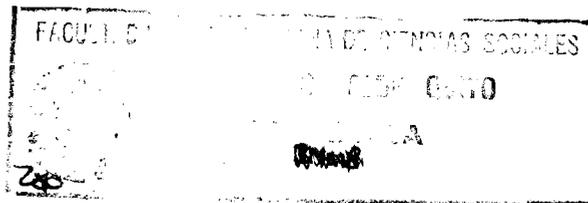


DEVELOPMENT STRATEGY AND
NATIONALISATION IN THE
OIL INDUSTRY OF TRINIDAD-TOBAGO:
THE CASE OF SHELL TRINIDAD LIMITED

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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CHAPTER 3

AN INTERNAL ANALYSIS OF THE OIL INDUSTRY

CHAPTER 3

AN INTERNAL ANALYSIS OF THE OIL INDUSTRY

An internal analysis of the oil industry of Trinidad-Tobago is intended to reveal the relative importance of each of the major producing oil companies in its role as a subsidiary within an international corporate system - The Multinational Corporation. An attempt is also made to understand the degree to which the policies of the corporation can and do impede the functioning of the subsidiary in the interest of the host country. This general discussion is important for an appreciation of the Government policy of greater participation in the oil sector which has to be evaluated in accordance with the importance of the oil companies in which it invests or seeks participation.

This chapter is subdivided into (1) an analysis of the oil companies, and (ii) extension of the oil industry.

3.1 THE OIL COMPANIES

The oil industry of Trinidad and Tobago comprises the following multinational oil companies - Texaco Trinidad Limited (Textrin or Texaco), Amoco Trinidad Limited (Amoco), British Petroleum /Tesoro Trinidad Limited (Tesoro or Trintes)/1, Shell Trinidad Limited/Trinidad and Tobago Oil Company (TRINTOC)/2 and Premier Consolidated Oilfields Limited (PCOL). In addition to these companies, there are also two important joint-venture operations involved in crude production in which the same companies participate - Trinidad Northern Areas (Trinmar), and the Consortium, principally engaged in marine explorations.

Trinmar is a joint company owned one-third each by Texaco, Shell (Trintoc) and Tesoro. It was initially set up in 1936 by Trinidad Leaseholds Limited (TLL) and United British Oilfields of Trinidad (UBOT), and operates on the East Coast of the island, in the Gulf of Paria. The other, the Consortium, formed in 1971, is one in which Texaco has 37-1/2%, Shell 37-1/2%, and Tesoro 25% and explores off the South East Coast of the island. This Consortium was formed based upon a decision by the Government that all new leases or licences for oil exploration must provide for substantial direct Government participation when commercial production is achieved/3. Since the Shell Trinidad company has been nationalised, and the Government owns 50.1% of Tesoro, it means that since 1974 the Government is the major shareholder in both of these ventures.

/1 British Petroleum left the country in 1969 whereupon the Government of Trinidad and Tobago entered into a joint venture agreement with the U.S. based Tesoro Oil Company.

/2 Shell Trinidad Limited was nationalised in 1974 to become Trintoc.

/3 Ministry of Planning and Development. Review of the Petroleum Industry 1969-1979. Government of Trinidad and Tobago. Nov. 1979. pg. 11.

Within the companies operating in the country, PCOL is the smallest. It is British-owned and is engaged in land production and contributing less than one percent to total oil production. This company is of little significance and is often forgotten when the oil sector is being discussed/4.

The most significant companies in Trinidad and Tobago are Texaco and Amoco followed by Tesoro and Trintoc. Both Texaco and Trintoc are involved in refining, exploration and production, manufacturing /5 and marketing; Amoco is involved only in marine exploration and production; and Tesoro is engaged in land and marine exploration and production.

3.1.1 TEXACO TRINIDAD LIMITED

Texaco Trinidad Incorporated is a wholly-owned subsidiary of Texaco Incorporated of Texas, U.S.A. As we have mentioned in the previous chapter, it was on the basis of, not only Trinidad's strategic location, but also the co-operative attitude of the colonial government, that Texaco decided to create a "microcosm of the oil industry"/6 on the island. Texaco Trinidad is one of the three major refining centres of the World/7. According to one company official, this refinery,

/4 It has been alleged that PCOL may be nationalised in the near future. Interview with Senior Economist, Ministry of Petroleum and Mines. Trinidad. May, 1980.

/5 Some of the products manufactured include plastics and paper. A discussion of the principal products is given later in the chapter.

/6 NACLA. Latin America and Empire Report. Oil in the Caribbean - Focus on Trinidad. Vol X No. 8. October 1976, pg. 17.

/7 In the three Caribbean Islands - Trinidad, Aruba and Curacao - we find the three major refineries of the World: Texaco (U.S.) operates in Trinidad; Shell International (British/Dutch) in Curacao; and Exxon (U.S.) in Aruba.

"is strategically located to process Texaco's foreign crude (Venezuela, Saudi Arabia - Jeffers, J. C.), and to supply markets in the Caribbean, South and Central America, West Africa, the United Kingdom and other parts of Europe"/8.

In 1956, Texaco bought the assets-including their markets in Europe, the United Kingdom, West Africa, etc. - of the British-owned Trinidad Leaseholds Limited, formerly the Trinidad Oil Company (TOC), which had been operating in Trinidad since 1913, but by 1959, its products were being directed to the U. S. market. One year after Texaco's entry into Trinidad, this subsidiary was solely responsible for a 14.5 percent increase in the entire company's gross income; in the early 1960's Texaco had the largest number of refinery runs in the Western Hemisphere; its sales increased substantially. Developments in oil transport facilities also made Trinidad easily adaptable to transport crude from cheaper sources in the Middle East /9 to refine in the Caribbean. In fact it was stated that Texaco Trinidad was not only ideal to the company in 1956, but it has been developing its refining complex in accordance with current demands, technological advances, etc.

By 1962, the capacity of the Texaco Pointe-a-Pierre refinery was trippled and was rated at 350,000 barrels per day. The World's largest rexformer /10 was installed; a lube oil plant was added at the cost of over twenty million dollars and all stages of petroleum refining were being carried out, including the production of petrochemicals. In 1972, a desulphurisation

/8 NACLA. Op. Cit. pgs. 17-20.

/9 Ibid, pg. 17.

/10 Rexformer: a facility to increase the high octane level of gasoline.

plant, the only one in the World was built /11. This refinery has a capacity to manufacture some 200 separate quality products at Pointe-a-Pierre, including several grades of gasoline, kerosine and other fuels, and high quality lubricating oils.

In addition, Texaco owns a smaller refinery with a capacity of 6.000 barrels per day, but this is used principally as a distillation unit. However, Texaco does not limit its activities to refining only. While it controls 78% of the refining capacity in the country, it is also an important producer of crude oil. In fact prior to 1973, it was the prime producer of local crude (table 3-1). This company later ranked second when Amoco emerged as a major crude oil producer. According to one company official, contrary to popular opinion that Texaco is only interested in oil refining in Trinidad, oil production was and still is, just as important as oil refining /12.

/11 Because of the adoption of strict anti-pollution laws in the U.S. there was growing pressure for the re-refinement of petroleum with high sulphur content. As a result Texaco decided to establish desulphurisation facilities at Pointe-a-Pierre, involving an estimated investment of T.T. \$ 160 million. This investment was intended to enable Trinidad and Tobago to meet the demands for low sulphur fuel oil which was being increasingly demanded on the World market - Review of the Petroleum Industry 1969-1979. Op Cit. pg. 4.

/12 Interview with Senior Official of Texaco. August, 1980. Ecuador.

TABLE 3-1
ANNUAL CRUDE OIL PRODUCTION IN TRINIDAD AND TOBAGO BY COMPANY FOR 1970-1978^a
(in barrels)

COMPANY	1970	1971	1972	1973	1974	1975	1976	1977	1978
Trinidad Tesoro Petroleum Co.	7.182.349	7.514.945	8.099.661	8.168.328	7.881.169	6.493.631	6.785.284	6.938.994	7.444.087
Texaco Trinidad Inc.	16.153.562	13.762.483	11.295.311	9.984.910	8.889.568	6.763.383	7.706.513	7.195.485	6.552.484
Shell Trinidad Ltd. (1)	3.026.788	3.288.439	3.180.614	2.581.178	1.654.864	-	-	-	-
Trinidad & Tobago Oil Co.	-	-	-	-	786.680	2.219.510	2.565.382	3.016.495	3.181.304
Premier Consolidated Oilfields Ltd.	198.436	189.704	174.282	151.535	137.418	135.341	124.981	123.903	119.316
Trinidad Canadian(2) Oilfields Ltd.	379.755	388.813	357.241	301.975	259.738	-	-	-	-
Trinidad Northern(3) Areas Ltd.	24.106.003	21.999.933	18.823.595	18.893.648	19.003.438	17.494.772	17.491.896	16.888.516	16.198.928
Amoco Trinidad Oil Co. Ltd.	-	-	9.280.103	20.583.838	29.508.905	45.506.269	42.997.047	47.451.204	50.277.119
TOTAL	51.026.893	47.144.317	51.210.809	60.665.412	68.131.780	78.612.906	77.671.103	83.614.597	83.773.328

SOURCE: Compiled by author from the Monthly Bulletins and Annual Reports for the period 1970-1978, published by the Ministry of Petroleum and Mines. Trinidad.

- (1) Shell Trinidad Limited was nationalised to become Trintoc in August of 1974. Therefore, its cumulative production for the year up until August 1.654.864 can be summed to the production of the newly-formed company for September-December, 786.680, to obtain its total production for that year. This was 2.441.544.
- (2) As at 1975, the production of the small company, Trinidad Canadian Oilfields Ltd. (Tricentrol) was included under the assets of Texaco.
- (3) Trinmar is owned by Trinidad Tesoro, Trintoc and Texaco as equal partners.

Although the Texaco Trinidad complex has been labelled "one of the World's most efficient" /13, throughout the period 1970-1978, we witness a steady decline in Texaco's activities in the country. Firstly, with respect to crude production, whereas in 1970 it was producing 16.153.562 barrels per year or 31.6% of total crude production, by 1978, this had fallen by approximately 40% to 6.552.484 and was equivalent to a mere 7.8% of the total (table 3-1). Texaco's sharp drop in crude production from 8.889.568 barrels per year to 6.763.383 in 1975 was partly due to industrial unrest in the company, and though there was a slight increase to 7.706,513 in 1976, this was still below the 1974 level, and the slow decrease continued up to 1978. Nevertheless, in spite of its own local crude production, for full utilization of its refining capacity, 80 percent of its refinery through put has to be imported. One plausible reason for the continuing decline in Texaco's crude production, based upon studies carried out, can be the general depletion of land reserves in the country/14. The other main area in which Texaco's activity has shown a considerable decline since 1974, based upon the data available, is that of refining. Whereas in 1974, Texaco was using 85% of its refining capacity, this fell to an abrupt 52.7% in 1975 - against partly due to the industrial unrest just mentioned. Though by 1976, it had risen to 75%, it continued a steady decline reaching 50.7% by 1978.

/13 NACLA. Op. Cit. pg. 17

/14 Official documents of the Ministry of Petroleum and Mines.

TABLE 3-2

THROUGHPUT LEVELS OF THE TEXACO POINTE-A-PIERRE REFINERY
FOR THE PERIOD 1974-1978

YEAR	AVERAGE DAILY CRUDE THROUGHPUT	PERCENTAGE CAPACITY
1974	301.759	85
1975	187.866	52.9
1976	266.300	75
1977	217.600	61.2
1978	180.000	50.-

NOTE: TEXACO has a refining capacity of 350.000 barrels per day.

SOURCE: OWTU memorandum - Commission of Enquiry into Texaco Trinidad Incorporated.

The decline in refining activity can be attributed to the enforcement of a U.S. policy, which gave preference to crude being refined locally (in the U.S.) and this has apparently influenced Texaco's decision to extend its U.S. based refinery activities and neglect its Trinidad refinery to some extent.

It was generally been alleged that the reason for the general decline in Texaco's operations in Trinidad, is that the company is interested in liquidating its assets in the country /15. However, in opposition to this Texaco claims that its Trinidad subsidiary is a valuable asset to its global operations and that presently billions of dollars are being spent on all phases of oil activity complex.

/15 Interview with Official of OWTU. May, 1980. Trinidad.

/16 Interview with Texaco Official. May, 1980. Trinidad.

From table 3-1, it is apparent that all the companies whose major operations are on land, experienced a decline in production in 1975. This is generally attributed to the said depletion of oil reserves on land in the country, and the fact that the industrial unrest at Texaco did provoke spurious work stoppages at one time or another in other oil and oil-related industries. As discussed in chapter 2, it is evident that during the early 1970's, there was a change in the structure of oil production in the country, since the results from marine explorations now far surpassed those from land (table 2-1, pg.) and this seriously affected the production figures of other companies.

3.1.2. AMOCO TRINIDAD OIL COMPANY

Amoco entered Trinidad in 1961, and due to a general decline in land production in the country, its facilities were built to secure marine explorations. Until 1964, Amoco's production was relatively stagnant, and by the late 1960's it even declined. However, in 1968 its outlook brightened because of an important new discovery of large crude deposits off Trinidad's South East Coast, which made marine production increase considerably.

Whereas in 1962 marine production approximated 11 million barrels of crude per year representing 2.4 percent of total oil production, and until 1965 it hovered around 17 million barrels per year, equivalent to 35 percent, during the 1970's there was such a considerable increase that by 1978, marine production alone was accounting for more than seventy-five percent of the total production in the country (table 2-3, pag.). We can argue here that due to the favorable increase in oil prices after the 'Energy Crisis', considering that Trinidad's crude is called high cost reserve, as has been discussed in chapter 2, facilitated the undertaking of extensive marine explorations by Amoco. Therefore, whereas in 1974

Amoco was contributing 43 percent of the total oil produced, this increased steadily so that within four years, by 1978, it was accounting for approximately 60 percent of the total production. In fact Amoco's production alone doubles that of all the oil companies combined, and it has continued to maintain that dominant position.

Amoco does not engage in refining activities in the country though its local crude production could allow it to undertake such a venture and this can be vindicated with the already mentioned change in the U.S. policy, which would support Amoco's export activities. Its installations in the country consist of a terminal to which oil is brought in by pipeline from marine wells, and crude is pumped through other lines for direct transport to the United States.

Amoco has also been responsible for substantial natural gas finds in the same pockets of the earth as crude oil. Whereas formerly the natural gas was left to waste because it was considered uneconomical to develop /17, lately great interest has been shown in developing this resource for industrial purposes. Gas is already being used to help produce the island's electricity, and in the manufacture of chemicals and cement, and a pipeline from Amoco's facilities is planned to increase its availability. Amoco is presently entering into joint-venture agreements with the Government of Trinidad and Tobago with the aim of fully developing this resource /18.

/17 Convention Report on "Best Uses of Our Petroleum Resources": Discussions convened by the Government of Trinidad and Tobago - week of January 13, 1975. Trinidad.

/18 Ibid. Details of this is given in chapter 4 where we discuss the oil and gas based industries of the Point Lisas Industrial Estate - the latest Government development project.

As we have already seen, Texaco imports the bulk of its crude to be refined, on the other hand it is interesting to note that Amoco exports all of its local crude unrefined and that there is no marketing agreement between the two companies. For the host country it may seem more logical and beneficial for these firms to make contractual agreements for buying and selling the local product, because

"The Treasury earns 2 1/4 times more on the refining of indigenous crude oil than it does on imported crude oil. Dependence on crude oil also affects balance of payments. Moreover, as production declines, more and more workers are being retrenched."/19

This lack of inter-company negotiations results in Trinidad being a net importer of crude (table 2-3, pag.), and it condones the belief that the industry functions largely according to the decisions of, and in the interests of, the multinationals - a situation which perpetuates a metropole-hinterland relationship of domination and subordination.

In opposition to Ryan's argument on the profitability of refining indigenous crude, according to a document of the Ministry of Planning and Development, the rationale for not insisting on refining local crude to date has been that it is more profitable to the State to permit the export of high quality domestic crude which fetches a high price on the U.S. market and import cheaper high sulphur crude for processing in domestic refineries/20. This situation arises out of the bias

/19 RYAN, Selwyn. "Race and Nationalism in Trinidad and Tobago. ISER, UWI, Trinidad, 1974. pg. 390.

/20 Ministry of Planning and Development. Op. Cit. pg. 22. Interview with Texaco Officials also supports this argument. See table 2-6 for details on the variations in price per barrel of oil. While during 1968-1973, the price varied around \$1.5 per barrel, by 1979 it increased considerably to \$25.3.

arises out of the bias of local refineries towards the production of fuel oil for export, particularly to the U. S., as is evident in the following table, which shows the average product distribution of the local refineries.

TABLE 3-3
AVERAGE PRODUCTS DISTRIBUTION OF
LOCAL REFINERIES

PRODUCT	PERCENTAGES OF TOTAL OUTPUT
Liquefied petroleum gas	0.7
Motor gasoline/Naphthas	20.2
Aviation gasoline	0.4
Aviation Turbine Fuels	2.7
Kerosene	5.4
Diesel Fuels	12.2
Fuel Oils	54.8
Lube Oils	0.9
Asphaltic Products	0.2
Petrochemicals	1.0

SOURCE: Unpublished data.

Ministry of Planning and Development. November, 1979
Trinidad.

Official reasons given for the existing situation/21 are because of the structure of the subsidiary within its global enterprises, there is preference to maintain intra-company, rather than inter-company trade - in spite of the consequence to the host country (sic). The best explanation of the operations of multinational corporations is as Girvans states,

/21 Interview with Senior Officials of Texaco. May, 1980. Trinidad.

"the functioning of these industries in the national economies in which they are physically located can be better understood by an analysis of their functioning in the corporate economies of which they are an organic part, that is, the global corporate economy of the parent company. Such problems as their dependence on foreign demand, prices and decision-making; the large amount of repatriation of profit and its reflection, the low share of the industry's value which is returned to the national economy and the lack of integration of the economy with the national industry, are the surface manifestations of the institutionalized relationships between subsidiaries and their parent companies". /22.

Another reason for Trinidad being a net importer of crude is that its daily production, though it increased by nearly 40 percent between 1973 and 1978, does not commensurate with the throughput refining capacity available. Together the two refineries, Texaco and Trintoc, can refine 450.000 barrels per day, while daily production as at 1978 was only 229.529 barrels per day. /23 In spite of the contention that for the Texaco Trinidad Subsidiary, oil production is just as important as oil refining (sic)/24, the fact that Texaco built such a large refining complex in the country being more or less aware of the reduced production capacity available, tends to refute this argument and confirm the belief that the function of Texaco Trinidad Limited is that of a refining centre. The NACLA Report/25 also confirms that this refinery was only part of the Caribbean

/22 GIRVAN, Norman. "Multinational Corporation and Dependent Undevelopment in Mineral-Export Economies" in SES Vol. 19 No. 4, December, 1970, pg. 491.

/23 Hand-out of the Ministry of Petroleum and Mines - Statistical and Other Brief Facts on the Petroleum Industry of Trinidad and Tobago.

/24 Interview with Senior Texaco Official. August 1980. Ecuador.

/25NACLA, Op. Cit. pg. 3.

Export Refinery Centre ^{.....} /26 created to balance the needs of oil companies international network of refineries and markets by producing a full range of petroleum products for any market in the World.

3.1.3 BRITISH PETROLEUM/TESORO TRINIDAD PETROLEUM COMPANY

Next in importance following Texaco and Amoco is Tesoro. Tesoro was a relatively small Texas-based oil company which formerly bought and resold oil produced by other U. S. companies. This company began operations in Trinidad in 1968, when the Government, having bought the assets of the British Petroleum Oil Company, formed a joint venture with it.

B.P. had entered Trinidad in 1956 acquiring the assets of the Trinidad Petroleum Company, and in 1961, those of Kern Trinidad Oilfields and Apex Oilfields (all British-owned).

B.P. is one of the "Seven Majors" in the international oil industry, but the temporary nationalisation of its Middle East, operations by the Iranian Government under Mossadeq /27 and later the disruptions in crude supplies because of the blockage of the Suez Canal/28 left it in some difficulty, thus B. P.'s investments in Trinidad was seen as part of an overall strategy to overcome some difficulties in its operations.

/26 The Caribbean Export Refining Centre is the collective term for the refining facilities in the Caribbean islands. The Bahamas Islands, Puerto Rico, St. Eustatius, Aruba, Curacao and Trinidad.

/27 MARCIAL, Rubio Correa. "OPEP. Imperialismo y el Tercer Mundo". Centro de Estudios y Promoción del Desarrollo. Lima, 1976. Pg. 21.

/28 NACLA. Op. Cit. pg. 24.

Due to the non-availability of specific data on B.P.'s crude production /29 1956-1969, we are inferring from the general tendency in total land production to that of B.P. over the period. This company benefitted from the steady increase in total land production between 1956 and 1959, from 28.691.417 to 36.645.866 respectively. Then until 1965 there was a steady decrease to 30.767.737, with an increase to 40.912.584 in 1967 but again falling to 29.715.985 by 1969. For B.P. it was, therefore, no longer beneficial to continue maintaining its Trinidad operations. As an hypothesis one can analyse B.P.'s exit in 1969 as an outcome of the division of the Caribbean between the multinational oil corporations of the U.S. and Europe/30 - a tendency which began after World War II, as we have already seen.

According to official information, with B. P.'s exit, the Government decided to enter a joint venture agreement with Tesoro because it was considered "an independent company with an international reputation for its expertise in secondary recovery methods"./31 It is evident that at this time the country was suffering from a severe drop in the growth rate of the oil sector (table 4-1, pg), because of the decline in both land and marine production (table - pag.) secondary explorations were recommended/32. Mr. Errol Mahabir, Minister of Energy and Energy-based industries later said that,

/29 All of B.P.'s oil activities were on land.

/30 B.P. was the last of the British oil companies in operations in Trinidad and with its exit, the industry was almost dominated by U. S. capital. The Dutch/British company Shell, still operating until 1974.

/31 Ministry of Planning and Development. Op. Cit. pg. 10.

/32 Official documents on the Oil Industry of Trinidad and Tobago. Op. Cit.

"Trinidad-Tesoro represented the first effort by the Government to become involved in the ownership and control of the oil industry.... and...that the Government was fortunate in having as a partner, a small company which had its heart in the right place"./33

Contrary to Government's opinion, Trevor Farrell concluded in a study on the nationalization of B.P. that Tesoro was a questionable company with which to enter such a venture, and for him the real reason for this partnership was that Tesoro had "friends in high places"/34. This issue is discussed in more details later in the study.

Although the Government is nominally the majority shareholder in this 50.1: 49.9 percent joint venture, the company succeeded in obtaining a management contract which gave it control over finance, technology and marketing /35 and ultimately, its decision making processes functioned similar to those of Texaco and Amoco.

By 1974, Tesoro's Trinidad operations were so successful that the company (Tesoro-U.S.) was able to extend its international operations, diversify its sources of crude and acquire marketing outlets/36. Today the local company manages a local crude production of 36,000 barrels of crude per day and 46 million cubic feet of natural gas; over eighty percent of the crude and all of the natural gas are sold locally.

/33 Trinidad Guardian. April 29, 1969.

/34 FARRELL, Trevor. "In whose interest? Nationalization and Bargaining with the Petroleum Multinationals: The Trinidad and Tobago Experience". pg. 14.

/35 Ibid.

/36 NACLA, Op. Cit. pg. 26.

3.1.4. SHELL TRINIDAD LIMITED/TRINIDAD AND TOBAGO OIL COMPANY

The smallest of the oil companies in the country is Trintoc. Trintoc's importance lays in the fact that it is the only nationally-owned integrated oil company. This company was formerly the Shell Trinidad subsidiary of Shell International, which entered the country in 1913, but was nationalized on August 31, 1974. While the Government declared that this nationalization was to celebrate the twelfth anniversary of independence, the company did say that it had become uneconomical to continue operating in the country and was leaving.

When Shell was established in 1973 it produced the local crude, and later when Trinidad was transformed into a refining centre, over 55 percent of the refinery's throughput crude was brought in from Shell Nigeria and the major part of its output was either marketed through the Shell organization in the United States, or consisted of unfinished products sent to Shell's major refinery in Curacao. The Trinidad operations were dependent on the parent network for essential services, customized spare parts and additives for the manufacture of lubricating oils. Shell Trinidad then was a specialized segment of a highly integrated operation, and the local operations viewed in isolation from the rest of the network were highly irrational./37

General opinion had it that the nationalization of Shell was very questionable since the Government bought "run-down" equipment and machinery - there was a non-reinvestment of capital in on-going operations, lack of maintenance, no new exploratory activity, etc./38. To analyze Shell's economic situation prior to its departure in 1974, we have to analyze its activities in production, refining, etc. However we only

/37 FARRELL, Trevor. Op. Cit. pg. 26.

/38 FARRELL, Trevor. Ibid. pp. 27-30.

introduce this theme here, but it will be discussed in detail in Chapter 6. With regard to refining, data/39 have revealed that in 1969 there was an increase in its refining capacity from 65.000 barrels per day to 80.000 barrels per day, and a further increase to 100.000 barrels per day in the early 1970's. On the other hand, during 1970-1974, Shell's crude production shows a steady decline from 3.026.788 to 2.441.544 (Table 3-1, pag.), however from the time that the company is nationalized there is a slow increase from the 1974 figure, reaching 3.181.304 in 1978 - however this is not significantly greater than what was being produced in 1970.

Similar to the Texaco refinery, this smaller refinery also manufactures a number of by-products. These included and still include fuel, liquefied petroleum gas (LPG), gasoline, jet fuels and bitumen - a variety not as widespread as that of the Texaco refinery. Whereas local sales of its product occur in bulk with the National Petroleum Marketing Company (NPMC),/40 regional sales in the Caribbean and the Guianas account for approximately twenty percent of total sales. The main thrust is

/39 Review of the Petroleum Industry (1969-1979. Op. Cit. pg.7.

/40 National Petroleum Marketing Company (NPMC). This company was formed in 1972 when the marketing assets of B.P. Caribbean Limited were purchased by the Government and vested in this new company. Gradually the Government acquired all the marketing activities of operating companies and vested them in the NPMC. It now has total responsibility for the distribution of petroleum products in Trinidad and Tobago and it also undertakes the bunkering of local and foreign maritime vessels.

The market is divided into four geographical areas: North, South/Central, Deep South and Tobago. In these areas deliveries are made to the companies 213 retail outlets and to industrial and other consumers by Road Tank wagons.

in the international market, primarily the United States, but small amounts of its by-products are exported to Europe and Japan.

3.2 EXTENSION OF THE OIL INDUSTRY

Besides the producing oil companies, the oil industry also includes sixty-seven contracting companies, 25 of which are foreign, 12, local, and 20 whose nationalities are not known (Appendix 2), which provide a wide range of direct service (Appendix 3) to the producing companies. These services include geophysical and geological work, drilling activities, computer facilities and logging. However most of these companies are privately owned and they are not necessarily attached to the multinational corporations.

3.3 CONCLUSION

In terms of the companies analyzed, the two more important ones are Texaco and Amoco which dominate oil refining and oil production respectively. Because each one functions within its own corporate system, their particular policies are sometimes contrary to the interest of the country.

Within a general framework of Trinidad as a refining centre, Texaco had the most efficient and important refinery in the country. However, with the increasing importance of crude production after 1973, Amoco has gained nearly equal importance.

The two smaller oil companies, B.P. and Shell were comparatively smaller and less important subsidiaries to their international network. Thus it is easier for them to leave the country, as was done, as soon as economic returns fell below their expectations. Since B.P.'s exit the joint venture company, Tesoro has been operating quite successfully; on the

other hand, Shell was claiming operating losses and was, therefore neglecting its Trinidad assets, and by the time of its departure its refining facilities were squid to be in need of general maintenance.

It, therefore, becomes apparent that any Government policy for greater participation in the oil sector based upon a strategy of controlling the natural resources in the country should be geared to the more important oil companies - Texaco or Amoco - and not the less important Shell (Government already has majority participation in Tesoro). However, to appreciate the Government policy for greater participation in this sector which is clearly dominated by foreign control, it is necessary to understand its significance to the economy of Trinidad and Tobago.

CHAPTER 4

THE IMPORTANCE OF OIL RESOURCES TO THE ECONOMY

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It is evident from the previous chapters that foreign interests - British and U.S. - have shaped the development of the oil industry in Trinidad-Tobago and that presently U.S. companies dominate this sector. Though these factors could have influenced the later implementation of the Government policy to increase its participation in the oil sector, it would seem futile to analyze the reasons and the objectives for the implementation of such a policy without evaluating the significance of this sector to the country. This chapter therefore attempts to analyze the relative importance of the oil sector - the positive change in its fortunes after the "Energy Crisis", and the extent of Government dependence upon the revenues from this sector for the future development of the country. To pursue this analysis we will examine the effects of the performance of an economy is measured - Gross Domestic Product (GDP), Government Revenues, Foreign Trade.

4.1 CONTRIBUTION OF THE OIL SECTOR TO THE GDP.

The GDP's overall development has been predominantly determined by the growth rate of the oil sector, In effect, the steady increase in the participation of this sector in the GDP leads to a relative decline in the participation of the other economic sectors.

A comparison between the Annual Rates of Growth of the GDP and the Oil Sector, 1967-1977 (Table 4-1) reveal the significant correlation between the performance of the oil industry and the performance of the national economy. We see that when the growth rate of the oil sector falls from 22.7 percent in 1968 to -13.2 percent in 1969, the growth rate of the GDP suffers a severe fall from 13.7 percent in 1968 to 2.5 percent in 1969; or viceversa, when the former jumps from 66.4 percent in 1973 to 134.7 percent in 1974, the latter follows a similar trend rising from 21.2 percent in 1973 to 33.9 percent in 1974.

The GDP at Factor Cost, 1970-1977 (Table 4-2) and the Percentage Sectoral Contribution to the GDP, 1970-1977 (Table 4-3) reveal the increasing importance of this industry to the country. While the former gives the absolute contribution in millions of Trinidad and Tobago dollars to the GDP, the latter shows the percentage contribution of each sector. Even though the oil sector (comprising crude oil production and refining_ almost doubles its contribution in current prices between 1970-1973, it was only contribution 20% - 28% of the GDP. However, with the increase in oil prices on the international market after 1973, coinciding with the phenomenal growth in crude oil production in the country, its increase in 1977 with respect to that of 1973 was ten times as much in absolute terms causing this sector to literally dominate the economy since it was now representing nearly 50 percent of the GDP.

TABLE 4-1

ANNUAL RATES OF GROWTH OF GDP OF TRINIDAD AND TOBAGO AND
THE OIL SECTOR 1967-1976

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1978
Trinidad and Tobago	7.3	13.7	2.5	4.0	10.7	13.1	21.2	33.9	30.5	13.0	16.0
Oil Sector	11.5	22.7	-13.2	-6.3	0.4	16.7	66.4	134.7	42.0	13.8	22.0

SOURCE: Selwyn Ryan, The Politics of S ccession . . . tudy of Parties. UWI
St. Augustine, Trinidad, 1976. Pg. XI.

GROSS DOMESTIC PRODUCT AT FACTOR COS BY SECTOR OF ORIGIN

(CURRENT PRICES) 1970-1977 US\$ TT mn.

SECTORS	1970	1971	1972	1973	1974	1975	1976	1977	ANNUAL 1970-1973	AVERAGE 1974-1977
Agriculture	96.1	100.6	129.9	122.4	157.6	231.5	251.6	224.1		
% change	+ 3.6	+ 4.7	+ 29.1	- 5.8	+ 28.8	+ 46.9	+ 8.7	- 10.9	7.1	16.2
of which sugar	47.4	46.9	69.3	51.3	74.3	117.6	135.1	93.1		
% change	- 1.2	- 1.1	+ 47.8	- 26.0	+ 44.8	+ 58.3	+ 14.9	- 31.1	4.9	21.7
Petroleum*	361.1	362.6	423.3	704.7	1669.3	2641.1	3075.9	3601.3		
% change	- 6.3	+ 0.4	+ 16.7	+ 66.5	+136.9	+ 58.2	+ 16.5	+ 17.1	16.2	50.3
Manufacturing	150.1	164.8	196.3	222.3	270.9	339.2	420.8	568.1		
% change	+16.7	+ 9.4	+ 19.1	+ 13.2	+ 21.9	+ 25.2	+ 24.1	+ 35.0	14.5	26.3
Electricity & Water	32.2	39.8	45.0	47.9	45.5	58.5	64.7	76.3		
% change	- 3.9	- 23.6	+ 13.2	+ 6.4	- 5.0	+ 28.6	+ 10.6	+ 17.9	9.2	12.3
Construction	95.4	133.5	160.7	175.8	236.7	277.9	412.1	502.5		
% change	+19.8	+ 39.9	+ 20.4	+ 9.4	+ 34.6	+ 17.4	+ 48.3	+ 21.9	21.8	30.0
Services	610.1	664.7	704.5	759.3	864.2	951.1	1146.7	1256.7		
% change	+ 5.4	+ 8.9	+ 6.0	+ 7.8	+ 13.8	+ 10.1	+ 20.6	+ 9.6	7.0	13.3
OF WHICH										
DISTRIBUTION	252.6	266.0	278.5	292.1	307.5	321.9	449.7	496.5		
% change	+ 5.7	+ 5.3	+ 4.7	+ 4.9	+ 5.3	+ 4.7	+ 39.7	+ 8.2	5.1	14.5
FINANCIAL SECTOR	138.9	150.6	162.9	200.4	278.5	447.1	536.2	694.4		
% change	+ 3.9	+ 8.4	+ 8.2	+ 23.0	+ 39.0	+ 60.5	+ 19.7	+ 29.7	10.6	36.4
GOVERNMENT	136.6	179.6	209.8	233.0	290.9	424.2	467.8	500.9		
% change	+ 6.9	+ 31.5	+ 16.8	+ 11.1	+ 24.5	+ 45.8	+ 10.3	+ 7.1	16.1	21.0
TOTAL	<u>1621.1</u>	<u>1796.2</u>	<u>2032.4</u>	<u>2465.8</u>	<u>3813.6</u>	<u>5370.6</u>	<u>6374.8</u>	<u>7424.3</u>		
% change	+ 3.9	+ 10.8	+ 13.1	+ 21.3	+ 54.7	+ 40.8	+ 18.7	+ 16.5	12.0	31.7

SOURCE: Selwyn Ryan. The Politics of Succession. Op. cit. pg. XVII

* Production and Refining are excluded from Manufacturing and included under Petroleum.

TABLE 4-3

PERCENTAGE CONTRIBUTION TO GDP BY SECTORS 1970-1977

SECTORS	1970	1971	1972	1973	1974	1975	1976	1977
1 ^o Agriculture	5.9	5.6	6.4	4.9	4.2	4.3	3.9	3.0
of which:								
Sugar	2.9	2.6	3.4	2.1	2.0	2.2	2.1	3.1
2 ^o Petroleum*	22.3	20.2	20.8	24.6	43.8	49.2	48.2	48.5
3 ^o Manufacturing	9.4	9.3	9.9	9.1	7.1	6.5	6.8	7.5
4 ^o Electricity and water	2.0	2.2	2.2	1.9	1.2	1.1	1.0	1.0
5 ^o Construction	5.9	7.4	7.9	7.1	6.2	5.1	6.4	6.8
6 ^o Services of which: Distribut.	37.6	36.7	34.5	30.8	22.6	17.6	18.0	16.9
7 ^o Financial Sector	8.5	8.4	8.0	8.1	7.3	8.3	8.4	9.4
8 ^o Government	8.4	10.2	10.3	9.5	7.6	7.9	7.3	6.9
9 ^o Total:	100,0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Production and Refining are excluded from Manufacturing and included under Petroleum.

SOURCE: Selwyn Ryan: The Politics of Succession. Op. cit. pg. XIII

The dominance of the oil sector gives way to a relative decline in the contribution of the other sectors. Although the Agricultural sector rises from TT\$96.1 million to TT\$224.1 in current prices between 1970-1977, its percentage contribution falls from 5.7 to 3.0 in the same period. The Service Sector doubles at factor costs from TT\$610.1 in 1970 to TT\$256.7 million in 1977, and this corresponds to a drop in relative terms, from 37.6 percent to 16.9 percent. Similar to these two sectors, the Manufacturing sector also decreases its percentage contribution to the GDP, however, due to the favorable impact of the "Energy Crisis", it does not suffer such a sharp decline since it only reduces its contribution from 9.4 percent in 1970 to 7.5 percent by 1977.

Although we can conclude that throughout 1970-1977, the oil sector always maintained a relatively important position to the development of the Trinidad and Tobago economy, it was the "Energy Crisis" which forced a change in the economic structure, emphasizing its dominance and correspondingly, leading to the relative decline in the participation of the other economic sectors.

4.2 CONTRIBUTION OF OIL REVENUES TO GOVERNMENT REVENUES

During the period 1968-1979, the contribution of oil revenues to the total recurrent revenues increased considerably. In chapter 2-3 we have already mentioned that the causes of this increase were due firstly to the increase in oil prices which rose from TT\$1.36 per barrel in 1969 to TT\$25.1 by 1979 (Table 2-6, pg.), and secondly, to the increase in oil production. To analyze the contribution of oil revenues in the period 1968-1979, we will subdivide this period into two phases, before and after the "Energy Crisis".

Throughout the period 1968-1973 there was a steady decline in the inflow of oil revenue into the country. Except for a small increase from TT\$91.3 million in 1968 to TT\$101.4 million in 1969, oil revenue fell to TT\$46.1 million by 1973; in relative terms this represented a fall from 36.0 percent to the very low 23.43 (Table 4-4)

TABLE 4-4

CONTRIBUTION OF OIL REVENUE TO TOTAL RECURRENT REVENUE
IN TRINIDAD-TOBAGO 1968-1978 \$ MN. TT.

YEAR	OIL REVENUE	TOTAL RECURRENT REVENUE	OIL REVENUE AS % OF CURRENT REVENUE.
1968	91.3	253.8	36.0
1969	101.4	292.6	34.7
1970	34.7	310.9	27.2
1971	82.7	345.5	23.9
1972	79.2	415.1	19.08
1973	46.1	495.5	23.43
1974	888.2	1.300.0	68.32
1975	1.246.5	1.791.7	69.57
1976	1.391.2	2.254.1	61.72
1977	1.758.4	2.822.2	62.29
1978e	1.987.0	3.224.0	61.63

e: estimated

SOURCE: Unpublished data Ministry of Planning and Development.
November 1979. Trinidad.

Following the "Energy Crisis" however, the sharp increase in the contribution of oil revenue to Government revenues, is reflected both in absolute and in relative terms. In absolute terms oil revenue rose from TT\$888.2 million in 1974 to 1.987.0 in 1978 and from 1974 onwards this contribution represents approximately 60 percent of the total recurrent revenue.

The fact that oil revenue constitutes approximately two-thirds of the total recurrent revenue in the country reveals the crucial role of the oil sector to the Government's policy for financing national development.

4.3 CONTRIBUTION OF THE OIL SECTOR TO FOREIGN TRADE.

In chapter 3, we discussed the contradiction in the Trinidad and Tobago Oil industry, that while it exports a large amount of its local crude, it is a net importer, and the data on Foreign Trade (Tables 4-5, 4-6) reconfirm this.

TABLE 4-5
TOTAL VALUE OF DOMESTIC IMPORTS
1970 - 1977

YEAR	VALUE OF OIL IMPORTS	VALUE OF TOTAL IMPORTS	OIL IMPORTS AS % TOTAL IMPORTS
1970	563.114.8	1.087.020.3	51.8
1971	654.583.2	1.329.258.0	49.2
1972	692.935	1.471.098.8	47.1
1973	783.690.3	1.564.033.3	50.1
1974	2.694.143.6	3.777.823.2	71.3
1975	1.628.611.5	3.243.706.9	50.2
1976	2.813.371.1	4.908.825.8	57.3
1977	2.047.792.9	4.340.828.9	41.2
1970-77	= 11.878.242.4	21.722.595.2	= 54.7 %

SOURCE: Compiled by author from Table on Imports-showing principal commodities in relation to total imports 1970-1977. Annual Statistical Digest N° 24 1976/77 printed by the Central Statistical Office of Trinidad and Tobago. Pgs. 183-184

TABLE 4-6
TOTAL VALUE OF DOMESTIC EXPORTS 1970-1977
(\$ 000 TT)

YEAR	VALUE OF OIL EXPORTS	VALUE OF TOTAL EXPORTS	OIL EXPORT AS A % OF TOTAL EXPORT.
1970	742.846.7	944.315.0	78.7
1971	803.734.8	1.002.020.1	80.2
1972	831.496.0	1.052.476.1	79.0
1973	1.125.812.7	1.353.129.9	83.2
1974	3.547.280.9	3.934.151.5	90.2
1975	3.364.925.8	3.839.970.0	87.6
1976	4.885.249.7	5.332.674.0	91.6
1977	4.771.783.0	8.184.067.7	92.2

SOURCE: Compiled by author from Table on Exports-showing Principal Commodities in Relation to Total Exports, 1970-1977. Ibid. pgs. 185-186.

Within the period 1970-1977 imports varied considerably in terms of volume and value. While during 1970-1973 the value of oil imports is more or less fixed at about 50 percent of the total imports, by 1974 there is an increase to 71.3 percent in spite of a fall in the volume of total imports in the same year (Table 2-3, pg). This can be explained by the increase in the price per barrel of crude on the international market. During 1975-1977 the value of oil imports, and the average for the period is 54.7 percent.

During 1970-1977, the margin of variation of oil exports as a percentage of total exports is much smaller than in the case of imports, and the tendency is for an increase both in volume (Table 2-3. pg.) and value. During 1970-1973 the percentage of oil exports does not fall lower than 78 percent of the total exports and post 1974, this is equivalent

to approximately 87 percent, reaching 92.2 percent by 1977. The average for the entire period 1970-77 is 85.3 percent.

In spite of the contradiction that although the oil exports constitute the base of total exports, a significant amount is imported, as evidencial in the tables 4-5 and 4-6. It is clear that,

"Petroleum(is) the dominant sector, contributing 40 percent of the total GDP, and also accounting for (over 40 percent) of the total imports and over ninety percent of exports/1"

But although oil is actually the main stay of the economy there is much speculation about the gradual decline in oil prosperity for Trinidad and Tobago in the near future. The reasons given /2 are:

- a. natural decline of wells
- b. poor results of exploratory drilling
- c. lack of exploration by a major oil company

It has to be stressed that there does exist a depletion of the natural petroleum resources since experts state that by 1985 Trinidad's crude production will drop considerably and therefore the country has to depend heavily upon secondary and tertiary exploratory efforts by private companies. This type of exploration was identified as having favorable prospects and the government is incentivating operating companies to inten-

/1 United Nations Economic Commission for Latin America (UNECLA) - Economic Survey - 1977 - of the Caribbean.Pg.12

/2 Official documents - Ministry of Petroleum and Mines

sify their oil exploration/³

On the basis of the actual economic importance of oil to Trinidad and Tobago it can be affirmed that it is this sector, contributing nearly 50% to the GDP, which provides the revenues for infrastructure and industrial developments, social welfare and educational schemes the foreign exchange necessary for the importation of both capital and consumer goods. In short it is this industry upon which the Government depends for the development of the economy of Trinidad and Tobago and it is as well the industry which is almost exclusively controlled by foreign capital. In this light we will now analyze the extent of State participation in the oil industry, as a strategy for socio-economic development.

³ Ibid.