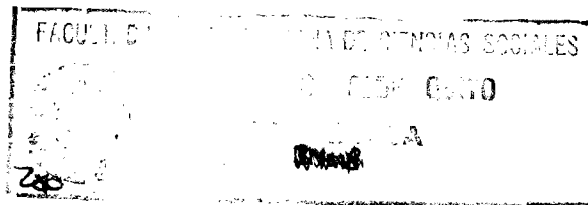


DEVELOPMENT STRATEGY AND
NATIONALISATION IN THE
OIL INDUSTRY OF TRINIDAD-TOBAGO:
THE CASE OF SHELL TRINIDAD LIMITED

A THESIS PRESENTED TO
TO
THE LATIN AMERICAN FACULTY OF SOCIAL SCIENCES
(FLACSO)
FOR THE DEGREE OF
MASTER IN DEVELOPMENT STUDIES



JOY CAROL JEFFERS
AUGUST, 1980

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INTRODUCTION

The principal objective of this study is to analyze the coherence of the nationalization of the Shell Trinidad Limited Oil Company within the overall development strategy being adopted by the Government of Trinidad-Tobago in the 1970's.

The subject is important because of the acceptance of the oil sector as the fulcrum of the country's social and economic transformation/1 and that in spite of this, it finds itself appendaged to the corporate economic system of the multinational corporations and there is very little national control over its future development. It is within this framework that we propose to analyse the nationalization of Shell.

It would therefore be necessary to outline the development strategy which is followed in the country for

1 Oil and Energy in Trinidad and Tobago. Public Relations Division. Office of the Prime Minister. Trinidad. 1980.

such an analysis. Whereas until 1969 the Trinidad-Tobago Government adopted the role of a Liberal State and left the economic development of the country to the mercy of foreign investment, now we witness a modification in the Government policy. The Government has now decided to adopt a 'middle-way' to direct economic development - a 'middle-way' which is supposed to be intermediary between outright Capitalism and Socialism - and the sole objective of this development strategy was to secure economic growth. This was in fact a capitalist pattern based upon the participation of foreign capital to lead to the creation of a modern industrial sector using advanced technology, and social problems (for example the creation of employment) were not directly treated and were left to be the by-products of the development strategy. In sum, this strategy was intended to guarantee a favorable political climate for foreign investment even when it was not operating in the country's interest.

However, it was the implementation of this policy which was to mark a change in the structure of Government investment in the country - a gradual drift from concentration in the Service sector to the Industrial sector and the subsequent planning of a heavy industrialization programme - the Point Lisas Industrial estate. This policy of greater participation also resulted in two cases of nationalization in the oil industry: that of B.P. oil company (1969) and that of Shell (1974). While the Government used the B.P. nationalization to form a joint-venture in which it would have majority participation, the nationalization of Shell made this the only State-owned company in the country.

The principal focus of this study is therefore an analysis of Government development strategy vis-a-vis nationalisation in the oil industry. The main reason for this choice of subject is the lack of research done in this area. Because of the accepted importance of the oil industry in Trinidad and

Tobago, there is need for continuous reseracn on all aspects of its development. Nevertheless, work done on the industry generally tend to be limited to the publications and mimeo-graphs of Government Ministries and the Trade Union representing oil workers - the Oilfields Workers' Trade Union (OWTU). The two more significant academic studies, done by Mulchansingh/2 and Harewood/3 (both in the 1960's) show a strong bias to Petroleum Economics, emphasizing the role of the industry in the economy of Trinidad-Tobago.

A more recent study by Farrell/4 is the only one which mentions the problematic of Government policy and nationalization, but it is not elaborated since he focusses on the operations of multinational corporations in the oil industry in the country. In two later studies, Farrell shows that the lack of technological development in the country, or rather, the non-transference of technology in developing countries can impede any effort for nationalization of the local oil industry in one/5; and the other/6 is an evaluation of the two nationalizations (B.P. and Shell) which took place in the country. However Farrell's analyses of these nationalizations are limited to the argument that both companies were leaving and that the Government was forced to intervene to prevent a crisis situation

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- /2 MULCHANSINGH, Vernon. The Origins, Growth and Development of the Trinidad and Tobago Oil Industry and its Impact on the Economy, 1857-1965. Ph. d. Dissertation. Queens' University. Belfast. 1967.
- /3 HAREWOOD, Ainsworth. The Oil Industry of Trinidad and Tobago. Master's Thesis. McGill University. 1969.
- /4 FARRELL, Trevor. The Multinational Corporations, the Petroleum Industry and Economic Underdevelopment in Trinidad and Tobago. Unpubl. Ph. d. Thesis. Cornell University. 1974.
- /5 _____, _____. A Tale of Two Issues. Nationalization, the Transfer of Technology and the Petroleum Multinationals in Trinidad and Tobago' Mimeo. Trinidad. 1979.
- /6 _____, _____. In Whose Interest? Nationalization and Bargaining with the Petroleum Multinationals. The Trinidad and Tobago Experience. Mimeo. Trinidad. n.d.

from developing in the country. As already stated, this present study is focussed on the nationalization of Shell because it became the only State-owned company in the country in a sector which is largely foreign-controlled, and it attempts to modify Farrell's argument that the Government had no choice but to nationalize Shell because the company was leaving. We will therefore analyse the options which were open to the Government

The analytical framework within which this theme is discussed unfolds in stages. Chapter 1 introduces a theoretical discussion of the structural dependency of the Trinidad and Tobago economy upon the more developed metropolitan powers and an attempt is made to apply the critic of this theory to the development of the Trinidad-Tobago economy. In chapter 2 the general background - the shaping of the oil industry, firstly under British capital and later under U.S. capital - and then the more recent impact of the "Energy Crisis" are discussed.

Chapter 3 is an internal analysis of the oil industry in order to highlight the relative importance of each company to the country, while chapter 4 analyzes the overall significance of the industry to the country.

Within the Government's stated development strategy, State activities in the economy are discussed in chapter 5. This gives a broad over-view of Government participation in the economy and this is necessary to analyze the reasons for Government participation in the oil sector'.

In chapter 6 the nationalization of Shell Trinidad Limited is discussed to weigh the major variable(s) which influenced Government's decision to nationalize this company, within the Government policy of greater participation in the economy.

Chapter 7 is a summary of the conclusions of the study.

METHODOLOGY

In order to analyse the principal concern of the study, the degree to which the nationalisation of the Shell Trinidad Limited Oil Company has been coherent with the development strategy adopted in Trinidad-Tobago: the methodology adopted is as follows:

1. Published books and articles in the field of history, economy and politics are used to examine the socio-economic condition in Trinidad-Tobago -both in the colonial days and after independence.
2. Documents which bear direct relation with the oil industry, to analyze the significance of the industry to Trinidad and Tobago.
3. Daily newspaper to give detailed information of particular events - the Energy Crisis, the nationalization of Shell Trinidad Limited.
4. Discussions and informal interviews with persons knowledgeable of the oil industry to reaffirm and to complete the interpretation of data obtained from secondary sources.

In sum , the study is based heavily upon the use of secondary information, and only partially on primary information.