

THE TEHRĀN OIL NEGOTIATIONS*

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The major goal of the oil negotiations recently held in Tehrān was a new equilibrium in the distribution of the revenues of cheap crude oil between producers, consumers and the oil companies. They resulted in increased incomes for the oil exporting countries, and a decrease in the savings made by the consumers of inexpensive crudes, but at present it seems that they did not affect the incomes of the oil companies themselves.

These important negotiations must, in the first instance, be seen in the light of the increasing importance of oil in the world economy, and the increasing dependence of the consumer countries on the Middle East oil exporting countries in particular. A summary treatment of a few facts about the oil industry will serve to underline these points.

As Table 1 shows, on the basis of present estimates, world oil production will reach 4,000 million tons by 1980 and the proportion of the world's total energy supplied by oil and gas will have risen from 47 per cent in 1960 to 71 per cent in 1980 (Table 2). It is expected that, after 1980, oil will gradually yield its pre-eminence to other sources of fuel such as atomic energy and the earth's internal heat.

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Table 1: World production of oil and forecast for the year 2000

Year	Production in million tons
1872	1
1890	10
1921	100
1960	1,000
1970	2,300
1980	4,600
2000	10,500

Table 2: Share of various sources of energy in world energy consumption (1913-1980)

Sources of energy	1913	1937	1950	1960	1970	1980 (forecast)
Coal	90	74	61	51	33	21
Oil	6	20	27	33	46	53
Gas	2	5	10	14	17	18
Water	2	1	2	2	3	3
Atomic energy	-	-	-	-	1	5
Total	100	100	100	100	100	100

Table 3 shows that, despite extensive exploration activities in various parts of the world, the major part of *actual and utilizable reserves* is concentrated in the Middle East, although potential reserves are more evenly distributed. Table 4, which presents an estimate of total crude production in various parts of the world during 1960 and 1970 as well as projections for the years 1980 and 2000 (based on estimates made by the Petroleum Institute of France), shows that there is also a relative concentration of *production* in the Middle East. Total Middle East crude output

Table 3: World oil reserves in 1970

Areas	Actual existing reserves		Potential reserves	
	Billion barrels	Per cent of total	Billion barrels	Per cent of total
Middle East	300	61.2	500	33.6
Africa	47	9.6	181	12.2
North America	56	11.4	245	16.5
South America	30	6.1	140	9.4
Socialist countries	42	8.6	185	12.4
Other areas	15	3.1	236	15.9
Total	490	100.0	1,487	100.0

Table 4: Crude oil production in various areas during 1960 and 1970 and its future output estimation (million tons)

Areas	1960	1970	1980 estimate	2000 estimate
North America	374	604	870	1,420
South America and Mexico	194	267	430	710
North Africa	9	210	300	460
Other areas of Africa	2	62	260	610
Middle East	264	712	1,810	5,380
Far East	27	70	200	860
Western Europe	14	16	50	160
Socialist countries	169	393	650	940
Total	1,053	2,334	4,570	10,540

rose from 17.5 million tons in 1939 (6 per cent of world output), to 87 million tons in 1950 (17 per cent of world output), to 712 million tons in 1970 (32 per cent). It is estimated that Middle East production will reach 1,810 million tons by 1980 and 5,400 million tons by the end of the

century. Thus the share of Middle East output in total world output will rise from 40 per cent in 1980 to 50 per cent by the year 2000.

Table 5 gives details of oil *exporting* countries and the approximate level of their exports in 1970 and once again clearly demonstrates the important role of the Middle East (particularly the Persian Gulf) together with the Caribbean countries (particularly Venezuela).

Table 5: Main oil exporting areas during 1970 (million tons)

Middle East	680
North Africa, Nigeria and Gabon	270
Venezuela and Trinidad	180
U.S.S.R.	80
Indonesia and Borneo	45
Canada	35

With these facts in mind, we can now turn to the question of the control of the oil industry. Up to the end of the second world war, the oil industry in the exporting countries was controlled by eight large international companies. Five were American, one British, one Anglo-Dutch, and the other French. These companies handled all oil-reserves, refineries, transportation and sales. After the war these companies, realizing the disadvantages of competition among themselves, created cartels. In this way they tightened their grip on the sources of supply, transport, prices etc., and were able to improve their bargaining position vis-a-vis the governments of the producer countries. However, both the producing and the consuming countries were unwilling to accept the great economic power wielded by the oil companies after the formation of cartels and the following measures were taken to weaken them:

1. Refineries and selling stations were created by many domestic companies particularly in Western Europe.

2. In the producing countries national companies were

established and these now handle a whole series of oil activities including control over the domestic market and even some exploitation operations.

3. Independent oil companies have gradually penetrated the world market and are competing with the major companies.

4. The U.S.S.R. has entered into the world oil market and is now competing to export its products.

5. The native countries of the great oil companies no longer offer them the same protection they did in the past. In addition, the new international situation has created barriers against the interference of the oil companies in the internal affairs of the producing countries.

But despite these events, which have somewhat limited the monopolistic position of the great companies, they still control 80 per cent of reserves, 65 per cent of crude oil production, 50 per cent of refining operations and 83 per cent of oil-tanker capacity (including rented tankers). We should also add that the oligopolistic structure of the oil industry has resulted in a rapid rise in production and consumption together with a gradual decrease in the cost of production of crude oil (particularly in the Middle East and North Africa). At the same time prices have risen and this situation has resulted in a considerable increase in the rent of the industry as a whole, most of which went to the large companies. Thus a conflict broke out between the oil companies, the producing countries and the consumer countries over the distribution of this rent.

The producing and exporting countries have claimed that, since this rent was derived from their oil resources in reality it belongs to them and that, furthermore, prices should be determined on a basis of comparison with the prices of other sources of energy as well as with reference to inflation in the United States. Posted prices, which were fixed, meant a decrease in the real price of oil while the price of goods imported by the producing countries were increasing all the time.

Against this, the companies argued that the world is

in need of low-cost energy, and that new competition in the international market has resulted in a fall in prices. Moreover, it is incorrect to distinguish between the production of crude oil and its profits and the outcome of the activities of the oil industry should be considered as a whole. If this standpoint is taken, then, said the oil companies, it can be realized that the revenues of the oil companies are not so high when compared with those of other industrial and mining activities (see Table 6). Apart from this, the large capital investments made by the oil companies cannot all be covered by the international money-market and have to be provided from the revenues of the companies themselves. Over the last decade \$50 billion have been invested in the oil industry (excluding the socialist countries) and \$300 billion is needed during the next decade to cover investment requirements.

Table 6: United States (1950-70) industrial countries. Ratio of net income to net assets

Year	Oil companies			Industrial companies
	Outside America	In America	Total	
1950	18.3	13.8	14.6	17.1
1955	30.1	10.2	13.5	15.0
1959	13.8	8.5	9.7	11.6
1970	11.3	0.0	0.0	00.0

The reply of the producer countries to this argument was that in recent years during which there has been a higher level of industrial competition, every activity should have been independently profitable. In fact the profits from the production and exporting of crude oil have been calculated and their inflated level is quite obvious. The ratio of income to net assets of the oil companies in the Middle East amounted to 57 per cent in 1950, 70 per cent in 1960, and 55 per cent in 1970. Even if we only take into account the revenues from crude oil operations, the revenues of oil companies reached 100 per cent in 1970. There is no reason why the legitimate share of the producer countries in these profits should be spent on the expansion and development of the oil industry in other countries, for the

benefits of such investments will not accrue to the producer countries.

The consumer countries also stated that the price of imported crude oil is too high when compared with its production cost. Therefore, there is a rent here accruing to the oil companies and producer countries. It is the increase in consumption in the consuming countries which has created this important oil market. Without this market oil resources would have remained unexplored, and if free competition existed in the oil industry, like other economic sectors, the selling price of oil would have been closer to its production cost. The present situation, however, results in an ever-increasing transfer of the wealth of the consumers to the producer countries and the oil companies. They argued that the reasoning of the producer countries over the decrease in real prices of oil is also unacceptable; the total oil revenues of these countries should be taken as a criterion, and this revenue has always been on the increase.

In response, the producers referred to the high taxes imposed by the consumer countries on oil products and stated that it is due to these heavy tariffs that no decrease can be made in the prices of oil products. Against this the consumer countries argued that the question of taxes is an internal one.

Another important aspect of the debate is foreign exchange payments and the international balance of payments. The exporting countries had demanded that the price of oil should be measured against the price of oil in America and prices of other sources of energy, which highlighted the low level of prices of exported crude oil and the consequent small amount of foreign exchange received. They argued that the claim of the oil importing countries regarding the rapid increase in foreign exchange receipts of the exporting countries is incorrect; it should be remembered that the industrialized importing countries have raised the prices of their exports in proportion to the rise in their oil imports, and have therefore been able to improve their balance of payments. Also they should realize that the surplus foreign exchanges revenues of oil exporting countries are usually returned to the developed countries in the form

of payment for goods and services (or in the form of savings), so that no real foreign exchange problem exists. The only countries suffering in this situation are developing consumer countries who have a severe shortage of foreign exchange, and it is for these countries that a solution must be found.

Table 7 shows the various cost factors of oil products sold to the consumer countries of Western Europe. It should be kept in mind that this price varies from one country to another, and it may rise as high as \$14 a barrel.

Table 7: Western Europe (1971) ratio of various costs in the sale price of one barrel of oil (cents)

		Per cent
Production cost	23.25	2.5
Refining cost	41.85	4.5
Transportation	83.70	9.0
Distribution costs and benefit	209.25	22.5
Revenues of the oil companies	37.31	4.0
Tariffs of consumer countries	418.50	45.0
Revenues of exporting countries	116.25	12.5
Total	930.11	100.00

Source: Financial Times, February 4, 1971.

Each one of the three groups: the exporting countries, the consumer countries and the oil companies, has taken certain measures in defence of its own interests. In the exporting countries these measures took the form of the nationalization of the oil industry in some countries, the creation of competition between various oil companies in the interests of higher future revenues, the participation in new oil ventures with independent oil companies, constant pressure on the large oil companies to change previous agreements to suit present conditions, the creation of national oil companies and a direct supervision in oil activities as well as the citing of international agreements on nations' rights to use their own natural resources. In

addition, in order to strengthen their position against the oil companies and the industrialized consumer countries, the exporting countries created an organization of the oil exporting countries (OPEC). This organization was to be concerned with all aspects of oil activities. Prices, production, the share of the producer countries in oil revenues, the establishment of a unified oil policy in the member countries, the participation of the exporting countries in oil activities etc. In 1970 the OPEC member countries owned about 65 per cent of total world oil reserves, exported 50 per cent of total world crude oil, and 85 per cent of international oil exports. This shows the importance of OPEC in the world oil industry.

Without any doubt the creation of the organizations and the resulting co-operation of oil exporting countries is one of the greatest events in the history of the oil industry. Until recently the large oil companies were not willing to negotiate or co-operate with this organization. And since there was a conflict of interest between the member countries themselves, there was no great hope of serious co-operation among its members. For example, Iran's efforts were mainly directed towards increasing its oil production and regaining its place as the first oil producer in the Middle East. Libya and some of the Persian Gulf emirates, who had recently discovered oil reserves, were also following the same policy. These countries were, in the first instance, trying to increase their total oil income under existing conditions. It was for this reason that the question of allocating the share of each member country in the increase in production was considered, and it was a big problem. However, Venezuela, which has limited crude oil reserves, was more interested in a rise in the price of crude oil and changes in the manner of payment to the exporting countries, and it therefore followed a policy of limiting of production. OPEC even made an effort to allow the participation of the member countries in production surplus through decree No.61 in 1965, but it was unsuccessful.

As time passed, and existing conditions changed, the views and attitudes of OPEC member countries began to unite, and this resulted in the approval of the famous

decree No.120 and the Tehran Negotiations, together with the enactment of a new agreement between the OPEC member countries and the oil cartels on exports of oil from the Persian Gulf. At the same time a new agreement was signed between Libya and the oil companies which augmented the revenues of the exporting countries to an unprecedented level.

According to Decree 120 of OPEC, member countries should take the measures aimed at achieving the following goals:

1. The net rate of income tax of the oil companies in the member countries should increase to at least 55 per cent.

2. The discrepancy between the posted prices of crude oil in the member countries should be eliminated and posted prices should be fixed at the highest level, taking into consideration the quality of crude and the place of production.

3. The price of crude should increase in relation to the conditions in the international market.

4. A new system, based on weights, should be created for adjusting the prices of crude oil. Instead of the 0.2 cent difference between each two degrees of API which is the standard now, this difference should be lowered to 0.15 cents for the crudes of less than 40 degrees API. For the crudes of more than 40 degrees it should remain at the 0.2 cent level.

5. By the first of January 1971, all discounts granted to the oil companies under different pretexts should be cancelled.

In order to implement this decree, it was agreed that in the first phase, a committee of representatives of Iran, Iraq and Saudi Arabia be organized, and other countries of the Persian Gulf which include Abu-Dhubai, Qatar, and Kuwait should begin to negotiate with the oil companies within one month. The result of these negotiations was to be announced to all member countries by the president of the

organization. After that, within 15 days an extraordinary meeting of the Organization was to be convened in order to evaluate the outcome of these negotiations, and to decide on another course of action in case of disagreements.

Before a discussion of the Tehrān negotiations, which were concluded by an agreement between 6 member countries and 15 international oil companies in February 15, 1971, it is necessary to include a short discussion of the situation of the oil companies, importers, the trend in prices of crude oil and the conflict of interest between the three groups. In the same way as the exporting countries used OPEC to further their co-operation and achieve their goals, the large oil companies took advantage of their oligopolistic position and put themselves in a situation in which, as far as services, production equipment refining, transportation, technical know-how, management and capital were concerned, both exporting and importing countries would remain dependant on them. However, the share of these companies in the profits rent of exported crude decreased due to pressure from exporting countries. However, recently when the crude oil market became more prosperous, the companies were able to increase the prices of their oil products in the consumer countries. This increase was also one of the reasons that the exporting countries were putting forward in order to raise the price of crude and increase their share in rent. The consumer countries also, by creating domestic companies, building refineries, establishing domestic sales networks, creating transport companies, and by taking advantage of the competition between the large companies, the small companies and the U.S.S.R., tried to lower the prices of crude oil and thus increase their part of the rent.

In order to shed further light upon this conflict between the three groups, it is necessary to survey to figures relating the costs, price trends and revenues of the exporting countries.

In the Persian Gulf area, the cost of producing crude oil and delivering it to ports is 10 cents per barrel on the average; however it varies from 5 cents a barrel for companies with large reserves and high production to 40 cents for the newer and smaller reserves (about 6.26 cents in Kuwait and 9 cents in Iran). The average cost of

production of crude oil is between 15 to 45 cents in North Africa, 82 cents in Indonesia, 51 cents in Venezuela and \$1.31 in the United States. It may go as high as \$3 per barrel in the latter country. These figures do not include the royalties accruing to the countries with reserves.

Up to the Second World War, the main portion of production and exports of oil used to be concentrated in the Gulf of Mexico, and so the prices of crude in this area became the basis for calculating the selling price of oil in other regions including the Persian Gulf. Thus Persian Gulf oil was the same price as oil from the Gulf of Mexico and, the further the destination of the oil the higher was its price. Thus in the Persian Gulf the price of oil equalled the price in the Gulf of Mexico plus the cost of transport from America to the Middle East. This latter freight cost was known as (Phantom freight).

During the Second World War when the demand for oil increased for ship fuel etc., England refused to pay "phantom freight", and in 1945 it was agreed that the prices of oil from the Persian Gulf and the Gulf of Mexico should be equal. As a result, the price of Persian Gulf crude could compete geographically as far as Italy in the West and Hawaii in the east with oil prices of the Gulf of Mexico.

The abolition of the control of prices in America, and anxiety over oil reserves in America in 1946 resulted in a hike in prices of crude oil from \$1.32 to \$2.68 per barrel in the Gulf of Mexico. With the rapid rise in oil production in the Middle East and the need for markets, the price of 34 degree crude oil in the Middle East rose from \$1.17 to \$2.18, and thus the prices of oil in the Persian Gulf became competitive with oil prices of the Gulf of Mexico in London.

From May 1948, price of Middle East crude, in order to enter the American market, a rapid downward trend reaching \$1.71 in April 1949.

In 1953, with an increase in demand for oil, prices rose by 22 cents and reached \$1.93; and again in 1957 with the closing of Suez Canal and a new prosperity in the oil market, prices rose by 15 cents to \$2.08.

However, during early 1959 due to competition among the oil companies and the entrance of U.S.S.R. oil into the international market, prices fell once more to \$1.89. This decrease continued in 1960 when the price fell to a low of \$1.80. It was this last decrease in oil prices by the oil companies which finally resulted in creation of OPEC by the exporter countries.

Even after the creation of OPEC the posted prices remained fixed although the sale prices of crude oil were gradually being lowered in the form of discounts. By 1970 this discount amounted to something like 35 to 55 cents per barrel. The National Iranian Oil Company was also selling oil to India, South Africa and countries of Eastern Europe with this discounts.

The drastic drop in oil prices of the Middle East and other exporting countries finally made America impose a quota system in order to protect its domestic oil industry and to limit the import of low-price foreign oil. Consequently the average price of crude oil in America began to rise reaching \$3.50. Since America had to import one fifth of its oil consumption from abroad, the companies owning a quota of Middle East oil were able to sell it at a profit of \$1.50 per barrel in the American market.

Other consumer countries such as Japan and countries of Western Europe who were not major producers of oil took advantage of the drop in Middle East oil prices, and accelerated conversion of energy from coal to oil, postponing their atomic energy production projects.

As a result, while prices of oil in America advanced to \$3.50, Middle East oil prices dropped down to \$1.35 and \$1.25 (even though posted prices, which were the basis of calculation of revenues of the exporting countries, have remained the same during the past decade). Furthermore during the same period, the purchasing power of foreign exchange weakened, and the prices of industrial goods needed by the oil exporting countries rose rapidly. An example of this is the construction costs of oil refineries. Table 8 shows that these have risen by 329 per cent within the last 25 years. This rise is more or less the same for all other commodities required by the crude oil exporting countries.

Table 8: Nelson's indices of construction expenditures of the refineries (1946=100)

Year	Machinery	Materials	Labourers	Total
1946	100.0	100.0	100.0	100.0
1950	126.2	149.5	144.0	146.2
1960	200.2	207.8	241.9	228.3
1969	239.0	235.2	391.8	329.2

We have so far discussed how the industrialized consumer countries have been able to take advantage of the competition between the oil companies and their own position in order to lower oil prices to a minimum, thus gaining an ever-increasing part of the rent. According to available statistics, their rent has been estimated at \$20 billion for the year 1970.

The exporting countries were also able to increase their share through changes in the payments procedure. After 1950, the ownership interest system gradually vanished and was replaced by the principle of a fifty-fifty distribution of profits with the oil companies which was practiced in Venezuela. Subsequently, discounts which were granted for large sales or for market-research expenditures etc. were cancelled. Four years ago, it was decided not to include the owner interest which was included in calculation of the 50 per cent share of the producer countries. And finally, before the Tehran negotiations, the 50 per cent level of profits was increased to 55 per cent. With these changes in payments procedure, the share of governments rose from the average 20 cents a barrel in 1947 to 53 cents in 1952, and to 86 cents in 1970. With the execution of the Tehran Agreement it is expected to reach \$1.150 by 1975 (Table 9).

On the other hand, the share of the oil companies in this rent has decreased from \$1.52 in 1948 to 37 cents in 1970. However, since the volume of production and sales has been on the rise but investment and assets of the oil companies have not increased by the same ratio, no

Table 9: Distribution of oil revenues (in US cents)

Year	Production cost	Revenues of the producer countries	Revenues of oil companies	Average sales cost
Total crude and refined oil				
1913-47	44	21	88	153
1948	61	34	152	247
1952	32	53	111	195
1959	33	79	88	200
Crude oil				
1960	14	78	78	170
1970	10	86	37	133
1971	00	125	00	00
1972	00	131	00	00
1973	00	137	00	00
1974	00	144	00	00
1975	00	150	00	00

noticeable change has occurred in the revenues of the oil companies from their holdings in the exporting countries.

The factors and condition responsible for the Tehrān negotiations and their success can now be summarized as follows:

1. A decrease in price of crude oil and a rise in prices of imported goods.

2. A rapid in the demand for oil over the previous year due to a drop in coal production, the postponement of atomic energy utilization programmes and accelerated economic development.

3. Difficulties in the provision of oil due to the closing of the Suez Canal, the closing of the pipeline, the shortage of oil tankers to transport oil from the Persian

Gulf and finally a decrease in production in Libya as a result of government measures.

4. A hike in prices of Libyan oil (which had been priced lower than Persian Gulf oil) in September 1970, and a rise of 30 cents per barrel in the revenues of Libya's government. This resulted in an increase in crude oil prices in Europe which in turn became a supporting reason for the demand of the exporting countries of the Middle East for a rise in prices.

5. The ever-increasing dependence of the consumer countries on oil and lack of sufficient reserves on a long-term basis (more than 2 or 3 months) in these countries, and, in addition, their lack of other sources of energy.

6. A change in Iran's policy, after this country became the first oil producer in the Middle East, from efforts to raise production, to efforts to raise prices.

7. Preparation and approval of OPEC's No.120 Declaration and the serious support and co-operation of member countries for the implementation of this Declaration.

In February 15, 1971 after lengthy negotiations between the representatives of the members of OPEC negotiations, and representatives of twenty two oil companies, the Tehran Agreement was finally signed. This agreement in fact represented the surrender of the oil companies to OPEC's Declaration No. 120 on the following points:

1. The posted price of all types of Persian Gulf crude was to increase by 33 cents a barrel. An extra 2 cents was to be added to this amount on account of the settlement of transportation problems.

2. In the case of Iran and Kuwait, the price of heavy oil had earlier been increased by 9 cents a barrel. According to this Agreement, it was other OPEC member countries of the Persian Gulf Area were also to enjoy the same increase. In addition, in order to remove previous differences, one cent was added to the price of every barrel of crude oil for Iran, the average oil of Saudi Arabia and

Kuwait and six cents was added to each barrel of Basra oil.

3. All discounts granted in the posted prices of oil from the exporting countries to producer companies were to be cancelled (the main portion of these discounts related to the qualities of oil or owner interests which were scheduled to remain until 1975).

4. The posted price of crude oil was to increase $2\frac{1}{2}$ per cent annually parallel to the rise in international prices.

5. In order to improve oil prices, which have so far always been lower than other raw materials, crude oil prices were to increase by 5 cents a barrel annually.

6. The price difference for various degrees of crude oil which has been 0.2 cents a barrel, has been decreased to 0.15 cents for oils less than 40 degrees, and 0.3 cents for oils higher than 40 degrees. This difference between the degrees will be calculated according to decimals. Previously, there was no difference between the price of 32 degree and 32.9 degree oil, only the price of 33 degree oil was 0.2 cents higher. Also, in the future, agreements regarding a decrease in this price difference were to be calculated according to the price of 40 degree crude oil. In this way, a rise in oil prices was guaranteed.

7. The income tax of the oil companies was to increase from 50 per cent to 55 per cent (according to the agreement of Abān 23, 1349, Irān already had this advantage).

8. The Tehrān Agreement concerned only the crude oil produced by OPEC member countries and exported from the Persian Gulf Area. That portion of exports of Saudi Arabia and Iraq which are delivered by pipelines from the Mediterranean Sea were not included in this Agreement.

9. The validity of this Agreement is 5 years. During this period the exporting countries were not to impose any limitations. However, other OPEC member countries are not allowed to enjoy the conditions of this Agreement.

The results of this Agreement can be summarized as

follows:

1. For the producing and exporting countries:

(a) A rise in the revenues of the exporting countries. The average oil revenue per barrel of crude oil in the Middle East which amounted to 86 cents in 1970, will reach \$1.25 in 1971 and \$1.50 by 1975. Thus the additional revenues of OPEC member countries, which are at present estimated at \$3.8 billion in 1971, may advance to \$7 billion by 1975. For example, Iran's revenues which amounted to \$1,160 million in 1970, will amount to \$1,750 million by 1971, and this figure will probably double by 1975.

(b) More supervision over the oil companies and the beginning of participation in decisions regarding oil.

(c) The acquisition of more political power on the international scene.

(d) Greater possibilities for the oil of these countries to enter international markets, and the opening up of means by which the producing countries can, eventually, enter into direct transaction with the consumers.

2. The consumer countries:

(a) A guarantee of required energy consumption for the next five years.

(b) The acquisition of enough time to take the necessary measures in their energy provision policy (higher utilization of coal and rapid expansion of atomic energy, the utilization of other sources for the production of oil, the acceleration of oil exploration activities in other areas etc.,).

(c) The creation of oil reserves and expansion of the existing ones.

(d) Loss of a part of the rent.

(e) An increase in the burying rate of crude oil and

higher foreign exchange payments (although the foreign exchange revenues return to the industrial consumer countries particularly United States and England in varying ratios for purchase and reserves of foreign exchange. However, despite this, foreign exchange pressures will increase.

(f) The creation of enthusiasim for consumersyndicates and direct relations with the producer countries for purchase of exploration production of oil etc.,

3. The oil companies.

(a) The assurance of production and export of oil for the next five years.

(b) Some loss of control over the world oil industry and a blow to their role as intermediaries between the producer and consumer.

(c) The possibility of a further loss of rent.

(d) Greater motivation for oil exploration in new areas.

(e) The motivation to search for a new position in the oil industry between the producer and consumer countries.

4. International relations.

(a) The possibility of direct contact between the producer and consumer countries, and possible collisions.

(b) The efforts of some countries and international organizations to accept the oil situation as one of the important aspects of world security and thus their intervention. Up to now, only the principle of a nations jurisdiction has been observed in oil activities.

(c) The creation of an example for countries exporting raw materials (particularly the principle concerning gradual increase of prices parallel to rise in world prices of the Tehran Agreement).

Table 10: Payments (\$ million)

Year	Kuwait	Saudi Arabia	Iran	Iraq	Other areas	Total	Libya	Total Middle East and Libya	Venezuela
1954	219.1	293.2	8.7	191.4	36.1	748.5		748.5	510
1955	307.0	287.8	90.5	206.5	45.1	936.9		936.9	596
1956	301.1	299.5	153.4	192.8	47.1	1,002.9		1,002.9	738
1957	338.4	323.1	212.9	136.8	56.6	1,067.8		1,067.8	968
1958	424.8	309.9	247.4	223.7	72.2	1,278.0		1,278.0	993
1959	405.2	315.0	262.5	242.5	69.2	1,294.4		1,294.4	926
1960	465.2	355.2	285.3	266.3	70.0	1,442.0		1,442.0	877
1961	464.3	400.2	301.2	265.5	70.3	1,501.5	3.2	1,504.7	938
1962	526.3	451.1	333.8	266.6	74.8	1,652.6	38.5	1,691.1	1,071
1963	556.7	502.1	398.1	325.1	82.9	1,864.9	108.8	1,973.7	1,106
1964	655.0	561.0	469.7	353.1	95.9	2,134.7	197.4	2,332.1	1,122
1965	671.1	655.2	522.4	374.9	119.0	2,342.6	371.0	2,713.6	1,135
1966	707.2	776.9	593.4	394.2	210.4	2,682.1	476.0	3,158.1	1,112
1967	717.6	852.1	736.7	361.2	227.1	2,894.7	631.0	3,525.7	1,254
1968	765.6	965.5	817.1	476.2	353.5	3,377.9	952.0	4,329.9	1,253
1969	812.2	1,008.0	937.8	483.4	431.4	3,672.8	1,132.0	4,804.8	1,289