

# GULF OIL

Corporation



A REPORT

# GULF OIL corporation: a study in exploitation

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This booklet was prepared by the members of the Africa Committee of the Committee of Returned Volunteers (CRV) New York Chapter. CRV is made up of people who have served overseas, mainly in the Third World, and who have witnessed U.S. involvement in these areas. They have come to realize that this involvement works for forces that maintain the status quo of wealth and privilege for the few and poverty and ignorance for the many. U.S. policy, both corporate and governmental, must be radically changed, both at home and abroad. Our booklet is one of many steps toward the building of a movement toward such change.

Committee of Returned Volunteers/New York  
Africa Committee  
65 Irving Place  
New York, N.Y. 10003

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# foreword

Our concern with the liberation movements of the peoples of Southern Africa led us to an examination and a desire to expose those forces which have been inhibiting the success of these movements. In the words of Eduardo Mondlane, assassinated leader of the Mozambique Liberation Front (FRELIMO), "We are aware that without the involvement of foreign companies and without the support of the other western governments, Portugal would not stand the pressure on her in Mozambique, Angola and Guinea for even a week."<sup>1</sup>

A major company which bolsters the repressive colonial regime of Portugal in Angola is the Gulf Oil Company. Through its operations in Cabinda, Angola, Cabinda Gulf has given the Portuguese the means with which to continue a war against the people of Angola; for in addition to being a rich source of oil, Cabinda is a major area of conflict between armed liberation forces and the Portuguese government. Gulf has also enabled the provision of an essential and vital resource to the white South African regime, not to mention the profits made for itself from Angolan crude oil.

But Cabinda Gulf is only the beginning of our study. To determine whether or not Gulf operations in Angola were the exception or the rule, in other words, to put Gulf Oil Company into the perspective of corporate capitalism, we undertook an investigation of Gulf's activities elsewhere in the world and in the U.S., the center of its control and management.

Gulf has literally engulfed the globe (70 countries) with its rigs and wells, its refineries and markets, its pipelines and tankers. Elsewhere in Africa, Gulf is engaged in exploration in another Portuguese colony, Mozambique, and in South and South West Africa - an activity which aids the white racist regime's search for more complete economic self sufficiency - oil being one of the few natural resources not yet found in South Africa. Further, Gulf has installed itself along the whole western coast of Africa, from the Spanish Sahara to Nigeri from the Camerouns and Gabon, across the continent to the Congo and Ethiopia and finally to oil rich Libya. In Latin America Gulf has a long (oily) history in Venezuela and more recently in Colombia and Bolivia. Gulf is in the Middle East, Kuwait, and Iran primarily, and increasingly in the Far East with bases in Okinawa and Japan, South Korea, the Philippines, Hong Kong and Taiwan. But Gulf's operations are hardly limited to countries in the Third World, as our booklet illustrates with Gulf's activities in Canada, a "developed" sister to the north. From Cabinda to Canada its operations are uniformly those of the "multi-national corporation" - that is, a corporation with many subsidiaries penetrating and extracting the resources of foreign countries' soils, largely to the benefit, aggrandizement and interest of the all-controlling parent company located in the United States.

And while the company expands its control and profits, an elite minority in the home country, its "penetration of the underdeveloped world . . . has obstructed development," and

often contributed to the continued repression of the population by a self-interested, reactionary minority.<sup>2</sup>

Finally, however, this corporate imperialism could not continue at such an expanded rate were it not also in the interest of the foreign and domestic policy of the home country. A brief analysis of corporate oil's relations with the U.S. government, its built-in security through tax manipulation and the nature of its owners will make evident the very identification of corporate oil and U.S. interests.

Our booklet attempts to trace these relationships at home and abroad by 1) presenting a definition of the multi-national corporation and how it operates; 2) by presenting indepth material on Gulf Oil in four countries where the corporation's activities are blatant examples of its attitude and actions throughout the world; and finally, 3) an overview of Gulf on the domestic front.

This booklet is not only a call to recognize the nature of the beast, but to act in concert with a burgeoning campaign now developing against the power of Gulf and its crown family, the Mellons.

VENCEREMOS.

Committee of Returned Volunteers  
New York Chapter  
Africa Group  
April, 1970



# the multinational corporation

"The fact of power, however, is that...government is weaker than corporate institutions purportedly subordinate to it. This is the politics of capitalism. It is not at all expressive of a conspiracy but rather a harmony of political interests on a plane determined by the on-going needs of corporate institutions."

- -Andrew Hacker, ed., The Corporation Take-Over

American corporations pride themselves in their international outlook. Since World War II overseas expansion has become a major index of corporate growth. Between 1946 and 1967 the value of U.S. foreign investment has increased from \$7.2 billion to \$59.3 billion, and the volume of foreign trade tripled. This increased corporate expansion in the international arena has given rise to the multinational corporation, a key institution in the drive to create an integrated internationalist economy.

The multinational corporation has headquarters in one country and a net of subsidiaries in foreign countries. Ownership and control remain with the parent company. The hiring of local personnel to staff the foreign subsidiaries serves to protect the foreign branch from the possibility of nationalization; but control, notably the decisions of where and what to invest, invariably extends back to the parent company. And the decision to invest is determined by the interests of that company, not by the interests of the local people.

The multinational corporation is the outgrowth of international capitalism, a system which promotes international dependency as opposed to international development of the poorer countries of the world.

International capitalism means a market system of determining income distribution in poor countries. In those countries labor is abundant in supply relative to capital (reserve armies in many of these countries illustrates this), and ownership of capital (the means of production is highly concentrated. Therefore a market system helps to create and perpetuate a highly unequal distribution of income.

It is a system which inhibits the development of an indigenous industrial bourgeoisie in the developing countries. At the same time it ensures its own expansion. It is the large corporations based in advanced capitalist countries which secure the most desirable investments, repatriate profits to the home country, tie the local middle classes to foreign interests, and tie the economy in general to their own priorities. Cont-

inued poverty and underdevelopment are the only results for the majority of the peoples caught in the web of international capitalism.

For the international capitalist perpetrators socialism in any form is an anathema. Left organizations are ruthlessly suppressed. Reactionary governments are supported in preference to a left-leaning or "liberal" regime, and even the introduction of minimal social reforms tends to be prevented or thwarted.

Gulf Oil Company in an example of the multinational corporation in its exploitation of the resources, labor, markets and people of the third world and parts of the developed world. It does this in the name of "development," a term that has been sold to the public as politically neutral, while it continues to mask corporate expansion. "Development: is invoked to rationalize and justify U.S. penetration of the third world. Penetration into a particular economy means first, increased growth and development for the corporate entity, and secondly, the development of that economy in ways that will make it continually more responsive to the needs and demands of the corporation.

International capitalism requires stability. Businesses must be assured that their investments will not be nationalized, and be able to protect the course of the economy in order to plan production. Rapid and radical social change therefore must be ruled out.

American business, with the exception of a few, is late coming to a technique of pacificat-

ion of the local middle class. As the national bourgeoisies are hired for executive positions in the subsidiary company, they are 'denationalized' in that their personal enhancement lies with faithful service to the corporation. Denationalization without giving up control is also achieved by making a local stock offering in the offering in the country of operation. Even if 51% or more of the stock is held by local capitalists, management will still be controlled by the parent company. Capital has a nationality, namely, the source of its control. By giving investors an option to buy stock, you also gain control of their capital. In sum, the multinational corporations succeed in denationalizing the new middle class without losing control and management, that is, without internationalizing this control.<sup>3</sup>

Multinational corporations also tend to be anti-nationalism. If an international capitalist system is successfully created, nations of the third world, most of which are smaller than the larger multinational corporations, must realize that they must evaluate all according to how it will strengthen the international corporate economy, not how the people and the third world states will benefit.

Gulf Oil is only one of the multinational corporations growing fast in the world today. The fears which smaller countries in the third world have of the multinational corporation and the whole spectre of international capitalism are well founded as can be seen in the case studies presented in the following pages.

# the rape of angola

Gulf's dirty linen is aired in Angola. There, in collusion with the Portuguese colonial regime, Gulf has the major oil concession which will attain a production rate of 150,000 b/d in 1970. The Portuguese government's share of the profits from this oil includes surface rents, 10 cents a bbl. royalty, 50-50% profit split and other fees that will total more than \$20 m. in 1970.<sup>4</sup> These profits are used to finance the growing expenses of the continual suppression of the Angolan people.

The concession has earned Gulf the dubious distinction of being named in the United Nations reports as a vital supporter of Portuguese colonialism. These reports state that companies such as Gulf provide direct aid to colonialism "by giving financial, economic, and military assistance to administering powers which are engaged in suppressing national liberation movements."<sup>5</sup>

Throughout Africa the Portuguese practice a colonial policy of elite multiracialism, entitled "assimilation." Without doubt most Portuguese accept those Africans willing to redefine themselves according to the criteria of an alien culture. Nonetheless, the economic and political realities of the superimposed and therefore violent regime mean that few Angolans, even assuming their acquiescence in the denigration of their past and their identity, will ever be "assimilated." The end result is racism.

The colonial relationship relegates Angola to the

position of a "supplier" of labor and natural resources and a captive market for the finished products. This colonial relation is reflected in land ownership where Europeans and European interests own sixty times more land than the Angolan population, and European owned plantations produce 75% of Angola's coffee, the major money crop. Agricultural production is thus controlled by white Portuguese settlers and various foreign economic interests, and the Angolan farmer growing cash crops must sell to these foreign interests at prices inferior to those paid European farmers.

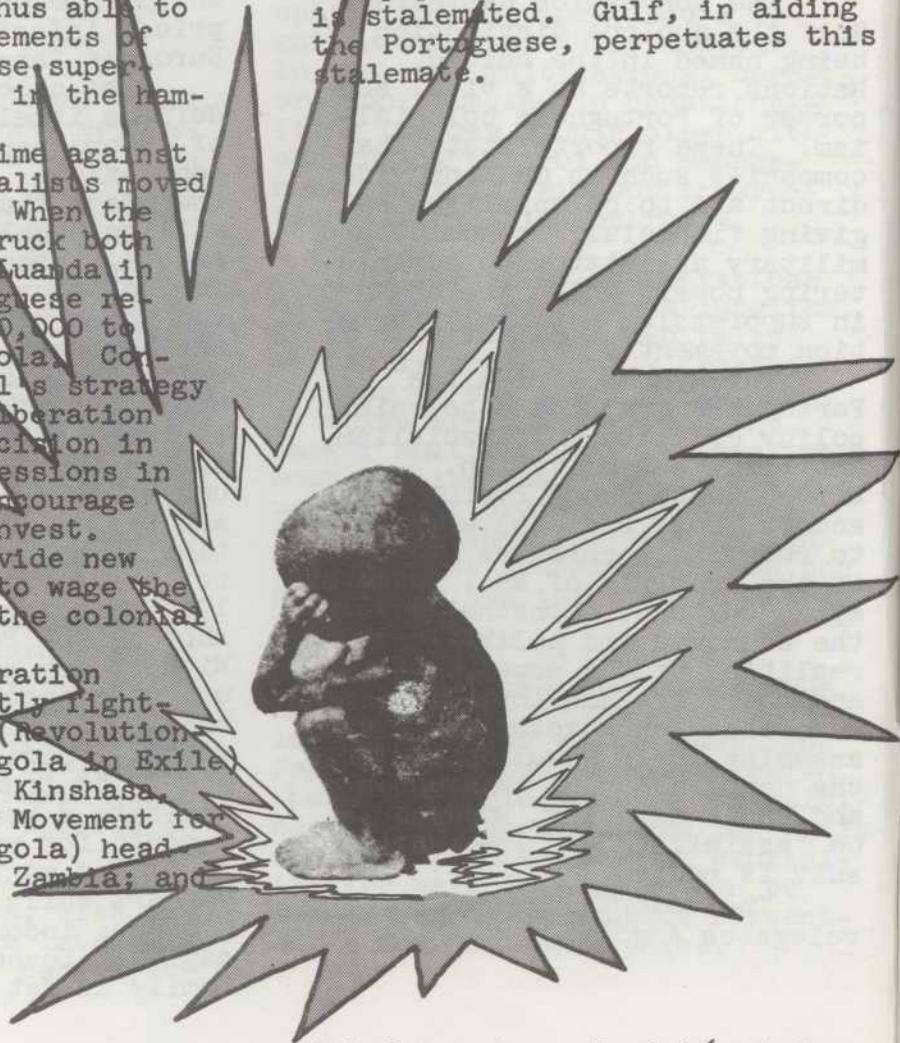
The colonial system also defines itself in the nature of labor open to the African population. From the time of the slave trade when three million people were torn from Angola, through decades of forced labor during which men and women were made to work in the European cash crop economy while their children went hungry, to the 1960's when all strikes and political organization were still illegal, Portuguese rule has meant alienated and exploited labor. This continuing suppression of labor was evidenced by a strike in 1959 in which 50 workers were shot by the Portuguese forces. Without any sort of trade unionism Angolans have no protection from coercion and low wages. Specific figures are not to be found, but sources indicate a medium wage of \$20 a month for rural labor and \$60 to \$120 a month for urban workers while the minimum subsistence income in the Angolan capital, Luanda, for an average family is set at \$200 a month.

Basic to the restricted use of labor is the nature of the educational system. Notoriously slow in establishing an elementary education system for the African people, in recent years the Portuguese have responded to pressures from international sources caused mostly by the action of the liberation movements to accelerate education. Yet today the literacy rate is only 10%, and it is a "colonial" literacy. This means that the schools are designed to produce a small elite of black Portuguese capable of maintaining the given colonial structure. These schools are now being used as ploys to attract Angolans to "strategic hamlets." The Portuguese are thus able to rob the national movements of rural support by close supervision of the people in the hamlets.

This is the regime against which African nationalists moved militarily in 1961. When the Liberation forces struck both in the North and in Luanda in that year, the Portuguese responded by sending 50,000 to 75,000 troops to Angola. Consistent with Portugal's strategy for containing the liberation movements was her decision in 1965 to provide concessions in Angola in order to encourage foreign capital to invest. Foreign concerns provide new revenues with which to wage the war and "stabilize" the colonial regime.

Three main liberation movements are presently fighting in Angola: GRAE (Revolutionary Government of Angola in Exile) with headquarters in Kinshasa, Congo; MPLA (Popular Movement for the Liberation of Angola) headquartered in Lusaka, Zambia; and

UNITA (National Union for the Total Independence of Angola) in Angola itself. Claims by these movements indicate that together they control a minimum of 1/3 of the country. Control of these liberated areas assumes popular support: a popular control which provides educational, health and welfare facilities through the new governmental structure of the movements. The Portuguese are openly attacked in these areas by day and must retreat to strategic hamlets at night. The struggle in which the three movements are engaged is not unified; yet even pro-Portuguese sources, such as South African newspapers, admit that the war is stalemated. Gulf, in aiding the Portuguese, perpetuates this stalemate.



# operation cabinda

Cabinda, Portuguese-ruled enclave wedged between Congo-Kinshasa and Congo-Brazzaville to the North of Angola, was the site in 1966 of an important oil strike by Gulf. It has since proved to be the most profitable oil venture in Portuguese Africa, and Gulf, the sole concessionaire, controls it all. To develop this lucrative concession Gulf had spent \$130 million by the end of 1969 and plans to spend an additional \$76 million in the current expansion program to raise production to 150,000 barrels per day. Portugal has fought since 1961 to ensure its appropriation of the wealth that this oil represents and, indeed, the wealth of all Angola; but if Portuguese troops have done the fighting, they have not gone unaided by Gulf in particular and the U.S. in general.

South African journalist Al. J. Venter, seeing the outcome of the struggle in Angola and Mozambique as crucial to the Republic of South Africa and "the survival of European civilization in Africa" traveled the battlefield in Angola, and writes more openly than most about what he saw. "After the initial onslaught which followed close on the heels of the March 1961 attacks in northern Angola, the insurgents were successful in occupying more than 90% of the enclave...within weeks they brought industry and agriculture to a standstill...routing the ill-prepared Portuguese militia and police..."<sup>6</sup> Of Gulf itself he writes..."Although they were obliged to suspend operations during the worst of the terrorist raids in 1961, machine muzzles were barely cold before they moved in again." Now, eight years later, Gulf has

enormous installations producing millions of tons of oil a year, and the Portuguese once again control a large part of Cabinda.

What happened? How could the Portuguese re-establish their badly shaken colonial rule? Again, Venter gives interesting clues as to the base of the Portuguese success. "As a journalist...I saw a little of the struggle in Cabinda in December 1964...the airport was completely ringed by machine-gun turrets; American-built P-36 Harvard trainers with heavy loads of rockets, bombs and machine-guns were landing and taking off at regular intervals..."<sup>7</sup>

The liberation movements in Angola, Guinea and Mozambique have repeatedly charged that U.S. arms and airplanes are used against them. Officially the equipment reaches Portugal through NATO and is to be used inside NATO territory, which excludes Africa. Portugal, however, has its own "rules of the game," so the napalm searing a child in Angola, comes from a canister dropped from a plane that is likely to bear the legend "Made in U.S.A."

Portugal increased its efforts to "pacify" Cabinda after Gulf made the first strikes in 1966. This pacification included both a step-up in troop shipments and the accelerated use of other techniques. For example, "in 1967 Cabinda received the largest allocation for rural regrouping projects, some of which involve the resettlement of the African population..."<sup>8</sup> In Vietnam these are called "strategic hamlets," but by any name you call them they mean an uprooting and regimentation of the popula-

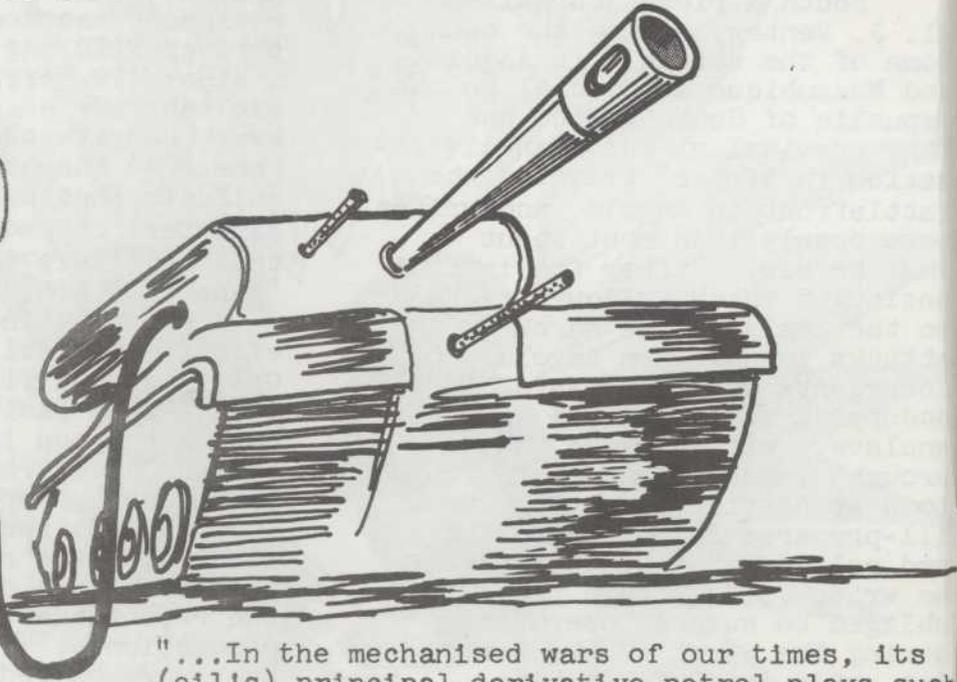
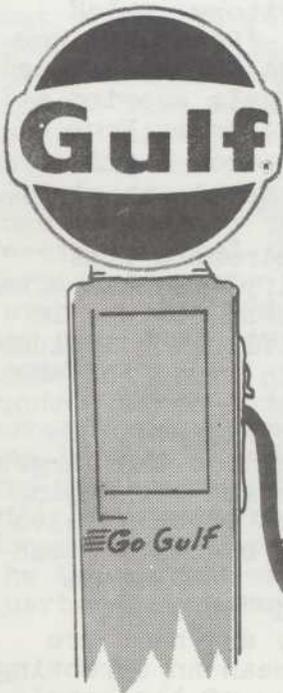
tion so as to destroy the base of the guerrilla movement.

These military actions are essentially part of an agreement with Gulf under which the Portuguese government "agrees to take such measures as may be necessary to ensure that the company may carry out its operations freely and efficiently." <sup>9</sup> The authorities on their side agree to provide military guards to protect the oil fields if special security measures prove necessary. In return all foreign companies are bound to support the Portuguese government "in securing peace and order," including actions such as allocating means to build military barracks and paying sums for the defense of so-called "national property."

Some Gulf oil camps in Cabinda, surrounded by 8-foot barbed-wire fences and spotlights, bear witness to the relationship between Gulf and the people of

Angola/Cabinda. Under Portuguese law industrial companies considered indispensable to the normal life of the territory are required to provide for their own defense ...these activities being neatly fitted into the entire military structure, under the direct control of the OPVDC <sup>10</sup> (the civil defense authorities). Whatever its pretensions about development, Gulf is inextricably tied to Portuguese colonialism and the military structures by which Portugal is fighting to maintain its empire.

Gulf's collusion only begins with its incorporation into the colonial structure and the resulting military activities. Gulf also finances that colonial system. Part of the bargain struck between Gulf and the Portuguese government involved a whole series of payments to be made by Gulf during



"...In the mechanised wars of our times, its (oil's) principal derivative-petrol-plays such a preponderant part that without reserves of this fuel it is not possible to give the Army sufficient means and elasticity of movement. The machine is the infrastructure of modern war, and machines cannot move without fuel. Hence the valuable support of Angolan oils for our Armed Forces.

-Rebocho Vaz, Governor-General of Angola

the lifetime of the agreement. Payments include surface rents, a 50% tax of profits, royalties, and other concession payments.

When Gulf signed the new agreement at the end of 1968, the Portuguese were facing escalation of the war on all three battlefronts in Africa. Portugal's budget already effectively allocated more than 50% of its annual expenditure to the war. Yet more money was needed, and Gulf proved to be one good source. The terms of the 1968 agreement provided for several payments to be made in advance--the estimated total that the Portuguese government got from Gulf in 1969 was thus close to \$20 million, an amount equal in size to half of the amount allocated to war expenditure in the Angolan budget for 1969!

Two final points need to be added to this assessment of Gulf's role in Cabinda. First is the favorite argument of the "developers" that corporate participation with a reactionary regime will lessen the injustice and the contradictions within the society it rules. Thus the sudden injection of investment is to create new job opportunities and new markets and to stimulate a new prosperity for the people of the "underdeveloped area." Unfortunately, this isn't true. The big spoils are obviously divided between Gulf and the Portuguese, but what about the crumbs? It appears that Gulf has employed about 2,000 people, 500 of whom are Americans and another 1000 other expatriates.<sup>11</sup> That doesn't leave many jobs for the people of Cabinda. The wages of oil-workers are high, well over \$2000 a month for some. Com-

pared to the previously mentioned figure for Angolans these wages successfully belie one tired argument. Roads have been built, but they carry troops. Houses have been built, but even Portuguese army officers complain that competition with the Americans has made them too expensive--certainly no Angolan earning a few dollars a day is living in those new houses. If Cabinda is a boom area, its boom is for Whites Only.

The obvious point of special significance is the actual product that Gulf is pouring out: Oil. A crucial strategic material. Now Portugal, with a safe source, is safe against embargoes and sanctions. Indeed, it is written into the contract that Portugal has the right to take all the crude oil that is produced or the equivalent in refined products should her military needs dictate it. Portugal consumed 78,000 b/d in 1969; with its expanded output of 150,000 b/d by the end of 1970 (and with reserves capable of producing even more later on), Gulf could supply all of Portugal's needs and still have some left over for Portugal's oil-hungry friend and ally, the Republic of South Africa.

Collusion has no neat limits; by supporting the colonial regime in Angola, Gulf helps sustain the whole oppressive racism of Southern Africa and denies a people their "inalienable" right to self-determination.

# gulf in the americas

Angola is hardly the end of Gulf's foreign activities, nor is it entirely typical. It fits a certain pattern, that of the multinational corporation involved in a colonized country where the social schism between rich and poor follows national or racial differences. Cabinda is in many respects more similar to South African Apartheid than it is to most third world societies. There are, however, other patterns of economically imposed inequality--patterns that apply to the operations of Gulf Oil.

The gross revenues of the Gulf Oil Co. for 1969 were estimated at \$6 billion; from this sum Gulf obtained a net income of \$611 million. Most of this wealth is derived from foreign countries.

The largest importer of foreign oil in the U.S., Gulf has crude oil production from vast reserves in Kuwait, Venezuela, Canada, Iran, Nigeria, Cabinda, and, more recently, Columbia and Ecuador. Until last year it was also getting crude oil from Bolivia, and is currently exhausting every means at its disposal to either milk that country of "fair" compensation or to undermine its government, or both. With oil is natural gas, and Gulf operates plants to recover liquid products, such as gasoline, which it markets in Canada, Europe, the Caribbean, South America and Asia. Gulf owns or has interests in refineries in Canada, Venezuela, Kuwait, Denmark, Holland, the Phillipines, Formosa, Korea, France, Iran and Puerto Rico. Projects in the offing include refineries in Spain and the Ryukyus, near Okinawa,

where a huge transshipment terminal is being built. Gulf is even planning to construct a refinery at Bertinico in Italy, a country which has fought the domination of the oil cartel.

In Kuwait, Korea and Spain the company owns interests in fertilizer plants and has acquired a 60% interest in a plastics concern on Taiwan. In Canada it controls at least 42 companies engaged in every facet of the oil industry.

Through its General Atomics Division, Gulf engages in uranium mining and the production of reactors, nuclear fuels and nuclear power systems, which recently have been sold to Japan and Great Britain among others. In Saskatchewan Gulf has just hit upon commercial deposits of uranium, which it is proceeding to exploit.

In 1968 Gulf's marine fleet comprised 48 tankers and 31 chartered vessels. Since then, however, it has received several of the giant 326 dwt. supertankers, four of which were being constructed in Spain to supply the refineries and related plants in that country.

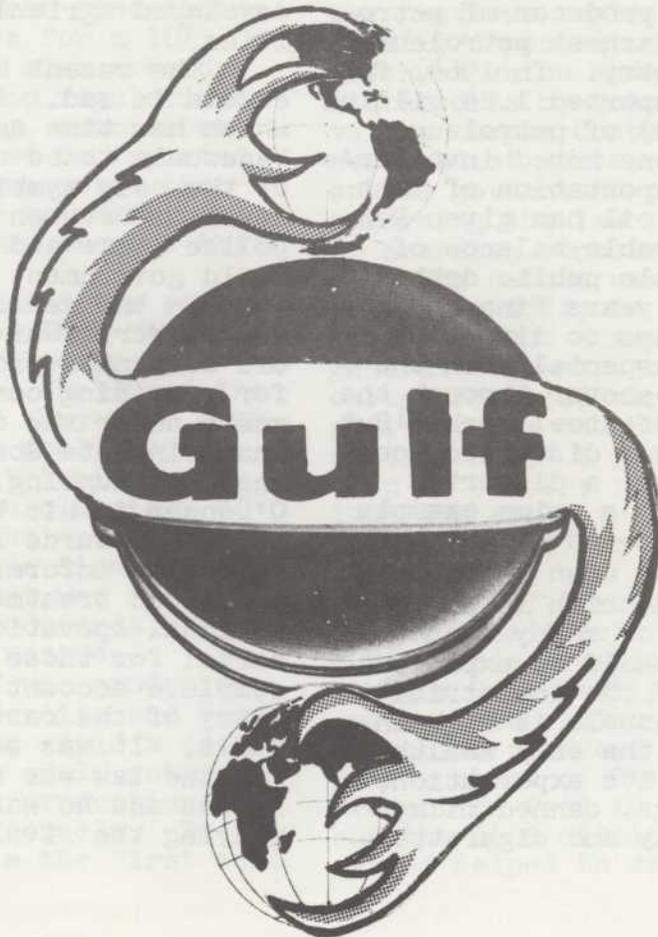
Gulf is drilling everywhere. The listing of its subsidiaries reads like the membership role of the United Nations without the Soviet bloc. Most of these foreign subsidiaries coordinate exploratory activities and later, once commercial quantities of oil or gas are found, move into production, refining and marketing. This incomplete summary of the foreign activities of Gulf Oil gives substance to Robert Engler's statement that "two-thirds of Gulf's income is derived from foreign operations."<sup>12</sup>

So what? Rather than tediously enumerate all the ways by which Gulf, as a member of the oil cartel, has infiltrated and subverted various foreign economies, a truer appreciation of what exploitation means requires some understanding of how a cartel operates and a look at those societies whose economies it controls and whose futures it determines.

The oil cartel--Standard of New Jersey, Royal Dutch/Shell, Texaco, Socony Mobil, Standard of California, British Petroleum and Gulf--depends, as does any

monopoly, upon its ability to set up and maintain an artificial price and profit structure. This it does in the U.S. by controlling domestic production while limiting imports to a specified quota (the consumer foots the bill, now estimated at between \$4 and \$7 billion a year, for the "stability" of a fixed market).

Extended to the international scene, the structure has been maintained by controlling both the economies and the societies of the producing countries and preventing the emergence of national oil entities.



# venezuela -- 50 years of waste

"What happens in the board rooms of Standard Oil or Gulf may be of more interest and of more permanent consequence to a country...than what happens on the seventh floor of the State Department."

-Washington Post, Oct. 4, 1969

Venezuela is the world's third largest producer of petroleum and its largest petroleum exporting country. In 1964, for example, it exported 1.24 billion bbls. (barrels) of petroleum. According to one noted investor's guide, this exportation of vast quantities of oil has given Venezuela a favorable balance of trade and little public debt and has in recent years financed government programs to diversify the economy, especially in the manufacturing sector through the construction of steel works.<sup>13</sup> But Venezuela's is a distorted economy and, hence, a distorted society. It is a prime example of the economic and social perversion wrought upon those third world countries rich in a mineral resource or money crop which lends itself to exploitation by one of the industrial cartels. Venezuela is rich in oil, and with the easy wealth acquired from its exportation, it imports eggs, canned milk, TV sets, whisky and cigarettes--

all this for a country of underdeveloped agricultural communities.

The recent history of Venezuela is sad. It is a history which has time and again proved Venezuela to be another example of the easy symbiosis which develops between a dictator's police state and the private world government of oil.

In the years following the end of World War I, as the giant oil companies prowled the world for promising concessions, Venezuela under the dictatorship of Juan Vincente Gomez provided the best hunting. Harvey O'Conner in his World Crisis in Oil (the source for most of the following information and an excellent treatment of the international operations of the oil cartel for those wishing a more complete account) describes the entry of the cartel into Venezuela. It was an easy entry, for the law was what Gomes said it was and he was interested in playing the rival companies

against each other with schemes designed to increase his and his family's fortune, not in developing laws to protect the resources of the Venezuelan people. Fake leases, false rumors of what the other companies were doing and general chicanery made Gomez a very rich man. But the three big American companies which were to become established in Venezuela during this period-- Standard Oil of New Jersey, Standard of Indiana and Gulf-- could not have been too unhappy, for despite the trickery they obtained fabulous concessions on fabulously favorable terms. Under the 1922 statute governing the oil industry, which the companies helped to draw up, they were granted 40-year concessions of 10,000 hectares for a 10% royalty. The law also provided for low rentals, no regulations on offset drilling, exemptions from customs duties on imported equipment and a guarantee that there would never be additional taxes. Gomez never changed this law.<sup>14</sup>

Gulf was granted the area along the shore of Lake Maracaibo, while Standard of Indiana got the deepwater area and Shell had the shore. Obviously they were drawing from the same pool, and in their haste to get their share, they reinacted the old story of waste and despoliation. By 1927 when production was finally controlled, the market was glutted and hundreds of thousands of barrels had been wasted.

By 1929 Gulf was producing 27% of Venezuela's oil, and Venezuela was then the world's second largest producer. Gulf obtained half of its total production in that year from Venezuela. In 1933 it brought in the first well

of the Oficina field--a fortuitous location because of its nearness to the Atlantic seaboard where oil produced at 87¢ a bbl. sold at \$1.90, yielding a very nice profit. Throughout the period 1919 to 1936 (Gomez died in 1935) the Venezuelan government had oil revenues of \$120,000,000. Given the scarcity of outlets available for such revenues, other than the personal fortunes of Gomez and a small group of cronies, it provided for a superb police organization and the dictator died in bed.

But by now an economic dictator, the oil cartel, had succeeded to power. The country had been left impoverished in every way by the absolutism of the previous regime and was totally dependent upon oil revenues which made up 99% of its exports by volume, 80% by value. Lopez Contreras, the new head of state, tried to increase government revenues by reforming the law and the system of awarding concessions. The need for reform was certainly obvious. Gulf, in one of the more flagrant examples of the general chicanery by which the cartel fattened already enormous profits, was caught in 1936 deducting a 15% a year depreciation on tankers in use since 1925 and still in good condition. They had paid for the tankers by 1932!

By 1937 Jersey Standard bought a half interest in Gulf's Mene Grande subsidiary and limited Gulf to a production quota of 100 bbls. to every 345 bbls. produced by Jersey. Gulf's share of Venezuelan production fell to only 7%, but the \$100 million they received helped to develop their

new Kuwait concession - the richest of them all.

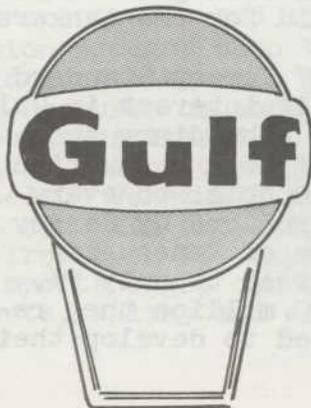
President Medina Angarita initiated the 50-50 profit split between Venezuela and the oil industry in 1942. Until that date Gulf had paid only a 7<sup>1</sup>/<sub>2</sub> royalty on profits from its Lake Maracaibo Concession. The companies accepted. The titles of the concessions were tainted by the corruption of the Gomez era and the Accion Democratica wanted them cancelled. The government was offering new leases running for 40 years plus dropping tax evasion claims, all to sweeten the bitter 50-50 split. In addition the companies could sidestep the split through dishonest accounting procedures such as the depreciation allowance Gulf awarded itself for its tankers.

The new deal, however, aroused little enthusiasm among Venezuelans and in 1942 they took to the streets in a successful coup bringing Accion Democratica under Romulo Gallegos to power. The resulting junta enforced the 50-50 split, and in 1946 the first collective bargaining contract was signed with the oil workers union. And the

government began to sell its royalty oil, the 16<sup>1</sup>/<sub>2</sub>% of production for which the companies paid the posted price, at 11¢ to 15¢ over the posted price. The embarrassed companies then paid a premium to keep the royalty oil off the market. Finally, a 1948 contract established a minimum daily wage of 14 bolivars (\$5.20) and provided for benefits in housing, medical care and vacations.

Things were bad for capitalism. So in 1948 there was another coup, this one affording much evidence of collusion between the cartel and Venezuela's armed forces. (The oil revenues for the Venezuelan Government under Accion Democratica in 1948 were \$490 million, four times that earned during the Gomez period). There was also the curious presence of the American military attache in the general staff headquarters during the coup. The triumphant officers asserted that they had stopped an experiment in social revolution, and perhaps they had. An elite group, as in most Latin American countries, the officers could not allow any possibility of agrarian reform.

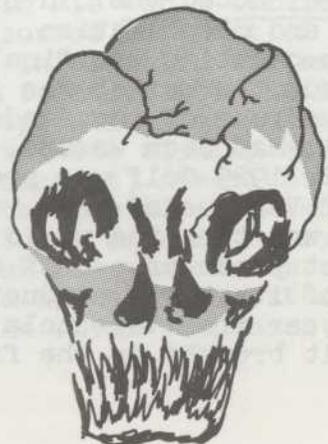
Following the coup, Jimenez came to power as the head of the



Go Gulf



Go Gulf



Go Gulf

new junta. Accion Democratica was outlawed, the unions were abolished and an excellent police organization enforced a political calm. With the increased oil revenues won by the previous government, militarism flourished and Caracas was given a glorious facade. But the facade had crumbled by 1958 when a general strike, motivated by general misery, brought in a new government. The last years of Jimenez were euphoric for the oil companies: on a net investment of \$2,578 million they had a 32.5% return, more than two and a half times that on U.S. investments elsewhere in Latin America.

Washington and the cartel were no doubt embarrassed by this overthrow of a man recently decorated by President Eisenhower, but this is not to criticize their efforts for "stability:" Venezuela was said to have more C.I.A. agents than any other country in the hemisphere. Things had gotten so bad that the New York Times felt itself obligated to launch a crusade questioning in its July 5, 1957, edition the wisdom of American interests supporting such an unpopular military dictatorship and later reporting that dictatorship's budget where 4.3% and 6.4% provisions for agriculture and education, respectively, were opposed to exorbitant military spending. Sounds familiar, doesn't it?

Following the coup the illusions of prosperity disappeared. The country was in debt to the tune of \$1,375,000,000. And the means for erasing the debt were not to come, for the social scaffolding, erected during the Jimenez regime--a huge military accustomed to the latest and most expensive playthings, a bloated bureaucracy and the expensive facade of Caracas--

created a distorted economy that was not to be set right by the overthrow of a dictator. The budgets of 1959 and 1960 did not balance, and the reality behind the facade of "development" included 80% of farm families averaging \$240 a year; 500,000 children unable to attend school; 160,000 to 300,000 abandoned children roaming the cities and countryside; and an agricultural country that imported 400 million bolivars of food a year.

In a move to increase government revenues, the junta revised the oil laws to provide for a 60-40 split before ceding power to Accion Democratica and Romulo Betancourt. It did not help; there was an oversupply of oil on the world market, and the U.S. was enacting import quotas limiting foreign crude (Canada excluded) to 12½% of U.S. production.

Meanwhile, Venezuela was trying to create its own national oil company, despite the need to control production, so that eventually it might take control of these resources. But the government was insolvent and the few wells the national company drilled were soon shut-in for lack of a market (the cartel, remember, controlled the only refining and marketing operations). Then the world bank, which influenced if not controlled the money markets where Venezuela needed credits to re-finance her debt, set forth its plan: increase production from shut-in wells; give a reinvestment allowance on the income tax thus allowing Shell, Jersey Standard and Gulf higher profits and greater incentive to open world markets to Venezuelan oil; base royalty payments on realized prices (in a depressed market favoring the consumer countries); and do not rush to

develop a national company which would compete with the private concerns. In the private world government of the cartel, financial aid requires abandonment of any democratic development by a country of its resources.

Today Gulf, through its Mene Grande subsidiary, still holds large concessions in Eastern Venezuela expiring in 1983, and Lake Maracaibo, expiring in 1996. In 1968 its share of Mene Grande's production averaged 160,111 b/d. Venezuela Gulf Refining Co., which is 66 $\frac{2}{3}$ % owned through Mene, operates a refinery at Puerto la Cruz with a 155,000 b/d capacity. From this refinery Gulf feeds its South American markets at a favorable transportation cost.

So Gulf and the cartel remain constants in a country inured to political turmoil. They and the systematic exploitation they represent have become natural law in a world where governments are merely temporal phenomena. Democratic reform came to Venezuela. Percentages changed. But has there been structural change, a qualitative change in Venezuela's relation to the oil cartel?

The New York Times reports:

"Since 1959, Venezuela has had a \$2.5 billion deficit in her trade with the United States. United States investment in Venezuela has totaled \$3 billion. Latin America in the last few years has been helping to finance the United States, rather than the contrary." 26

Venezuela is thus once again a prime example - of the failure of reformism to free the underdeveloped from control by the cartel. The desire of Gulf and other members of the cartel for "stability" led to fifty years under various tyrants. When a representative

democracy tried to effect change it was faced with a distorted economic and social structure, including a massive bureaucracy, powerful armed forces and rampant militarism. Worse yet is the mentality of elitism and resistance to "social revolution" that has come to typify the ruling group. Driven to Wall St. and the International Monetary Fund for the credit to finance this warped dispensation, its plans for national development are promptly shelved for austerity and stagnation. Thus castrated, it cannot prime its economy, unemployment rises, and the military, as the only force capable of keeping control, gains power and further consolidates its elite status. Democracy dies. As O'Connor quotes from Paul Johnson in the New Statesman:

No attempt to solve its (Latin America's) basic problems can be made without fundamental changes in the social structure. At present these cannot be brought about through mere electoral victories since effective legislation requires the assent of the armed forces. Until these vested interests are destroyed - as they were in Cuba - the democratic process remains a farce. Latin America, therefore, does not really possess the alternative of reformism; its only way to progress is through a general revolution, involving the dispossession by confiscation of the propertied class and their ally, foreign capital...

The Venezuelan people remain captives of a social order where possibilities of self-determination are comprised by the great wealth of the subsoil.



Associated Press  
**BOLIVIA:** Women demonstrating in La Paz in support of their Government's nationalization of a Gulf Oil Corporation subsidiary. Mr. Nixon comments on such signs of change.

## big stick in bolivia

A country that has not acquiesced in the corporate pillage of its heritage is Bolivia, Latin America's least stable and poorest country. There on September 26, 1969, a military junta headed by General Alfredo Ovando Candia staged a successful coup. Proclaiming that his country was "at war" with "imperialism",<sup>16</sup> he abolished the 1956 Petroleum Code (which had been drawn up under the guidance of the U.S. State Department) under which Gulf's Bolivian subsidiary had a 40 year concession.<sup>17</sup> On October 17, 1969, he expropriated Gulf's facilities.

Preceding the nationalization of its properties, Gulf was producing about 32,000 b/d (80% of Bolivia's total output) of which 22,000 b/d were piped to Arica, Chile, for shipment by Gulf-owned or leased tankers to Gulf refineries in California. The remainder of this production was sold to Bolivia's national oil entity, YPF, at \$1.69 a bbl. The profits realized by Gulf represented a real loss, for Bolivia was receiving only a 33.5% share of those profits and 11% of the wellhead production - an arrangement that compares favorably from the corporate view-

point with that in Venezuela or Columbia where 70% and 60%, respectively, of the profits go to the host country.

It was not the oil, however, that represented the greater loss, but the much more profitable natural gas for which Gulf was constructing a 33<sup>4</sup> mile 24-inch pipeline from Santa Cruz to Yacuiba in northern Argentina. This unfinished pipeline was also nationalized.

Bolivia has thus, like the gypsy moth her history suggests, dared the flame of corporate retribution. It is doubtful that Ovando could have done otherwise than to nationalize Gulf's facilities; the poverty that years of manipulation by foreign concerns has helped to foster and, more specifically, the imposition of a grossly inequitable petroleum code by their "partner" to the north, made Gulf, as the only foreign oil concern, the natural target for the frustrations of the Bolivian people. In nationalizing Gulf's property, he won the allegiance of the Bolivian masses, an allegiance necessary to carry that government through the months of trial that await it in 1970.

Following nationalization, E.D. Brockett, Chairman of Gulf Oil Co., immediately called for imposition of the Hickenlooper Amendment, requiring the suspension of American aid within six months should "just compensation" for the lost facilities not be made. Bolivia currently receives about \$15 million a year in U.S. aid.

More insidious, in that it shows the power of the oil cartel to control the world market, Brockett stated that any attempt by Bolivia to sell its nationalized oil would be met with an "embargo". This is the gist

of the problem facing the underdeveloped: in a world market controlled by the cartel, nationalization means the loss of marketing outlets and economic suicide. To ensure the effectiveness of the threatened embargo, Gulf discontinued tanker operations from Arica and assured closure of U.S. west coast markets to Bolivian oil entering by other means. Sale to its immediate neighbors, such as Chile and Argentina, was complicated by the nature of the oil itself. Bolivia's oil is "sweet", more adaptable for refining to gasoline than to fuel oil, which is what her neighbors need. With its outlets blocked and storage facilities full, Bolivia has been forced to curtail production, with resultant labor unrest.<sup>18</sup> By subsidizing civilian groups opposing the central government, as well as giving support to the right-wing, anti-Ovando elements within the Bolivian military establishment, Gulf has continued to add its own fuel to the internal unrest and discontent in some areas of the country. For example, when anti-Ovando Air Force General, Rene Barrientos, died in a helicopter crash in April, 1969, a Guardian correspondent correctly commented, "Not even his Barrientos death was Bolivian; he died in Gulf Oil flames." In 1967 General Barrientos had conducted anti-guerrilla operations in conjunction with the C.I.A.<sup>19</sup>

In addition, Gulf has forced cessation of construction work on the natural gas pipelines running to Argentina. This it did through the World Bank, which was financing the construction and which is no longer releasing funds to the suppliers of needed materials

now that Gulf has refused to guarantee its share of the note.

(It appears that Argentina, in a move bound to tweak Uncle Sam's nose, has offered to guarantee Gulf's share of the note, for it needs the gas. Ferrostaal, a German supplier of the pipe, has agreed to resume shipment under a new credit, and Mexican interests have offered new financing.<sup>20</sup> This new solidarity in the face of the cartel is an important beginning on the part of these countries toward a solution of their "underdevelopment".)

Finally the U.S. has threatened to dump tin reserves on the world market which would mean a sharp drop in prices for Bolivia's main export, tin. This measure would severely cripple the Bolivian economy.<sup>21</sup>

The problem remains one of outlets for Bolivia's crude oil. The government has even offered to sell its oil to Cuba via Russian tankers, saving the Soviets a considerable amount in transportation costs. With production curtailed, revenues lost and workers unemployed, Bolivia is again susceptible to a coup; this time by conservative elements which would enjoy the backing of Gulf Oil, the so-called shadow government, and the C.I.A. In fact, on January 23, 1970, the Bolivian Government announced its discovery of a downtown office run by the C.I.A. and its intention to remove any Americans involved in the "center of operations." The center included equipment for radio transmission and for telephone tapping.<sup>22</sup>

Bolivia has offered to compensate Gulf for its properties, so why is this economic stranglehold being applied to

one of the poorest countries in the world? The answer entails the definition of "just" compensation: Gulf has declined to name a figure, but contends that it should recover its full investment of \$150 million and an allowance for anticipated future profits. Two thirds of that \$150 million was spent in exploratory activity carried out over a number of years; very little represents the value of the physical assets. Charging an underdeveloped country for exploratory activity is outrageous, the added insult of demanding compensation for anticipated profits is simply preposterous. When General Ovando offered compensation in the form of oil, Gulf's Mr. Brockett said, "We are world-wide producers. We don't buy crude - we sell," and added, "To pay compensation to ourselves from our own crude didn't seem very reasonable."<sup>23</sup> To Bolivians Mr. Brockett's use of possessive adjectives would not seem very reasonable.

With the market closed to their oil, and Gulf unwilling to accept the oil itself as compensation, Bolivia hasn't many choices before her. In fact, it would seem that Gulf isn't primarily concerned with the money per se. "We don't buy crude - we sell" comes to the heart of the conflict: it is a question of the control of crude production. The fulcrum of corporate power in the oil industry is control of all crude production - all else flows from this. Bolivia would be a slight loss, but it would set a precedent which, if followed, could undermine the power companies like Gulf exercise over the world market.

It would become a free market.

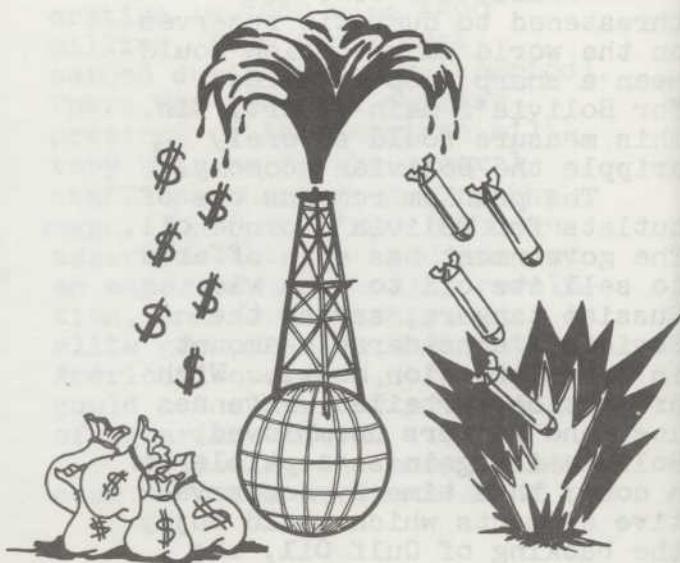
It is now clear, however, that Gulf plans to be fully compensated through a takeover of their lost properties by the Spanish government. Discussions between Spain and Bolivia began in January, and as Thomas Lumpkin, Executive Vice President of Gulf-Latin America, stated: "Hopefully we should certainly expect that Gulf would be fully compensated for its losses down there under any arrangement between the two governments." 24

Hopefully certainly, you can expect Mr. Lumpkin's "fully compensated" to mean that Bolivia's oil will be commercialized through the formation of some kind of joint venture in which Gulf (perhaps through a Spanish subsidiary) will hold a sizeable interest and through which it will continue to exercise considerable control. Gulf has significant investment in Franco's Spain making the suggestion of Gulf-Spanish cooperation quite feasible.

The Bolivian example of an impoverished country fighting for control of its resources unmarks the machinations by which an economic dictator has toppled those few governments daring to buck the given order (Iran is a case in point).

Nationalization of the oil by the governments of producing countries is suicidal: they are shut out of the world market; tankers become unavailable; the world banks cut off credit; the "Hickenlooper" is imposed or its imposition is threatened; and the C.I.A. steps forward to stir up and support the forces of discontent that arise in the resultant economic distress. Obviously the integrity of popular governments is not to stand in the way of the "stability" of a fixed market. If the present regime in Bolivia

survives while retaining any control of its oil, it will be testimony to the allegiance of its people and their will to determine their own future. And the industry is not unaware of its role in countries such as Bolivia. Oil representatives have warned the State Department against accepting the United Nations' proposed Covenant of Human Rights because of a provision asserting the rights of people to self-determination including "permanent sovereignty over their natural wealth and resources." 25



*Something for Everyone ~Gulf*

"The lesson here (is)...that the activities of American corporations often are this country's foreign policy."

-Wash. Post, 10/4/69

# canada on a leash

Economic bondage is not unique to the third world. The underdeveloped are more susceptible to corporate control of resources and an imposed economic stagnation, but there are other patterns, such as domination of the market, that apply to even the most affluent of societies. The end result is the same: power resides in the hands of those determining corporate investment, for through such investment they largely determine the direction and speed of social movement.

Through its 69% ownership of Gulf Oil Canada, Ltd., Gulf owns approximately 42 Canadian companies. The operations of these companies cover all facets of the oil industry: exploration, production, transportation (including vast pipeline networks), petrochemicals and natural gas. Gulf's subsidiaries make over 250 products: motor and aviation gasoline, jet fuels, lubricating oils and greases, heating oils, kerosene and stove oils, waxes, solvents, propane, coke and asphalt. At the end of 1967 our company had almost 24 million acres under lease, with 1,287 oil and 259 gas wells. Eight refineries were operated across Canada. Marketing facilities included 26 marine terminals, 9 pipe line terminals, 2,500 bulk stations and over 7,000 service stations operating under the Gulf emblem. As the second largest oil enterprise in Canada, Gulf dominates the Canadian market to a greater extent than it does the American, with an important difference - few Canadians receive dividends from this domination of their natural wealth and their market.

Gulf is only part of Canada's problem. According to a story by C. W. Gonick in the January 26, 1970 issue of the New York Times, America dominates the key sectors of the Canadian economy more completely than it does those of any other country in the world. We hold half of the total assets of the 400 largest companies, including over 90% of the automobile industry, 80% of the rubber industry, 75% of the chemical industry, 65% of electrical apparatus and 50% of the mining and smelting. The oil and gas industry is American-owned.<sup>26</sup>

Mr. Gonick goes on to explain that because of this economic infiltration over one and a half billion dollars flow out of Canada every year, much of it to pay dividends to American shareholders. This outflow must be paid for by Canadian exports, and this places a tremendous strain on their economy. In addition, subsidiaries of American concerns export raw materials to their parent companies for fabrication, thus making Canada a supplier company with minimal return for its wealth. And it is no secret that these raw materials are often undervalued.

Trade follows ownership, so two thirds of that country's trade is with the U. S. Canada is so dependent upon the U. S. market that its government lacks the leverage to direct the economy along a path divergent to that of the U. S., and they follow the leader, come boom or recession.

Bound and gagged to the Great Society, Canadians never

had it so good. And yet they complain, for like people throughout the world they find themselves revulsed by the society that has produced "a grotesque poverty and a grotesque opulence," an alienated youth, oppressed racial minorities, and hideous wars of intervention. The national purpose of America seems from their viewpoint to be the maintenance of law and order at home and the forcing of the American-way on others abroad.

Economic independence is for them the key to creating a different social system, with different social priorities, far greater equalities of income and a more democratic diffusion of power throughout society. To achieve this the Canadian government, like every government, must have access to the economy's supply of savings. This is the sine qua non of economic, social and cultural liberation, for it is the allocation of these savings, controlled at present by the American corporations, that determines priorities. A recent issue of Monthly Review dwells upon this same issue:

. . . the key to a country's economic development lies in the size and utilization of its surplus . . . to the extent that its economy is penetrated by multinational corporations, control over both size and utilization passes into the hands of others. . . . multinational corporations are the enemy, perhaps not of any development in the host country but at least of any development

which conforms to the interests of any class or group within the country other than those who have been denationalized and coopted into the service of foreign capital.<sup>27</sup>

This rather turgid prose comes to the far from turgid point - access to savings or surplus, as you will, requires public ownership of those enterprises in the key sectors of the economy. Unlike the underdeveloped countries like Bolivia, the economies of which are at the mercy of the corporations and their partners, the world banks; the Canadian economy would not stagnate for it already generates the capital needed for its development. Of all the new American capital being invested in Canada about 85% is generated within that country.<sup>28</sup>

Gulf Oil, as a member of the cartel, controls the most vital of the key sectors of the economy, and thereby exerts a powerful influence about the quality of life. This is exploitation - not simply bad prices on barrels of oil or mounds of ore, but abrogation of the social and cultural freedoms of peoples throughout the world.

# buena vista?

- 23 -

With its tremendous stake in world resources and corollary interest in the maintenance of the status quo, Gulf and the other giants define not only the acceptable possibilities of self-determination within the host countries, but also play a major determining role in the course and nature of U.S. foreign policy. The inequality of our domestic policy is magnified and imposed upon ever widening global regions where its injustice necessitates intervention and a defense policy based upon counter-insurgency

The economic distress in Latin America has long been used to perpetuate the exploitation of its resources at depressed prices and to prevent meaningful development and

economic independence. The Middle East, with enough oil to finance its own development, is forced to World Banks which lend at a price, both political and financial, while various sheikhs and shahs invest huge sums in London, Geneva and Wall St. In the Far East the reactionary regimes, such as those of the Philippines, South Korea, Taiwan, Thailand and Japan become more and more incorporated into the economic matrix of the corporations, while Americans become more and more anxious to end involvement in the Asian debacle. And in southern Africa where the contradictions are more blatant, the cure of a peoples' revolution is already in process.

Gulf, Shell, and others including Texaco and Chevron have rights off South Korea on six large untested blocks totalling 88,000 sq. mi. South Korea claims territorial ownership over the area to the edge of the continental shelf which in this case extend 200 miles seaward. Gulf was the first to foresee this potential in the Yellow Sea early in 1969, and was awarded two blocks in April of that year. Gulf is held in special regard by the Koreans as it was the first major corporation to invest in that country, when it took 25% interest in Korea Oil Corporation's Ulsan refinery and loaned South Korean \$15 million in 1963. Gulf has already conducted its first seismic surveys and is now examining them in hopes of finding some drillable prospects. (from the Oil and Gas Journal, March 16, 1970)

Mr. Nixon's doctrine, one which asserts the value of reducing U.S. economic and/or military commitments abroad, is a smokescreen. It is an attempt to fool us into thinking that foreign policy can somehow transcend expanding corporate investment and that the military in the involved countries can somehow do the dirty work of suppression without American ground troops. In truth, the decision to invest determines U.S. foreign policy, and the ever-growing world desire for equality is not going to be suppressed without more and more intervention.<sup>29</sup> The credibility of the said doctrine could

be questioned on the basis of the ever-expanding activities of Gulf alone. This expansion of Gulf and its brothers in the oil cartel in particular, and the corporate economy in general, is spawning conflicts within and without our society that undermine the ideals upon which our Republic was founded. So the paradox remains: the U.S. is losing control in its very effort to impose its corporate structure upon all world production, and it is only this ultimate loss which will be its peoples' salvation. We must be part of that process.

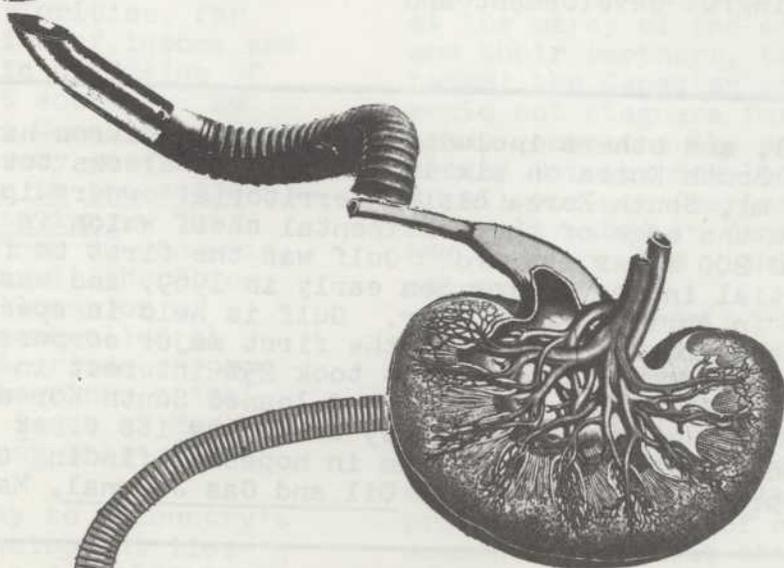


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**sells** Gulf Oil  
Gulf  
Oil

**Oil can't  
It kills**



# rigging the government

"Most of my income is from oil and gas. I don't regard it as any conflict of interest...If I didn't represent the oil and gas industry, I wouldn't represent the state of Louisiana."

-Senator Russell Long, chm. Finance Committee

"The spotlight here belongs more on lawmakers and respectable men with bulging brown brief-cases entering the portals of government than on lawbreakers and furtive men with little black bags using side entrances of hotels. Government policy on oil has increasingly become indistinguishable from the private policies of oil..."

- Robert Engler

Robert Engler has referred to the oil industry as "the first world government." The preceding examples illustrate how domination of resources and markets by Gulf and the corporate economy degrade governments and societies throughout the world. Now, we must bring the analysis home and examine the basis and rationale of this corporate power and the consequences it holds for our own society.

If oil is the first world government abroad, it is also, as some critics state, "the fourth branch of the government" in the United States.<sup>30</sup> Through control of the executive and legislative branches of our government and manipulation of public opinion, oil has rooted its power in the most favorable system of tax exemptions accorded to any industry. In 1968, American oil companies paid less than 8% of their income in Federal income taxes. Gulf Oil paid less than 1% of its income in Federal

income taxes, less than taxpayers in the lowest income bracket! The twenty largest oil companies had profits of \$8.1-billion in 1968 and paid only 7.7% of that amount in Federal taxes.<sup>31</sup> To assure the continued flow of these profits, oil executives contribute generously to the campaign funds of those who can be depended upon for an "enlightened" vote. Such contributions are not limited to conservatives. Eugene McCarthy raised \$40,000 for his presidential campaign by lunching with oil magnates at the Petroleum Club in Houston.<sup>32</sup>

The most visible of the tax avoidances is the oil depletion allowance, a subsidy which costs the Treasury \$1.3-billion a year.<sup>33</sup> The oil lobby allowed Congress to reduce this allowance from 27.5% to 22% of gross income in 1969, in hopes that this would pacify the public outcry against exorbitant profits. This means that com-

panies now deduct only 22% of their gross income (provided that the deduction does not exceed 50% of the taxable income). The change in percentage, however, is one of degree, not of kind; it avoids the question of privilege which such subsidizing of private industry by the public represents. The depletion allowance was originally granted to cover the investment involved in drilling. It was to cease once total amount allowed was equal to investment. The depletion allowance has since been modified to cover the value of the oil and gas being exploited. Pressured by the industry, congress set the arbitrary figure of 27 1/2% to cover capital depletion. The benefits

of double taxation, foreign taxes can be written off dollar for dollar against the U.S. corporate tax.<sup>34</sup> U.S. oil companies operating abroad have been largely successful in having the charges of foreign governments for the privilege of extracting their peoples' oil imposed in the form of income taxes, rather than royalties. Under the foreign tax credit provisions, the so-called foreign income taxes are charged against U.S. corporate tax.

In addition, overseas and domestic facilities which are being built, but have not yielded profits, can be written off as losses. The companies are also granted a depletion allowance on

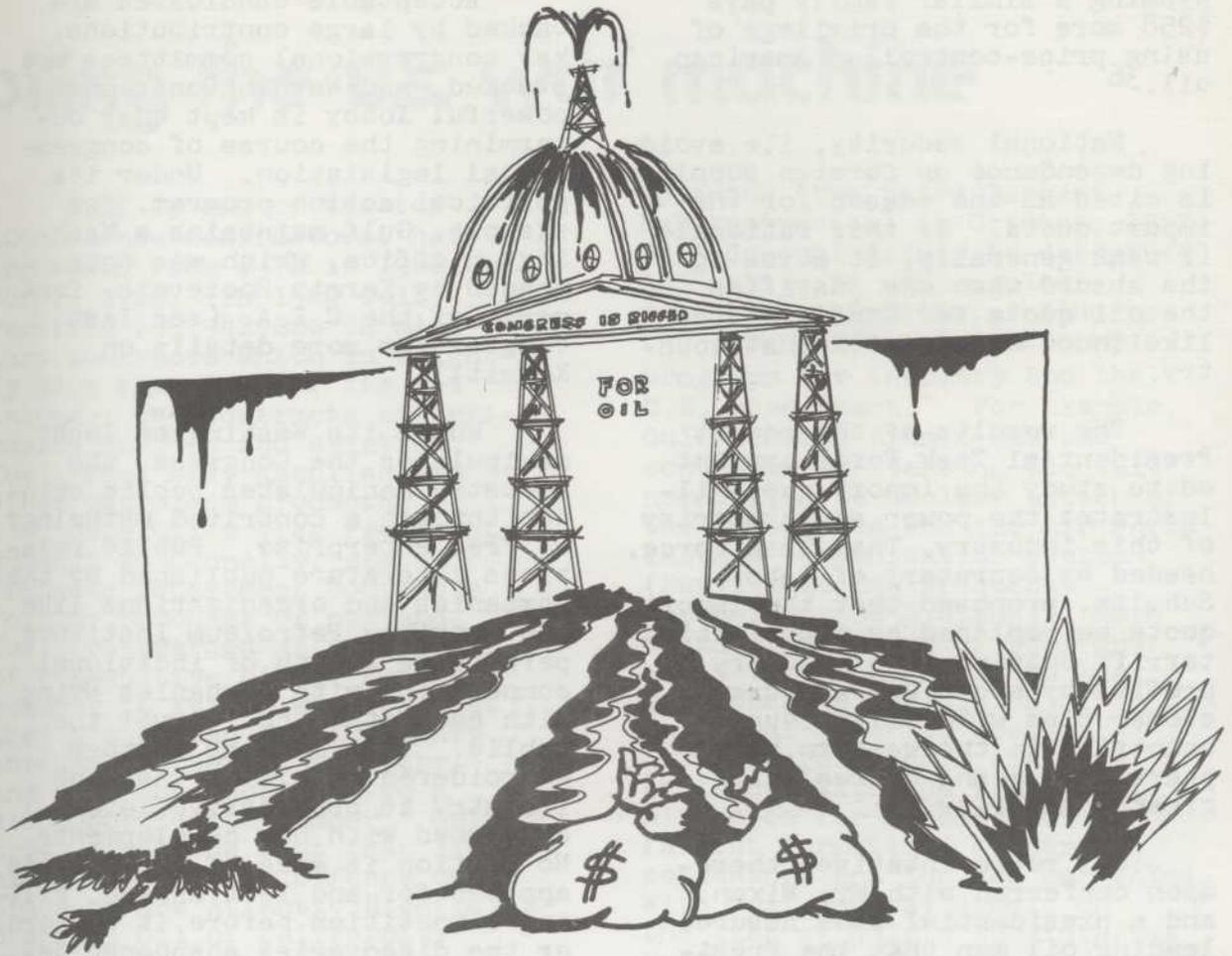
"Oil men are a major source of campaign funds. The former head of the Independent Petroleum Association of America said he gave \$90,000 in one year in political donations."  
-Christian Science Monitor, March 9, 1970.

of this treatment allow the industry to recover its investment many times over, making depletion itself profitable! More important, it grants private industry the privilege of treating oil and gas, a resource rightfully part of the heritage of every American, as their own capital assets for the purpose of tax avoidance.

Another mechanism for tax avoidance is the foreign tax credit, which allows reduction of U.S. corporate income tax in the amount of de facto royalties paid to foreign governments. Under a 1918 tax law meant to encourage foreign investment of United States capital by eliminating any threat

foreign oil. One fine day all the world's oil and all the world's men will be counted capital assets of Gulf and its friends so that they might better evade the I.R.S.

Tax avoidance is only part of corporate privilege; the industry also fixes the prices of oil and its many derivatives. The rationale behind this monopolistic action is that production and consumption must be balanced while assuring continuous profits to the industry. The cartel sets the prices, and the smaller independents follow. Any attempt to undersell the big companies would get them driven out of business. Avoiding such conflicts is in the interest of the whole



for the environment:  
pollution

for the capitalists:  
depletion allowance  
& profits

for the 3rd world:  
starvation  
& napalm

industry; as an Esso vice-president said, such competition creates a situation where "the consumer has...an undeserved break in his price."<sup>35</sup>

Any government official who tries to tamper with the price structure is removed through the influence of the oil lobby. They are branded as incompetents whose lack of understanding endangers the public good. It is often enough to drop a few well-placed hints about their socialist sympathies.

The fat pillar that holds prices aloft is the oil import

quota, a system restricting importation of foreign oil to 12.2% of domestic production in states east of the Rockies. Middle eastern crude oil, including transport to the U.S., costs about \$1.50 a barrel as opposed to \$3.00 for a barrel of domestic crude. This subsidizing of domestic crude costs the American consumer between \$5.2 billion and \$7.2 billion a year, an enormous and inflationary subsidy to private industry by the public. For a family of four in New York, the import quota system costs an average of \$102.32 in extra costs for gasoline and heating oil. In

Wyoming a similar family pays \$258 more for the privilege of using price-controlled American oil.<sup>36</sup>

National security, i.e. avoiding dependence on foreign supplies is cited as the reason for the import quota. If this rationale is weak generally, it moves to the absurd when one justifies the oil quota for Canada on the likelihood of war with that country.

The results of the recent Presidential Task Force appointed to study the import quota illustrates the power and hypocrisy of this industry. That Task Force, headed by Secretary of Labor Schultz, proposed that the import quota be replaced by a protective tariff cutting into industry profits by about 20% and urged closer ties with oil-producing countries in the western hemisphere, as a means of realizing greater security.

Oil representatives thereupon conferred with Mr. Nixon, and a presidential aide assured leading oil men that the President would come up with a solution "in the public interest." Sure enough, the Task Force was dismissed, its recommendations ignored, and a new Oil Policy Committee formed for further studies with Attorney General Mitchell replacing Schultz.

If the power of the private government of oil is founded upon a system of privilege embodied in artificial high prices and a perverted tax structure, the exercise of that power pervades our society and its institutions. The Federal government is treated as a useful appendage for obtaining control over foreign resources while assuring the continuance of the privileged status of the industry at home.

Acceptable candidates are backed by large contributions, key congressional committees are stacked, and Washington's most powerful lobby is kept busy determining the course of congressional legislation. Under its political action program, for example, Gulf maintains a Washington office, which was once headed by Kermit Roosevelt, formerly of the C.I.A. (see last chapter for more details on Kermit!)

While its Washington lobby manipulates the Congress, the industry manipulates public opinion through a contrived mythology of free enterprise. Public relations literature published by the companies and organizations like the American Petroleum Institute perpetuate a myth of individual competition with companies vying with each other to 'serve' the public. This myth is further embroidered by claims that the industry is progressive, ever concerned with new developments. No mention is made of the patents applied for and left unused, killing competition before it is born, or the discoveries abandoned because they seemed unlikely to yield profit.

In transmitting the corporate mythology to the public the companies do not limit themselves to public relations propaganda and the media. They also furnish films (such as "Power for People")

to schools, geology kits to Boy Scouts, and speakers to civic groups, farmers' and women's organizations. In attempting to lend local character to corporate behavior, "even the Cub Scouts, ages eight to eleven, have been recruited, with oil perhaps expected to join God and country as objects of duty of the nation's youth."<sup>38</sup>

# oiling the u.s. war machine

Gulf is one of the top 100 Defense contractors, having moved from # 78 in 1968 to #68 in 1969. In 1969 Gulf received \$95,942,000 in military contracts which is slightly more than 1.5% of its net income. The contracts are primarily for jet and aviation fuel, fuel oil, gasoline and other petroleum products.

Gulf Oil's Vice President, Russell G. Connelly, stated, "Defense Department contracts for the purchase of oil and fuel are awarded as the result of competitive bids. For this reason, it is our opinion that they are spread fairly evenly throughout the oil industry, and Gulf does not receive a disproportionate number." Quite true, given the fact that listed among the top 100 Defense contractors are Atlantic Richfield, Standard Oil of California, Standard Oil Co. (New Jersey), and Texaco. But VP Connelly went on to say that "Gulf has no DoD contracts other than for the sale of fuel and oil." Not true. In 1969 at least five major Gulf subsidiaries had Defense contracts, including, Gulf Oil (\$86,000,000); Gulf General Atomic (\$5,883,000); Gulf Oil Trading Co. (\$2,988,000); Industrial Asphalt Co. (\$298,000), and Pittsburgh Midway Coal Mining Co. (\$330,000).

One of the most interesting is Gulf General Atomic, Inc. which Gulf acquired from General

Dynamics (the third largest DoD contractor) in October, 1967. Gulf General Atomic is described as "active in many nuclear-oriented activities, including . . . research and development programs for industry and the U.S. government." For example, Gulf General Atomic has two contracts for testing the vulnerability to nuclear attack of the ABM system and the Air Force instant communication system (Survivable Low Frequency Communications Systems). Both these systems are of very dubious value, even within the government's definition of "national security needs." Gulf General Atomic also has contracts with the Army and Air Force for research of fallout formation, electronic components and ionized particles. With Gulf General Atomic on the list of Gulf's subsidiaries Gulf jumped right into providing more technical aid for the U.S. military machine.

Gulf Reston is currently building the Defense Communications Agency Systems Engineering Facility and the Defense Engineering Office in Reston, Virginia.

For more information on Gulf's defense relationships, contact the National Action Research on the Military-Industrial Complex (NARMIC), at the American Friends Service Committee, 160 N. 15th, Philadelphia, Pa. 19102.

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"Mr. Mellon has violated more laws, caused more human suffering and illegally acquired more property to satisfy his personal greed than any other person on earth."

-Congressman Wright Patman, D., Texas

## MELLONOIL

The parent family behind Gulf Oil Corporation is the Mellon family, famous for their millions (billions!). Owning 25% of Gulf's common stock, a market value of \$2 million, they are able to control the third largest oil company in the world. Richard King Mellon, himself, head of the family, sits on the Board of Directors.

Possibly the richest family in the U.S. according to Fortune magazine (Fall, 1967), their disclosed wealth in 1967 was about \$2.8 billion, but this was only the 'tip of the iceberg.' Other estimates have more realistically set the figure at somewhere between \$4 and \$8 billion.

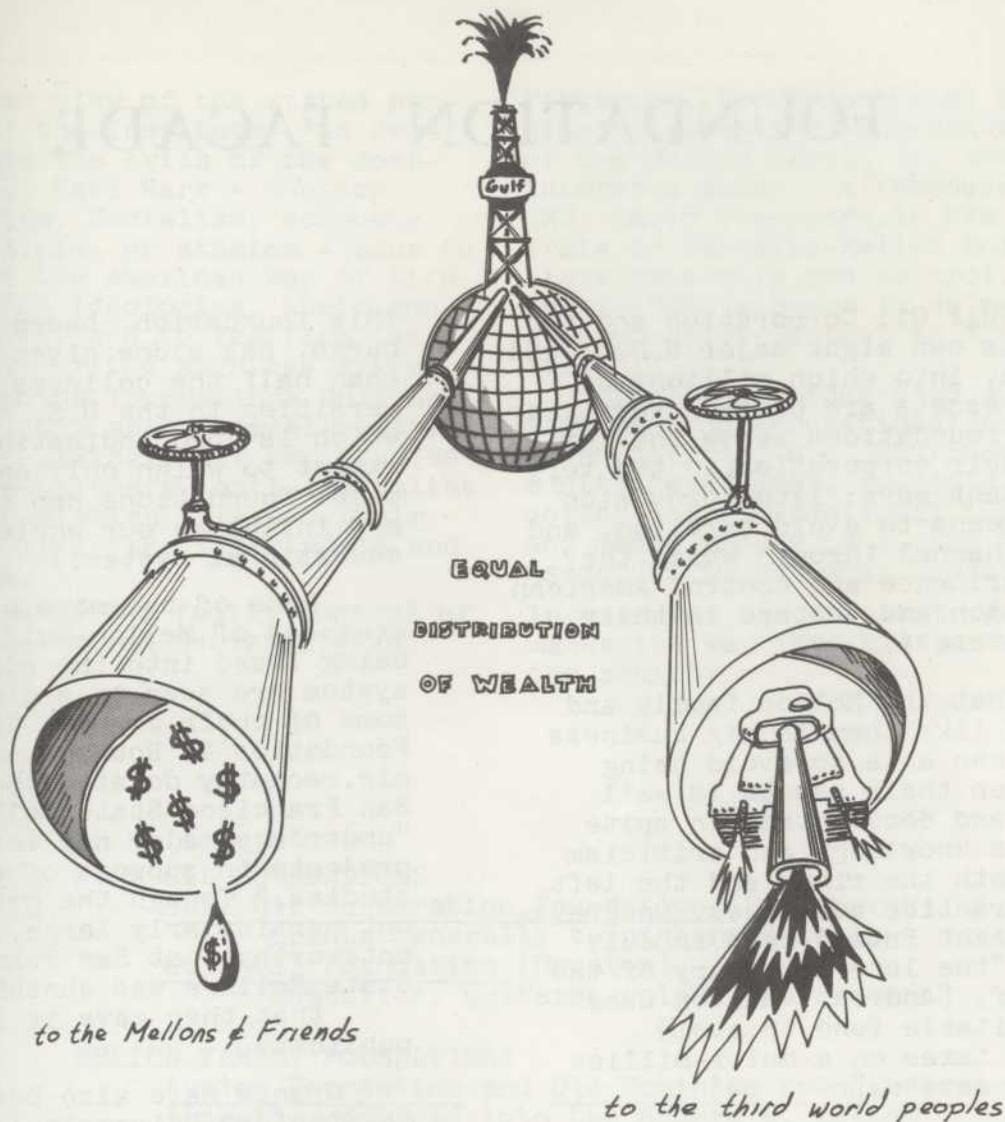
The Mellon financial empire extends far beyond Gulf Oil. They own controlling shares in Aluminum Corporation of America (ALCOA, at least 30%), in Koppers Co. (at least 20%), in the First Boston Corporation (20%), in General Reinsurance Co. (20%), and finally in the Mellon National Bank & Trust Company (40-42%), the fifteenth largest commercial bank in the U.S. This bank, located in Pittsburgh with Gulf and the Mellons, has assets of \$3.5 billion. (Fortune, Fall 1967)

The Mellons also have major interests in U.S. Steel, Bethlehem Steel, General Motors, Chrysler, Consolidated Coal, Westing-

house Electric, Westinghouse Air Brake Co., General American Transportation, Penn Central Railroad, Pittsburgh Plate Glass (now PPG Industries), and several other concerns. Before World War II, they owned 30% of Sumitomo Aluminum, which made major contributions to the Japanese war effort. When the U.S. government broke up the ALCOA aluminum monopoly, the Mellons financed Kaiser acquisitions, which helped them to maintain hegemony in the aluminum field and provided the Republican Mellons with contacts they had lacked in the Democratic party.

The following incidents comment upon their position on labor and race. During a strike in St. Louis, ALCOA brought in strike-breakers, which led to a race riot. And Richard Beatty Mellon, father Richard K. Mellon, once said: "You couldn't run a coal mine without machine guns."

The Mellon investments are for the most part held through the First Boston Corporation, an investment banking firm that is jointly controlled by the Mellons and the Rockefellers. This 'partnership' provides these super-rich families with protection against competition in the oil industry. This self-protective collusion at home reinforces their collective, aggrandizing activity in the third world (recall Venezuela!)



The seat of the Mellon dynasty is Pittsburgh, a city whose civic, political, social and economic life is heavily dominated by Mellons. Urban Renewal has been under the direction of the Allegheny Conference, a group of 25 executives from corporations and foundations controlled by the family or connected with it. 16 of these men are trustees of local universities, 12 are board members of hospitals, and 12 are on the board of the United Fund. Urban renewal has renewed Pittsburgh's business district, and destroyed four racially mixed and black neighborhoods. The hospital boards, heavily influenced the Mellons and

friends, have refused to allow a bargaining election, which would result in recognition and power for a union that is largely black and Puerto Rican. These workers are paid less than \$100 a week, and their efforts to organize a strike for better pay have been obstructed at every turn by hospital administrators and big business trustees.<sup>39</sup>

The corporate ideology of Mellonoil, which pervades the third world, filters into the community through an interlocking network of foundations which Gulf and the Mellons control.

# FOUNDATION FACADE

Gulf Oil Corporation and the Mellons own eight major U.S. foundations, into which millions of their assets are poured every year. These foundations serve the family and their corporations in two very important ways: 1) the provision of a means to avoid taxation, and 2) a channel through which they can influence and control American education and culture in their own interest.

That the Mellon family and others like them in big business have been able to avoid being taxed on their assets is well known and documented. In spite of this knowledge and criticism from both the right and the left, this practice continues. Congressman Wright Patman said in July 1962: "the late Secretary of the Treasury (Andrew ) Mellon used a charitable fund to avoid estate taxes on a multi-million dollar estate."

Their influence in the educational and cultural life of the U.S. is profound and frighteningly wide-spread. Over \$600 million of Mellon assets have been transferred to family foundations,<sup>40</sup> allowing the family to keep control of the capital, tax-free, of course, and to use the interest from that capital on 'public-spirited' causes they wish to support. It has been estimated that Mellon foundations have given more than \$700 million since 1945<sup>41</sup> - a sum which represents only the interest on Mellon capital!

A look at Gulf Oil Corporation Foundation's annual return list (Form 990 to the Internal Revenue Service) reveals that

this foundation, based in Pittsburgh, has alone given to more than half the colleges and universities in the U.S.<sup>42</sup> (A fact which is a good indication of the extent to which only one of the eight foundations can control and influence our whole higher educational system!)

Some of the more blatant examples of Mellon-Gulf ideology being fused into the educational system are seen in a glance at some of their grants. Gulf Oil Foundation in Houston, for example, recently donated \$50,000 to San Francisco State College to "undertake major new research projects in support of ethnic studies." Though the grant is not particularly large, it is noteworthy that San Francisco State College was chosen, and that they gave it special publicity.

Grants have also been given to Stanford University's Hoover Institute of War, Revolution and Peace, whose board of advisors have included top executives of Gulf, Standard Oil, US Steel, and Lockheed, as well as Secretary of Defense David Packard. Currently on the board of advisors is Richard Mellon Scaife, vice president and Governor of T. Mellon and Sons, a director of Mellon National Bank and a trustee of Carnegie Institute. A \$100,000 grant from the A.W. Educational and Charitable Trust to the Hoover Institute currently funds research on Communist penetration in Africa (!) and preparation of teaching materials on communism for high school and adult education courses. The perspective of these courses is

clear in view of the stated purpose of the Institute: "to demonstrate the evils of the doctrines of Karl Marx - whether Communism, Socialism, economic materialism, or atheism - thus to protect the American way of life from such ideologies, their conspiracies, and to reaffirm the validity of the American system."

Through the foundations Gulf and the Mellons save themselves the cost of making their own studies of revolutionary, anti-capitalist movements which threaten their interests in the third world and at home.

And finally the family control of Carnegie-Mellon University in

Pittsburgh is evident when one simply counts the representatives of the Mellon family and their interests among the trustees of CMU. David Greenberg, in his analysis of Carnegie-Mellon University's ownership and control, says aptly: "CMU's Board is as much a Corporation Cabinet as Nixon's is."

The foundations also subsidize many non-educational community organizations, e.g. churches, community development councils, foreign policy and international institutes, and media groups (e.g. the Nat'l. Assoc. of Educational Broadcasters).

In this way the corporate gospel makes its way into all sectors of the society.

#### GULF OIL FOUNDATIONS

Gulf Oil Corporation Foundation (Pittsburgh)

Grants generally to higher education

Gulf Oil Foundation (Houston)

Education, welfare, scientific research

#### MELLON FAMILY FOUNDATIONS

Avalon Foundation and Old Dominion Foundation recently combined into the Andrew W. Mellon Foundation

Civic, cultural, community services, health, youth programs

A.W. Mellon Educational and Charitable Trusts

Education, civic planning and conservation in Pittsburgh area

Sarah Mellon Scaife Foundation

Scientific research, education, community, health, limited to western Pennsylvania

Bollingen Foundation

Humanities

Richard K. Mellon Foundation

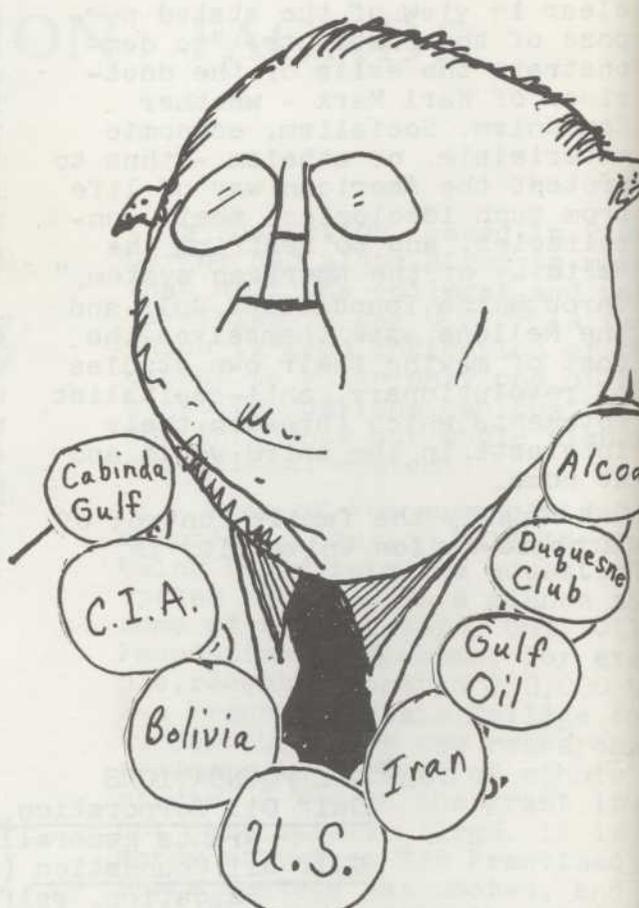
Education, health, culture, mostly in Pittsburgh area

Mathew T. Mellon Foundation

Language, fine arts, literature, educational buildings.

# MEET THE MANAGEMENT

Richard K. Mellon -- Overseer of the family fortune, estimated at \$4 to \$8-billion, Richard is former Chairman of Mellon National Bank and Governor of T. Mellon & Sons, director of ACTION-Housing, Alcoa General Motors (Mellon interest), Gulf Oil, the Pennsylvania Co., and Pennsylvania Railroad Co. (both Mellon interests). He is also former State Director of Selective Service in Pennsylvania! He is a former director of Koppers Co., General Reinsurance Corp., Pittsburgh Plate Glass and Westinghouse Air Brake Co.



Charles M. Beeghly - Chairman of the Board of Jones & Laughlin Steel Corp. (a concern linked with the Mellons through the marriage of their daughter Margaret into the Laughlin family), Charles is a director of Gulf Oil and other Mellon-dominated companies including the Mellon National Bank & Trust, Pittsburgh Plate Glass Co. and Dollar Savings Bank & Trust Co. He is a former director of Columbia Gas System, Inc., a trustee of Carnegie Institute of Technology and Ohio Wesleyan University, and a director of the American Iron & Steel Institute among many, many others.

Kermit Roosevelt -- Kermit engineered the overthrow of the Iranian government by the C.I.A., paving the way for investment by the International Oil Cartel (Gulf). After the affair, Roosevelt (grandson of Teddy "Carry a big stick") resigned from the C.I.A., became Government Relations director in Gulf's Washington office, and in 1960, Vice President of Gulf.

B. R. Dorsey -- President and a director of Gulf Oil and a director of Goodrich-Gulf Chemicals, Inc. He is a trustee of the University of Pittsburgh, a member of the Allegheny Conference of Community Development, and a director of the American Petroleum Institute, the National Petroleum Refiners Association, and the National Industrials Conference Board. In addition, he chairs the board of Pittsburgh's United Fund and belongs to at least six private clubs, including the infamous Duquesne Club where the elite meet.

Arthur Trudeau - Arthur was President of Gulf Research & Development, a subsidiary of Gulf Oil, and is a trustee of Gulf Oil Corp. Foundation. He is a General and the former chief of U.S. Army Intelligence and Research and Development, Department of the Army. He is also a member of the Armed Forces Mgmt. Assn., the Industrial Research Institute, the American Petroleum Institute, and several private clubs, including the Duquesne Club. He has been decorated by numerous countries including Japan, Ethiopia, Belgium, Colombia, Korea.

## FOOTNOTES

- <sup>1</sup>Mondlane, Eduardo, Tricontinental, (no. 12), May - June, 1969.
- <sup>2</sup>David Horowitz, "Corporations and the Cold War," Monthly Review, XXI, 6, November, 1969.
- <sup>3</sup>See "Notes on the Multinational Corporation," Monthly Review, XXI, 5, October, 1969.
- <sup>4</sup>b/d: Barrels per day; bbl: Barrels.
- <sup>5</sup>Foreign Economic Interests and Decolonization, (United Nations, Office of Public Information; 370-69-15406), p. 8.
- <sup>6</sup>A.J. Venter, The Terror Fighters, (Purnell & Sons, Capetown, 1969), p. 84.
- <sup>7</sup>Venter, op. cit., p. 89.
- <sup>8</sup>United Nations, A/7200/Add. 3., p. 79.
- <sup>9</sup>United Nations, A/7200/Add.3., p. 79.
- <sup>10</sup>United Nations, A/7623/Add.3., p. 53.
- <sup>11</sup>Venter, op. cit., p. 99.
- <sup>12</sup>Robert Engler, The Politics of Oil, (The Macmillan Press, New York, 1961).
- <sup>13</sup>Standard & Poor's, Corporate Records.
- <sup>14</sup>Harvey O'Connor, World Crisis in Oil, (Monthly Review Press, New York, 1962). Unless otherwise noted, the account of Venezuela's misfortunes with the oil companies up to 1960 is taken from O'Connor's book.
- <sup>15</sup>New York Times, January 26, 1970.
- <sup>16</sup>National Observer, October 27, 1969.
- <sup>17</sup>For an interesting example of how the U.S. government serves the corporations see O'Connor, op. cit., pp.216-17.
- <sup>18</sup>"Oil War in Bolivia," Guardian, December 20, 1969.
- <sup>19</sup>Guardian, March 21, 1970.
- <sup>20</sup>"Bolivia-Gulf Oil Battle On," Financial Times, January 1, 1970.
- <sup>21</sup>Guardian, March 21, 1970.
- <sup>22</sup>New York Times, January 24, 1970.
- <sup>23</sup>Wall Street Journal, October 31, 1969.
- <sup>24</sup>Wall Street Journal, January 26, 1970.
- <sup>25</sup>Engler, op.cit., p. 197.
- <sup>26</sup>C.W. Gonick, "U.S. Investments in Canada: Infiltration or Evolution?" New York Times, January 26, 1970.
- <sup>27</sup>"Notes on the Multinational Corporation, Part II," Monthly Review, XXI, 6, November, 1969.
- <sup>28</sup>Gonick, op.cit.
- <sup>29</sup>See Horowitz, op.cit., pp. 36-49.
- <sup>30</sup>New York Times Magazine, March 8, 1970, p. 26.
- <sup>31</sup>Ibid., p. 27.
- <sup>32</sup>Ibid., p. 109.
- <sup>33</sup>Ibid., p. 27.
- <sup>34</sup>Robert Engler, The Politics of Oil, (University of Chicago Press, Chicago, 1961), p. 224.
- <sup>35</sup>Ibid., p. 58.
- <sup>36</sup>New York Times Magazine, March 8, 1970, p. 106.
- <sup>37</sup>Ibid., p. 107
- <sup>38</sup>Engler, op. cit., p. 440.
- <sup>39</sup>For more information on this see Pittsburgh Peace and Freedom News, March 1970.
- <sup>40</sup>see F. Lundberg, The Rich and the Super-Rich (N.Y.:Bantam Bks,1968).
- <sup>41</sup>Murphy, Charles J.V., "The Mellons of Pittsburgh," Fortune (Fall 1967).
- <sup>42</sup>see Annual Returns (Form 990) to Internal Revenue Service.
- <sup>43</sup>Ibid.

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**Gulf is oil-  
and a desire  
for fresh air.**

Gulf is oil.  **Gulf**