Energy Insider by William Engdahl

The remarkable influence of Big Oil

Thirty percent of the U.S. foreign trade deficit comes from oil imports—why, then, is Washington silent?

Something caught my eye while I was reviewing the grim statistics on the collapse of the U.S. domestic oil drilling industry. Familiar with the industry in its "boom" years of the 1970s, I knew what it meant when reports of Hughes drilling rigs in operation showed lows of activity not seen since the Great Depression. But what really struck me, is who is benefiting from this situation—and who is silent on it.

This year, the United States will import a considerable amount of crude oil, still the nation's largest source of primary energy. According to the semi-annual forecast of the Independent Petroleum Producers of America, the United States, the world's largest consumer of oil, will increase net oil imports by a hefty 15% in 1989. In 1988 they increased by 8%, and daily imports of crude oil and refined products will now run an expected 8 million barrels per day of the nation's daily consumption of 17.5 million. Total domestic production of oil and natural gas liquids will run about 9.4 million bpd. This means some 46% of total U.S. petroleum consumption is now from imports. As recently as 1985, oil imports were only 4.3 million bpd.

Isn't it strange, when Washington is presumably preoccupied with the alarming $140 billion U.S. foreign trade deficit, that no one touches the sacrosanct subject of oil imports? A whopping 30% of U.S. trade deficit now comes from oil imports. The U.S. paid multinationals $38 billion in 1988 to import that oil.

Concern is conspicuously absent in Washington, despite a President who prides himself on being a former oilman, and a commerce secretary who claims to have been an independent oil producer. Obviously, we see only the tip of a very oily iceberg.

U.S. government foreign policy has had an incestuous relation to "Big Oil" since well before the 1944 report to the government's Petroleum Administration for War by Texas oil geologist Everette DeGolyer. DeGolyer, reporting on his technical mission to the Middle East, told Washington, "The center of gravity of world oil production is shifting from the Gulf-Caribbean area to the Middle East—to the Persian Gulf area."

By 1950, Washington had made a secret deal with the oil multinationals to allow them to avoid paying taxes on their huge earnings from Mideast oil sales. Their manipulated "royalty" payments to Arab oil states were allowed as a substitute for U.S. taxes. Only during the 1956 Suez Crisis did details of this cozy arrangement even leak into the public.

Texaco, Gulf, Mobil, SoCal (Chevron), and Exxon became an unofficial arm of the State Department—even sometimes the other way around. Wall Street lawyer John McCloy, chairman of Chase Manhattan, was arbiter of U.S. policy in the Middle East during the Eisenhower years. It all seemed to work. So long as energy was cheap, no one paid much attention.

By 1973, when certain Anglo-American financial bigs meeting at the estate of Sweden's Marcus Wallenberg, decided to trigger their "oil shock" and raise world prices by 400%, the United States had increased its import dependence to a considerable 36% of total demand. The fact that today, following two such "oil shocks," the U.S. has again increased imports, to almost 50% of consumption, is testament to the political power of Big Oil in the U.S. Establishment.

Also, notice that deliberate neglect has ensured the collapse of independent domestic oil production. EPA "clean air" regulations have sealed the doom of some 30,000 independent gasoline retailers across the country. Oil, as never before in U.S. history, is controlled by supranational companies which have little national concern. Now, with the hysteria following the Alaska *Exxon Valdez* oil spill forcing the most promising domestic new oil exploration off limits in Alaska, the prospect of even greater import dependence is growing by the hour.

Who will benefit in this situation? Could it be the Russians, who are manipulating Washington's stupidity in the Middle East to gain control over Iran as well as maintain influence in Iraq? Could it be British Petroleum and its sister Royal Dutch Shell, widely regarded as the world's shrewdest oil multis? They are investing billions in the North Sea, and leading the return to Libya. Their light, low-sulfur crude is the oil most in demand in the United States, for environmental and efficiency reasons. Or could it be Saudi Arabia, which, according to one estimate, sits with 60 million barrels of oil in "floating storage" in the Caribbean, waiting to dump it on U.S. markets at any time?

Clearly, there is a need to treat national energy production with tax and other inducements to reduce the exposure to new "oil shocks." But beyond this, the Bush administration has yet to make good on its promise of revitalizing nuclear energy, the most obvious candidate to reduce dependence on imported energy.