

1965

Abdallah al-Tariqi, 'The Nationalization of the Arab Oil Industry: A National Necessity' (Excerpts)

Citation:

"Abdallah al-Tariqi, 'The Nationalization of the Arab Oil Industry: A National Necessity' (Excerpts)", 1965, Wilson Center Digital Archive, Abdallah al-Tariqi, "Ta'mim sina'at al-bitrul al-'arabiyya: dhurura qawmiyya" ("The Nationalization of the Arab Oil Industry: A National Necessity") (1965), reprinted in Abdallah al-Tariqi, *Al- A'mal al-kamila* (The Complete Works), ed. Walid Khadduri (Beirut: Markaz dirasat al-wahda al-'arabiyya, 1999), 158-178 at 158-159 & 176-178. Contributed, translated, and annotated by Cyrus Schayegh. <https://digitalarchive.umd.edu/document/291052>

Summary:

The full version of the text excerpts included here was reprinted in a collection of the works of its author, Abdallah al-Tariqi (1919-1997), who had first published it in its Arabic original in the journal *Dirasat 'Arabiyya* and before held it as a speech, in 1965 at the Fifth Arab Oil Conference in Cairo.

Al-Tariqi was born in what would become Saudi Arabia. He was educated at Fuad I (now Cairo) University Egypt (B.S.) and the University of Texas (M.A. in petroleum engineering and geology), and trained for another year in the US oil industry before returning to Saudi Arabia in 1953. The next year, he became Director-General of Petroleum and Mineral Affairs in the Ministry of Finance and National Economy. As such, he was inter alia responsible for relations with the then only oil company in Saudi Arabia, a conglomerate of four US firms called the Arabian American Oil Company (ARAMCO), which had received a concession in 1933, first found oil in 1938, and began extraction from the end of World War II. While taken by the anti-imperialist stance and policies of Egypt President Gamal Abdel Nasser (1918-1970), al-Tariqi in the 1950s was a reformist modernizer. He accepted the royal Saudi political system and the kingdom's relationship with the United States. But he was determined to greatly improve Saudi oil income and negotiation position vis-à-vis the US company, often upholding as a model Venezuela's Creole Petroleum Company.

In parallel, he worked for more coordination between oil producing countries, to improve their position vis-à-vis Western companies. In 1957, he helped bring about a Saudi-Iranian oil information exchange agreement. In 1959, he was a driving force behind the First Arab Oil Conference, in Cairo. And there, he, the Venezuelan Minister of Mines and Hydrocarbons Juan Pablo Pérez Alfonzo (1903-1979), and a Kuwaiti, Iraqi, and Iranian delegate concluded a momentous agreement. Though informal, it "marked the first real steps toward creating a common front against the oil companies," as Daniel

Yergin put it in his classic work *The Prize* (1991). The agreement laid the foundation for the birth of the Organization of Oil Producing Countries (OPEC) in 1960 in Baghdad, analyzed by Giuliano Garavini in *The Rise and Fall of OPEC in the 20th Century* (2019).

In 1960, too, al-Tariqi became Minister of Petroleum and Mineral Affairs. But in 1962, a clash within the Saudi ruling elite cost him both his post and his ARAMCO board membership. He left Saudi Arabia; co-founded an independent oil consultancy in Beirut; and accentuated his view that oil is a global rather than country-by-country issue that needs a united Arab solution vis-à-vis the West. In parallel, his language became more pointed: he now talked about colonialism. And he embraced the nationalization of oil. This had worked in Latin America in the late 1930s when the US government needed its neighbors' goodwill as clouds of war were gathering over Europe—but it had failed in Iran where a CIA-led coup removed Prime Minister Muhammad Musaddiq (1882-1967) in 1953, scaring Middle Eastern oil officials until the early 1960s

Original Language:

Arabic

Contents:

Translation - English

Introduction

It was already at the start of this century that oil imperialism started in the Arab countries. At that time, it was able to impose on the Arab peoples in the Gulf region agreements that granted it control over these resources while giving the inhabitants and rulers a simple bit of the profits to satisfy those rulers. But this arrangement was in no shape or form sufficient, for the poor Arab people, on whose lands petrol was discovered, transitioned from the state of poverty and misery in which they had lived for many centuries to living conditions befitting the great natural wealth that God had bestowed it.

The concessionary contracts with the Arab countries followed the model of the oil agreements in Iran starting in 1901. These agreements were preliminary and simple. If they showed anything, it was the fact that the Iranian party at that time was in no position to assess the profits that the concession owners would reap from the extracted oil. The first petroleum exploitation deal in the Gulf region took place in Iraq, in 1925.

These contracts were signed by powerful experts, on the one hand, and, on the other, by people who did not have the expertise to assess the value of what they were granting. At the time, petroleum did not play the vital role in the comfort of the world like today. At present, petroleum constitutes more than fifty percent of world trade measured by weight, and is without a doubt the economically, politically, and militarily greatest and most important product that the world's people exchange. Hence, it is absolutely necessary to find new ways to order the relationship between the people from whose lands this material is extracted and the people who consume it, and for whose economy and for the continued security of their people's comfort petroleum has become very necessary.

In my view, these contracts, and the amendments made to them since 1950, in Arab countries do not bring about a better future to the Arab people. It is my profound belief that Arab petroleum absolutely has to continue to flow to its markets and that petroleum is the means for good relations between the Arab people and other people. Nonetheless, I must assert that the current agreements absolutely have to be radically changed. They have to be replaced by other agreements that guarantee the Arab peoples' full usufruct of their resources, without depriving the importing countries from access to petroleum at a fair price that does not overstrain their economies and guarantees their continued comfort.

As I noted further above, the currently prevailing situation is nothing but the continuation of colonialism. This colonialism has evolved in as far as it withdrew its armies and entrusted the armies of the countries that gained (if only in name) independence with protecting its interests. What I am seeking to assert in this study is that this situation can be reformed only through the nationalization of petroleum production, and that the Arabs themselves should take charge of producing, refining, and exporting petroleum. This is simple and easily done, for all the hurdles that normally face the petroleum industry have already started to become lower as far as Arab petroleum is concerned. The petroleum industry consists of several stages. It begins with exploration and drilling, to determine the existence of petroleum deposits; then, the discovered oil field is developed by digging the necessary wells and preparing them for production; then comes production and then collection, refining, and export. The economically most difficult and expensive stage is exploration and drilling, which may come to naught—all expenses may not yield any result when no petroleum deposits at a marketable quantity are found. The other operations, i.e. production, collection, refining, transport, and marketing, are regular, and happen as in all other industrial and commercial operations.

[...]

Conclusion

From the above, we see that the present situation of the petroleum industry in the Arab states is a case of economic colonialism. Foreign companies are controlling the resources of the Arab people and make incomparable gains from the Arab national wealth, which they export abroad. They even use the profits they are making in these Arab countries to try to discover petroleum deposits in new regions of the world, so that these regions become competitors of the Arab countries. In result, the latter's

negotiating power is decreasing and they are forced to agree to lower prices.

We have already seen how the three stages of the petroleum industry in the world that are not related to production, i.e. the transport through pipelines and tankers, refining, and marketing, rely greatly on production operations in the developing countries and especially the Arab countries. And we have seen how these countries have been deprived from drawing increasing profits from the production operations; this income has even begun to decrease annually. Production increase is accompanied by a price decline, and hence by a decline in the barrel price.

We have also seen how the oil-producing Arab countries rely entirely on their income from petroleum production. Hence, their economies are very sensitive to changes in the production volume and the price of sold products. We have also illuminated how the foreign oil companies operating in the Arab countries are only interested in making the largest possible profit from the production process, disregarding the interests of the producing countries. These companies in most cases do not heed the scientific production methods that they follow in other oil producing countries like the United States of America or Canada, with very bad long-term effects on the economic future of the producing countries. The companies disregard of scientific production methods prompted the oil-producing US states and Canadian provinces to enact laws obliging those companies to limit the production quantity extracted from each well and oil field and to burn only that little gas that cannot be economically used.

And we have clarified how those companies, indifferent to the small profits made from producing natural gas, have proceeded to burn appalling quantities of that gas. They could have reinserted that gas into the oil fields or—if this was unfeasible—exported that gas, transformed into liquid, refrigerated and compressed, to the world markets, or they could have used it locally, as is the case in the United States and in Canada.

And we have seen how the foreign oil companies have moved the refining and petrochemical industry from the oil-producing countries to the consumer countries to which they belong, so that they can monopolize the profits resulting from these operations and deprive the petroleum producing people. Then we explained how the Arab petroleum producing states have not reaped for its labor force the advantage inherent in this industry. Those states have insisted on the necessity of employing Arab workers in minor positions. But they have not sought to create a new Arab petroleum generation in these countries; there is practically no Arab in these companies' engineering and geological positions or in their executive centers.

For all these reasons, we see that the national interest of the Arab countries necessarily dictates nationalizing their oil production, especially as this has become feasible technically and economically.

As far as the technical side is concerned, the production process has basically become routine now. Arab technicians can carry it out, as it is happening in the United Arab Republic. And economically, there is basically no risk, for the oil fields are known and determined. And the other operations like refining and transport and marketing are exclusively commercial; here, risk is limited and tied to market conditions.

Practically, too, this is possible. As they nationalize their oil, the Arab producer countries will compensate the foreign companies for their expenditures in the production operation with raw oil. And they will undertake that oil will continue to flow to the consumer countries' markets without interruption and at a reasonable price that guarantees the comfort of the consuming countries and the continuation of friendly relations between producers and consumers.

As for the continuously increasing financing of the stages of petroleum production in the consuming countries (transport, refining, storage, and marketing), which have relied on the profits made in the production process, the consuming countries profiting from it have to assume their responsibility through their financial institutions.

The financing of high-risk petroleum drilling outside the [Arab] petroleum producing countries has to happen through international organizations interested in continuous petroleum supply, e.g. NATO in which Europe and America are members, or the US Defense Department, one of the worldwide biggest petroleum consumers. It is these

sort of organizations that should take on the burden of the expense inherent in exploration and drilling, not the poor developing peoples as is presently the case.

Finally, the Encyclopedia Britannica has defined a colony as "any area under the political or economic influence of another country. Likewise, colonialism comprises a situation in which a group of people imposes its decisions on other people, regardless of the question whether the latter live in a country that is subject to the colonizing country's rule.

The Western companies' present-day disregard of the interests of the oil-producing peoples in the Arab countries and their sweeping imposition, on the governments of those countries, of the interests of their petroleum consumers means that the Encyclopedia Britannica's definition suits the Arab oil-producing and -exporting countries. These companies set the prices and the export quantities from each country in which they work. This is colonialism at its most ugly.