were specified. Likewise a Thrift Scheme is operated by KOC under which the company pays an interest on savings [7].

Operating oil companies at Venezuela provide Saving and Pension Schemes for employees and workers in addition to group life insurance. The average daily thrift fund contribution to every worker amounted in 1957 to Bs. 1.90 ($ .57) per day.[8]

Community services are, more or less, similar in both Venezuela and some of the Arab oil companies but owing to the fact that Venezuelan workers enjoy a higher standard of living these services are more diverse and expensive in Venezuela than in the Arab countries, besides group life insurance is not extended to Arab workers.

1. Aramco, "ReportOf Operations:1957", p.30.
2. IPC , "Iraq Oil In 1955", p. 10.
3. KOC , "The Story Of Kuwait", pp. 43-44.
4. Bapco, " Annual Report To The Ruler Of Bahrain:1952", p.37.
5. Aramco, "Report Of Operations:1957", p.28.
6. Bapco , "Annual Report To The Ruler Of Bahrain:1952", p.37.
7. KOC , "The Story Of Kuwait", p. 41.
8. World Petroleum, "How Oil Workers Fare In Venezuela", vol. 29, No. 7, p. 66, July 1958.

K- VACATIONS AND HOLIDAYS

27 days of paid annual vacation is given to workers with less than five years service, 29 days for those with less than 10 years and 30 days for those with more than 10 years of service. Furhermore , if a national holiday happen to occur during the workers vacation it will not be considered as a part of it [1]. In comparison the Iraqi labourer is entitled 12 days only in every year [2], while the Saudi Arab labourer 10 days [3]. Reportedly KOC grants annual paid vacations but no specifications were mentioned [4]. Bapco gives its workers an annual vacation of 14 days [5].

Medical vacations of 12[6] and 15[7] days are provided in the Iraqi and Saudi Arabian labour laws respectively. No medical vacations are extended in Venezuela ,instead sick workers at hospitals are entitled to receive Bs. 10 per day and Bs. 12 during convalescence [8]. Reportedly no medical vacations are given in Kuwait,but a paid pilgrimage leave is given to all workers with 4 years of service [9], reportedly a similar pilgrimage leave is allowed for in Saudi Arabia .

Paid official holidays are allowed for in both Venezuela, Saudi Arbia,Iraq and Kuwait . In Venezuela nine official holidays are annually given to workers .

Evidently Venezuelan workers enjoy longer annual vacations of two or more folds than Arab workers, it was estimated that the average daily cash earnings to the Venezuelan

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1. For quotation and further details please refer to p. 36 .
2. Iraqi Labourers and Labour Laws, op.cit., article 2, pp. 28-29 .
3. Saudi Labour Law, op.cit.. article 46, p. 17 .
4. KOC , " The Story Of Kuwait", p. 41 .
5. Bapco , "Annual Report To The Ruler Of Bahrain :1952", p. 21 .
6. Iraqi Lab ourers and Labour Laws ", op.cit., article 2, pp. 28-29 .
7. Saudi Labour Laws, op.cit., article 47, pp. 17-18 .
8. For quotations and further details please refer to p. 36 .
9. KOC , " The Story Of Kuwait ", p. 42 .

worker in the form of sunday and holiday premium pay amounted in 1957 to Bs. 0.8 ($ .24) and that of rest-day-pay to Bs. 4.33 ($ 1.3) [1].

L- LABOUR UNIONS

All Arab oil producing countries except Iraq, prohibited the formation of labour unions for political reasons, which are beyond the scope of this dissertation. This prohibition reduced to a minimum, if any, the collective barga-ining power of Arab workers. Even in Iraq where the law authorizes the formation of labour unions they were never able to function because the succssesive Iraqi governments of the former regime discouraged them due to several pretences such as the unrest among workers caused by political agitation from outside . Instead the Iraqi government permitted the formation of joint committees of workers and management to consult whenever necessary [2].

Bahraini workers showed symptoms of discontent and demanded that the company should allow the formation of unions and Bahrainis to have more control over the company [3].

Labour troubles took place also in Saudi Arabia although strikes are forbidden and in the fall of 1953 a general strike was declared but responsible workers were severely "punshed - much more severely , indeed, than Aramco officials themselves would have preferred " [4].

Likewise several strikes took place in Iraq the most important of which was that of BPC's late in 1954 [5].

Hence it seems that Arab oil workers are not satisfied with their present working and living conditions, and if

1. Longrigg, op.cit., p. 177 .
2. World Petroleum," How Oil Workers Fare In Venezuela", vol. 29, No. 7, p. 66, July 1958 .
3. Shwadran, op.cit., p. 381 .
4. Finnie, op.cit., p. 102 .
5. Ibid.,

they could act collectively they would have probably earned higher wages and better living and working conditions especially because strikes of this nature " Can be exceedingly costly. Loss of one day's production from a major producer like KOC or Aramco might cost something over a million Dollars . A week of illness per year would probably be more expensive than doubling the wages of all local employees" [1].

In contrast there are potent Venezuelan labour oil unions, strong enough to induce the government to supervise them closely [2] . Through collective bargaining these unions raised wages five times in the period 1946-1956 , and concluded the excellent labour agreement of 1953 as outlined in chapter two .

It is needless to emphasize the fact that the lack of Arab oil unions had bad consequences as concerns the level of wages , working and living conditions as described before .

The writer thinks that the absence of Arab labour unions is considered as a major handicap facing the proper development of the Arab oil industry because it leads to a substantial decrease in direct as well as in indirect benefits that would have been caused to the economies of the Arab oil producing countries .

In concluding this chapter the writer believes that one of the main points to be emphasized is that the higher benefits and scale of wages paid to Venezuelan workers , and therefore to the Venezuelan economy, have not reduced the indirect benefits caused by oil exploitation to the

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1. Finnie, op.cit., p. 102 .
2. World Petroleum Report : 1958, " Labour In Venezuela", vol. 4, p. 136 .

Venezuelan government . Although the high level of wages and benefits paid to workers has increased production and operation costs and consequently reduced both the volume of net realized net profits and the Venezuelan government share of these profits, yet one might assert that :

a- The higher level of purchasing power of the workers which will naturally affect all the sectors of the economy and entails higher level of economic activity which might enable the government to increase the rate of taxes and thus it can compensate for whatever reductions in the government's oil revenues share caused by the greater wage bill paid to the labourers.

b- This high level of wages enables the Venezuelan economy to nibble a portion of oil revenues, in the form of operation costs , without enabling the companies to obtain half of it .

CHAPTER SIX

OTHER PROVISIONS COMPARED

In this chapter all the other provisions not treated in the last two chapters are discussed under twenty three major sections some of which include more than one relevant provision grouped together for simplicity and relativity purposes . The writer had included all other types of provisions which are stipulated in any of the concessions treated,although in some cases,some specific provisions were stipulated in one or few concessions only .

Unfortunately since the complete texts of the concessions of Kuwait,Bahrain and Qatar are unavailable most of the comparison have to be confined with the Venezuelan law, and the concessions of Aramco, IPC and the Arabian Oil Company .

The most important provisions treated in this chapter are arbitration,area,custom duties exoneration,duration, inspection,fiscalization,minimum production,number of national directors,cancellation,refining,stock ownership, and modification provisions . In few sections the writer could not obtain the relevant information mainly either because it was not revealed by the relevant companies or because it was vey specific and as such is not mentioned in the relevant concessions or laws .

Whatever political considerations and provisions were warded off for the treatment of such provisions are outside the realms of this economic study .

In the comparison and evaluation , the writer has quoted the opinion of some Iraqi deputees,leading Arab economists and some political parties whenever deemed necessary .

1- ARBITRATION AND APPEALS

Whereas the Venezuelan Hydrocarbons law stipulates that all types of disputes arising between opposing parties who do not accept the decisions of the Minister of Mines relative to correction and alteration of maps,nullity and cancelation of concessions and the procedure for the execution of concession resolutions which could not be terminated by compromise , should be submitted to the Venezuelan Federal and Cassation Court, arbitration provisions in Aramco's concession, IPC's probably the concessions of Kuwait ,Bahrain and Qatar confine same either with the International Court Of Justice such as in Iraq , or with one arbitrator selected by the president of the said international court such as in Aramco's and PWOC's concessions. Both Iraqi and Saudi Arabian concessions stipulate that disputes should be solved by mutual underest-anding, failing this each party should appoint one arbitrator and in case of their failure the case is to be transferred to the International Court of Justice [1] .

The confinement of arbitration to a foreign court rather than a national court will not,in the opinion of the writer, insure that the national interest is safeguarded under all circumstances and in all cases especially that the said international court,like most other international institutions,is subject to be influenced by the desire of the great world powers to which the oil companies belong. The Anglo-Iranian Oil dispute of 1952 and its consequences [2] evidence the writer's conviction that national courts are the best place in which oil disputes might be terminated in a certain way which safeguards the national interest especially when in such disputes the weak underdeveloped oil producing country is involved in strife with the traditionally imperialistic and colonial powers which are

1. For quotations and further details please refer to pages 49,54-55,61 and 70-71 respectively .
2. For further details please refer to : International Court Of Justice, Pleadings, " Anglo Iranian Oil Case ", (United Kigdom v. Iran, 1952) .

capable of exerting diplomatic,economic,political and military pressures on the oil producing country whose attempt at retaliation would be relatively ineffectual, " A dispute between such states as Britain and Iran is often referred to as a classic example of a situation in which international law is either ignored because its methods and procedures are inconvenient for the great power,or is utilized by the great power as an instrument of oppression and coersion" [1].

Confining arbitration to a foreign legal body was criticized during the Iraqi Parliamentary debates relative to IPC's supplementary agreement of 1952, as comprising a major weakness in the concession because the influence of Britain at the International Court of Justice could neither be denied nor ignored [2]. In the opinion of the Iraqi deputee Abdul Kareem Kenneh this system of arbitration gives oil companies the character of states because the International Court was established to solve only state international disputes [3].

2- AREA OF CONCESSIONS

Whereas the Venezuelan law limits the area of a prospection concession at 10,000 hectars and that of an exploitation concession at 500 hectars only provided that no assignee may hold more than 300,000 hectars for exploration and 150,000 for exploitation except through the consent of the Federal Executive, individual Arab concessions either cover the whole area of the country including sometimes islands,territorial waters and offshore areas such as in Kuwait,Qatar,Bahrain and Iraq -except for the Naft-Khaneh field near the Persian Gulf-, or a very substantial area of 365,000 sq. miles held by Aramco in 1956 which constitutes more than 40 per cent of the total area of Saudi Arabia,

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1. Alan W. Ford, " The Anglo-Iranian Oil Dispute Of 1951-1952 ", (Los-Angeles:University of California Press, 1954) p. vii .
2. Iraqi Parliamentary Debates:1952, op.cit., pp. 116-117.
3. Ibid., p. 129 .

compared with only 7.07 million hectars [1] (27,000 sq. miles) being the total area of concessions granted in Venezuela till 1958, which is equal to 20 per cent of the Venezuelan sedimentary trough and Only 7.8 per cent of the total area of the country [2]. These vast areas granted in the Arab countries permit the use of the most efficient methods of exploration and production because there is no fear that the small area of the concession will not warrant the use of modern expensive apparatus . Furthermore prospection in large areas will justify heavy exploration expenses and tends to create hope that dry holes will be compensated for by producing wells discovered in other areas [3].

The domination of one company over large concession territories permit the use of unified unit operations whereby the most efficient methods are employed whereas small territories might not justify the use of expensive modern machinery. On the other hand the grant of large concessionary areas tends to limit exploration activities which are mostly aroused by competition between several oil companies as it is the case in Venezuela where 20 different companies operate each in a limited and specified area thus limiting whatever monopolistic tendencies they might like to exert and creates a more healthy competitive environment for oil prospection and production .

Iraq has complained against the slow prospection operations of IPC and its affiliates which dominated oil operations in a certain way that it might be appropriately called " A state within a state" [4]. Iraqi deputee Maloum demanded that most of the unexploited areas aquired by IPC and its subsidiaries be surrendered to the government which

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1. The area of concession titles granted up to 1955 in Venezuela amount to 6,25 million hectars: P.P.S., "Venezuela In A Competing World", v.21,No.3,p.7,March 1954, The area of the new concession titles granted in 1956 and 1957 is 820,000 hectars: P.P.S.,"More Areas Granted In Venezuela", v. 24,No.6,p.226,June 1957.
2. Calculated by the writer at the basis of Venezuela's total area of 352,170 sq, miles and on the basis of one sq. mile equal 259 hectars .
3. Abbousi, op.cit., p. 57 .
4. A term used by Dr. Berrawi in his book: The Battle for Oil In the Middle East .

should grant them anew to other oil companies[1].

3- CESSIONS AND TRANSFERS

Both Hydrocarbons law and all other Arab concessions stipulate that government consent should be obtained in the cession or transfer of concessions to other companies or parties and that the assignee acquires by the virtue of the ceded concession the same obligations and privileges of the assigner. The Hydrocarbons law stipulates also that government consent is not granted if the assignee is legally impeded from acquiring oil concessions or if he holds the maximum area of concessions permitted [2].

However, BPC's concession stipulated that the Iraqi government should not be strict or refrain from giving its consent to such transfers irrationally or in a proposterous manner; a provision which is considered by the writer as vague as well as elastic especially that no definition was given to what was considered by the company as irrational or proposterous.

PWOC's concession is superior to both Hydrocarbons law and other Arab concessions as concerns cession and transfer terms because it provides, in cases where the company transfers its concession to another by selling its concessionary rights and installations, for the payment of 25 per cent of the capital net profits -if any- accrued by PWOC . Such a stipulation , the writer believes, tends to restrain the company from transferring its concessionary rights and provides for potential additional income to the relevant government in case such a transfer occurs .

Hence transfer and cession provisions are basically similar in both Venezuela and the Arab countries but the former is more precise .

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1. Iraqi Parliamentary Debates:1952, op.cit., p. 117 .
2. For further details and quotations please refer to pages 30,49,55,59,64 and 70 respectively .

4- CONSTRUCTION OF PERMANENT WORKS AND EXPROPRIATION OF LANDS

Both Arab oil concessions and Venezuelan Hydrocarbons law permit concessionaires to construct all necessary buildings, warehouses,installations,electric energy,means of transportation and other facilities for all operations purposes. But the Venezuelan law is more precise in that it stipulates that in the exercise of this right the concessionaire should abide by the relevant laws especially that he should take care not to cause damage to others and to take all necessary precautions in the laying of pipelines that navigation might not suffer hinderance, to respect waters and forestry laws, to prevent damages to water horizons or to other's property and to pay whatever expenses called for in accordance .

Arab oil concessions are no so precise, In Saudi Arabia soil might be taken from government's lands freely, same might be taken from Iraqi lands within the relevant laws and provided that the necessary fees are defrayed .

Likewise permanent works expropriation laws in Venezuela are more precise in that it necessitates a judicial easement in order that needed lands be expropriated and provided that prices and leases are defrayed , and if the parties involved could not agree on same the matter is transferred to pertinent courts as explained on page 28, but in no case should expropriation be against the will of the owner. On the other hand Iraqi agreements stipulate that the rent per hectar of government's uncultivable lands to be paid by the oil company is 10 fils per hectar only ($ .03), but a fair rent on lands cultivated by individuals is to be paid . And if any damages or losses are caused to others by the company or its employees a fair compensation is to be paid . Likewise , Aramco's concession entitles her to take freely whatever building materials and to pay a fair rent or prices for expropriated lands based on the occupant's benefit derived therefrom [1].

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1. For further quotations and details please refer to pages 54 and 69 .

It is obvious that the provisions relative to the construction ofpermanent works and land expropriation in Venezuela ,according to the writer's opinion, can safeguard the occupant's interest as well as the nation's and it also provides for greater amounts of rents,prices of lands or fees for building materials taken from the lands than similar provisions stipulated in Arab concessions. Actually it is rediculous to permit Aramco to use government lands freely, to fix the rent of Iraqi government's lands at 10 fils per hectar although these rents may fluctuate during the 75 years being the duration of the concession. Furthermore, Arab concessions do not provide for arbitration in case of disagreement between the interested parties relative to prices or leases of lands , and it did not stipulate that expropriation should never be against the will of the land occupant .

5- CUSTOM DUTIES EXONERATION

In theory,the Hydrocarbons law provides for exoneration from import duties charged on materials and equipments necessary for all oil operations imported by oil companies [1]. But in practice many oil companies do not take full advantage of it because exonerated material have to be guarded ,and if sold, given away,stolen or used for purposes other than those because of which they were exonerated, the corresponding duty have to be defrayed. As a result and in many cases the amounts to be exonerated might not justify neither the expenses of record keeping nor the time required to obtain the exoneration license [2].

Aramco original concession provides for exoneration of materials imported for operation purposes only but it requires the payment of the corresponding duties if same was sold within Saudi Arabia. PWOC's concession is similar, except that duties should be defrayed on land,marine and air automotives for registration and work license permit purposes

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1. Hydrocarbons Law, op.cit., article 58, p. 32.
2. World Petroleum Legislation:Venezuela, op.cit., p. 3.

only, furthermore whatever municipal taxes and levies have also to be paid. In addition to exoneration from custom duties charged on oil operations machinery, Iraqi oil concessions provide also for the exoneration of building materials and electrical apparatus used in the construction of houses and offices for the company for a period of 10 years provided exempted material are not sold within Iraq, and if sold as second hand a premium is to be charged on its selling price [1].

It is needless to emphasize the fact that the said Arab custom duties exoneration provisions are not precise because they do not require the relevant companies to keep records and to pledge to pay back the corresponding duties if these implements were given away, stolen, used for other purposes etc... which might render these provisions, in the opinion of the writer, ineffective whereas the similar Hydrocarbons law provisions are narrow to a certain extent that in practice many oil companies do not take full advantage of the exoneration as mentioned in the preceding paragraph, besides there is no good ground for exonerating building materials used in the construction of houses and offices for IPC.

In the opinion of the Iraqi Istiklal party custom exonerations given to oil companies resemble exonerations given to occupation forces and not to oil companies [2]. Actually these exonerations are rediculous as far as concerns Arab citizens and especially poor farmers who are required to pay various duties and taxes from their miserably low incomes [3] when at the same time the exceptionally rich oil companies are exempted from such duties.

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1. For further details and quotations please refer to pages 53 and 69 respectively.
2. The Baghdad Chamber Of Commerce Journal, " Ratification Of Oil Concessions", vol. 15, Nos. 1 and 2, p. 65. January and February 1952.
3. Abbousi, op.cit., p. 103.

6- DURATION AND EXTENSION OF TERM

Whereas the Venezuelan Hydrocarbons law stipulates that the duration of a production concession is 40 years only and that of transportation,refining and manufacturing concessions 50 years , most Arab concessions were concluded for nearly double as much . The significance of long term concessions might be fully realized if one knows that after the lapse of the stipulated duration most if not all the present proved crude oil reserves would have been exhausted as shown in the following table :

TABLE 31

DURATION OF ARAB CONCESSION TERM AND ESTIMATED DEPLETION PERIOD OF PROVED RESERVES

Name of Company	Duration of Concession	Depletion period on the basis of 1957 production and reserves
KUWAIT :		
KOC	75 years extended in 1952 to 92 .	124 years
Aminol	60 years	21 years
AOC	40 years	did not commence operations .
SAUDI ARABIA:		
Aramco	60 years	129 years
PWOC	60 years	21 years
AOC	40 years	did not commence operations
IRAQ :		
IPC and its affiliates	75 years	121 years
QATAR :		
QPC	75 years	33 years
BAHRAIN :		
Bapco	55 years extended in 1952 to 75 years	20 years

SOURCES : Statistics on reserves, World Petroleum Report:1958, p. 14,
Statistics on 1957 annual production P.P.S., " Crude Oil Production ", vol. 25, No. 9, p. 360,September 1958.
Depletion period calculated by the writer by dividing 1957 reserves by production in 1957, except in Iraq where the 1956 production was taken instead of 1957 because the production in the latter is not representative due to the Suez crisis .
Statistics on duration: All Arab concessions pp. 42, 43,45,52,58,62,66,67,68,76,and 77 .

It is clear from the foregoing table that the proved reserves in the Neutral Zone , Qatar and Bahrain will be exhausted completely before the lapse of the term of the relevant concession unless additional reserves are discovered in the future . Besides,although in Kuwait ,Saudi Arabia and Iraq the depletion period exceeds the concession duration one should not conclude that after the lapse of their pertinent durations significant reserves will remain because the present level of production does not represent potential or expected future production as will be discussed under minimum production provisions on pp. 192-196. However, production in Arab countries is expected to increase more than 150 per cent in the next 10 years if no huge reserves are discovered outside the Middle East .

The writer believes that the exceptionally long duration of Arab concessions constitute a major handicap hampering the furtherance of Arab oil industry because if the Arab countries permitted these companies to operate all their term , Arab reserves will be depleted at the expense of yielding relatively exceptionally low proceeds, thus losing huge annual revenues that would have been charged if shorter terms were granted in which event the grant of new concessionary titles at more favourable terms,equivalent at least to Venezuela's would have been possible. Besides any future attempt to modify existing concessions will be hampered owing to the strong bargaining position of oil companies derived mainly from their long terms which might eventually lead to compromise which might be disadvantageous ,in some aspects, to Arab national interests .

Oil concessions might be extended once in Venezuela for like periods at the petition of the concessionaire, and only if the conditions for the extension are regarded by the Federal Executive as advisable to agree upon . However, since these conditions should be the best of offers presented by other bidders,extension provisions are ,as far as the law stipulates and the writer believes, more theoratical than actual especially because this law stipulates that new terms should be never less favourable than the previous ones and are more likely to be better because the government acquires freely at the lapse of the term all the permanent installations of the company and as such the concessionaire is likely to outbid the other competitors in order not to lose these installations. Furthermore the said law stipulates that if all bids are equal the concessionaire who has defrayed all the due taxes have priority over others .

Arab concessions did not stipulate similar provisions and it seems to the writer that the pertinent oil companies were not interested in same because with the lapse of the duration of their concessions most if not all the reserves would have been exhausted,an evidence for such a belief is the extension of the duration of some Arab concessions whenever new reserves are discovered and there is an opportunity for compromise, such as the extension of KOC's concession in 1952 for additional 17 years and Bapco's for 20 years over the original 55 years .

The trend in recent oil concessions is for shorter terms,such as Kuwait and Saudi Arabia offshore agreement with AOC concluded for 40 years and Yemen Petroleum Development Corporation concluded for 30 years only.

The writer believes that even a period of 30 years is a long one and should be reduced to 25 years only in order to enable the Arab states to keep pace with the international developments in the oil industry and to grant new oil concessions accordingly .

7- EXPLORATION PERIOD

Exploration concessions are given in Venezuela for a period of 3 years ,likewise Aramco's ,PWOC's and Iraqi concessions provided for a similar period. But the recent concession concluded between Saudi Arabia and Kuwait on the one hand and AOC on the other hand provided for an exploration period of 4.5 years [1], mainly because prospection under water takes more time and effort than land prospection. The Syrian oil law authorizes the grant of exploration concessions for 4 years which might be extended for like periods [2].

Exploration periods are similar in both Venezuela and the Arab countries,but many oil companies operating at the Arab countries did not fulfil this obligation especially at Iraq. The significance of the limitation of exploration period is to urge relevant companies to commence as well as finish exploration as soon as possible lest their concession titles might be terminated.

8- EXPIRATION

Except for one point,expiration provisions are similar in both the Arab concessions and the Hydrocarbons law which stipulated that concessions are terminated if :

a- Their term expired .
b- The concessionaire renounced his concession provided that a prior notification is sent to the government.
c- If the concessionaire did not fulfil any of his obligations.

Arab concessions are superior to the Venezuelan law in that upon the expiry of the term of production concession only,the Venezuelan government is entitled to acquire freely all the permanent works of the company, whereas Arab governments are entitled in similar circumstances to acquire freely production as well as transportation permanent works as stipulated in article 2 of Tapline's concession of 1949 [3].

1. For further details and quotations please refer to pages, 23,53,58,68,45 and 62 respectively .
2. <u>World Petroleum Report:1958.</u> "Syrian Oil Law Summary", vol. 4, p. 167 .
3. Ministry Of Finance, "<u>Agreement With Trans-Arabian Pipeline Company 1947</u>", article 2, p. 3.

9- INSPECTION AND FISCALIZATION

Venezuelan inspection and fiscalization provisions are basically more precise than Arab similar provisions because in the former the officials have the right to inspect the work as well as the activities related to all types of oil operations and to fiscalize the accounts and oil operations yielding taxes ; for this purpose any function of fiscal inspection authorized by the relevant laws might be carried out [1]. Furthermore the concessionaire is expected to present to government employees who effect the inspection ample facilities, and to the government all the data which the Federal Executive may require . In contrast Aramco and PWOC concession entitled the Saudi Arab government employees to inspect the quantities of oil and natural gas produced as well as to fiscalize the company's accounts provided that same is treated as secret information except those for public release . The company is also expected to present to the government's employees ample facilities throughout their work. In addition to inspection and fiscalization Saudi Arab government may have access to the company's technical records . Iraqi oil concessions provided for same rights and required the relevant companies to keep authentic as well as exact the records of its operations and accounts and to show same to government inspectors [2].

Although inspection and fiscalization provisions are basically similar , the writer believes that same has been more successfully carried in Venezuela than in the Arab countries mainly because of the inadequacy of the inspection and fiscalization provisions as well as the incapability of the inspectors, a fact which partly justifies the numerous disagreements arising between the Iraqi and Saudi Arabian governments and the relevant companies concerning the determination of costs of production per barrel and total net profits as explained on pages 57-58 and 74 . It might be noted that of the 8 major reasons which led to the nationalization

1. Hydrocarbons Regulations, op.cit., article 97, p. 88.
2. For quotations please refer to pages 53,59, and 69 .

N.B. By mistake page number 191 was skipped .

of the Iranian oil industry was the refusal of Anglo-Iranian Co. to permit government officials to inspect and fiscalize its operation records and accounts which enabled the said company to produce and export in 1950, 56 million tons of crude and not 32 million as declared to the government by Anglo-Iranian [1].

10- PREVAILING LANGUAGE

Whereas the Venezuelan Hydrocarbons law was laid down in the national language,most of Arab concessions stipulated that both English and Arabic official texts are operative but in the event of discrepencies in the interpretation of the two texts English should prevail. This stipulation ,the writer believes , will tend to lay more emphasis ,as far as language terminologies permit,on the interpretation of oil companies of the English text , and thus render arbitration ,in the case of discrepancies between the two texts, more difficult to solve .

The Iraqi deputee Kennah crticized this stipulation because the English language is elastic and is liable to more than one interpretation [2], besides by convention any treaty or concession should be laid down in the national languages of the two contracting parties and both texts should be of equal value . On the other hand , the Iraqi deputee Hardan Mohammed Moushen suggested that at least the text of the concession should be laid in a third language which should be regarded as operative in the event of discrepancies in the interpretation of the other two texts [3].

Recent Arab concessions such as Tapline [4]and PWC [5] concessions concluded with the Saudi Arabian government in 1947 and 1949 respectively stipulated that English as well as Arabic texts are authentic,operative and of equal value, which proves that the relevant Arab countries realized the fictiousness

1. Rashed Berrawi," The Battle For Oil In The Middle East", (Al-Nahda Almasria Library, 1953) 4 th ed. (Arabic) p. 289.
2. Iraqi Parliamentary Debates:1952, op.cit., p. 128 .
3. Ibid.,
4. Agreement With Tapline Co. , op.cit., article 28, p. 13.
5. For quotation please refer to p. 61 .

of stipulating that the English text should prevail in case of discrepencies between the two official texts .

11- MINIMUM PRODUCTION

IPC and its affiliates guaranteed a minimum production of 25 million tons beginning 1954 and 30 million tons beginning 1956 while both other Arab oil concessions and the Venezuelan law did not provide for a similar stipulation.

It is interesting to investigate into the reason as well as the rational of the minimum production stipulation especially that rumours spread asserting that because Middle Eastern oil is controled by the seven major international companies,the amount of oil produced in each country was decided before hand in agreement and was methodically kept down in order to adjust production to world demand thereby maximizing the companies' profits. An evidence to support the conviction might be derived from the analysis of the statistics of Middle Eastern oil production during the Iranian crisis of 1952, when the production of the Arab countries shot up to fill the vaccum caused by the shutting down of Iran's production. As shown in the following table, Arab production increased substantially in 1951 (over the normal annual increase of about 5-6 per cent necessary to cope with the increase in annual oil demand throughout the world) following the nationalization of Iranian oil by 44.7 per cent over the preceding year,the chain percentage increase decreased gradually to 30 per cent in 1952, 16 per cent in 1953, 11.6 per cent in 1954, 8.3 per cent in 1955 when around half of Iran's normal production was produced, and surprisingly enough 0 per cent in 1956, and then it dropped 2 per cent in 1957 partly due to the consequences of the Suez crisis and mainly because the normal level of Iranian oil production was resumed as shown in table 32.

Table 33 shows also that the Middle East's production in 1957 increased only 2.5 per cent which is appreciably lower than similar increases in all other oil producing areas except the U.S. where production was reduced voluntarily for military purposes.

TABLE 32

MIDDLE EASTERN AND VENEZUELAN CRUDE OIL PRODUCTION 1950-1957 AND RELATIVE CHAIN PERCENTAGE INCREASE IN ARAB PRODUCTION

In millions of metric tons

Name of Country	1950	1951	1952	1953	1954	1955	1956	1957
Kuwait	17.3	28.2	37.7	41.4	47.7	54.8	55.0	57.3
Saudi Arabia	26.2	37.2	40.5	43.3	46.9	47.5	48.6	49.5
Iran	32.3	16.9	1.4	1.3	3.0	16.0	26.3	35.3
Iraq	6.2	8.2	18.4	27.7	30.7	33.2	31.1	21.7
Qatar	1.6	2.4	3.3	4.1	4.8	5.4	5.9	6.6
Neutral Zone	---	---	---	---	0.9	1.4	1.7	3.5
Egypt	2.4	2.4	2.4	2.4	2.0	1.8	1.7	2.0
Bahrain	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.7
Turkey	0.02	0.02	0.02	0.03	0.06	0.02	0.03	0.03
Total M.E.	87.52	96.82	105.22	121.73	137.56	162.42	171.83	177.9
Total Arab Countries	55.2	79.9	103.8	120.4	134.4	145.6	145.6	142.2
Venezuela	78.2	89.1	94.6	92.3	98.6	112.4	129.0	145.3
Total Free World	479.0	n.a.	561.2	592.3	614.7	685.4	739.7	768.4
Total World	524.8	587.1	621.3	656.0	685.9	770.0	837.5	881.0
Chain Percentage Increase in Arab production								
Kuwait		63%	33.7%	17 %	10 %	15 %	.041%	4.3%
Saudi Arabia		42%	9%	2.5%	12.9%	1.5%	2.1%	1.7%
Iraq		26%	124.4%	50.8%	9%	10.3%	-6.3%	-30%
Qatar		50%	37.5%	24%	17%	14.5%	8%	11.3%
Total Chain Percentage Increase in Arab countries		44.7%	30%	16%	11.6%	8.3%	0%	-2%

SOURCES : Petroleum Press Service , Volumes 21,22,23,24 and 25 and Shwadran pp. 398,375 and 424 .

Chain percentages calculated by the writer .

TABLE 33

WORLD: ESTIMATED CRUDE OIL PRODUCTION
(Thousand Metric Tons)

	1955	1956	1957	1957 % Inc. Over 1956	1957 % of World
North America					
U.S.A.: California	47,821	47,376	46,600		
U.S.A.: East of California	287,110	305,473	305,400		
	334,931	352,849	352,000	dec. 0·2	39·9
Canada	17,426	23,126	24,500	6·0	2·8
	352,357	375,975	376,500	0·1	42·7
Latin America: Caribbean Area					
Venezuela	112,379	128,923	146,300		
Columbia	5,768	6,284	6,450		
Trinidad	3,564	4,129	4,970		
	121,711	139,336	157,720	13·2	17·9
Other Countries					
Mexico	12,599	12,796	12,600		
Argentina	4,469	4,408	4,950		
Peru	2,304	2,459	2,500		
Brazil	260	530	1,300		
Chile	332	462	550		
Ecuador	465	450	450		
Bolivia	351	417	450		
Cuba	49	70	70		
	20,829	21,592	22,870	5·9	2·6
Middle East					
Kuwait	54,756	54,982	57,300		
Saudi Arabia	47,535	48,622	49,000		
Persia	16,205	26,530	35,500		
Iraq	33,648	31,313	21,000		
Qatar	5,438	5,876	6,500		
Kuwait Neutral Zone	1,362	1,670	3,480		
Egypt	1,823	1,723	2,000		
Bahrein	1,499	1,507	1,670		
Turkey	202	296	300		
Israel	—	30	70		
	162,468	172,549	176,820	2·5	20·1
Far East					
Indonesia	11,790	12,652	15,000		
Br. Borneo	5,308	5,558	5,750		
India	330	380	430		
Burma	199	236	380		
Western New Guinea	474	375	350		
Japan	319	314	315		
Pakistan	276	290	290		
	18,696	19,805	22,515	13·6	2·5
W. Europe					
Germany	3,147	3,506	3,600		
Austria	3,666	3,428	3,180		
Netherlands	1,022	1,094	1,500		
France	875	1,261	1,400		
Italy	205	567	1,400		
Yugoslavia	257	293	400		
U.K.	54	67	80		
	9,226	10,216	11,560	13·1	1·4
Africa (excl. Egypt)					
Angola	—	9	150		
Gabon	—	—	144		
Morocco	102	97	75		
Algeria	57	34	15		
	159	140	384	174·3	—
FREE WORLD					
Western Hemisphere	494,897	536,903	557,090	3·8	63·2
Eastern Hemisphere	190,549	202,710	211,279	4·2	24·0
	685,446	739,613	768,369	3·9	87·2
Eastern Europe and China					
U.S.S.R.	70,793	83,796	98,000		
Rumania	10,575	10,920	11,500		
Hungary	1,600	1,200	660		
Albania	220	280	300		
Bulgaria	150	230	280		
Poland	180	184	190		
Czechoslovakia	140	140	140		
China(a)	966	1,176	1,500		
	84,624	97,926	112,570	15·0	12·8
WORLD TOTAL	770,070	837,539	880,939	5·2	100·0

(a) Including shale oil.

SOURCE : Petroleum Press Service, Vol. 25, No. 1, p. 2, Jan. 1958.

According to Dr. Abbousi the main reason for keeping a methodically low level of production in Iraq, Saudi Arabia and Kuwait are as follows:

a- Oil production is adjusted to the level of demand, for this reason it was drastically reduced during the great depression of 1929 and was increased later in 1934 at a rate which by far was less than the rate on increase of newly discovered reserves .

b- Increasing Arab oil production will naturally hamper the marketing of Iranian oil which was exploited,before 1951, very cheaply. On the other hand such a step will lead ultimately to an intense competition between cheap Arab oil, mainly due to its low cost of production, and the expensive American which will bear bad consequences to American companies [1].

Operating oil companies did not take into consideration the interest of the Arab countries when they entered into agreementss among themselves for the regulation of their production in all the parts of the world . In the opinion of Dr. Abbousi it is not enough to provide for a minimum level of production, but provisions should enable the relevant countries to decide with the pertinent companies the level of annual production after taking into consideration the inflationary tendencies arising from expected oil expenditures and the gross amount of reserves needed by the relevant governments in order that its development projects might be executed properly , and also to allocate properly oil revenues over a number of years enough to permit the utilization of other resources and industries [2].

The limitation of Iraqi oil production formed one of the major disputes between the Iraqi government and IPC [3]; besides even the oil press confessed that the flow of Iranian

1. Abbousi, op.cit., pp. 83-84 .
2. Ibid., p. 259 .
3. Shwadran , op.cit., p. 257 .

oil will ultimately limit the production of other Arab countries especially Saudi Arabia [1]. In the opinion of the Iraqi National Democratic Party operating oil companies limited Iraqi oil production in order to exploit other more profitable areas such as Iran where D'arcy concession might be considered as the strangest oil concession ever granted [2].

12- NATIONAL DIRECTORS

The significance of appointing national directors is that it enables , theoratically at least, the relevant Arab countries to get acquainted with the policy measures which are and will be executed . This subject comprised one of the major disputes arising in 1950 and 1952 between oil companies and the Saudi Arabian and Iraqi governments .

Aramco and the three operating oil companies at Iraq agreed in 1950 and in 1952 to appoint two national directors each in its board of directors . Likewise the Arabian Oil Co. concession concluded with both Saudi Arabia and Kuwait provided that one third of the board of directors should be national (One sixth for Saudi Arabians and Kuwaitis each). The Egyptian law of 1947 required that 40 per cent of the board of directors be Egyptians [3]which did not satisfy operating companies which refused to accept it and withdrew completely.

Unfortunately the writer could not obtain information about the number of Venezuelan directors at operating oil companies' boards. However the Hydrocarbons law did not specify this point but it might be left to be agreed upon in each concession seperately .

Although the presence of two national directors does not enable them to direct significantly the board's decisions, the writer believes that their presence is deemed necessary in order to safeguard the interest of their countries, if this

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1. P.P.S., "Slow Progress In Saudi Arabia", vol. 22, No. 9, pp. 26-27 (Arabic ed.) September 1955.
2. The Iraqi Oil Case, op.cit., pp. 4,and 71 .
3. For further details and quotations please refer to pages: 46,58,63,74 and 79 respectively .

lies within their power, and in order to get acquainted with all the proposals and policy measures, and recommends that the ratio of national directors should range between 30 per cent ,at least, and 50 per cent in order that they might play a more predominant role in policy determination .Iraqi deputee Meshen demanded that the said ratio should range between 40-50 per cent [1] while deputee Maloum said that in order to prevent operating companies from mismanagement at least one half of the board of directors should be Iraqis and that their point of view should have preponderancy [3].

In actual practice , Arab directors at the oil companies could not play important role in policy determination because oil companies were able to determine before hand posted prices,the level of production,gross as well net profits and many other things . The writer thinks that with the expected improvement in the political regimes of the Arab oil producing countries to form popular , strong and more stable and popular governments, these directors possess potentially the ability to affect more significantly the oil companies policies especially if first class engineers,economists and diplomats were appointed as national directors and senior staff officials .

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1. Iraqi Parliamentary Debates:1952, op.cit., p. 130.
2. Ibid., p. 109 .
3. The Iraqi Oil Case , op.cit., p. 67 .

13- NULLITY AND CANCELLATION

Both Arab concessions and Hydrocarbons law stipulate that except in periods of "force majeur", the relevant government have the right to cancel its oil concession before the lapse of their term if the concessionaire :

a- Did not pay the due taxes and royalties within the specified period .

b- Failed to start his obligations reletive to different oil operations within the specified period .

c- Violated any of the provisions of the concession .

Arab concessions stipulated that delay of payment of due taxes or royalties for a specified period, shall subject the company to a fine the amount of which is decided either by mutual agreement or by arbitration whereas the Venezuelan Hydrocarbons law stipulates a higher fine of 50 per cent of the amount due .

In addition the Hydrocarbons law stipulated that the Federal Executive have the right the concession of any company which acts as an intermediary ,or on behalf of any foreign government or foreign government owned oil corporations . This provision aims at excluding foreign governments influence or interference in the petroleum industry , which is very harmful as evidenced clearly from the history of oil concessions and operations in Iran and the Arab countries .

14- OIL DOMESTIC CONSUMPTION REQUIREMENTS

The Venezuelan Hydrocarbons law does not specify whether the contracting companies are obliged to meet local oil consumption requirements but it is believed by the writer that such a stipulation is not necessary either because oil is produced in abundance by a local company or because the Venezuelan government concluded a seperate agreement with one company for that purpose .

15- PENALTIES AND FINES

The Venezuelan law stipulates that infraction of any of the reglementary regulations by the concessionaire, and the refusal to permit inspection or fiscalization shall subject the concessionaire to a fine which ranges between Bs. 100-10,000 in the former case and Bs. 100-1,000 in each case of the latter. The amounts of fines shall be imposed by the Minister of Mines, and losses of a portion of the hydrocarbon substances produced also subject the concessionaire to pay the taxes corresponding to the substances lost or wasted .

Iraqi oil concessions provide for subjecting the relevant oil companies to fines in cases of violation of any of the provisions of the concession on condition that the amount of fines be decided by mutual agreement , failing this it should be decided by arbitration . Likewise losses or damages caused to others should be compensated for fairly. Aramco and PWOC concessions did not provide for penalties and fines stipulations .

It should be noted that the Iraqi fines and penalties provisions are far from being ample or satisfactory compared with the inclusive similar provisions in Venezuela, besides the stipulation which necessitates the consent of the company or the arbitrator on the amount of the fine weakens to a considerable extent, in the opinion of the writer, this provision and makes its application difficult if not impracticable because in no case should the accused operating company be permitted to act as a judge at the same time . Furthermore, minor infractions of the concessionary provisions are not worthwhile to establish an arbitration committee or to bring each case before the International Court of Justice , which naturally reduces this stipulation , in the writers opinion , to the realms of theory only.

16- PRODUCTION BY ONE COMPANY VERSUS MANY COMPANIES

In the grant of oil concessions the Venezuelan Hydrocarbons law limited the area of concessions granted and fixed a maximum to the total areas that might be held by one concessionaire , mainly 300,000 and 150,000 hectars of explorationa and exploitation concessions respectively , in order to evade the domination of one or very few oil companies on the oil industry. Such a stipulation will naturally tends to limit whatever monopolistic tendencies they are likely to adopt. As a result of this stipulation there are 20 companies operating at Venezuela in 1957 , and a keen competition arose between them in order to acquire new concession titles for the exploration-exploitation granted apart from other concessions purposely in order that the nation may get the best conditions . Ane since the practice is to issue informal bids for these concessions, the successful bidder is that who offers the best terms and as such the government insures that it obtained the best possible terms . This stipulation helped to create a healthy competitive environment which safeguards the welafare of the nation .

In contrast Arab oil is either produced by a sole company as in Kuwait, Saudi Arabia, Bahrain and Qatar or by one major company controling other subsidiaries such as in Iraq . This situation closed the door in the face of any probable competition from other oil companies and also helped the concentration of control over all oil operations including prospection,production,refining and transportation in the hands of one company which enabled it to produce the quantity which maximizes its profit and to follow practices operationwise which are not in the interest of the relevant Arab countries . These devices made possible the accumulation of fabulous rates of profits which included:

a- The calculation of cost of production per barrel arbitrarily especially when prices are set also by the company as it is the case in all the Arab oil producing countries [1].

b- Long run marketing contracts whereby to the cost of production is added a fixed profit per unit such as in Kuwait and Saudi Arabia [2].

c- Posting its prices on the basis of reduced prices of crude sold to parent companies which sells it again at current world markets as it is the case in all the relevant Arab countries [3].

Iraqi deputee Maloum indicated that the presence of several oil companies in an oil producing country will result in greater revenues , higher level of labourers wages and other indirect benefits caused mainly by competition between these companies,and demanded that unexploited areas be surrendered to Iraq in order to be given to other oil companies [4].

17- REPORTS AND INFORMATION

Although both Arab concessions as well as Venezuelan law require the relevant oil companies to submit annual reports, the latter is superior in that it defines exactly the major items which should be included such as concessions acquired, transferred or renounced,statements about drilling,refining and transportation oil operations, total amounts of taxes pais or owed , the number of employees and labourers indicating their nationality ,salary and wage with a report about their living conditions,the medical and educational assistance they receive etc ... .

Arab concessions such as Aramco's and PWOC's concessions concluded with Saudi Arabia required the companies to present

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1. Shwadran, op.cit., p. 376 .
2. World Petroleum Legislation:Kuwait, op.cit., p.3.
3. "World Petroleum Report:1958" p. 171 .
4. Iraqi Parliamentary Debates:1952, op.cit., p. 107 .

annual reports relative to their operations,provided that they are treated by the government as secret information. Iraq's oil concessions provided for the presentation of operational reports annually . But since no clear definition is given as concerns the items that should be included , the writer believes that this stipulation might be regarded as vague, besides there is no good justification for stipulating that reports presented should be considered as secret information -except information relative to geological and geophysical status of newly explored regions- because such information should be released and published like similar information relative to the country's other natural resources .

In order that the Venezuelan government be acquainted fully with the developments of the petroleum industry, the Hydrocarbons law required concessionaires to present to the government ample geophysical and geological information concerning the regions studied and drilled; this information might be treated as secret at the option of the concessionaire.

In contrast Arab concessions did not include similar stipulations , except for the Arabian Oil Co. concession which permitted Saudi Arabian as well as Kuwaiti governments to have access to its technical records. PWOC's concession permitted also the grant of information relative to the prospection, drilling and exploitation operations to the Saudi Arabian government at the latter's request.

Due to the vagueness of the stipulations relative to reports and information , the companies were able to release only the rosy information which shows the bright aspects of their operations while other important information such as pricing structure , revenues rates, level of salaries and wages of employees and workers, and living conditions as well as nationality of workers etc... are not revealed .

This fact might be exemplified ,in the opinion of professor B. Dajani, by reviewing the reports of IPC and Aramco which consist mainly ,especially in the case of IPC's reports , of coloured pictures,drilling information, exploration and sureveying data and very few and brief comments about labour conditions and other relevant important information [1]. Aramco's reports are the best among the other reports published by all companies operating in the Arab world , but still not all the specific and important information is contained therein. Furthermore ,operating companies at Kuwait and Qatar do not publish annual reports while Bapco's reports are seldomly distributed .

18- REFINING OBLIGATIONS

Sinec refining operations involve the erection of plants and the employment of more labourers which will naturally call for more payments and benefits to the economy , and in order that the greatest possible amount of oil extracted from Venezuela be refined there , the Federal Executive was empowered to give special benefits [2]to concessionaires who agree to increase the refining capacity at their plants or to erect new ones.

Refining provisions of Arab concessions require mainly the erection of refineries with defined capacities to meet local consumption requirements , but do not provide for refining a certain proprtion of the crude produced at their national territories. As a result roughly more than 85-90 per cent of Arab oil exports are in the form of crude oil[3] .

In Kuwait and Bahrain there are refineries with a capacity of 190,000 and 186,500 barrels per day each respectively but these were constructed not to fulfil an obligation but in order to market some types of refined products. Aramco's original concession provided for the erection of a refinery

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1. The Economy Of Lebanon And The Arab World. "Reports Of Operations Of Oil Companies In Iraq and Saudi Arabia," No. 38, pp. 7-8, October 1955 .
2. For details and quotations please refer to p. 33.
3. P.P.S., "Middle East's Rising Production", vol. 22, No. 10, p. 14, October 1955 .

with a capacity sufficient to meet the Saudi Arab government ordinary needs of gasoline and kerosine but the war compelling needs in the Far East made the American government extend the necessary assistance to Aramco to build at Ras-Tannura a modern refinery which was completed early in 1945 with a capacity of 130,000 b/d[1] increased later to 189,000 b/d in 1958. PWOC's concession provided for the erection of a refinery with a minimum capacity of 12,000 b/d . Realizing the consequences of refining, the relevant Arab governments were anxious to stipulate in the new concessions refining obligations such as the recent AOC concession in which the company undertook to erect a refinery at Saudi Arabia capable of refining not less than 30 per cent of the crude produced . It should be noted that the lack of refining obligations caused the Iraqi government to establish a national refinery to undertake the refining of Iraq's local consumption requirements.

Because refining provisions in the Hydrocarbons law stipulated that most of the petroleum produced should be refined at the national territory , the amount of petroleum refined in Venezuela amounted to 58.5, 56 and 53.8 per cent of the total amount of oil exported in 1954, 1955 and 1956 respectively [2] thereby securing immense indirect benefits to the Venezuelan economy . Arab refining obligations constitute a major handicap hampering the proper development of Arab petroleum industry. Owing to the presence of 3 large refineries in Iran with a total capacity of 415,000 b/d, the number of Iranian labourers in both production and refining operations amounted in 1955 to 42,000 [3] about 350 per cent more than the number of Iraqi labourers although both Iran and Iraq produce roughly equal amounts of crude annually .

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1. Abbousi, op.cit., p. 12.
2. Statistics on production and exports of refined oil are taken from : P.P.S., "Widening Horizons In Venezuela", vol. 24, No. 7, p. 8, July 1957.
   Percentages indicated are calculated by the writer.
3. P.P.S.. "Iran's Progress In Its First Year", vol. 22, No. 10, p. 7 (Arabic ed.) October 1955 .

The lack of refineries was often felt by the United Arab Republic and Jordan especially during periods of crisis which is a paradoxical situation where countries through which oil is being produced and carried through pipelines and tankers are ,at certain critical circumstances, in bad need for refined oil products. Such a paradoxical situation is similar to the notorious fate of camels in caravans where although these camels carry water to keep others alive, they perish of thirst, portrayed by an ancient Arab poet :

كالعيس في البيداء يقتلها الظما والماء فوق ظهورها محمول

At least one refinery with a maximum capacity of 100,000 b/d should be erected at all Arab loading ports , but it seems to the writer that although building refineries in non-oil producing countries could not be justified on economic grounds, operating oil companies are not contented with the fabulous production profits , but are anxious also to refine Arabian crude at their refineries or at European refineries in order to confine refining profits (estimated at $ .73 per barrel as detailed on pages 128-129) in their refineries . Thus Arab oil producing countries are deprived from the immense indirect benefits of refining oil .

Greater percentages of crude oil are expected to be refined in Venezuela in the future because " All contracts for new concessions contain a clause imposing an obligation to refine in Venezuela 15 per cent of any crude produced from the new concessions , Venezuelan American Independent Oil Producers Association have however, exceptionally agreed to refine 30 per cent in the country (refining need not necessarily be carried out in the company's own refineries)".[1] Another provision is that if any of the oil produced from the new concessions is refined outside Venezuela the concessionaire

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1. P.P.S., "Bids For New Areas In Venezuela", vol. 23, No. 10, pp. 380-381 , October 1956 .

will pay an additional royalty of 8 per cent (over and above the contracted royalty on the portion of the amount of 30 per cent stipulated), which is not refined within Venezuela.

It is interesting to note that building refineries in some European countries have reached the level of saturation where "One may instance, Italy where competition between local refiners in the face of greatly excessive refining capacity has tended to push product prices generally below their import parities" [1].

In the following table the main refining capacities of the important countries of the world are mentioned. Venezuela's capacity amounted in 1957 to 791,370 barrels per calendar day which exceeds that of the Arab oil exporting countries of 661,730 b/d by slightly less than 20 per cent . By the end of 1958 Venezuela will increase its daily refining capacity by 28,000 b/d and later by 14,000 [2]. Likewise world refining capacity of 20,821,125 b/d is expected to increase also by 250,000 barrels per day at the end of 1958 and 739,000 later [3].

Surprisingly enough the following table reveals the fact that the Arab countries which produce 20 per cent of the world's annual production of oil, and which possess around 60 per cent of the present crude reserves , possess only 3.17 per cent of the refining capacity of the world's total refining capacity in 1957 , while Venezuela's refining capacity is 4 per cent to be increased later around 1 per cent. The refining capacity of the United States exceeds its production of 7,150,000 b/d by 2,031,000 b/d and amounts to 44.2 per cent of the world's total capacity while that of the Soviet Union amount to 9.6 per cent only [4] as shown in table 34 :

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1. P.P.S., " The Pricing Of Oil ", vol. 23, No. 3, p.91, March 1956 .
2. World Petroleum, "Refining Expansion In The Western World ", vol. 29, No. 8, p. 76, July 15, 1958 .
3. Ibid.,
4. Figures based on table 34, and percentages calculated by the writer .

TABLE 34

IMPORTANT OIL REFINERIES AND CAPACITIES OF THE WORLD IN 1957

Country	Number of plants	Barrels per calendar day
Arab Oil Exporting Countries :		
Bahrain	1	186,500
Iraq	4	45,630
Kuwait	1	190,000
Qatar	1	600
Neutral Zone	1	50,000
Saudi Arabia	1	189,000
Total Arab Countries	9	661,730
Venezuela	15	791,370
Some European Countries		
Britain	16	778,400
France	15	674,870
Germany	27	348,910
Italy	35	684,865
Netherlands	2	346,000
Rumania	15	230,000
Other Major Oil Producing Countries :		
U.S.A.	298	9,186,000
U.S.S.R.	70	1,950,000
Canada	43	792,120
Indonesia	5	242,000
Iran	3	415,000
TOTAL WORLD CAPACITY	730	20,821,125

SOURCE: World Petroleum, Twenty-Eighth Annual Refinery Review, vol. 29, No. 8, p. 132, July 15, 1958 .

It should be noted that two of the three great refineries in the Arab world were constructed for military and marketing purposes as in Saudi Arabia and Bahrain respectively, while Iraq's refinery was built by the government . This situation might be attributed to the desire of the European countries to pay less in hard currencies for petroleum products as well as to save refining profits and to employ their labourers in the refining industry. [1]

1. Abbousi, op.cit., pp. 156-160 .

In the writer's conviction, new stipulations should be included in Arab concessions which require the operating companies to refine not less than 30 per cent of Arab oil at Arab territory, and to obligate the companies which fail to fulfil this stipulation to pay an additional refining tax.

19- PETROCHEMICAL INDUSTRIES

Although the petrochemical industry is still developing rapidly at the rate of 14 per cent in the U.S. [1] this industry is increasing in importance. Realizing this fact the Venezuelan government adopted in 1956 a comprehensive scheme for the erection of a national petrochemical industry to be executed on 3 consecutive stages, and for this purpose the National Petrochemical Institute was established in the same year with a capital of Bs. 50 million ($ 15 million). In the first stage of this scheme a fertilizers factory with an annual capacity of 150,000 tons . a sulphur extraction factory and a petrochemical factory for the production of Chlorine,Caustic Sauda and explosives were scheduled to be established late in 1957. In the second stage an artificial rubber factory will be established together with an insecticides factory . In the last stage an artificial textiles and tissues factory will be erected . This scheme includes also the transportation and distribution of natural gas to Venezuela's main cities [2].

New concession titles contained several stipulations for fostering and developing the petrochemical industry, and the Venezuelan government required these companies " to deliver an amount of gas equivalent to a royalty of 16 2/3 per cent of any gas that they reinject into producing format ions" [3].

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1. Sayiegh, Yusif, "Arab Oil -A Second Outlook", <u>Middle East Forum</u>, vol. 32, No. 1, p.10, January 1957.
2. <u>P.P.S.</u>, "Using Venezuela's Natural Gas", vol. 22, No. 8, pp. 458-459, December 1956 .
3. <u>P.P.S.</u>, "Bids For New Areas In Venezuela", vol. 23, No. 10, p. 310 , October 1956 .

The petrochemical industry is very profitable for in 1955 the U.S. produced 15 million tons of petrochemical products worth of a value of about $ 4 billion [1]. Contrasted with the crude production profits , this industry is by far more profitable for " On the average ,a ton of crude petroleum used in petrochemicals would yield an income over seven times as large as that from the sale of crude " [2].

Except for some lubricating factories built recently in Iraq, all other Arab countries are not aware of the importance of this industry and consequently do not have any petrochemical industry. The significance of this industry is that it instigates the birth of many other industries and will contribute directly,through the utilization of natural gas, to the industralization and development of the oil producing Arab countries . Even the automobile industry do not give rise to such varied and numerous industries and increases as well the economic activity as the petrochemical industry.

The writer thinks that both the respective Arab states and oil companies should cooperate in order to establish as many petrochemical industries as feasable which, if operated and financed properly, might easily insure the future of Arab countries against any future possible decline in its oil revenues on which they are solely dependent. Besides, it is notworthy to indicate that even the non-oil producing countries such as the United Kingdom,Holland,Belgium , Germany and Italy have established various petrochemical industries .[3]

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1. P.P.S., "Petro-Chemical Panorama", vol. 22, No. 8, p. 292 , August 1955 .
2. Sayiegh ,Yusif, "Arab Oil - A Second Outlook", Middle East Forum, vol. 32, No. 1, p. 10, January 1957.
3. P.P.S., "Petrochemical Panorama", vol. 22, No. 8, p. 293, August 1955 .

20- SCIENTIFIC PROVISIONS

a- Scientific Operations:

Although Arab oil concessions of Iraq and Saudi Arabia stipulated that the relevant companies should operate all wells economically and in a certain way so as to prevent damages or losses, these stipulations are by far incomplete if compared with the similar provisions contained in the Hydrocarbons law which obligated the concessionaire to adhere to all technical principles applicable in the oil industry , to protect water horizons, to avoid damages or losses ,to prevent fires and to avoid hampering the traffic or navigable rivers and lakes in the case of laying pipelines. This law empowers the Venezuelan to take any measures conservationwise whenever called for by the national interest, and as such much of the natural gas is used for conservation , and according to the estimates of the Minister of Mines 895 million cubic feet of gas were pumped back during the past 5 years which guarantees the recovery of 726 million barrels of oil [1].

Recent Arab oil concessions such as that of PWOC of 1949 and AOC of 1958 obligated the respective companies not to produce oil before the government's inspectors are convinced that the well was dug and is operated according to the best technical procedure applicable in the oil industry, and it required these companies to adhere in all their operations to the best technical principles in order to maintain as well as preserve the national oil resources and as such it resembles the similar Venezuelan stipulations.

The writer believes that the Arab vague scientific provisions constitute a major handicap that might hamper the development of Arab oil industry because conservation of oil resources is necessary in order to insure that the maximum amount of oil that can be extracted according to the

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1. World Petrolem Report:1958, vol. 4, p. 120 .

best technical procedures will be extracted in the due course of time . For this reason the writer thinks that a considerable portion of the Arab governments inspection should be technical in order that the Arab treasure lying deep in the ground is preserved from being wasted unwisely. Actually such a stipulation is ineffective unless Arab states have efficient and capable oil experts , engineers,geologists etc ... to perform inspection to the aforementioned ends. Lacking these experts , this stipulation remains in the realms of theory only .

b- Maps :

Both Iraqi and Saudi Arabian concessions required the presentation of topographical maps of the areas prospected or wells to be dug,which are similar to provisions relative to same in the Hydrocarbons regulations except that the respective technical department possess the right to object as well as modify some of the maps presented and requires the concessionaire to abide by these modifications if she insisted that they should be included [1].

c- Drilling Obligation :

The Hydrocarbons law does not specify drilling obligations required which is left to be agreed upon in each separate concession . This entitles the Federal Executive to suggest and even impose a certain level of drilling obligation compatible with the geological charecteristics and requirements of the area surveyed. In contrast Arab concessions stipulated drilling obligations of 16,000 and 20,000 feet in Saudi Arabia and Iraq respectively .

The significance of the minimum drilling obligation is that it insures the oil producing country

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1. Hydrocarbons Regulations, op.cit., articles 23 and 26, pp. 83-84 .

against being used by the concessionaire as an inactive reserve of petroleum, besides the specification of the number of wells to be dug and drilling obligations afford protection against low rate of development of output [1].

In the writer's opinion the Venezuelan law is superior to relevant Arab concessions as regards drilling obligations because it depends mainly on geological and scientific considerations, since no uniform drilling obligation can be set out for parcels with different geological charecteristics as it is the case in all Arab concessions .

21- STOCK OWNERSHIP

Though the Hydrocarbons law did not provide for any stipulation which requires that a certain percentage of the relevant oil companies' stocks be acquired to either the government or the public , most of the Arab concessions provided ,ineffectively, for such a stipulation . Aramco's original concession stipulated that should the company issue stocks for sale to the general public , Saudi Arabian subjects have the right to subscribe up to 20 per cent of the stocks offered, likewise PWOC concession gave a similar right to the said subjects to buy 25 per cent of any stocks offered to the general public. Iraqi oil concessions entitled Iraqis to subscribe up to 20 per cent of the stocks to be issued for general public . The recent concession of AOC entitled both the Saudi Arabian and Kuwaiti governments to subscribe at par value,up to 10 per cent each, of the capital stocks and another 10 per cent at the issue price whenever subsequent capital stocks are issued [2].

Although theoretically the subjects of the Arab oil producing countries are entitled to subscribe in certain

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1. Micksell, op.cit., pp. 38-39 .
2. For further details and quotations please refer to pages 51,55, 64 and 45 respectively .

percentages of the stocks of oil companies ,the latter except for the AOC which did not commence operations, evaded such a participation by refraining from issuing stocks for sale to the general public ; thus reducing these stipulations actually to nill . This situation, the writer believes, proves that the relevant oil companies are anxious not to permit any Arab participation in their stocks in order to evade any distribution of capital profits on Arab shareholders which might reveal a portion of net profits , and in order that the relevant Arab governments might not try to use this participation as a pretext for nationalizing the oil industry or , at least, the direction of the company's policies into channels deemed unsatisfactory by the relevant company .

The reluctance of IPC to issue stocks for sale to the Iraqis was crticized severely by deputee Maloum in the Iraqi parliament as representing an evidence proving that IPC does not intend to fulfil its obligations [1]. The Iraqi Istiklal Party demanded that the company should be obligated to give the Iraqi subjects an opportunity to subscribe up to 20 per cent of the company's stocks [2].

22- SURRENDER

Whereas the Venezuelan Hydrocarbons law restricted the area of exploration concession to 10,000 hectars , half of which have to be surrendered to the government when production of oil is started while the other half might be subdivided into rectangular production parcels,each not exceeding 500 hectars , and whatever areas not selected are reverted to the nation and might be granted anew to other concessionaires. Surrender provisions in most Arab concessions are by far more generous , for example Aramco's ratified 1939 concession gave it the right not to surrender before the lapse of 10 years

1. Iraqi Parliamentary Debates:1952, op.cit., p. 117.
2. The Baghdad Chamber of Commerce Journal , vol. 15, Nos. 1 and 2, p. 90, January-February 1952 .

the plots of lands which were explored and no oil was struck in them, Iraqi concessions did not specify a period for surrender but they gave the government the right to ask the relevant company to surrender the lands which are not used or needed within a reasonable period of time. The recent AOC concession stipulated that one fifth of the unexploited area should be relinquished three years after the discovery of oil and a further one fifth every five years thereafter [1].

Surrender provisions are important in as far as they urge the concessionaire to explore his territory as soon as possible lest he might lose a portion of it after the lapse of the specified period which entails a more rapid expenditure of additional indirect revenues to the nation and likewise it might lead to a more rapid extraction and thereby production of oil - if oil is discovered- which entails additional direct revenues. On the other hand strict surrender provisions which obligate the concessionaire to surrender a certain portion of his lots within specified periods might enable the relative government to grant surrendered territories anew to other concessionaires which also entails additional dead rent and intial payments plus other indirect revenues caused by exploration activities .

Unfortunately surrender provisions in all the Arab concessions are ,in the opinion of the writer, unfavourable and cause sometimes friction with the oil companies as in Saudi Arabia which demended a more rapid surrender of unexploited territory [2]. The Iraqi and Kuwaiti similar provisions are very vague and generous which actually prevented the continious flow of direct as well as indirect revenues resulting from rapid exploration and surrender of territories granted .

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1. For further details and quotations refer to pages 80, 56,69 and 64 .
2. For details please refer to World Petroleum Report:1958, op.cit., p. 171 .

23- MODIFICATION

Modification provisions are not stipulated in the Hydrocarbons law but are believed to be stipulated in the separate concessions , but the said law stipulates that any disputes arising between the contracting parties should be solved by arbitration in the Federal and Cassation national court . In contrast Aramco's and AOC's concessions [1] stipulated that modification of existing provisions is possible only through mutual agreement but it did not stipulate the important condition - which the writer believes will make the modification provision a more practical one than theoratical - that priority should be given to the Saudi government's viewpoints especially as concerns modification in line with other oil concessions concluded not only in other producing areas in the Middle East but in all the world's producing centers . The justification of the writer's point of view centers about the rational of treating two producing areas differntly especially if one of them, the Middle East, enjoys lower operational costs. Besides it is ridiculous to grant the companies the right to cancel their concessions and withdraw completely [2] within two months at most without granting the government of the oil producing country a similar right , especially that basically any contract underlies the assumption that the contracting parties should have equal rights and obligations . Even if we admit the validity of such a stipulation the writer thinks that a special provision should have been inserted which provides for the payment of a fair indemnity equal to a minimum of the previous two years government share of profits to be paid by the withdrawing company since her permanent works acquired freely by the government are not sufficient to make up the losses that might be caused to the nation as a result of the company's withdrawal. Likewise the existing concessions should stipulate that the government's point of view as concerns modification should have priority .

1. For quotations please refer to pages 54,70 and 49 .
2. For quotations please refer to pages 49,54 and 70 .

CHAPTER SEVEN

CONCLUSION

The Arab countries which embrace about 70 million people and cover an area of about 3 million miles strategically located at the world's crossroads and at the juncture between three continents , has emerged as a result of two world wars and of political developments and foreign ambitions into fragmantalized countries and sheikhdoms mostly dominated indirectly by the Western Powers . Although the Arab world is economically underdeveloped the discovery of oil in huge quantities in it would , probably , afford the necessary capital for improving substantially its economic system and raising the standard of living of its subjects . The potential impact of Arab oil treasure, consisting of 60 per cent of the world's proved reserves and resembling the Arabian nights dreams, is undoubtfully great, but unfortunately this impact was not spectacular as it was thought to be . Instead this wealth made the Arab world the center of world politics and accordingly international strife .

As established in the first chapter, an effective international oil cartel controls the world's oil industry through layers of laybrinths of intercorporate relationships, interlocking directorates, jointly owned subsidiaries and intermediate corporations , and through integration of operations and prices . Although many aspects of this control over the oil industry have never been disclosed yet, one can maintain that seven international major oil companies controlled in 1949 , 88 per cent of the world's oil production (excluding USA and USSR), 92 per cent of the proved crude oil reserves, around 45 per cent of the oil transportation facilities and between 75 and 85 per cent of the world's cracking and refining capacities . It is believed that,at least, their control has not declined significantly since 1949 .

Numerous indications imply that the trend in the future is for the entry of more independent oil companies into foreign oil fields where hundreds of these companies are engaged now in exploration and by 1965 their daily production is expected to amount to 1 million b/d [1]. The entry of these companies is expected to reduce the control of the international petroleum cartel and might eventually cause its collapse. The most important independent oil companies are the Italian AGIP Co. which offered Iran a 75-25 profit split deal, the Japanese group which obtained a concession for AOC in the offshores of the Neutral Zone on the basis of a 57-43 profit split deal and Pan American International , a branch of California Standard,which negotiated with Saudi Arabia recently for a 60-40 profit split deal .

Behind the control of oil companies are the Western Powers namely Britain,the United States,France and Holland. Britain which exhausted its more economic coal mines is in bad need for oil , for this reason oil has been of considerable importance in the determination of British policy; and in order to grab most of the world's oil resources it dominated by series of treaties and concessions most of the oil producing countries and sheikhdoms which were fittingly divided from the Arabian peninsula in order to facilitate British domination . But the cry over the unwise exhaustion of the U.S. crude reserves obliged the United States government to seek foreign sources of oil ; to achieve this objective a serious clash with the United Kingdom took place but the U.S. ,victorious in the two world wars, managed to obtain foreign oil supply sources on the expense of the British interests and starting from 1938 American interests edged into the petroleum panorama and participated in 23.75 per cent of IPC's shares. Britain's lions share

1. "World Petroleum Report:1958", pp. 13-14 .

of almost 90 per cent of Middle Eastern oil in 1913 fell to 78.3 in 1939 while American interests rose from 0 per cent to 15.7 in the same period and jumped to 30.6 per cent immediately after the second world war while Britain's share fell to 65.9 per cent . After 1951 the balance shifted to the American interests with 58 per cent while the British interests fell off to 30 per cent only and in 1955 the American and British interests amounted to 59 and 30 per cent respectively , while the French and Dutch held 6 and 4 per cent respectively and the remaining 1 per cent is held by Gulbenkian . Foreign financial interest in all Middle Eastern countries is shown in chart VII .

Nowadays there are four major oil producing centers in the world ,the first two namely the U.S. and the U.S.S.R. produce to meet the bulk of their local demands,while the remaining two namely the Middle East,which is the most promising oil region in the globe, and to a lesser extent Venezuela supply most of the world's annual oil demands .

A striking conclusion is that both the Soviet Union and the Western Powers are anxious to obtain oil concessions in the Arab world and according to an elaborate study of the Soviet oil industry it was concluded that " All the problems of the Soviet oil industry - the supply difficulties and the oil bottlenecks-would be solved at one stroke and eliminated for ever if the Soviet Union succeeded in getting a foothold in the Middle East or became a dominating power... The Soviet Union has long tried to obtain oil concessions in Iran , but negotiations have never terminated in a contractual agreement" [1].

In a meeting with the former Russian premier Joseph Stalin, Mr. Bedel Smith former American ambassador to Moscow

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1. Henrich Hassman, " Oil In The Soviet Union", translated from German by Alfred M. Leestone, (Princeton: Princeton University Press, 1953) p. 141.

indicated that Stalin " Emphasized how important it was for the Soviet Union to get a large share in the exploitation of the world oil deposits and maintained that first Britain and then the United States have laid obstacles in her way when she (Russia) endeavoured to obtain oil concessions" [1] .

Is such a situation rediculous ? of course it is because both the Eastern and Western great powers are anxious to grab our oil treasure and are ready to fight for it , when we the owners of the treasure are living miserably receiving a disproprtionately small portion of its profits.

The technical basis for the Hydrocarbons law was laid down in 1930 in order to establish a national regulatory body of the oil industry, and it was subsequently ratified in 1938 when a strict law was issued but it was not attractive to foreign oil companies, consequently it was abolished and the existing 1943 Hydrocarbons law replaced it and became the most important law in the world as concerns petroleum concession legislation . This law defines explicitly the terms under which foreign oil companies might operate. It limited the duration of concessions and the area of each concessionary title as well as the total area that might be held by one concessionaire . Aside from the 50-50 sharing tax - to be increased to 61 per cent in the next year-, this law impose six other different types of taxes which made the sum of direct oil payments received by the Venezuelan government in 1957 as high as 1.23 billion U.S. $.

The Venezuelan government has established a special ministry to handle and regulate oil operations of foreign companies and as well to supervise them , and by time this ministry progressed to contain first class experts and technicians in all fields required such as geology,chemistry, petroleum engineering,public administration,economics , statisticians, petrochemicals experts etc... . The major

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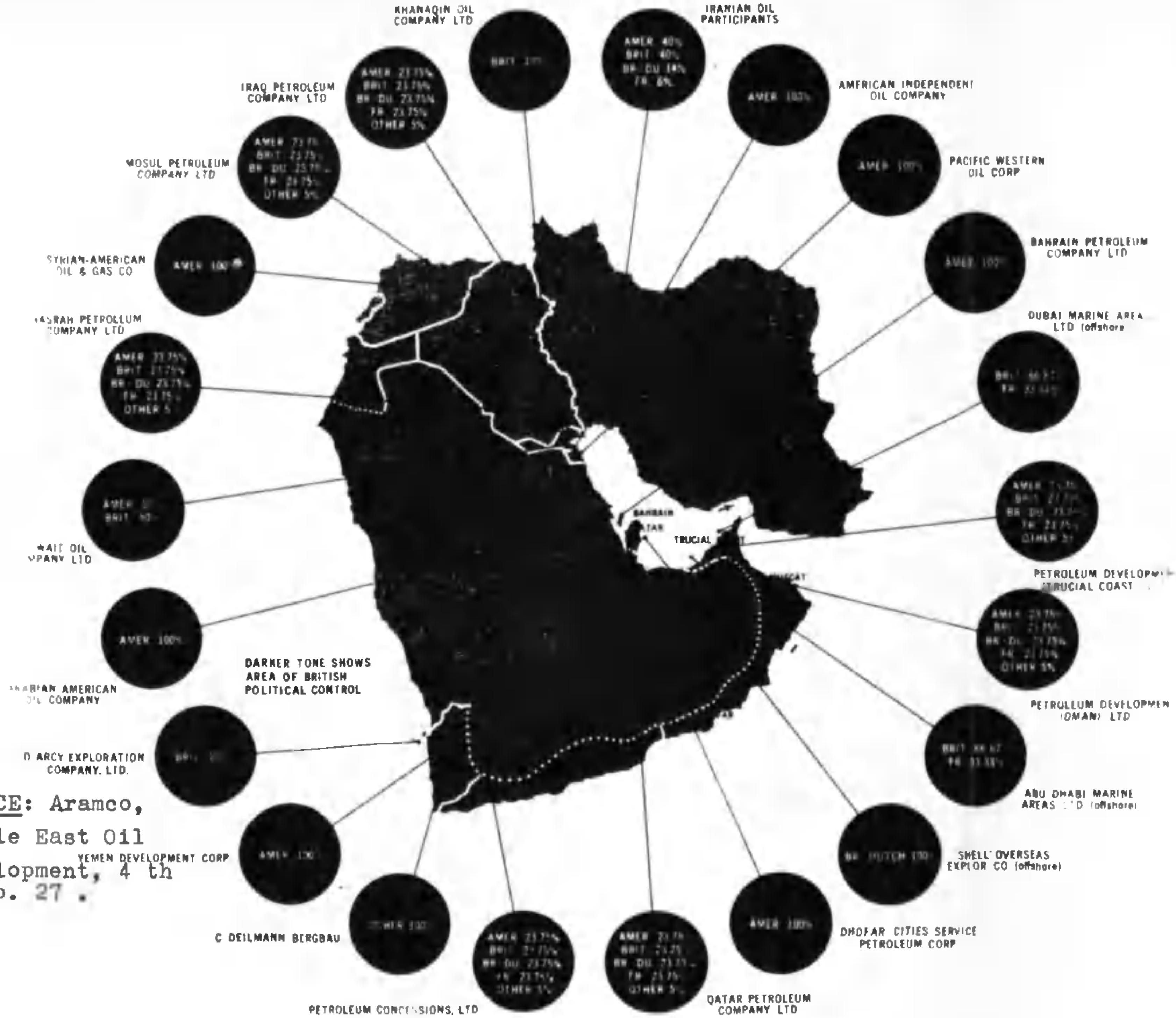
1. <u>Ibid.,</u> p. 142 .

CHART " VII " FINANCIAL INTEREST IN MIDDLE EASTERN OIL



SOURCE: Aramco, Middle East Oil Development, 4 th ed. p. 27 .

f.p 221

divisions of the said ministry are shown in chart VIII .

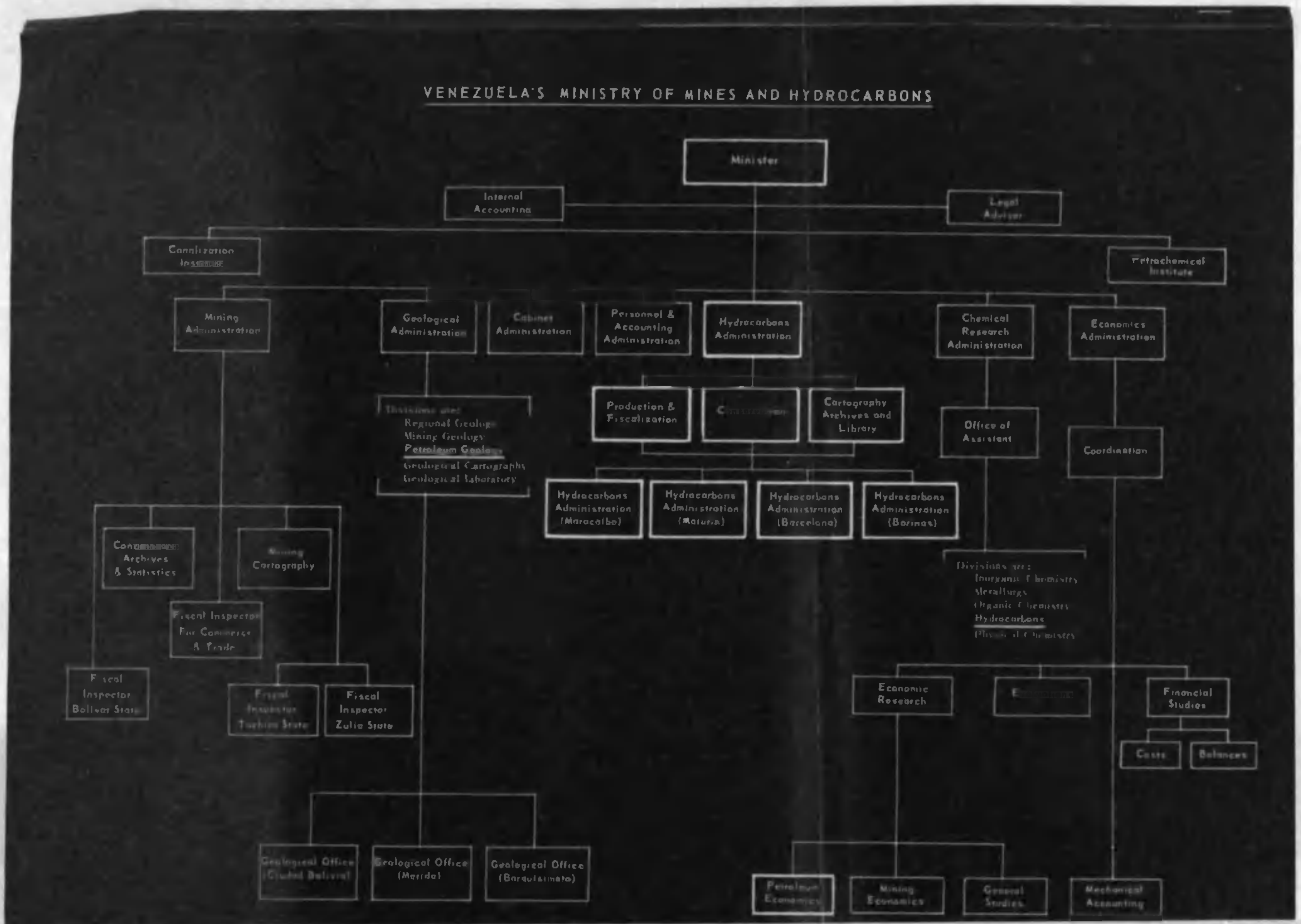
Because the growth of the Arab oil industry was mainly an outcome of the 19 th century economic imperialism, most if not all Arab concessions were concluded under foreign domination and gave operating companies such privileges and advantages never known throughout the oil legislation . Consequently these oil companies existed basically " For the bnefit of their parents : their function is to provide raw materials for the industry, at as low a cost as possible and over as long a period as possible" [1]. and as such these companies might be appropriately called " Producers of crude" and not integrated oil companies .

As shown in chapter three, no two Arab concessions are exactly alike but all of them contain what Mr. Finnie called " bread and butter terms" which consist of provisions defining the right of companies as concerns operations, definition of the concessionary area ,its duration and the royalties or taxes to be paid and an arbitration clause, other secondary provisions differ but nevertheless they are very generous .

The most stricking conclusion that could be gathered is that Venezuelan oil proceeds exceed similar Arab proceeds by far but by how much we do not know because reliable figures are never released . Initial and surface taxes per hectar exceed Arab initial lump sum payments and dead rents by more than 100 times, payments in kind in Venezuela exceed Arab similar payments by 4.17 per cent of the oil produced annually . Aside from the 50-50 tax charged by both Arab and Venezuelan governments , the latter takes a basic income tax of 2.5 per cent of net profits of oil companies, fiscal consumption and transportation taxes are charged also in Venezuela . Besides currency stipulations made oil companies Bolivars cost 8 per cent more than the market exchange free

1. Finnie, op.cit., p. 17 .

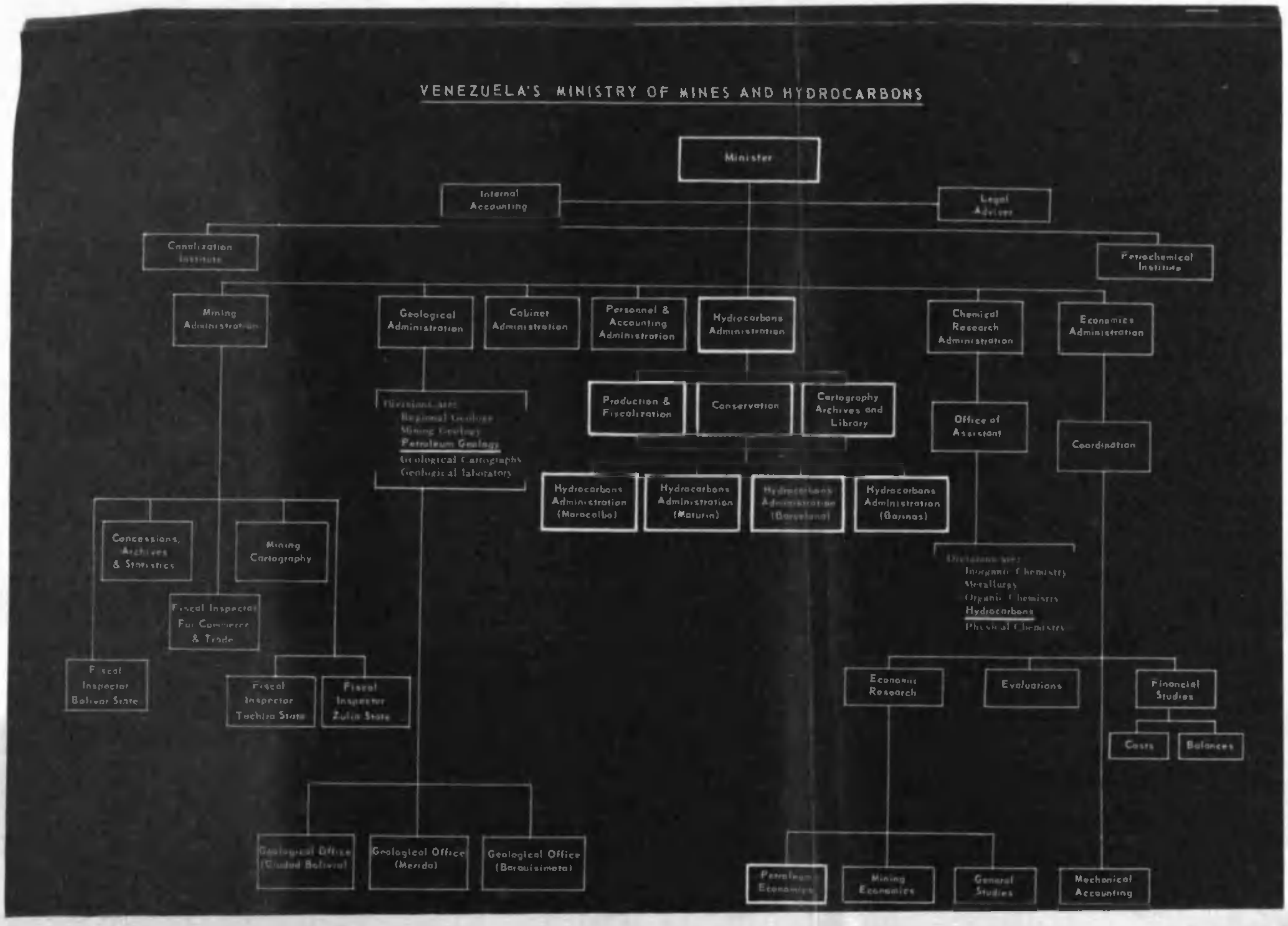
C H A R T " VIII "



SOURCE: WOrld Petroleum, Vol. 29, No. 7, p. 54, July 1958.

f.p. 222

C H A R T " VIII "



SOURCE: WOrld Petroleum, Vol. 29, No. 7, p. 54, July 1958.

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rates .

Arab oil enjoy some unique reducing cost of production charecteristics the most important of which are the small depth of oil wells , the huge yield per well and the low level of labour costs. Owing to the unique incomparable geological charecteristics of Middle East's oil, its share of the world's oil industry investments amounted to 4.3 per cent only while Venezuela's amounted to 6 per cent although the Middle East produced 21 per cent of the world's oil production and possessed 71.4 per cent of the crude proved reserves of the world in 1957, while Venezuela's share in the same year is 15 and 6.8 per cent respectively.

Although only fragmentary data about costs of production of Arab oil are available ,yet one can maintain beyond any doubt that Arab costs are the lowest in the whole world and amount to less than 40 per cent of Venezuelan costs and probably less than 15 per cent of U.S. similar costs .

The pricing system adopted in the oil industry has emerged from the control over the industry by an ologopolistic system of the seven major international oil companies, and is called the " Basing Point " system according to which prices quoted in other parts of the world are set in relation to the American Gulf cost prices (which was the chief supply oil source). Prices quoted do not necessarily include the full amount of tankerage costs from the United States Gulf costs . The purpose of this pricing system is to equalize petroleum prices in all the so called free world whatever the sources of supply are .

This pricing system is both artificial and monopolistic and it made possible the realization of exorbitant profits of such billion U.S. $ magnitude never known in the history of any other industry . The bulk of these profits is taken by operating companies and only an insignificant portion of production profits is given to Arab governments . Refining profits of $ .73, transportation profits of $ .25-.30 and marketing profits of $ .20-.30 per barrel are taken only by the operating companies without any participation on the part of the Arabs. Rough estimates indicate that the net profit per barrel of Arab oil ranges between $ 2.08 and 2.45 . On the basis of the 1957 Arab oil production of 2,755,800 b/d, daily profits of operating companies would range between $ 5,732,064 and 6,752,710 .

The writer's attempt to compare Arab and Vnezuelan direct proceeds on a per ton basis failed because no precise statistics could be obtained about direct oil payments to Arab countries, and even available figures were nothing more than very rough estimates .

Recent Arab oil concessions such as Arabian Oil Co. concession of the Neutral Zones offshores and Pan American International recent negotiations with the Saudi government contain the first substantial modification of the 50-50 split pattern, for in the former profits on all operations are to be divided 57 and 56 for Kuwait and Saudi Arabia respectively while the company gets the remaining share of profits. Pan American is negotiating a 60-40 split deal in the interest of the Saudi Arab government , and it pledged to establish a completely integrated company from prospection to marketing [1] and as such it will not be a producer of crude only as it is the case in all other oil companies operating in the Middle East. Recent indications imply that the crack in the 50-50 profit pattern might lead eventually to the collapse of this pattern altogether especially after the recent Venezuelan income tax law which required a 61 per cent of profits to the government. As it seems this formula lost its old magic for though technically it was honoured yet through generous bonuses and rentals it was broken mainly

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1. For further details please refer to the following:
   Economist, " From Well To Petrol Tank", p. 220, October 18, 1958 .
   Time , "Saudi Arabia: Sticking Point ", vol. LXII, No. 17, p. 23, October 27, 1958 .

because independent companies are competing with the seven major oil companies in order to obtain concession titles .

On the other hand Arab governments insist on taking a greater share of profits and a share in profits realized on all operations . Abdullah Tariki head of Saudi Petroleum and Mines Bureau whom the Americans most respect and fear, is trying to persuade independent oil companies to accept his viewpoints. Realizing that the revolutionary Iraqi regime will naturally reconsider the whole matter of oil concessions, IPC and its subsidiaries hinted that they intend to enlarge the export capacity of oil pipelines , build new £ 16 million deep-water terminal at Fao,relinquish parts of the concession areas enabling Iraq to grant concessions to other companies and pledged to raise production by the end of 1961 to double the 1958 production level in order that government oil royalties might increase substantially [1] .

The writer believes that such steps especially the last are not enough because the whole system of profit sharing has to be revised especially in a country like Iraq which is embarking on extensive development projects and is not in a position like Kuwait ,Bahrain or Qatar where potentialities for productive investments of oil revenues are very circumscribed .

Other Arab countries have already enacted oil laws such as Morocco,where its government have concluded an agreement with the Italian AGIP Minerania Co. for partnership in oil exploitation and development which follows respectively the lines of the agreement of this company with Iran which in actual practice raises the share of the oil producing country to 75 per cent of net profits [2]. Moroccan law resembles also the Venezuelan Hydrocarbons law,for the former

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1. For further details please refer to :
   P.P.S., " New Perspectives In Iraq", vol. 25, No. 8, pp. 288-290 , August 1958 .
2. For further details please refer to :
   P.P.S., " Morocco In Persia's Footsteps", vol. 25, No. 10, pp. 334-336, October 1958 .

limits the area of exploration concession to 500-20,000 sq. kms. later to relinquish 75, 50 and 25 per cent of it to the government . It also fixes a surface tax which ranges between F. Francs 500-15,000 per sq. km. , and limits the duration of a production concession to 30 years which might be extended to 50 years .

A very remarkable difference between Arab countries and Venezuela is that of labour working and living conditions. The detrmining factor which resulted in a good level of side benefits and pay to Venezuelan workers was the potent labour union's collective bargaining power which concluded a labour collective agreement with the operating companies making oil workers the best paid group in the whole world,except perhaps in the United States, . In the opinion of Dr. Betancourt the head of Venezuela's largest political party, (recntly elected president) the continuous exorbitant rise in oil workers wages are not reasonable because it creates a sort of " Labour aristocracy " and creates also exaggerated level of income for oil workers which tends to spread to other industries and fields which are not as much profitable, thus resulting in inflationary pressures [1] .

In comparing labour conditions one might conclude by asserting that the average Venezuelan labourer earns around 6-9 folds more than similar Arab labourers. The Venezuelan worker earns in the form of direct wage and side benefits Bs. 51.63 ($ 15.47) per day compared with a maximum of S. Riyals 15 ($4) paid by Aramco per day to its workers in the form of direct wages and side benefits . Wages in other Arab countries are substantially lower which caused labour troubles and migration . On the basis of average Venezuelan labour cash earnings and side benefits paid by oil companies in 1957 the total annual sum paid to workers and spent on them amount to $ 344.5 million which is equal to 26 per cent of Venezuela's direct oil payments . Likewise both death and

1. World Petroleum, "Venezuelan Views On Oil", vol. 29, No. 7, p. 47, July 1958 .

and disability benefits ,and leaving benefit compensations are calculated on an average which exceeds by three folds similar indemnities and compensations paid to Arab workers.

The number of Vensuelan local labourers of more than 60,000 in 1954 exceeds by far the 36,790 Arab oil labourers employed in 1955, this is mainly because a very negligible percentage of Arab crude , namely less than 15 per cent is refined in Arab territories compared with 54 per cent in Venezuela . Likewise, the percentage of Venezuelan labour national force to total labour force is quite high and exceeds 90 per cent while that of theArab countries hardly exceeds an overall average of 60 per cent and might be as low as 29 per cent as in Kuwait . This is the outcome of the pronounced difference in the level of training programs where the focus of the Venezuelan training system is on post graduate studies and high level industrial training compared with handicraft, simple industrial and job training programs in the Arab countries. Houses are either provided to Venezuelan labourers by the companies at nominal rents or a daily housing compensation of Bs. 4 ($ 1.3) is paid, whereas Arab workers may borrow the necessary funds to build their houses and have to repay to the company 80 per cent of the original loan . The medical care extended in both Venezuela and the Arab countries are ,more or less, similar except that in the former it is broader in scope. Labour reconciliation provisions are more in the interest of the Venezuelan than the Arab worker, furthermore Venezuelan workers are entitled an annual vacation which exceeds Arab similar vacations by more than twice as much. Provision departments built and operated by oil companies operating at Venezuela are lacking in all Arab countries except in S audi Arabia .

In the writer's opinion the relatively backward living and working conditions of Arab labourers might be attributed to three major reasons :

a- The lack of labour unions which reduced to a minimum the Arab labourers bargaining power, as a matter of fact Arab labourers were not represented in any labour negotiations, consequently their wages do not do not represent the level of potential wages that might have been obtained if potent labour unions were allowed to exist and fuction prperly.

b- The vagueness and inadequacy of Arab labour codes and the lack of government intiative as concerns labour conditions, for although Arab concessions provided that the companies' labourers should be as much as possible from the national territory,these concessions either did not provide for a working system which insures the application of the said provision properly or Arab governments relaxed or even failed to do so . The writer believes that both reasons are partly valid for Arab concessions did not specify a system where the prior consent of the Ministry of Social Affairs should be obtained before any foreigner is permitted to work,except in Iraq's 1952 supplementary agreement and AOC which required at least 70 per cent of the company's labour force be national . Besides the concerned governments ,especially in the absence of labour unions , were expected to urge oil companies to raise wages periodically and substantially as well, and to defend the workers' rights, and in short to act in the place of labour unions.

To exemplify the reluctance of the concerned governments to insist as well as insure that their labour codes be applied properly, I like to point out the fact that although Iraqi labour law No. 29 of 1947 obligated all industrial enterprises which employ 100 or more workers to build houses ,the former Iraqi regime did not attempt to obligate oil companies to apply this law. Likewise Saudi Arabian labour law requires the establshment of houses by the company , but no efforts were spent by the respective government to convince , and if necessary obligate, Aramco to build houses for its labourers instead of extending housing loans to them .

Probably there is no better cared for or relatively higher paid group of priviliged workers in the whole world than Venezuela's labourers where an "oil worker lived in a company house, purchased food from the company's store, was married in the company's church, his children born under the care of the company's nurse and were educated in a company's school and the worker was finally buried in a company made coffin in a company's cemetery"[1].

c- The lack of precise stipulations in Arab concessions which provide for intensive training programs which includes industrial,technical and supervisory training of a specified number of students with specified specilizations with major emphasis on industrial chemical specilizations,engineering and geology. The writer thinks that since the pool of available skilled Arab labourers and employees is expected to deplete quickly by the spectacular influx of the oil industry , the respective Arab governments should obligate operating companies to train fixed numbers of workers and employees in excess of current demands in order to cope with the expected increase in the demand for these labourers when the Arab world becomes in the near future the main supply source of oil for the whole world .

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1. World Petroleum, "How Oil Workers Fare In Venezuela", vol. 29, No. 7, p. 63 , July 1958 .

that this power has waned their concessions rest on a most precarious foundation. Even English writers have admitted the fact " That in Asian eyes it appears that Britain has spent the past two centuries in grabbing the lion's share throughout the world without the slightest regard for international morality; and now that the tide is turning against her , she is trying to cling to her ill-gotten gains by invoking the law in defense of the status quo".[1]

Of course the revival of the Arabs and the awakening of Arab public opinion cannot be checked, therefore the writer believes that any future attempt to modify Arab concessions should include the following 32 points, failing which nationalization becomes inevitable :

A- PROCEEDS :

1- Dead rent to be abolished and instead a surface tax per square hectar be charged .

2- Payment in kind to be increased to a minimum of 16 2/3 per cent of annual oil production.

3- To increase the income tax charged by Arab governments to 61 per cent as it is the case in Venzuela in addition to a seperate income tax of 2.5 per cent on net profits similar to that charged also in Venezuela .

4- A fiscal tax of 5 per thousand be levied on sealed paper used by oil companies.

5- Post prices to be detrmined in agreement with the relevant Arab countries .

6- Profits shared with the companies to include profits realized from the four operations namely production , refining, transportation and marketing in order to permit an adequate participation in the oil proceeds on the part of the relevant Arab governments .

7- Oil operations to be conducted so as to contribute to the welfare of the Arab people as well as to contribute to the country's domestic economy .

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1. L.P.Elwell-Sutton,"Persian Oil:A Study in Power Politics" (London:Lawrence and Wishart Ltd, 1955)p. 330 .

B- LABOUR :

8- Wages of different categories of labourers and employees to be fixed by labour unions or by relative governments, provided that regular increases in the level of wages are made .

9- Disability and death indemnities and leaving compensations to be increased substantially to amount to a total pay of at least three years in the former and one month per year of service in the latter .

10- The percentage of national employees should never be less than 75 per cent of the total labour force, any foreign employee might not be employed except if the relevant Ministry of Social Affairs admits that no national or Arab citizen can fill his place efficiently .

11- Training programs to be concentrated on high level training with special emphasis on post graduate specilizations such as petroleum engineering, geology chemistry and auditing .

12- Operating companies to build and rent houses to workers at nominal rents, failing this they should pay an appropriate housing compensation .

13- Medical care to include the worker's relatives and dependents .

14- Community services to be as diversified as possible with a major emphasis on ample recreational facilities .

15- Annual vacations to be increased to 25 days at least .

16- The formation of proper and efficient labour unions be permitted .

C- OTHER PROVISIONS :

17- Arbitration relative to disputes arising between the relevant oil companies and Arab governments be confined in local competent courts and not with any foeign international court .

18- Concession areas to be reduced to include only production parcels , and prospection to take place in lots the area of which does not exceed a maximum of 100 sq. miles .

19- Domestic consumption demands of refined oil products to be satisfied at a discount of at least 10 per cent to both the relevant Arab country as well as adjacent Arab countries .

20- Custom duties exoneration to include only installations and machinery needed in operations, exempted material should be carefully guarded and if sold ,stolen or given away to be used for other purposes , the corresponding duties should be defrayed .

21- The duration of all existing concessions to be reduced to a maximum of 25 years only .

22- Inspection and fiscalization to include all operations ,accounts and files in addition to the presentation of any information required by the relative governments .

23- The number of national directors in the companies' boards to range between 30-50 per cent , and if possible their points of view to have preponderancy .

24- Penalties and fines to be fixed by the relevant Arab governments only, wherever the company violates any reglementary obligation.

25- Political, economic and diplomatic pressures of any kind or form to be declared illegal and in case they are exerted on any Arab country the latter have the right to cancel the respective oil concession .

26- The level of annual oil production to be determined in agreement with the relevant Arab governments.

27- Many, instead of a sole company, be permitted to work and carry various oil operations in any of the Arab oil producing countries.

28- Annual reports to include all the information relative to gross income and net profits, post prices, total amounts of taxes paid or owed and all the important information required by the relevant government .

29- Operating companies to undertake to refine a minimum of 25 per cent of the petroleum produced to be increased gradually later, in addition to the erection of various petrochemical industries .

30- Oil operations to be conducted according to the best scientific procedures as defined by the relative technical Arab bureau , in order to evade any damage or waste of oil resources.

31- Arab citizens to be allowed to hold 20 per cent of the capital as well as ordinary stocks of the operating companies .

32- Concessions to be modified whenever any major oil producing country, in the whole world and not only in the Middle East, obtains direct or indirect benefits greater than similar benefits obtained by the Arab oil producing countries .

Furthermore need calls for the establishment of oil ministries at the relevant oil producing Arab countries, in order to undertake oil legislation and other administrative governmental oil activities .

But what happens if oil companies rejected such an extensive modification ? of course no body can predict what will happen especially with the existing world tension between the Eastern and Western camps , however, the Anglo Iranian dispute of 1951 might suggest a clue .

In the opinion of many writers and diplomats the Anglo Persian oil dispute though damaging to Iran , but it was only the first round in a long run battle and it is natural to expect Iran's failure but what about the coming rounds ? Operating oil companies in the Middle East realizing that the wave of nationalism might spread all over the Middle East concluded, during the Iranian crisis, the 50-50 profit sharing supplementary agreements, but this step did not satisfy Arab Arab oil countries for long especially after some radical changes in the political systems of some Arab governments have taken place .

Iran's dispute might be considered as an indication of the expected collapse of oil imperialism , and it showed AIOC and all other oil companies operating in the Middle East some of their mistakes for these companies are " Detrmined not to repeat the errors of their predecessors in the AIOC, not to ignore the sensitive pride of their Persian colleagues - to regard themselves , in the words of one journalist as colleagues and temporary patrons " [1]. especially that the harmful consequences of the dispute were more damaging to Britain than to weak Iran for " Britain's commercial and political prestige has suffered a far more

1. Elwell-Sutton, op.cit., p. 332 .

damaging blow . Throughout the dispute she has given to the outside world the impression that she is motivated principally by self interest .... the tragedy is that of little foresight and underestanding " [1].

Although in this study the main and sole emphasis was laid on economic considerations, political considerations arising from Arab-Western relations might, under unfavourable circumstances, precipitate an early nationalization of the oil industry . The new Venezuelan income tax law which increased the government's share of profits from 50 to 61 per cent of net profits is regarded by many Venezuelan politicians and even the oil companies operating there as the last step preceding the nationalization of the oil industry there especially after the collapse of the military regime there.

The writer believes that the steady increase in the discovery of Arab oil reserves, the gradual depletion of the West's reserves including Venezuela's, the growing dependence of European countries on Arab oil , the radical change in Arab political systems , the increasing tension between the Western and Eastern camps and a multitude of other factors , tend to create a situation where any unwise political or economic pressures exercised on any Arab oil producing country , most probably ineffective, except if the West is ready to risk another world war . Otherwise the Iranian tragedy is not likely to be repeated. Even the Iranians " Who held the intiative so long ,broke down in the end against overwhelming force, and plumped to the easy way out ..., but she (Iran) can bide her time confident in the knowledge that her turn will come " [2] .

1. Ibid., p. 329 .
2. Ibid., pp. 329-335 .

By the same token Arab countries might have to engage in bitter strife,if their respective oil concessions were not modified in a satisfactory manner, which might in the final analysis to be harmful to the West who is desperately dependent on Arab oil . Yet all indications imply that the interest of all parties concerned is in mutual underestanding which obviously calls for a just and honest extensive amendement of existing Arab concessions. And only if the Arabs are satisfied ,even more than both the Venezuelan government and people are, operating companies might be permitted to operate , otherwise nationalization might become the only outcome . To evade it , at least temporarily, the writer thinks that existing Arab oil concessions should be modified as soon as possible .

A P P E N D I X "I"

MIDDLE EAST PETROLEUM CONCESSIONS

1. IRANIAN OIL PARTICIPANTS (Under Agreement with Government of Iran and National Iranian Oil Co.)

AGREEMENT: 25 years from 1954, expires 1979; plus 15 years optional.

AREA : Approximately 100,000 sq. miles .

OWNERSHIP:

British Petroleum Company Ltd		40%
Royal Dutch-Shell Group		14%
Comagnie Francaise des Petroles		6%
New Jersey Standard Oil Company		7%
California Standard Oil Company		7%
Texas Company		7%
Gulf Oil Corporation		7%
Socony Mobil Oil Company		7%
Iricon Agency Ltd.		5%
Richfield Oil Corp.	1.250%	
American Indepehdent Oil Co.	0.833%	
Ohio Standard Oil Co.	0.417%	
Pacific Western Oil Corp.	0.417%	
Signal Oil and Gas Co.	0.417%	
The Atlantic Refining Co.	0.417%	
Hancock Oil Co.	0.417%	
Tide Water Associated Oil Co.	0.417%	
San Jacinto Petroleum Corp.	0.417%	

2. KHANQIN OIL COMPANY LTD.

CONCESSION : 60 years,from May 28,1901; extended 35 years on May 24, 1926; expires 1996 .

OWNERSHIP : British Petroleum Company Ltd, ... 100%

3- IRAQ PETROLEUM COMPANY LTD.

CONCESSION : 75 years from March 14,1925; expires 2000.
AREA : Provinces of Baghdad and Mosul east of Tigris River , app. 32,000 sq. miles, .

OWNERSHIP :

British Petroleum Co. Ltd....................	23.75%
Royal-Dutch Shell Group	23.75%
Compagnie Francaise des Petroles	23.75%
Near East Development Corp.	23.75%
(Standard of New Jersey 50%)	
(Socony Mobil Oil Co. 50%)	
Participation and exploration Corp...........	5.00%
(C.S. Gulbenkian)	

4- MOSUL PETROLEUM CO. LTD.

CONCESSION : 75 years from May 25,1932; expires 2007 .

AREA : All of Iraq west of Tigris River and north of latitude 33 N.

OWNERSHIP : Same as Iraq Petroleum Company .

5- BASRA PETROLEUM COMPANY LTD.

CONCESSION : 75 years from November 30,1938; expires 2013.

AREA : All of Iraq , including islands,territorial waters not covered by IPC,MPC and Khanqin concessions , Plus Iraq's undivided half interest in the Iraqi-Saudi Neutral Zone .

OWNERSHIP : Same as Iraq Petroleum Company .

6- SYRIAN AND AMERICAN OIL AND GAS COMPANY :

EXPLORATION PERMIT : 4 years from May 1955; renewable for 4 years .

AREA : Approximately 6000 sq. miles in northern Syria.

OWNERSHIP : James W. Menhall and Associates 100%

7- D'ARCY KUWAIT CO. AND GULF KUWAIT CO. :

CONCESSION : 75 years from Dcember 23,1934; extended on December 1, 1951 for 17 years; expires 2026 .

AREA : All of Kuwait , including territorial waters to a 6 mile limit .

OWNERSHIP :

D'Arcy Kuwait Co. Ltd. 50%
(British Petroleum Co. Ltd.)

Gulf Kuwait Company 50%
(Gulf Oil Corporation)

8- PACIFIC WESTERN OIL CORPORATION :

CONCESSION : 60 years , from February 20,1949; expires 2009.

AREA : All Saudi Arabia's undivided half-interest in Saudi Arabia-Kuwait Neutral Zone including islands and territorial waters .

OWNERSHIP : G. Paul Getty interests 100%

9- AMERICAN INDEPENDENT OIL COMPANY :

CONCESSION : 60 years from June 1948; expires 2008 .

AREA : All of the Sheikh of Kuwait's undivided half interest in Saudi Arab-Kuwait Neutral Zone, including islands and territorial waters .

OWNERSHIP :

Philips Petroleum Company	33.54%
Hancock Oil Company	15.08%
Signal Oil and Gas Company	15.08%
Ashaland Oil and Refining Co.......	12.70%
Ralph K. Davies....................	8.25%
J.S. Abercrombie	6.35%
Crescant Corporation	3.17%
Sunray Mid-Continent Oil Company ...	2.65%
Globe Oil and Refining Co.	1.59%
Lario Oil and Gas Company	1.59%

10- ARABIAN AMERICAN OIL COMPANY :

CONCESSION : Original area for 66 years from july 14, 1933; expires 1999; additional area for 66 years from july 21, 1939; expires 2005.

AREA : In excess of 365,000 sq. miles after relinquishments through 1955. Concession includes islands territorial waters and offshore area .

OWNERSHIP :

Standard Oil of California	30.00%
Standard Oil of New Jersey	30.00%
Texas Oil Company	30.00%
Socony Mobil	10.00%

11- BAHRAIN PETROLEUM COMPANY LTD. :

CONCESSION : Expires 2024 .

AREA : All of Bahrain including islands, waters and submerged lands over which the Sheikh has or may acquire dominion .

OWNERSHIP :

Standard Oil Company of California	50.00%
Texas Company	50.00%

12- QATAR PETROLEUM COMPANY LTD. :

CONCESSION : 75 years from May 17,1935; expites 2010.

AREA : All of Qatar over which the Sheikh rules including waters to a 3-mile limit.

OWNERSHIP : Same as Iraq Petroleum Company .

13- SHELL OVERSEAS EXPLORATION CO. LTD. (SHELL CO. OF QATAR OPERATOR):

CONCESSION : Expires 2027 .

AREA : Continental Shelf Offshore from Qatar beyond a 3-mile limit.

OWNERSHIP : Royal Dutch Group 100.00%

14- ABU DHABI MARINE AREAS,LTD :

CONCESSION : 65 years from March 1953; expires 2018 .

AREA : Offshore areas of Abu Dhabi .

OWNERSHIP : British Petroleum Co. Ltd............. 66.2/3%
Compagnie Francaise des Petroles...... 33.1/3%

15- PETROLEUM DEVELOPMENT (TRUCIAL COAST) LTD.:

CONCESSION : Various concession for 75 years from 1937 and subsequent years .

AREA : Land areas of a group of small sheikhdoms .

OWNERSHIP : Same as Iraq Petroleum Company .

16- DUBAI MARINE AREAS LTD. :

CONCESSION : 60 years from August 1952 .

AREA : Offshore areas of Dubai .

OWNERSHIP : British Petroleum Co. Ltd 66.2/3%
Compagnie Francaise des Petroles..... 33.1/3%

17- PETROLEUM DEVELOPMENT (OMAN) LTD. :

CONCESSION : 75 years from 1937; expires 2010 .

AREA : Sultanate of Muscat except the district of Dhofar .

OWNERSHIP : Same as Iraq Petroleum Company .

18- DHOFAR CITIES SERVICE PETROLEUM CORPORATION :

CONCESSION : 25 years from date of commercial production with option to renew for an additional 25 years , granted January 17,1935 .

AREA : District of Dhofar .

OWNERSHIP : Cities Service Company 100.00%

19- <u>PETROLEUM CONCESSION LTD. :</u>

AREA : Aden , including Hadramout .
OWNERSHIP: Same as Iraq Petroleum Co. Ltd .

20- <u>YEMEN DEVELOPMENT CORPORATION :</u>

CONCESSION : 30 years from 1955; expires 1985 .
AREA : Northeastern Yemen , app. 40,000 sq. miles.
OWNERSHIP : George E. Allen and other American interests 100.00%

21- <u>C. DEILMAN BERGBAU :</u>

CONCESSION : 5 years exploration permit granted in 1953
If oil was found in commercial quantities permit become valid for 20 years. Expires in 1958 if no oil was found .
AREA : Coastal and Southern areas of Yemen .
OWNERSHIP : C. Deilman Bergbau of W.Germany...... 25.00%
Yemen state 75.00%

22- <u>D'ARCY EXPLORATION COMPANY LTD. :</u>

CONCESSION: Exploration permit at Aden .
AREA : Kamran and other British-controlled islands off the coast of Yemen including their territorial waters. Islands are administered by government of Aden .
OWNERSHIP : British Petroleum Company Ltd.......... 100.00%

<u>SOURCE :</u> <u>Oil Development in the Middle East,</u> Arabian Amarican Oil Company , March 1956 .

APPENDIX " II "

World Crude Oil Production, By Countries, By Years (Part 1)

(Complete production history of world, in thousands of barrels of 42 U. S. Gallons. Sources: U. S. Bureau of Mines annual reports, *Mineral Resources and Minerals Yearbook*, and monthly reports, International Petroleum Trade and World Petroleum Statistics, except as otherwise indicated.)

World and North America, 1857-1895

YEAR	World Total	Percent Produced by U. S.	Canada	United States	Total North America
[illegible]	......	......	......	......	......
1857	2				
1858	4				
1859	6	31		2	2
1860	509	98	—	500	500
1861	2,131	99		2,114	2,114
1862	3,092	99	12	3,057	3,069
1863	2,763	94	83	2,611	2,694
1864	2,304	92	90	2,116	2,206
1865	2,716	92	110	2,498	2,608
1866	3,899	92	175	3,598	3,773
1867	3,709	90	190	3,347	3,537
1868	3,990	91	200	3,646	3,846
1869	4,696	90	220	4,215	4,435
1870	5,799	91	250	5,261	5,511
1871	5,730	91	270	5,205	5,475
1872	6,877	92	308	6,293	6,601
1873	10,838	91	365	9,894	10,259
1874	11,933	92	169	10,927	11,096
1875	9,977	88	220	8,788	9,008
1876	11,051	83	312	9,133	9,445
1877	15,754	85	312	13,350	13,662
1878	18,417	84	312	15,397	15,709
1879	23,601	84	575	19,914	20,489
1880	30,018	88	350	26,286	26,636
1881	31,993	86	275	27,661	27,936
1882	35,704	86	275	30,350	30,625
1883	30,255	78	250	23,450	23,700
1884	35,969	67	250	24,218	24,468
1885	36,765	59	250	21,859	22,109
1886	47,243	59	584	28,065	28,649
1887	47,807	59	526	28,283	28,809
1888	52,165	53	695	27,612	28,307
1889	61,507	57	705	35,164	35,869
1890	76,633	60	795	45,824	46,619
1891	91,100	60	755	54,293	55,048
1892	88,739	57	780	50,515	51,295
1893	92,038	53	[illegible]	48,431	49,229
1894	89,337	55	829	49,344	50,173
1895	103,692	51	726	52,892	53,618

World and North America, 1896 to Now

YEAR	WORLD TOTAL	Percent Produced by U.S.	NORTH AMERICA: Canada	Mexico	United States	Cuba	Total North America
1896	114,199	53	727	......	60,960		61,687
1897	[illegible]	50	710		60,476		61,156
1898	124,979	44	758	......	55,364		56,122
1899	131,147	44	808	......	57,071		57,879
1900	149,137	43	913	......	63,621		64,534
1901	167,440	41	757	10	69,389		70,156
1902	181,808	49	531	40	88,767		89,338
1903	194,871	52	487	75	100,461		101,023
1904	217,946	54	553	126	117,081		117,760
1905	215,091	63	634	251	134,717		135,602
1906	213,263	59	569	502	126,494		127,565
1907	263,957	63	789	1,005	166,095		167,889
1908	285,287	63	528	3,933	178,527		182,988
1909	298,706	61	421	2,714	183,171		186,306
1910	327,763	64	316	3,634	209,557		213,507
1911	344,361	64	291	12,553	220,449		233,293
1912	352,443	63	243	16,558	222,935		239,736
1913	385,345	64	228	25,696	248,446		274,370
1914	407,544	65	215	26,235	265,763		292,213
1915	432,033	65	215	32,911	281,104		314,230
1916	457,500	66	198	40,546	300,767		341,511
1917	502,891	67	214	55,293	335,316		390,823
1918	503,515	71	305	63,828	355,928		420,061
1919	555,875	68	241	87,073	378,367		465,681
1920	688,884	64	196	157,069	442,929		600,194
1921	766,002	62	188	193,398	472,183		665,769
1922	858,898	65	179	182,278	557,531		739,988
1923	1,015,736	72	170	149,585	732,407		882,162
1924	1,014,318	70	161	139,678	713,940		853,779
1925	1,068,933	71	332	115,515	763,743		879,590
1926	1,096,823	70	364	90,421	770,874		861,659
1927	1,262,582	71	477	64,121	901,129		965,727
1928	1,324,774	68	624	50,151	901,474		952,249
1929	1,485,867	68	1,117	44,688	1,007,323		1,053,128
1930	1,410,037	64	1,522	39,530	898,011		939,063
1931	1,372,632	62	1,543	33,039	851,081		885,663
1932	1,309,677	60	1,044	32,805	785,159		819,008
1933	1,442,146	63	1,145	34,001	905,656	23	940,825
1934	1,522,263	60	1,417	38,172	908,065	26	947,682
1935	1,654,495	60	1,447	40,241	996,596	47	1,038,331
1936	1,791,546	61	1,500	41,028	1,099,687	62	1,142,277
1937	2,039,231	63	2,944	46,907	1,279,160	33	1,329,044
1938	1,988,041	61	6,966	38,506	1,214,355	78	1,259,905
1939	2,086,160	60.6	7,838	42,898	1,264,962	112	1,315,810
1940	2,149,821	62.9	8,591	44,036	1,353,214	142	1,405,983
1941	2,220,657	63.1	10,134	42,196	1,402,228	180	1,454,708
1942	2,093,100	66.2	10,365	34,815	1,386,645	161	1,431,976
1943	2,256,637	66.7	10,052	35,163	1,505,613	107	1,550,935
1944	2,592,289	64.7	10,099	38,203	1,677,904	109	1,726,315
1945	2,594,697	66.0	8,483	43,547	1,713,655	149	1,765,834
1946	2,745,430	63.2	7,586	49,235	1,733,939	269	1,791,029
1947	3,022,139	61.4	7,692	56,284	1,856,987	300	1,921,263
1948	3,433,225	58.8	12,287	58,508	2,020,185	159	2,091,139
1949	3,404,132	54.1	21,305	60,910	1,841,940	206	1,924,361
1950	3,802,995	51.9	29,044	72,443	1,973,574	156	2,075,217
1951	4,282,730	52.5	47,615	77,312	2,247,711	128	2,372,766
1952	4,504,708	50.8	61,237	77,275	2,289,836	36	2,428,384
1953	4,786,988	49.2	80,899	72,440	2,357,082	17	2,510,439
1954	5,006,208	46.2	96,080	83,653	2,314,988	25	2,494,716
1955‡	5,641,176	44.0	129,452	88,128	2,484,521	392	2,702,484
1956‡	6,100,516	42.9	169,321	94,096	2,617,432	543	2,881,392
Total	98,889,436	......	776,083	2,075,258	65,230,656	3,412	68,085,411

South America, Since Beginning in 1896

YEAR	Argentina	Barbados	Bolivia	Brazil	Chile	Colombia	Ecuador	Peru	Trinidad	Venezuela	Total South America
1896								47			47
1897								71			71
1898								71			71
1899								89			89
1900								274			274
1901								278			278
1902								287			287
1903								278			278
1904								290			290
1905								373			373
1906								531			531
1907	B							751			751
1908	12							945	B		957
1909	18							1,411	57		1,486
1910	20							1,258	143		1,421
1911	19							1,465	285		1,783
1912	47							1,752	437		2,236
1913	131							2,071	504		2,706
1914	276							1,917	644		2,757
1915	513							2,579	750		3,842
1916	867							2,563	979		4,399
1917	1,218						37	2,577	1,602	120	5,574
1918	1,353						C60	2,527	2,082	333	6,355
1919	1,331						C60	2,628	1,841	425	6,295
1920	1,651						C60	2,817	2,083	457	7,068
1921	2,036					67	C60	3,699	2,354	1,433	9,649
1922	2,866					323	C60	5,314	2,445	2,201	13,209
1923	3,400					425	87	5,699	3,051	4,201	16,963
1924	4,639					445	C100	8,279	4,067	9,042	26,062
1925	6,336					1,007	160	9,232	4,387	19,687	40,809
1926	7,851					6,444	214	10,762	4,976	36,911	67,153
1927	8,630					15,014	637	10,127	5,380	63,134	102,823
1928	9,070					19,897	1,084	12,006	7,894	105,749	155,490
1929	9,391		B			20,385	1,361	13,422	8,716	137,472	190,767
1930	9,002		58			20,346	1,553	12,449	9,419	136,669	188,494
1931	11,709		25			18,237	1,762	10,089	9,744	116,613	168,170
1932	13,139		44			16,414	1,597	9,899	10,126	116,541	167,760
1933	13,691		112			13,158	1,620	13,257	9,561	117,720	169,119
1934	14,024		159			17,341	1,637	16,314	10,894	136,103	196,472
1935	14,297		164			17,598	1,732	17,067	11,671	148,254	210,763
1936	15,456		105			18,756	1,942	17,593	13,237	154,794	221,885
1937	16,355		122			20,599	2,161	17,467	15,503	186,230	258,427
1938	17,076		226			21,582	2,249	15,839	17,737	188,174	262,880
1939	18,613		212			23,857	2,313	13,509	19,270	206,470	284,246
1940	20,609		288	2		25,593	2,349	12,126	22,227	185,670	268,764
1941	21,873		235	3		24,663	1,557	11,935	20,506	228,430	309,092
1942	23,704	2	308	33		10,487	2,279	13,829	22,080	147,675	220,185
1943	27,714	2	334	48		13,261	2,313	14,654	21,365	177,631	257,344
1944	24,230	1	314	58		22,291	2,967	14,389	22,139	257,046	343,435
1945	22,881	2	382	79		22,449	2,684	13,744	21,093	323,156	406,480
1946	20,604	1	363	67		22,118	2,333	12,468	20,233	388,486	466,663
1947	21,846	B	377	97		24,794	2,382	12,764	20,521	434,906	517,586
1948	23,734		464	144		23,792	2,563	14,069	20,111	490,015	574,892
1949	22,589		578	109		29,722	2,617	14,796	20,617	482,316	573,444
1950	23,353		616	339	629	34,060	2,633	15,012	20,632	546,763	644,066
1951	24,465		523	691	760	38,398	2,709	16,110	20,643	622,216	726,714
1952	24,588		526	750	910	38,683	2,539	16,403	21,259	660,254	766,211
1953	28,501		601	916	1,258	40,179	2,967	15,909	22,348	644,242	787,010
1954	29,650		1,696	992	1,736	40,547	3,140	17,161	23,628	691,806	810,364
1955‡	30,467		2,692	2,021	2,577	39,363	3,531	17,246	24,998	787,394	910,167
1956‡	31,717		3,196	4,059	3,542	44,132	3,394	18,383	29,929	899,183	1,086,535
Total	627,759	8	14,630	10,408	11,413	746,317	67,615	502,791	[illegible]	[illegible]	12,301,757

B Less than 1,000 barrels. C Estimated production. ‡ WORLD OIL from private sources

SOURCE: W rld Oil:1957, vol. 145, No. 3, p. 192, August 15,1957 .

L-0943

World Crude Oil Production, By Countries, By Years (Part 2)

(Complete production history of world, in thousands of barrels of 42 U. S. Gallons. Sources: U. S. Bureau of Mines annual reports, *Mineral Resources and Minerals Yearbook*, and monthly reports, International Petroleum Trade and World Petroleum Statistics, except as otherwise indicated.)

Asia, Total, and Asia, Far East, Since Beginning in 1875

YEAR	[F]Total Asia	ASIA — Far East: [E]Burma-India Pakistan: Burma	Pakistan	India	China	Indonesia	Japan	New Guinea	Sakhalin	Sarawak Brunei	Formosa	Total Far East
1874												
1875	5						5					5
1876	7						7					7
1877	10						10					10
1878	18						18					18
1879	23						23					23
1880	26						26					26
1881	17						17					17
1882	15						15					15
1883	20						20					20
1884	29						29					29
1885	30						30					30
1886	38						38					38
1887	29						29					29
1888	37						37					37
1889	147		94				53					147
1890	170		118				52					170
1891	243		190				53					243
1892	311		242				69					311
1893	1,005		299			600	106					1,005
1894	1,188		327			688	173					1,188
1895	1,759		372			1,218	170					1,759
1896	2,094		430			1,427	237					2,094
1897	3,360		546			2,552	262					3,360
1898	3,825		542			2,964	319					3,825
1899	3,276		941			1,796	539					3,276
1900	4,203		1,079			2,253	871					4,203
1901	6,562		1,431			4,014	1,117					6,562
1902	5,043		1,617			2,430	996					5,043
1903	9,489		2,510			5,770	1,209					9,489
1904	11,112		3,385			6,508	1,219					11,112
1905	13,334		4,137			7,850	1,347					13,334
1906	13,761		4,016			8,181	1,564					13,761
1907	16,045		4,344			9,983	1,718					16,045
1908	17,201		5,047			10,283	1,871					17,201
1909	19,606		6,677			11,042	1,887					19,606
1910	18,998		6,138			11,031	1,829					18,998
1911	20,361		6,451			12,173	1,737					20,361
1912	19,622		7,117			10,846	1,659					19,622
1913	23,040		7,930			11,172	1,940			141		21,183
1914	24,696		7,410			11,421	2,636			318		21,786
1915	27,058		8,202			11,920	2,928			392		23,442
1916	29,107		8,491			12,547	2,963			629		24,630
1917	31,809		8,079			13,180	2,861			542		24,662
1918	32,534		8,188			12,778	2,441			504		23,911
1919	37,21.		8,736			15,506	2,238			596		27,076
1920	41,378		8,375			17,529	2,221			1,020		29,145
1921	46,011		8,734			16,958	2,233		2	1,411		29,338
1922	52,753		8,529			17,066	2,065		7	2,849		30,506
1923	59,259		8,406			19,870	1,804		9	3,940		34,029
1924	67,319		8,416			20,473	1,814		80	4,163		34,946
1925	70,993		8,274			21,422	1,915		87	4,257		35,955
1926	72,004		8,011			21,243	1,785		181	4,942		36,162
1927	82,689		8,032			27,459	1,796		440	4,943		42,663
1928	92,877		8,741			32,118	1,944		677	[G]5,223		48,703
1929	99,416		8,747			39,279	2,023		[D]1,134	5,290		56,473
1930	105,424		8,292			41,729	1,950		[D]1,805	4,907		58,683
1931	97,583		8,200			35,539	2,050		2,734	3,854		52,377
1932	106,182		8,817			39,001	1,630		2,631	3,796		55,875
1933	114,972		8,743			42,603	1,458		2,338	4,490		59,632
1934	133,108		10,503			46,925	1,834		2,881	5,140		67,283
1935	152,676	7,181	E	2,038		47,171	2,249		2,545	5,546		66,730
1936	168,241	7,588	E	1,979		50,025	2,440		3,212	5,209		70,452
1937	196,354	7,848	E	2,162		56,724	2,488		3,666	6,009		78,897
1938	200,397	7,538	E	2,489		57,318	2,511		[C]3,821	6,913		80,590
1939	206,507	7,873	E	2,327	4	62,087	2,654		4,000	7,097		86,042
1940	188,431	7,731	E	2,302	10	62,011	2,639		4,000	7,047		85,740
1941	151,838	7,762	E	2,899	87	53,704	1,929		4,000	6,864	62	77,307
1942	141,085	2,500	E	2,792	340	24,000	1,652		4,000	3,000	48	38,332
1943	174,641	1,000	E	2,735	447	48,294	1,727		5,000	4,500	38	63,741
1944	186,436	750	E	2,784	505	22,260	1,601		5,000	6,000	40	38,940
1945	215,088	725	E	2,363	484	7,600	1,644		6,000	2,100	14	20,830
1946	270,599	15	E	2,193	813	2,100	1,343		6,000	2,050	16	14,230
1947	338,260	59	366	1,863	374	8,020	1,276		[C]7,000	12,970	22	31,940
1948	480,188	341	490	1,875	533	31,768	1,122	135	7,000	20,124	22	63,408
1949	593,737	248	931	1,906	730	43,206	1,353	1,726	7,000	25,108	22	82,230
1950	735,519	532	1,281	1,867	800	48,400	2,048	1,748	7,000	30,958	23	94,657
1951	809,754	851	1,348	1,949	900	55,453	2,337	1,746	7,000	37,808	21	109,111
1952	877,571	869	1,580	1,900	1,000	62,495	2,134	1,725	7,000	38,251	18	116,972
1953	1,014,607	1,061	1,762	2,215	1,500	75,626	2,101	1,751	7,000	36,848	17	129,871
1954	1,137,562	1,346	1,944	2,235	3,000	79,886	2,124	4,045	8,000	35,318	35	138,630
1955*	1,337,854	1,618	2,068	2,526	13,200	85,921	2,229	3,418	7,300	39,351	24	157,655
1956*	1,431,744	1,680	2,114	2,876	11,000	93,820	2,169	2,618	7,000	45,509	21	168,801
Total	12,649,532		375,159		38,427	1,718,937	111,839	18,912	137,540	448,618	444	2,846,574

Asia, Middle East, Newer Fields, 1946 to Now

YEAR	Israel	Kuwait	Neutral Zone	Qatar	Turkey	Total Newer Fields
1941						
1942						
1943						
1944						
1945						
1946		5,931				5,931
1947		16,225				16,225
1948		46,500			13	46,513
1949		90,000		750	95	90,845
1950		125,722		12,268	108	138,098
1951		204,910		18,009	133	223,052
1952		273,433		25,255	146	298,834
1953		314,592		31,025	179	345,796
1954		347,319	5,995	36,450	399	390,163
1955	12	398,494	8,848	41,908	1,199	450,361
1956	152	399,874	11,725	45,348	2,200	459,296
Total	164	2,223,000	26,568	210,910	4,472	2,465,114

Asia, Middle East, Total and Asia, Middle East, Older Fields, 1913 to Now

YEAR	Middle East Total	MIDDLE EAST OLDER FIELDS: Bahrein	Iran	Iraq	Saudi Arabia	Total Older Fields
1911						
1912						
1913	1,857		1,857			1,857
1914	2,910		2,910			2,910
1915	3,616		3,616			3,616
1916	4,477		4,477			4,477
1917	7,147		7,147			7,147
1918	8,623		8,623			8,623
1919	10,139		10,139			10,139
1920	12,230		12,230			12,230
1921	16,673		16,673			16,673
1922	22,247		22,247			22,247
1923	25,230		25,230			25,230
1924	32,373		32,373			32,373
1925	35,038		35,038			35,038
1926	35,842		35,842			35,842
1927	40,026		39,688	338		40,026
1928	44,174		43,461	713		44,174
1929	42,943		42,145	798		42,943
1930	46,741		45,828	913		46,741
1931	45,206		44,376	830		45,206
1932	50,307		49,471	836		50,307
1933	55,340	31	54,392	917		55,340
1934	65,825	285	57,851	7,689		65,825
1935	85,946	1,265	57,273	27,408		85,946
1936	97,789	4,645	62,718	30,406	20	97,789
1937	117,467	7,762	77,804	31,836	65	117,467
1938	119,806	8,298	78,372	32,643	493	119,806
1939	120,465	7,589	78,151	30,791	3,934	120,465
1940	102,691	7,074	66,317	24,225	5,075	102,691
1941	74,531	6,794	50,777	12,650	4,310	74,531
1942	102,753	6,241	72,256	19,726	4,530	102,753
1943	110,900	6,572	74,612	24,848	4,868	110,900
1944	147,496	6,714	102,048	30,943	7,794	147,496
1945	194,258	7,309	130,526	35,112	21,311	194,258
1946	256,369	8,010	146,819	35,665	59,944	250,438
1947	306,320	9,411	154,998	35,834	89,852	290,095
1948	416,780	10,915	190,384	26,115	142,853	370,267
1949	511,507	10,985	204,712	30,957	174,008	420,662
1950	640,862	11,016	242,475	49,726	199,547	502,764
1951	700,643	10,994	123,512	65,122	277,963	477,591
1952	760,599	11,004	7,800	141,100	301,861	461,765
1953	884,736	10,975	9,400	210,265	308,294	538,940
1954	998,932	10,992	21,500	228,632	347,845	608,769
1955	1,180,199	10,992	120,137	246,471	352,240	729,838
1956	1,262,94[illegible]	11,014	198,280	233,421	360,922	803,647
Total	9,802,958	186,880	2,886,491	1,616,741	2,687,738	7,337,844

[B] Less than 1,000 barrels. [C] Estimated production. [D] Year ended September 30. [E] Separation of British India and Burma prior to 1935 not available from U.S. Bureau of Mines data used here. Data by Dudley Stamp in "Petroleum Development and Technology, 1933" and in A.I.M.E. "Transactions" indicate cumulative through 1934 as follows: Burma 184,83[illegible], India 20,756. Pakistan included with India prior to 1947. [F] Exclusive of U.S.S.R. fields in Asia, other than Sakhalin, which are included with U.S.S.R in Europe. [G] Beginning of production in Brunei. [H] Formosa included with Japan prior to 1941. * WORLD OIL from private sources.

SOURCE: World Oil:1957, vol. 145,No. 3, p. 193, August 15,1957 .

World Crude Oil Production, By Countries, By Years (Part 3)

(Complete production history of world, in thousands of barrels of 42 U. S. Gallons. Sources: U. S. Bureau of Mines annual reports, *Mineral Resources and Minerals Yearbook*, and monthly reports, International Petroleum Trade and World Petroleum Statistics, except as otherwise indicated.)

Europe, 1857-1900

YEAR	Italy	Rumania	U.S.S.R. (Russia) F	Total Europe F	YEAR	Germany	Italy	Poland	Rumania	U.S.S.R. (Russia) F	Total Europe F	YEAR	Germany	Italy	Poland	Rumania	U.S.S.R. (Russia) F	Total Europe F
1856					1871		B		90	165	255	1886	74	2	306	168	18,006	18,556
1857		2		2	1872		B		91	185	276	1887	74	1	344	182	18,366	18,969
1858		4		4	1873		B		104	475	579	1888	85	1	467	219	23,049	23,821
1859		4		4	1874		1	150	103	583	837	1889	68	1	515	298	24,609	25,491
1860		9		9	1875		1	158	108	697	964	1890	108	3	659	383	28,691	29,844
1861	B	17		17	1876		3	164	111	1,321	1,599	1891	109	8	631	488	34,573	35,809
1862	B	23		23	1877		3	170	108	1,801	2,082	1892	101	18	646	593	35,776	37,133
1863	B	28	41	69	1878		4	176	109	2,401	2,690	1893	100	19	693	535	40,457	41,804
1864	B	33	65	98	1879		3	215	110	2,761	3,089	1894	123	21	949	508	36,375	37,976
1865	2	39	67	108	1880	9	2	229	115	3,001	3,356	1895	121	26	1,453	576	46,140	48,316
1866	1	42	83	126	1881	29	1	287	122	3,601	4,040	1896	145	18	2,444	543	47,221	50,371
1867	1	51	120	172	1882	58	2	330	136	4,538	5,064	1897	166	14	2,226	571	54,399	57,376
1868	B	56	88	144	1883	27	2	365	139	6,002	6,535	1898	164	15	2,376	776	61,610	64,961
1869	B	50	202	251	1884	48	3	408	211	10,808	11,473	1899	192	16	2,314	1,426	65,956	[illegible]
1870	B	84	204	288	1885	41	2	465	193	13,925	14,626	1900	358	12	2,347	1,629	75,780	80,126

Europe and Africa, 1901 to Now

	EUROPE															AFRICA					
YEAR	Albania	Austria	Bulgaria	Czechoslovakia	Great Britain	France	Germany	Hungary	Italy	Netherlands	Poland	Rumania	F U.S.S.R. (Russia)	Yugoslavia	F Total Europe	Egypt	Algeria	Morocco	Total Africa	Australia-N. Zealand	Rest of World
1901							314		16		3,251	1,678	85,168		90,427						30
1902							354		18		4,142	2,060	80,540		87,115						36
1903							446		18		5,235	2,763	75,591		84,063						38
1904							637		26		5,947	3,599	78,537		88,745						40
1905							561		44		5,766	4,421	54,960		65,752						30
1906							579		54		5,468	6,378	58,897		71,376						30
1907							757		60		8,456	8,118	61,851		79,242						30
1908							1,009		51		12,612	8,252	62,187		84,111						30
1909							1,019		42		14,933	9,327	65,970		91,291						30
1910							1,032		51		12,675	9,724	70,337		93,817						30
1911							1,017		73		10,519	11,108	66,184		88,903	21			21		30
1912							1,031		54		8,535	12,976	68,019		90,618	214			214		20
1913							857		47		7,818	13,555	62,834		85,111	95			98		20
1914							781		40		6,436	12,827	67,020		87,104	753	1		754		20
1915							703		44		5,352	12,030	68,548		86,677	212	4		216		10
1916							656		51		6,587	8,945	65,817		82,055	404	8		412		25
1917						G	642		41		6,228	3,721	63,072		73,704	943	9		952		29
1918						363	270		35		6,032	8,730	27,165		42,568	1,935	7		1,941		25
1919				48	2	334	265		35		6,096	6,618	31,752		45,150	1,517	5		1,522		20
1920				68	2	358	246		35		5,607	7,435	25,430		39,181	1,042	4		1,046		20
1921				94	3	389	274		33		5,167	8,368	28,955		43,298	1,255	3		1,258		20
1922				120	1	496	319		31		5,227	9,343	35,692		51,729	1,188	9		1,197		22
1923				74	1	494	346		34		5,402	10,867	39,147		56,365	1,054	9		1,063		24
1924				76	2	497	406		29		5,657	13,359	45,356		65,401	1,122	11		1,133		24
1925				155	3	459	541		61		5,960	16,650	52,445		75,250	1,326	12		1,338		22
1926				150	2	478	653		41		5,844	23,314	64,311		94,793	1,188	9		1,197		17
1927				112	2	504	663		47		5,342	26,368	77,018		110,055	1,267	8		1,275		13
1928				94	1	512	630		46		5,493	30,773	D84,745		122,[illegible]	1,842	8		1,850		15
1929				93		535	704		45		4,988	34,758	D99,507		140,620	1,868	20		1,888		25
1930				157	B	523	1,183		59		4,904	41,624	D125,555		174,604	1,996	16		2,012		40
1931				134	B	520	1,606		124		4,662	49,127	162,842		219,018	2,038	B		2,038		54
1932				126	B	530	1,608		208		4,116	53,815	154,367		214,770	1,895	B	7	1,902		62
1933	11			122	B	562	1,665		204		4,072	54,020	154,840		215,496	1,663	B	7	1,670		71
1934	10			178	B	557	2,187		151		3,918	62,063	174,818		243,277	1,546	B	6	1,553		96
1935	41	44		133	B	541	2,995		119		3,812	61,310	182,386	[illegible]	251,384	1,301	B	4	1,305	[illegible]	4
1936	273	50		127	B	503	3,115		123		3,769	63,659	186,206	1	257,840	1,278	B	4	1,282	[illegible]	4
1937	619	221		123	B	502	3,176	16	110		3,716	52,452	193,241	4	254,180	1,196	B	22	1,218	[illegible]	4
1938	753	383		130	B	513	3,861	288	101		3,763	48,457	204,956	[illegible]	263,243	1,581	B	27	1,608	[illegible]	4
1939	934	1,240		120		500	4,487	1,103	91		3,698	45,648	216,866	10	274,897	4,666	B	27	4,693	[illegible]	4
1940	1,497	2,808		163	124	496	7,371	1,881	88		3,891	43,165	218,600	10	280,094	6,606	B	27	6,631	[illegible]	14
1941	1,334	4,239		183	223	414	6,309	3,183	95		1,793	40,517	238,160	10	295,443	8,546	B	27	8,573	[illegible]	
1942	1,601	5,599		271	605	463	6,191	5,037	101		2,794	42,094	227,470	10	291,536	8,276	B	41	8,316	[illegible]	
1943	1,001	7,475		200	839	366	4,973	6,347	66	1	3,500	39,182	200,750	10	264,723	8,953		39	8,992	[illegible]	
1944	334	8,218		185	703	300	6,164	6,277	66	12	3,000	26,191	276,000	220	326,649	9,416	4	32	9,452	[illegible]	
1945	287	3,074		91	632	202	3,935	5,018	53	41	750	34,773	148,952	200	197,888	9,406	2	26	9,434	[illegible]	
1946	1,000	5,734		196	412	368	4,539	5,146	83	435	866	31,434	157,673	160	208,046	9,070	1	20	9,091	[illegible]	
1947	2,000	6,266		210	361	356	4,032	4,390	81	1,478	951	28,552	167,462	290	236,379	6,697	1	21	6,649	[illegible]	
1948	1,500	6,149		204	323	369	4,459	3,647	71	3,443	1,099	34,000	218,000	270	273,504	13,396	1	100	13,496	[illegible]	
1949	2,188	6,100		292	338	411	6,947	3,791	71	4,314	1,128	33,700	237,700	470	296,447	15,997	2	136	16,135	[illegible]	
1950	2,300	10,200		292	340	909	8,167	3,700	63	4,997	1,208	32,000	266,300	780	331,493	16,373	24	306	16,703	[illegible]	
1951	1,200	15,500		644	335	2,036	9,691	3,500	135	4,942	1,609	31,000	285,000	1,007	366,542	16,311	49	587	16,947	[illegible]	
1952	1,100	18,760		740	407	2,377	12,438	3,500	487	4,976	1,700	45,000	329,400	1,091	414,971	16,464	348	749	17,561	[illegible]	
1953	1,400	21,860		900	410	2,555	15,506	5,000	656	5,791	1,800	67,000	363,000	1,236	487,023	16,501	641	761	17,908	[illegible]	
1954	1,800	[illegible]	536	1,100	450	3,616	19,008	7,600	835	6,838	2,000	70,000	411,000	1,557	548,637	13,774	570	[illegible]	15,226	[illegible]	
1955*	1,671	24,852	1,000	1,117	594	6,409	22,345	12,208	2,536	7,137	2,864	75,818	514,433	1,736	677,717	12,7[illegible]	454	788	13,983	23	
1956*	2,441	23,288	1,600	1,201	459	9,103	24,994	7,630	4,822	7,682	1,363	81,357	571,208	2,120	730,178	12,174	293	720	13,249	15	
Total	37,774	195,761	3,136	10,427	7,295	41,108	210,722	69,102	12725	51,563	291,047	1,630,788	9,029,789	11,276	11,612,813	240,839	2,513	5,334	248,743	181	1,044

B Less than 1,000 barrels. C Estimated production. D Year ended September 30. E No more data. F Includes fields in Russian Asia, other than Sakhalin.
G France's earlier production credited to Germany. ‡ Includes 62,000 barrels from Angola. * WORLD OIL from private sources.

SOURCE: World Oil:1957, vol. 145, No. 3, p. 194, August 15, 1957.

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