Major events with significant implications for energy have recently obtained on the world stage. The most recent is the series of nuclear accidents in Japan. One question is whether these accidents were caused by problems that can be easily remedied or they arise because of some fundamental flaws characteristic, perhaps, of nuclear. Will these accidents kill (or at least seriously affect) a cherished idea about fuel substitution – the demise of oil in favour of non-hydrocarbon energy sources. It is difficult to see how the trade-off between ‘dirty oil’ and ‘dangerous nuclear’ is assessed. But most of those afflicted by the disease known as petro-phobia have such an absolute view about the polluting impact of oil that the assessment cannot be made. What is conceived as absolute is not subject, by definition, to any trade-off as these involve relativities.

This event is so recent that its analysis and correct interpretation will have to await a future issue of Forum. Closer to us in time are political developments in the Arab World. Although most of the current regimes are still in existence, so are the powerful forces that support them. Yet, something fundamental has changed. A number of old assumptions about the political passivity of Arab populations have been proven to be wrong. Most governments are faced with protests. In some cases their citizens are calling for the demise of existing political regimes. These are surviving by instilling fear through repression. But there is a cost to this approach. The more repressive present political regimes become, the greater the loss of their legitimacy and the shorter will be the length of their eventual survival.

We are at the beginning of a process of political liberalisation that may take years to impose itself; but the dice is already rolling.

All that is bound to change the world energy scene in ways that cannot be fully predicted yet. Oil nationalism is likely to become a more powerful force, mitigated however by the need to protect or even increase the flow of oil revenues. It is important to recall that revenues are a function of both volume and prices. A loss of volumes may be compensated by a more than proportional increase in prices. History involves events that provide evidence in support of this point. What is certain, however, is
SOVEREIGNTY OVER ENERGY RESOURCES

Each state continues to hold (...) the rights to decide the geographical areas within its Area to be made available for exploration and development of its energy resources, the optimization of their recovery and the rate at which they may be depleted or otherwise exploited, to specify and enjoy any taxes, royalties or other financial payments payable by virtue of such exploration and exploitation, and to regulate the environmental and safety aspects of such exploration, development and reclamation within its Area, and to participate in such exploration and exploitation, inter alia, through direct participation by the government or through state enterprises. (ECT, 1994: Art.18)

The heading of this article inevitably brings to mind that famous United Nations Resolution from 1962, entitled ‘Permanent Sovereignty over Natural Resources’.

The threats to the sovereign rights of countries (especially those of the lesser developed variety) were by no means limited to the change in language referred to above. In 1994, with the creation of the World Trade Organisation (WTO), the GATT was incorporated in toto to this treaty. Up until the creation of the WTO, threats which purported to present OPEC as an illegal cartel had to contend with the problem that, in the first place, there was no statute which could serve as the basis for such an assertion. But if the concept of petroleum were to be restricted to energy resource, to the produced oil, and the still to be extracted natural resource in the subsoil were ignored, then oil could be seen merely as a basic commodity. By means of this sleight of hand, the WTO and its arbitration courts would acquire very significant leverage over oil-producing countries, not least because all OPEC Member Countries have joined or are seeking to join the WTO. Now, the aforementioned Article 20 of the GATT specifies that another allowable exception to its rules involves measures ‘undertaken in pursuance of obligations under any intergovernmental commodity agreement’. However, for an agreement of this nature to be legally valid, it has to comply with a two-fold requisite: ‘to criteria submitted to the Contracting Parties’, i.e. Member Countries of WTO, ‘and not disapproved by them or which is itself so submitted and not so disapproved’. In other words, this kind of agreement has not to be formally approved by the WTO but, at the very least, not objected to by WTO member countries. The point is, of course, that the majority of WTO member countries are oil-consuming countries.

The above reflections make it easier to understand the evolution of the oil regulation framework in Venezuela during the years of the Oil Opening Policy. What was being prepared, in essence, was the regulation of production in the context of a commodity agreement. But it was not supposed to be a commodity agreement between the producing countries and the consuming countries, based on the recognition of the sovereign rights of the former to regulate extraction rates of an exhaustible and non renewable natural resource, as was in the mind of OPEC’s founding fathers; on the contrary, it would be a commodity agreement that would seek to deny these countries such rights.

The oil multinationals, as well as the consuming countries, were then and are still acutely aware of the inescapable necessity to regulate the world petroleum market. This is a historical lesson of long, long standing. But what they never wanted and still refuse to accept is that this regulatory function be in the hands of a dozen Third World countries. Thence stems the policy initiative of trying to force OPEC to operate within the jurisdiction of the WTO. This may in time allow, by means of all sorts of legal acrobatics, the interpretation of the OPEC treaty as a commodity agreement. For good measure, it underpins veiled and not-so-veiled assertions about OPEC’s purported ‘illegality’. Were this initiative to come to fruition, the current OPEC quota system would change into one that would be lorded over by the WTO; in other words, by the most powerful consuming countries which also constitute the IEA.

Thus, there is no doubt that the policy of the powerful consuming countries consists in creating favourable conditions to drag OPEC into the realm of WTO and its rules on commodity agreements, against the backdrop of the implicit or explicit threat that any unwillingness on OPEC’s part to play ball may very well lead to an outcome where it is formally condemned as an illegal cartel of commodity producers. The power of this alleged cartel would rest on its 40 per cent share of the international petroleum market. However, the truth is that OPEC’s real power is not reflected in this 40 per cent figure. OPEC’s real power is much greater. It is based not on the market but on nature, and the decisive fact that 85 per cent of the world’s proven oil reserves are to be found within the national boundaries of OPEC Member Countries, including the Orinoco Oil Belt.

Opec at (More Than) Fifty: The Long Road to Baghdad, and Beyond

Juan Carlos Boué

Towards the beginning of the third volume of the History of the French Revolution, as overall proceedings are taking a sinister turn that will culminate in parliamentary regicide, Thomas Carlyle penned the following lamentation: ‘it is unfortunate, though very natural, that the history of this Period has so generally been written in hysterics. Exaggeration abounds, execration, wailing; and on the whole,
darkness.’ These lines, aside from being a fine example of a pot calling kettles black, succinctly sum up both the tone and the explanatory sterility of much of the oceans of ink that have been spilled in the name of OPEC. However, the deep shadows in the field of OPEC historiography, more than a cause for regret, ought to be a source of shame for all concerned. After all, the fact that Carlyle himself could refer to History as the ‘distillation of rumour’, reflected in no small measure the difficulties still posed in his day by the collection, collation and dissemination of reliable information and data. Today, where contemporary issues are concerned, these difficulties have become sufficiently attenuated as to no longer constitute a credible excuse. Moreover, in the particular case of OPEC, it is clear that much of the prevailing darkness is the result of people ignoring (or even taking deliberate pot shots at) sound sources of illumination, with cover for this unedifying pursuit being provided by the din of axes being ceaselessly ground.

Consider, for example, the issue of the circumstances and motives that led to the birth of OPEC (a timely topic, given that the organisation has just celebrated its fiftieth anniversary). Daniel Yergin, the award-winning and decorated author of The Prize (a book which, for better or worse, has become the embodiment of conventional wisdom regarding the development and evolution of the international oil industry), offers the following account of this chain of events (pp. 516–18). At one point during the first Arab Petroleum Congress, held in Cairo in 1959, formidable journalist Wanda Jablonski – who was later to set up Petroleum Intelligence Weekly – invited Juan Pablo Pérez Alfonzo, Venezuela’s Minister of Mines and Hydrocarbons at the time (as well as an acquaintance of hers and happily present at the conference as an ‘observer’), to her hotel suite. The head of the Saudi Directorate of Oil and Mining Affairs, Abdullah Tariki (an even closer acquaintance of Jablonski’s), was already there. According to Anna Rubino (Jablonski’s biographer), ‘although Tariki and Pérez Alfonzo were planning to meet ... it was Wanda who made the introductions – over Coke or bourbon, depending on who was listening to her story – a typical, quietly influential moment that would change the nature of the oil trade forever.’ And the international oil panorama changed forever because the Saudi and Venezuelan ministers found that they had much in common and got along famously (an outcome that Ms. Jablonski had predicted). As a result of this, the Gentlemen’s Agreement of Cairo was signed a couple of days afterwards, and only one year later, OPEC – the offspring of this Agreement – would come into being in Baghdad. And less than 15 years after that, of course, the OPEC Member Countries would stand accused of stoking the furnaces of an overheated petroleum market in order to push oil prices to extortionate levels (thereby unforgivably weakening the capacity of advanced industrial societies to withstand the Communist threat), for good measure adding insult to injury by nationalising the most valuable pieces of real estate in the planet from the hands of their rightful corporate owners. Small wonder, then, that in 1979, at a juncture when oil prices were at record highs and ‘OPEC seemed to have the entire world economy in its grip’, Jablonski’s role as ‘the matchmaker of an alliance that would develop into ... OPEC’ (Yergin) led an interviewer to put it to her that she might have been better advised to let sleeping dogs lie.

So what, if anything, is wrong with this picture? Is it not true that Tariki and Pérez Alfonzo initiated their fruitful relationship through Jablonski’s good offices? And was it not the case that, as a result of their brief encounter in Cairo, it suddenly began to dawn on policy makers in the largest oil-exporting countries of the world that there might be something to the idea of defending their respective fiscal incomes through collective bargaining with the major oil companies?

The answer to the first question is ‘No’. The accounts that place Wanda Jablonski at the epicentre of the goings-on in Cairo are at variance with those of first-hand witnesses, notably Manucher Farmanfarmaian (who was the Iranian signatory to the Gentlemen’s Agreement). Moreover, the two men had already been introduced to one another in an official capacity as soon as the Cairo congress started. In charge of introductions had been Manuel R. Egaña, founder of the Venezuelan Ministry of Mines and Hydrocarbons, and its first incumbent in 1950 and, by some distance, the most intellectually gifted and able among all the men that have ever been responsible for the oil portfolio in Venezuela.

“the deep shadows in the field of OPEC historiography, more than a cause for regret, ought to be a source of shame”

Egaña’s very presence at the conference, as much as that of Pérez Alfonzo (or Farmanfarmaian’s, for that matter), shows why the answer to the second of the questions above also happens to be ‘No’. Simply put, the Pérez Alfonzo–Tariki handshake was no bolt out of the blue, not least because the major oil-exporting countries had not simply been passing one another like ships in the night up until that point. For all that the Gentlemen’s Agreement might have looked like a discharge triggered by Anglo-Persian’s unilateral reduction in posted prices (an action that the other majors were quick to imitate, and would come to rue at their leisure), this informal agreement in fact represented the first major result of a bold long-term strategic initiative that Manuel Egaña had conceived and put into motion a decade before. His successors – most notably Pérez Alfonzo – were eventually able to bring it to fruition, in the form of OPEC, thanks to the actions and collaboration of their counterparts in other exporting countries (first and foremost Saudi Arabia), as the development of the latter’s respective oil sectors and policies gradually caught up with those of Venezuela. It is worth remembering
here that the most important oil exporter in the world from the late 1920s until 1970 was Venezuela.

Placing Egaña’s initiative within its broad historical context serves not only to highlight its visionary nature, but also to understand its role as the keystone for the institutional framework for oil activities in Venezuela; i.e. the block that provides the finishing touch to an underpinning structure while, at the same time, doubling up as an indispensable support element within it. During the 1930s, as Minister of Development, Egaña had been instrumental in putting down the foundations of this institutional and legal framework. Among other things, it was he who tempered and honed the principle that has served as the fundamental tenet of Venezuelan oil policy ever since (except for an aberrant interlude during the 1990s); namely, that

the action of the public power should be aimed towards the realisation of the right that the State has to the highest possible participation in the wealth of its subsoil and to take advantage of the economic benefits obtained therefrom to increase qualitatively and quantitatively our population, and to foster and strengthen the other productive activities in our country. (Egaña, Memoria del Ministerio de Fomento, 1939)

However, Egaña was under no illusions that realising this right in practice would be fraught with complications, not least because in Venezuela (as elsewhere), the penurious government of a backward country had struck early concession agreements with very powerful companies under conditions of informational asymmetry and, as a result, had accepted to receive modest payments in exchange for long-lived concessions that were granted blanket exemptions until expiry from any kind of payment or tax not contemplated in the law, the Venezuelan government had, for good measure, waived all claims related to their having being extended (unless Venezuela were strong-armed into it, a course of action which would not sit well with the action of the public power

sought to prevent host states from playing companies off against one another but also to make it difficult for these states from resorting to the market to ascertain the value of their resources (i.e. the value that companies outside the charmed circle would have been willing to pay for access). Last but not least, the companies had a well deserved reputation for aggressively upholding their rights – the ones they had in writing as much as the ones they thought they ought to have – with a panoply of enforcement mechanisms courtesy of obliging home governments).

The 1938 expropriation of the oil industry in Mexico, followed by the outbreak of World War II, gave the government of President Isaias Medina Angarita an excellent opportunity to begin addressing the imbalances embedded in the concessions granted in Venezuela between 1910 and 1935. The most important of these concessions were set to begin expiring by the late 1940s but, as they were hopelessly flawed from a legal point of view, there was no chance whatsoever of their being extended (unless Venezuela were strong-armed into it, a course of action which would not sit well with the avowed ‘Good Neighbour’ policy of the Roosevelt administration and which, in any event, seemed fraught with intolerable risks at a time of Total War).

Thus, with the active encouragement and collaboration of President Roosevelt and the US State Department, the Venezuelan government hammered out an agreement with the oil companies, which crystallised in the landmark 1943 Hydrocarbons Law. This law was drafted with the help of American oil experts with the explicit objective of replicating the most favourable fiscal conditions obtainable in leases on American public lands at the time. According to the terms of the law, the Venezuelan government extended the concessions by a period of forty years and, for good measure, waived all claims related to their many dubious aspects. In exchange for these immensely valuable rights, however, the concessionaires had to agree to a number of conditions, the most important of which by far was their unconditional acceptance of the sovereign right of the Venezuelan state to levy income taxes on their activities (the country’s first Income Tax Law entered into force in 1943).

The oil companies were far from thrilled with this outcome but the US government, mindful of the catastrophic consequences that their intransigence and arrogance had had in the process leading up to the nationalisation of the oil industry in Mexico, brooked no dissent on their part and, quite literally, thrust the relevant papers under their noses and pointed out where to sign. Venezuela then found itself in the position – unique among all the countries that were later to form OPEC – of being able to continue redressing the economic balance of its oil concessions through sovereign tax legislation, rather than through constant, often acrimonious, negotiation. For Egaña, however, that could never be the end of the matter, because he understood that isolation would make it difficult, if not impossible, for Venezuela to hold on to its sovereign gains. After all, the acquiescence of the oil companies and the pressure brought to bear on them by the mighty US government, had not been unrelated, and Egaña grasped that it would be foolhardy to assume that the companies would be content to let the matter of taxation drop once the war ended.

As things turned out, he did not have to wait long to see his fears begin to materialise. In 1949, only two years after the United States became a net importer of oil, global oil demand shrank in absolute terms (something that was not to happen again until the 1970s). As a result of this drop, world oil output fell by 1.5 percent, and oil production in Venezuela and the USA fell by 1.6 percent and 8.8 percent, respectively. However, oil output in the Middle East actually increased by 14.8 percent, as the Seven Sisters brought the prolific oilfields of Saudi Arabia and Kuwait on stream. Although Venezuela at this point was still producing as much oil as the entire Middle East combined, it was quite clear that since production costs
in the new fields were but a fraction of costs anywhere else in the world, Middle East oil would gradually account for an increasingly large share of global oil demand, to the detrim ent of higher-cost producers like Venezuela.

**“the governments of major consuming countries and the oil companies ... greeted the foundation of OPEC with a resounding silence, and then went out of their way to disparage the organisation”**

Joseph Pogue – an oilman-turned-banker who had strong links to Standard of New Jersey – visited Caracas in that year and gave a much publicised address in which he said that Venezuela would only be able to defend its market share from Middle East oil if it lowered its taxes significantly and offered new concessions with more attractive terms for investors. Unsurprisingly, Egaña saw matters in a different light. He reckoned that the solution to the undeniable challenge that the new entrants to the market posed for his country lay in getting Middle East states (desperately poor and backward at the time) to put their own low levels of taxation on a par with Venezuela’s, rather than the other way around. Thus, in his capacity as Minister for Development of the military junta government presided by Colonel Carlos Delgado Chalbaud, Egaña had all Venezuelan oil legislation and other relevant documents (including his own book, *Tres décadas de producción petrolera*) translated into English and Arabic, and arranged for a Venezuelan Mission to tour the Middle East: Iran, Saudi Arabia, Kuwait, Iraq, Egypt and Syria. In Egaña’s instructions to this delegation, one can clearly discern the logic that would underpin Venezuela’s eventually successful bid to forge a common front of large oil exporters:

*there is no doubt that it is in Venezuela’s convenience to initiate direct relations of friendship with governments in the Middle East, in order to seek a way to reach a price equilibrium for oils from both origins, so that all can be received by world markets without detriment to the benefits which we obtain for ours . . . [We] have attained invaluable social and economic conquests, and we must avoid any retreat from these achievements. It is possible that we can get an equilibrium of competitive forces through which benefits for the peoples of the Middle East can be obtained without a deterioration in the economic position of the Venezuelan people. Egaña was very confident about the soundness of this last hunch in particular because, even though he did not have much by way of specific information on the Middle East concessions, he had had enough dealings with the oil majors (and their home governments) to suspect that their terms would be egregiously unbalanced. In this, of course, he was not mistaken.*

The four members of the Venezuelan Mission to the Middle East (diplomat Ezequiel Monsalve Casado, mining law specialist Luis Monsanto, official – and future minister – Edmundo Luongo Cabello, and secretary Milo Panella) had their work as good-will ambassadors cut out for them, partly because their government’s understanding of Middle Eastern affairs was somewhat patchy, partly because of the complications inherent both to the region and to long distance travel at that time, but mainly because personalities linked to the major oil companies were keen to throw a variety of spanners in the works. To an extent (in the cases of Saudi Arabia and Kuwait), these efforts at sabotage succeeded, and ill-health intervened to render the visit of the Mission to Iraq less than fruitful. However, in Iran, an initially cagey reception gave way to a dual sense of astonishment and gratitude, prompted by – to use Monsanto’s own words – ‘the fact that the Mission gave them the wealth of information that it had with it, as well as all the information that the technicians of the Iranian government requested in successive long interviews, and yet asked for no information in return.’ This flow of information had a readily perceptible practical impact on the legal initiatives associated with the nationalisation of oil in Iran, many of which bore an unmistakeable Venezuelan imprint.

The Mission’s activities beyond Iran led to another important result. As part of their brief, the members of the Mission had been told to request that the countries they visited send delegates to the first Venezuelan National Petroleum Congress, convened at the initiative – once again – of Manuel Egaña. After much delay, the Congress was finally held in Caracas in 1951 and attendance from Middle East countries exceeded expectations. There were delegates from countries that had welcomed the Mission, but also representatives from places where its message supposedly had not been received. Among the former was Farmanfarmaian, who had been entrusted (back in 1949) with greeting the Venezuelans upon their arrival to Teheran. Among the latter was none other than Tariki, whose instructions (according to his statements to the Venezuelan press at the time) were to ‘study in depth the technical and economic structure of the Venezuelan oil industry, as well as the Law that governs the relationship between the State and the concessionaires’. The tenor of Tariki’s brief, as can be appreciated, was the tangible embodiment of Egaña’s hypothesis underpinning his cooperation initiative; namely, that ‘the only countries in the world whose position *vis-à-vis* oil is comparable to ours [i.e. Venezuela] are Iran, Iraq and lately, Saudi Arabia ... But [in terms of] ... oil fiscal policy ... they have nothing to teach us. Maybe it will be us who might serve as an example for them one day.’

Farmanfarmaian and Tariki were not the only persons in attendance at the Caracas congress whose names were to become indissolubly linked to the events that took place in Cairo eight years later. Also in Caracas, keeping her trained eye on organisers and delegates alike, was none other than Wanda Jablonski. Had Ms. Jablonski...
been privy to Manuel Egaña’s designs, it is fair to assume that her reports would have highlighted that his visionary initiative for fostering a sense of solidarity and a unity of purpose and objectives among the major oil exporters of the world had made significant strides as a result of this event. As things turned out, though, further progress along this front stalled, as attested by the longish interval between the Caracas and Cairo congresses. The length of this gap doubtless had much to do with the turbulent nature of this period, which witnessed, *inter alia*, the overthrow of Farouk, the nationalisation of the Suez canal and the Suez campaign, the nationalisation of oil in Iran, the flight of the Shah, the oil embargo against Iran and subsequent overthrow of Mossadegh, the fall of Marcos Pérez Jiménez in Venezuela. However, towards the end of the 1950s, the process leading to the eventual imposition of mandatory American oil import quotas (and the attendant deterioration of world oil prices outside the United States) provoked a return of a sense of urgency to the oil exporters’ camp. It was against this backdrop that the League of Arab States, half galvanised and half terrorised into action by the heady brew of Nasserism, decided not only to convene its own first petroleum congress but also to reciprocate the invitation to the Caracas congress that Venezuela had extended to some of its members years before. Iran was invited for good measure, although anti-Nasser sentiment meant that this country did not send an official delegation (and neither did Iraq, Bahrain, Jordan or Tunisia). This lack of official status however did not prevent the Iraqi and Iranian representatives from signing up to the Gentlemen’s Agreement.

Venezuela jumped at the chance that this invitation afforded to put Egaña’s cooperation initiative back on track. Thus, despite the fact that the country was in a state of political ferment (Pérez Jiménez had been deposed in January 1958 and the new civilian administration of President Rómulo Betancourt had only been inaugurated in February 1959), an impressive delegation was assembled and sent to Cairo. At its head was new oil minister Pérez Alfonzo, but its ranks also included Egaña (as noted before), plus Monsalve Casado and 11 other highly-qualified men. The trade press picked up on the intense behind-the-scenes activity of the Venezuelan delegation but the consensus view was that ‘nothing ... resulted from the informal discussions’ (*MEES*, 24 April 1959). As often happens, the conventional wisdom turned out to be wrong, not least because trade press and companies alike underestimated the degree to which the receptivity of Persian Gulf producers to Venezuelan overtures would be enhanced by the fall of posted prices (in much the same way as the task of setting up OPEC one year later was both precipitated and made easier by Jersey’s unilateral reduction of its postings).

As should be obvious from the above, OPEC is an institution with a distinguished intellectual pedigree, whose origins go much further back than is generally appreciated, and whose conception and birth owed very little, if anything at all, to Wanda Jablonski. Indeed, the fact that ‘it [i.e. OPEC] would have happened anyway’, whether or not she had been around in Cairo in 1959, is something that Jablonski herself readily acknowledged. Granted, this never stopped her from enjoying (and milking to the full) the mixture of celebrity and notoriety, high-level access, and all-round street credibility that being retrospectively cast as ‘OPEC’s midwife’ afforded her (and her publications). But it seems churlish to begrudge her a little bit of self-advertisement when one considers that Wanda Jablonski was very much in a class of her own in terms of her knowledge and insight regarding not only the policy ideas that were gradually taking form during the 1950s in places like Venezuela, Saudi Arabia and Iran, but also the personalities and motivations behind such ideas. And even though she considered the goals and strategies of OPEC countries to be fundamentally misguided, Jablonski nevertheless strove to give them a reasonably balanced exposure in her writings and publications. This, again, set her very much apart from the governments of major consuming countries and the oil companies, which greeted the foundation of OPEC with a resounding silence, and then went out of their way to disparage the organisation as a talking shop of no consequence whatsoever. This was but a feigned indifference on their part: the implications of the existence of OPEC were not lost on these actors, and they began hatching plans to destroy the organisation from its very inception, as chronicled in James Bamberg’s magisterial corporate history of British Petroleum.

“During 1997–8, PdVSA’s anti-OPEC strategy brought the organisation to its knees”

In Farmanfarmaian’s reminiscences about the birth of OPEC, he dismissed the claims of Jablonski’s involvement in the inception of OPEC as a foolish conceit: ‘Strangely, many years later I discovered to my great surprise that some oil experts wrongly credited Wanda [Jablonski] for having started the whole idea of OPEC.’ For all of his patrician hauteur, however, what Farmanfarmaian failed to appreciate was that there is nothing strange to the pervasiveness of the idea that OPEC might have never come into being had it not been for the Jablonski *deus ex machina*. After all, this idea fits very well with a partisan image of OPEC that oil companies, consumer governments and supranational organisations alike have for a long time sought to project, and which has gained near universal currency on the back of the phenom- enal success of *The Prize*.

According to this representation, oil companies have always been the only genuine *actors* in Yergin’s ‘epic quest for oil, money and power’, because it is solely through their enterprise and technological ingenuity that wealth is created. In contrast, the owners of oil resources – for the most part governments – are conceptualised as passive bystanders, who bring nothing to this particular table, not least because it is
also posited that in the absence of capital to exploit their natural resources, these are effectively worthless. Were these governments as endowed with common sense as they are with natural resources, the argument goes, they would have allowed companies to get on with the job at hand. Unfortunately (to paraphrase Adam Smith), governments love to reap where they never sowed, and demand a rent for their natural resources. Thus, resource owners are accused of placing obstacles in the path of the companies, so as to hinder productivity, and thereby avail themselves of a surplus that by rights ought to have gone to consumers (in the form of lower prices) or else to company profits. The intuitive appeal that such an unfavourable foundation myth might have in places where OPEC-bashing has become an integral part of the political discourse is easy enough to grasp. Not so readily understandable is why and how this version of events has gone unchallenged elsewhere, notably in OPEC countries themselves, and most particularly in Venezuela. In this country, a major part of the blame ought to be put at the feet of the revisionist account of the institutional evolution of the Venezuelan oil industry that Pérez Alfonzo and Rómulo Betancourt – the undisputed leader of the Acción Democrática (AD) party at the time – propagated. This ‘official history’, as rewritten by AD, was predicated on a dogmatic denunciation of Venezuela’s economic, political and social conditions previous to their being in power, between 1945 and 1948, and again from 1959 onwards, with the consolidation of a democratic regime in the country (1958). Whatever happened before 1945, and between 1948 and 1958, was deemed to be part of the dark ages. The article of faith at its core was that Venezuela’s democratic administrations deserved sole credit for putting to rights the disastrous petroleum legacy bequeathed to them by the authoritarian regimes that preceded them: in the words of Pérez Alfonzo, ‘a situation of: exaggerated vulnerability and dependence … towards an industry dominated] by foreign investors in cahoots with [local] opportunists’, who thought nothing of functioning ‘as the advance guard of imperialism to …promote the despoliation of the main economic resources of all Venezuelans’.

The idea that democracy brought in its wake a sharp discontinuity in Venezuelan oil policy is, of course, as false as it is absurd. In fact, in many cases, the policies of Venezuela’s conservative (in deed, if not in rhetoric) civilian rulers represented something of a climb-down from the more radical implications of the policies that preceding military administrations had enacted. Typically, though, these climb-downs – like the famous Fifty-Fifty principle, adopted at a time when the division of the spoils in practice was already translating into an approximately 60/40 share in favour of the Venezuelan government – were hailed as major triumphs. Certain episodes, though, did not lend themselves to the revisionist treatment, in which case the clear preference was that they be relegated to oblivion. The prime example of this was the Venezuelan Mission to the Middle East: since this trip could not conceivably be construed as a capitulation on the part of the lackeys of imperialism, both it and its sequels were airbrushed out of history. In this way, OPEC was transformed into an exclusive brainchild of Pérez Alfonzo’s and Egaña was not asked to be part of the Venezuelan delegation at the Baghdad meeting where OPEC formally came into being, despite his having advised Pérez Alfonzo from the moment that the latter took over the Hydrocarbons portfolio.

The result of this Manichaean approach to policy is that fruitful discussion in Venezuela has been hampered ever since by the fact that all sorts of issues on the historical record were either taboo or else settled by diktat (i.e. the 1943 Law was a sellout). The end result of this situation was that it eventually became impossible to ask (and understand) what had gone well and what had gone wrong before (and why), and this fatally set the stage for Pérez Alfonzo’s legacy being hijacked 15 years later by PdVSA, the state oil company that was supposedly the very incarnation of his nationalistic project.

During 1997–8, PdVSA’s anti-OPEC strategy brought the organisation to its knees. The company was able to wreak particularly severe havoc in OPEC because, by then, Member Countries seemed to have forgotten the insight that had made their collective fortunes during the 1960s, arguably the organisation’s finest hour (in this decade, after all, the OPEC countries managed the feat of increasing their fiscal income significantly amidst falling prices, and all of them were developmental success stories). This insight can be summed up in the words that Luongo Cabello said to his friend Farmanfarmaian during the Mission’s visit to Teheran: ‘the companies speak to each other all the time. We should be doing the same … None of us compares notes, as though we were just so much real estate. This must change. The more we can learn from each other, the better our position will be.’

From the mid-1970s onwards, though, and especially as the OPEC state oil companies came to the fore in the wake of the nationalisation of concessions, the Member Countries themselves increasingly bought into the unhelpful notion that OPEC is a cartel, which led to their no longer comparing notes, no longer learning from one another (OPEC is no more a cartel than was the Texas Railroad Commission, the regulatory body which it effectively superseded in the world stage). Division, war and political paralysis followed. Nevertheless, OPEC somehow managed to endure all that, and reach its fiftieth birthday. The survival of such a disparate group constitutes a most persuasive proof of the ultimate scarcity of petroleum. And, given the way Mother Nature saw fit to distribute global petroleum resources, there are not that many strong reasons to think that OPEC will not be able to muddle through as it has done until now for the next fifty years. But the propensity of Member Countries, whether singly or collectively, for buying into narratives and ideas espoused by their unconditional detractors, would certainly be among them.