

A MIDEAST VIEW OF THE ENERGY CRISIS

Nosratollah Rassekh
History Department
Lewis & Clark College

I am not going to talk about the whole energy crisis, but view it from the standpoint of the Middle East.

Eric Hobsbawm, in his book "The Age of Revolution" comments on industrial revolution as an episode without a beginning and without an end. Industrial revolution became the norm. By any reckoning, this was probably the most important event in world history since the invention of agriculture and development of cities.

The industrial revolution seems to have brought about a happy paradox. While population increased so did the general welfare and standard of living. An increase in human numbers, apparently, did not have the effect of creating material shortages. Machinery and efficiency have combined to create a most fantastic result. Technology lies at man's disposal with new forms of energy, electricity, and resources never before available. Free of the need to devote the bulk of its manpower to the primary production of food, the industrial West was able to diversify its productive capacity and the remarkable economic benefits of the industrial revolution have been diffused widely among the people.

Industrial Revolution Impact

Throughout the 19th century real wages climbed steadily, and by the end of the century luxuries, such as meat and cheese, became 20th century staples. The marriage of science and technology to industry and agriculture was viewed only as a promise of future wealth and not a threat of eventual environmental deterioration. Life not only has become easier but also prolonged. The revolutionary development of communication and transportation has spread popular education, and the overall economic prosperity has helped enrich human experience. Living for many of us has become something more than a mere succession of events between birth and death.

The fact is, however, that western societies have increased their standard of living not simply by their technological skills but also by their access to the world's natural resources. When the rich iron ore of the Mesabi Range in Minnesota was exhausted the industrialists could rely on new fields in Ecuador. The oilfields of Texas and

Oklahoma could be supplemented by those in Kuwait and Saudi Arabia.

The Reality of Change

By the end of World War II an important change was beginning to take form. A revolution of rising expectation was starting to grow among the "have" nations. A common question among the "have not" nations was, "Why should we refrain from building factories and super highways?" At the same time man was rapidly using the earth's natural resources. One half of all the coal ever consumed has been burned in the United States since 1920. Since 1940 Americans have used nearly one half of all the oil and gas ever consumed. America, with less than 6 per cent of the world's population, in 1970 consumed 36 per cent of the fossil fuel, 20 per cent of the cotton, and 10 per cent of the world's food supply.

Too much of the world's supply of energy was produced and consumed in those geographic areas where the demographic curve had been completed. In 1972 the United States was consuming one-third of the globe's energy production. At that time the energy demand of the United States was projected to be more than doubled by the year 2000. The use of energy in the United States doubled every 10 years although it took 33 years for its population to double. As demand was increasing supply was diminishing. Distribution problems threatened to curb this exponential growth abruptly. As former Commerce Secretary Peter Peterson explained, "Popeye is running out of cheap spinach."

Clearly the stone plaque had been placed. The fourth Arab-Israeli war of October 1973 was a catalyst which made the energy crisis a fact of life for the industrial nations. The war and Arab oil boycott did not create the crisis. It hastened its realization. For years, forces were at work in the Middle East as well as in the Western World which would have made and should have made the old pre-World War II relationship between the oil-producing nations and oil-consuming nations obsolete. New developments were calling for new sets of rules and new sets of priorities. However, those few in the industrial world who saw the ominous signs could not awaken the interests and concern of the rest.

Germany, Great Britain, France, Belgium, and Holland all created industrial societies predominantly dependent upon oil, a source of energy that had to be imported from abroad. It is difficult to conceive how, under the circumstances, no comprehensive plans were drawn to deal with an energy crisis if the flow of oil abruptly came to an end. Even the United States in its own great oil reserv-

es could not meet the challenge of ever increasing demands for this primary fuel. According to the United States geological survey in 1972, only 52 billion barrels of the estimated 3 trillion barrels of petroleum liquid in this country were identified and recovered. Most of the oil that was relatively easy to find had already been discovered. Oil producers were forced to dig deeper and in more remote areas in the search for petroleum thus raising production costs. The United States in 1972 imported nearly 28 per cent of its oil. Dependency upon imported oil is projected to jump from 50 to 65 per cent by 1980. While only 10 per cent of the oil imported by the United States in 1972 came from the Middle East, it is projected that the Middle Eastern Countries would supply more than 60 per cent of the total oil imported by 1980.

Relationship Alterations

Increased oil demand by the industrial powers, discovery of the immense oil reserves of the Middle East, the rising national consciousness of people in developing nations, and the emergence of the well educated and competent civil servants in those nations after 1950 radically altered the relationship between oil-producing countries and the foreign oil companies.

There are other elements that have been responsible for what has been happening since October 1973. In 1951, Persia nationalized the Anglo-Iranian Oil Company, the first country in the Middle East to do so. The Persians had realized that their non-renewable natural resource was being exploited, not to their advantage but to the advantage of foreign countries. From 1911-1951, according to the published statistics of the Anglo-Iranian Oil Company, the British government received \$700 million in taxes from Anglo-Iranian Oil Company. The company realized a net profit of \$615 million. Iran's total share for those 40 years was \$316 million. In 1950, Iran received \$45 million in royalties, and the British government received \$140 million in taxes. This is why the Persians not only became conscious of what was happening but were determined that it would not go on.

The oil company was nationalized, but as a result the country was bankrupt because the government and the people soon realized that alone Persia could not compete with the international oil cartel. When the flow of oil from Iran stopped, other companies in other parts of the Middle East increased oil production. For the two years, 1951-1953, when nobody was buying oil from Iran because of a British threat, the oil production of Quebec tripled. Saudi Arabia increased its oil production. So by 1953, the Persians, much to their own embarrassment, realized that they could not really work reason-

ably with other nations as long as they were by themselves. From this situation a new organization was created — the Organization of Petroleum Exporting Countries (OPEC).

The Persians had defied the powerful western nations and a powerful oil company, and it seemed that they had won. Psychologically, the importance of the victory cannot ever be overemphasized. It was heralded by Iran and by all the developing nations. Egypt, for different reasons and under different circumstances, soon followed the precedent by nationalizing the Suez Canal. Other oil-producing countries followed the example of Iran in subsequent decades.

The creation of OPEC came almost a decade after the nationalization of Iranian oil. Five nations started it in September 1961 — Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela. By 1973, eight other oil-producing countries had joined. In 1967, the Arabs had tried to use oil as a buffer against the West and the support of Americans for the state of Israel. This was unsuccessful, because in 1967 there was not a great deal of collaboration among other oil-producing countries. Also, the Arabs in the south did not have a unified policy to follow, and there was dissension among the Arab nations about a new policy. The Arabs did not have the money reserves needed to sustain a boycott of the oil-consuming nations.

In 1973, the situation changed. The Arab oil-producing nations managed to formulate a common policy and gain the collaboration of non-Arab members of OPEC. In October 1973, the Arab oil-producing nations declared they would not increase oil production.

Positive Elements

There is a positive element in the energy crisis of the past few years. Some of the industrial nations have been forced to speed up the research and development of alternative kinds of energy. The United States and Western nations have the potential to overcome the energy obstacles and to find new alternative sources of energy. But for a short time, the world must live with the reality that the OPEC nations have developed a solidity in the use of oil power that most industrial nations did not think was possible. They will not easily give it up. It is madness even to contemplate the use of military force.

In the interim, the advanced nations face the necessity of finding mutually satisfactory adjustments with this suddenly politically and economically powerful Middle East. These adjustments will help stabilize the role of energy in international policy, insure the

necessary development of some of the underdeveloped nations, and obtain the necessities upon which much of the industrial growth depends.

Let me mention two or three points as far as the oil crisis is concerned from a Middle Eastern perspective. The Arab nations know oil is exhaustible. In 1967, oil in Kuwait was produced at 5 per cent of the cost of oil produced in the United States. It was one-eighth the price of oil produced in Venezuela. This cheaper Middle East oil was the reason that Europe went to oil as a main source of energy even though they have plenty of coal. Middle Eastern nations soon realized this and they became determined not to continue to supply oil at a bargain.

Another point concerns Arab leadership. We should never again see Arab leaders as wild bedouins on camels looking for an oasis. They are well-educated, competent civil servants. Since 1950, they have been the beneficiaries of oil money. They have been educated at Harvard, Cambridge, and Stanford. Some of you probably have seen Mr. Zaki Yamini on television, the oil minister of Saudi Arabia. He doesn't look like a wild camel driver. He speaks English with hardly an accent. Why not? He has a law degree from Harvard. The Minister of Interior, Jamshid Amuzghar, is the representative of Persia in OPEC. He has a Ph.D. in economics from Cornell. These people, as I have said, are competent. They know their strengths, and they are now using those strengths to their own advantage.

Finally, much criticism has been directed against the oil-producing countries for using oil as a political refuge. This is not new. All nations who have had the economic power have used that power for political purposes. Has the United States ever given economic help to the nations with politics it disapproved? If such initiative is taken by strong nations it is called "statesmanship." If it is taken by a small nation it is called "blackmail."

The Western World finally realizes the need for cooperation with the members of OPEC for mutual benefits, and I hope this will be taking place.

On balance, I am optimistic. I simply cannot believe that the world's political leaders will be so stupid as to turn their backs on the hard lesson of past hatred, and give in again to parochial, destructive, and dangerous national demands. They remember, as do you and I, that the pettiness and jealousies of national sovereignty blocked the global cooperation that could have avoided World War I, the Great Depression, and with it, World War II. I refuse to believe the same tragic mistakes will be made again.