New World Review, August-September 1967

3

[redacted]

Oil and the Mideast Crisis

by VICTOR PERLO

THE ARABS have branded the American and British oil companies and governments as responsible for the Israeli invasion and occupation of their lands. Is this justified, or have the Arabs merely picked on an innocent scapegoat for their own failures?

Last year nearly 600,000,000 metric tons of oil were pumped out of the Middle East and North Africa, equal to 43 per cent of the output of the capitalist world. The share of the Middle East* in world output rises because it contains most of the capitalist world reserves, and production per well is huge. This year US companies planned to reinvest $1,136 million of their profits in further Middle Eastern expansion, up 36 per cent from their 1966 investment there.

Western Europe already gets 84 per cent of its oil from the Middle East; Japan over 90 per cent. Only 3 per cent of the US supply comes from the area, but US companies *control* most of the oil, and 65 per cent of the oil used by the US armed forces in Vietnam comes from the Persian Gulf.

US companies today produce abroad goods worth over $100 billion yearly, an amount exceeding the national income of any capitalist country outside the United States. Profits from foreign investments even exceed profits derived from the vast military budget. *And one-third of all the profits on direct foreign investments remitted to the United States in 1965 came from Middle Eastern oil.*

The Big Five US oil companies (Standard of New Jersey, Texaco, Gulf, Mobil, and Standard of California) occupy five of the seven top places among US industrial corporations, including first place in the amount of their invested capital. Their assets totaled $36 billion and their admitted profits (far under the actual total) were $3.1 billion in 1966. Approximately half of their crude oil, the decisive source of profits, came from the Middle East. Oil company figures, as reported to the US Department of Commerce, admitted 1965 after-tax profits on Middle Eastern investments equal to 76 per cent of the claimed value of the investments at the beginning of the year (*Survey of Current Business*, September 1966).

* Throughout this article, this term includes North Africa.

VICTOR PERLO, noted economist and writer on world affairs, frequently appears in NWR. His major economic writings include *Empire of High Finance*, *American Imperialism*, and *USA and USSR: The Economic Race.*

The Arabian American Oil Company, giants, is the largest producer in the rea wrote ecstatically of its affairs: "Its crude twice as large as those contained in the closely guarded books were made public, that it has the highest profit margin of poration in the world" (March 16, 1966)

Oil royalty and tax payments to the la ments are now in the 80 to 85 cents pe hard bargaining, partly through the O Exporting Countries (OPEC), the main pi increases. In deals with Japanese, Italians, companies, Middle Eastern countries ha Aside from taxes, the actual cost of pro according to John Warder, Chairman of sortium, is 14 cents per barrel in Iran, 8 and 6 cents in Kuwait. For comparison gallon gasoline, this Kuwait cost amounts per gallon.

The average selling prices of Standard were in the range of $8 to $9 per barr incurred in refining, transportation, and of crude oil requires the heaviest investm done in the Middle East also. By an equita Eastern countries would be entitled to final value. But the real situation, as shown

For every dollar's worth of products de oil, the Middle Eastern governments get a workers less than one cent.

THE TEN cents is received, usually, by interest in their subjects' welfare or development. The people who work the oi The great natural wealth of the Middle Ea the wherewithal for a splendid program of cultural development and rising living sta of US and British oil companies, contributed the fierce poverty and backwardness of the tion from now it may be too late, as nuclea

The oil companies clearly associate their maintaining backward social conditions, an their direct and indirect political activity how coordination of oil company and US gover their foreign properties began after World Oil (N.J.) Chairman A. C. Bedford said: " now is an aggressive foreign policy on the pa

[redacted]

Sanitized - Approved For Release : CIA-RDP75-00001R000100060016-4