September 1955

HIGHLIGHTS:

THE MIDDLE EAST

THE GENERAL SITUATION

Soviet Union successfully penetrating Middle East. Latest moves: arms offers to Egypt, Syria, Saudi Arabia; invitations of Middle East leaders to Moscow; full support of Arabs against French in North Africa. No immediate threat seen to Western oil interests except stiffening of Arab attitudes in dealings with Western oil companies.

Dispute flares up between ADEN PROTECTORATE and YEMEN over Aden's punitive expeditions against hinterland tribes. Yemen charges that I.P.C.'s oil search in Aden hinterland is real reason for British expeditions.

ABU DHABI and BURAIMI dispute unsettled as British member of International arbitration panel resigns. Real issue: which ruler will get royalties if oil is found?

MIDDLE EAST PETROLEUM DEVELOPMENTS

Oil discovery in ISRAEL spurs exploration activities.
New SYRIAN Cabinet holds pipeline talks with I.P.C.
LEBANON wants more pipeline royalties; grants concession.
JORDAN grants concession; issues refinery plan.
National IRANIAN Oil Co. to increase foreign sales.
KUWAIT resumes development projects; state to get oil money.

MIDDLE EAST COUNTRY BRIEF

TURKEY's economy in precarious state as trade deficit rises and foreign credits are exhausted. Reason: rapid industrialization plus lower export earnings. Anti-inflationary measures taken; imports may be further reduced. Oil looms large in import bill. Large arrears owed to Western oil concerns which are now holding back on further imports. Turkey's oil request from USSR rejected but it will get oil from Iraq and Iran. New explorations by foreign concerns may improve oil situation. Batman refinery under expansion; Nato pipeline.
LATIN AMERICA

PETROLEUM DEVELOPMENTS

U.S. oil investments, earnings in LATIN AMERICA, 1954........ 8
Oil developments in CENTRAL AMERICA........................................ 9
Stanolind enters CUBAN exploration............................... 9
New depletion law in COLOMBIA. Oil output declines............. 10
BRAZIL's savings from refinery expansions. Loan to Manaus ref 'y..10
LABOR NEWS from DUTCH WEST INDIES, TRINIDAD, COLOMBIA........ 10-11

LATIN AMERICAN COUNTRY BRIEFS

PERU's foreign trade deficit increases sharply in 1955. Main reason: lower cotton exports, higher imports. Long-run prospects better due to expected higher influx of foreign capital. Oil output declines slightly while consumption increases sharply. Result: lower oil export surplus. Peru may cease to be oil exporter in future. Possibility that new explorations in Eastern Peru may reverse current downward trend. Several U.S. and German firms engaged in explorations. Road builder Le Tourneau helping explorations by road-building through interior........ 11

MEXICO's economy records best year. Sharp increases in production, agriculture, national income. Only bottleneck: power shortage. Main improvement made in balance of payments. President invites more foreign capital. Oil industry well ahead of other economic expansion; crude output to reach 315,000 b/d by year end; refinery capacity being increased to 335,000 b/d. Oil consumption rising at much lower rate thus increasing export surplus (at present 80,000 b/d). In 1954, Mexico was still net oil importer (by value). Expected to change to net oil exporter in near future. Natural gas exports to U.S.to increase sharply. (Addendum: Latest storm and flood cause heavy damage to Mexico's oil sector) ........................................ 13

ARGENTINA's economy steadily deteriorating since middle 1954. Increase in imports, decrease in exports, decline of foreign reserves, deficit in trade with U.S. Peron's attempt to forestall economic decline by inducing more foreign investments, largely unsuccessful. Oil, major cause in foreign exchange losses since 60% of consumption must be imported. U.N. estimates, oil consumption will reach 365,000 b/d by 1965 and will take up half of all imports. Country not equipped to spend large sums on oil exploration in new areas. S.O. Cal. contract would have helped situation. Politics overrode all economic considerations of contract issue. New president indicates continued exclusion of U.S. oil capital. Y.P.F. continues own expansion program... 15

OIL DEVELOPMENTS BEHIND THE IRON CURTAIN

Soviet Bloc oil exports near 4 million tons in 1954.............. 17
Summary of Soviet Bloc oil exports by products (in dollar values) 18

SOVIET BLOC OIL EXPORT AGREEMENTS: ..................................... 18-19
Agreements with Egypt, Norway, West Germany, Italy, Yugoslavia.

ANNEX: SUEZ CANAL PETROLEUM TRAFFIC..................................... 18-23
Summary of crude and products movements, Jan.-July 1955........ 19
NORTH-SOUTH TRAFFIC, Jan.-July 1955, 1954............................ 20-21
SOUTH-NORTH TRAFFIC, Jan.-July 1955, 1954............................ 22-23
THE MIDDLE EAST

THE GENERAL SITUATION

The smiling and seemingly effortless penetration of the Arab world by the Soviet Union, the raging civil war in the Arab territories of North Africa and the extremely violent riots in Cyprus and Turkey have once again catapulted the Middle East into the center of world attention.

The major issue is of course the Soviet infiltration of the area, now progressing with such ease and speed as to cause extreme concern among top diplomats in Washington, London and Paris. The Soviet Union's prime target at the moment is Egypt, the leader of the so-called neutral countries within the Arab League (Egypt's supporters in the League are Saudi Arabia, Syria and Yemen). Russia's gimmick is simple enough. Egypt has an unexportable surplus of cotton and a strong desire for arms for which it cannot pay in hard currency due to the deterioration of its balance of payments. Thus, by selling Egypt arms against cotton - via Czechoslovakia - it is helping to solve both Egypt's cotton surplus and its alleged arms shortage. The result is that Soviet prestige and good will have gone up tremendously at the expense of the Western powers which are now unsuccessfully trying to block the arms deal. The West is concerned not only about the strategic and psychological aspect of the deal but also about the prospect that it may well bring a contingent of Soviet technicians, arms experts and advisors to within a stone's throw of the Suez Canal.

Western fears that the proposed Soviet arms shipment (reportedly 200-300 jet fighters, 25 medium bombers, 100-200 Stalin tanks, six submarines and quantities of small arms) will result in a dangerous arms race in the Middle East seem to be only too well founded. Israel certainly will consider itself endangered and has already requested more arms from the West which France seems to be willing to furnish, perhaps in retaliation against the Arab League's anti-French North African policy. With the decidedly more nationalistic turn in Israeli politics following the recent elections, there are now plenty of opportunities for the two countries to come to serious blows. The Gulf of Aquaba which every political leader in Israel has pledged to free for Israeli shipping (see W.B. July 1955, p. 5), if need by force, in the face of Egypt's recent strong reiteration of its claimed search and seizure right of all ships entering the Gulf, could well provide the spark to blow up the powder keg.

The only hope lies in the fact that it will take at least a year until the arms are delivered and Egyptian soldiers trained to use them. In the meantime much can happen to convince either side of the foolishness of a major armed clash.

Meanwhile, the Soviet Union is engaged in a number of other maneuvers to gain at least a psychological foothold in the Middle East. For one thing, it has made similar arms supply offers to Syria and, during his recent visit to Iran, to King Saud of Saudi Arabia. If the latter country accepts this offer which is not very likely it could pay for the arms only out of oil royalties received from Aramco. Another aspect of the drive to woo the Arabs are the recent invitations to Premier Nasser of Egypt, the Shah of Iran and, reportedly, also King Saud to come to Moscow next spring. At about the same time Soviet Premier Bulganin and Red Chinese Premier Chou En-lai plan to visit Cairo.

Russia's most important move in winning over the Arab nations, however, came two weeks ago at the U.N. where it was the only big power to vote for U.N. investigation of the French-Algerian issue. With all Arab countries firmly wedded to the principle of independence for the Arabs of French North Africa and with Cairo functioning as the resistance and propaganda headquarters against the French, the Soviet action was very warmly received throughout the Arab world. Another evidence of the
Soviet Bloc's effort to build up tension in the Middle East, there is, of course, no doubt that it is largely because of the vast oil fields that the USSR is showing such single-minded devotion to the job of infiltrating Arabia and sowing dissension between the producing countries and the mother countries of the Western oil companies. For the time being they may only succeed in stiffening the attitudes of the Arab countries in their dealing with the Western companies - Syria's recent "ultimatum" to the Iraq Petroleum Co. (IPC) is an example of this - but in the long run their success might threaten all Western interests - commercial, political and strategic - in the Middle East. It is for this reason that a number of top ranking U.S. military leaders are now advocating the U.S.'s early entry into the Iraq-Turkish-Pakistan-British defense system, especially if Iran should also join it, as now seems assured. Such an act, these experts hold, would offset some of the recent Soviet gains in the Middle East and would also assure the armed forces immediate accessibility to the vital oil deposits in case of conflict.

* * * * * * * * *

Two other international conflicts in the Middle East in both of which oil plays a part have also recently briefly held the limelight. Both involve Britain on the one hand and Arab League members on the other and have added to the existing tensions between the two. The British garrison at the PROTECTORATE OF ADEN has been reinforced and a number of sorties and Royal Air Force attacks have been made against Arab tribes in the Protectorate's hinterland to retaliate for acts of violence against British officials. Aden has now officially accused its Arab neighbor YEMEN of supplying arms to the tribes and encouraging these disturbances. A top Yemen diplomat has charged in turn that the oil deposits in Aden's hinterland, at present under exploration by an IPC affiliate, are the real reason for these forays whose alleged purpose is to extend Britain's domination beyond the protectorate. An official charge to this effect was recently made by Yemen's U.N. representative. Cairo papers have also charged that since Aden with its new big refinery is now Britain's only major base in the Red Sea area she is trying to secure the inland approaches to it by means of such "imperialistic" expeditions. And in Lebanon the Premier has asked for Arab support in the "state of semi-war....between Yemen and the British."

The other conflict is the BURAIMI dispute in which Great Britain is only acting as the representative of the Sheikh of Abu Dhabi and the Sultan of Muscat and Oman, under a treaty of protection. Abu Dhabi and Muscat are both located along the Trucial Coast of the Persian Gulf. Since 1935 the rulers of Abu Dhabi, Muscat and Saudi Arabia have disputed the borderline between their countries, largely on the basis of whether some of the oil concessions granted by Saudi Arabia to S.O. Cal. was not located outside of Saudi Arabian territory. At that time the Buraimi Oasis was not involved since it lay well beyond Saudi Arabia's claim. However, in 1949 Saudi Arabia included the Buraimi Oasis among its revised claims. After an armed excursion by a Saudi Arabian force into Buraimi in 1952, it was decided to submit both questions - the location of the common frontier between Saudi Arabia and Abu Dhabi and the determination of sovereignty within the Buraimi Oasis - to international arbitration.

The arbitration panel met finally last month in Geneva. However, it soon became hopelessly deadlocked when the British panel member, Sir Reader Bullard, resigned, charging that his Saudi Arabian counterpart could not be considered impartial.
since he had been that country's chief officer in the Buraimi Oasis. As a result, the proceedings were indefinitely suspended but not before Britain had aired charges that Saudi Arabia was engaged in a wide-spread bribery campaign to induce local tribal leaders to switch their allegiance from the Emir of Abu Dhabi and the Sultan of Muscat to the King of Saudi Arabia.

Underlying the dispute is the alleged oil wealth of Abu Dhabi and Buraimi. Under an agreement of last year, the northern part of the disputed areas is open for exclusive exploration by the Iraq Petroleum Co. (IPC) while in the southern part only Aramco is permitted to operate. How large the oil deposits of the area are is not yet determined. In 1952 an IPC affiliate discovered oil in the western part of Abu Dhabi but did not exploit it further. No oil drilling was ever undertaken in the Buraimi Oasis but several Western experts have stated that oil deposits undoubtedly exist beneath its surface. At present, the only drilling in the disputed territory is carried on by IPC which has a wildcat not far from its 1952 discovery. IPC is also drilling in the Sultanate of Muscat, southwest of Abu Dhabi while Cities Service and Richfield have a wildcat in the Sultanate's Dhofar province.

The Abu Dhabi dispute is, however, not a contest between IPC and Aramco for additional oil concessions, as has been charged by various Arab publications, but evolves around the elementary question of which ruler will eventually receive the royalties if any oil is found there. This seems also borne out by Britain's recent documented charge that a Saudi Arabian agent had offered $84 million to the brother of the ruler of Abu Dhabi in return for his influence in preventing IPC operations in Abu Dhabi in order to keep the territory open for Aramco operations whose royalty payments would go exclusively to Saudi Arabia.

MIDDLE EAST PETROLEUM DEVELOPMENTS

The discovery of oil in ISRAEL is the most important petroleum news to come out of the Middle East within the last month. Although not much information is as yet available on the country's first strike, it is reported to consist of a fairly substantial pool. According to an unofficial report the new well flowed at a rate of 47 bbls per hour during a test. The quality of the oil is 30.5 A.P.I. density. The two firms which brought the well in are Lapidoth Petroleum and Israel Oil Prospectors both of which are partly U.S. owned and employ a U.S. drilling crew.

The strike which was made at 5000 ft. in an abandoned dry well of the Iraq Petroleum Co. brought a sharp increase in activity among surrounding and nearby concessions. The two companies of Pantec Petroleum whose territory is almost directly adjacent to the new well are about to start an extensive seismic survey of the area while the Texas operator D.C. Blintliff will spud a wildcat in the Negev, about 30 miles to the south of the discovery. Nadel & Gussman of Tulsa, just south of the new well, are also increasing their activities.

The country's first oil well which was discovered after a total expenditure of about $28 million (half of it from the U.S.) since 1953 bears out the opinion given in 1951 by the late Max Ball, well-known U.S. consultant, who stated that "the possibilities of the geological provinces, notably the Negev, the foot hills belt, the coastal plain and the Dead Sea area, should especially appeal to the experienced oil man." Ball was especially impressed with the geology of the Negev. The main difficulty in exploiting the new well is its immediate proximity to the disputed Gaza strip with its continuous armed clashes and its use as a base for raids into Egyptian and Israeli territory. The latter are reportedly carried out...
by Egyptian guerrillas for the purpose of destroying Israeli installations. The new well is expected to become one of their prime targets and is therefore continuously under strong guard. Other concession holders in the area are now taking similar measures, including the building of cyclon fences around their drill holes.

---

SYRIA's pipeline discussions with the Iraq Petroleum Co. (IPC) which were recently broken off when the country's Cabinet fell are now to be taken up again with the new government of Premier Said Ghazzi (see W.B. July 1955, p. 5). It is reported that the new government has a somewhat more reasonable approach to the problem than its predecessor and that Parliament will give it more time to reach an agreement. However, tempers continue to be quite high in Syria over the alleged failure of IPC to meet the one-month "ultimatum" given it by the Syrian Parliament to come up with proposals for a new agreement. Pipeline negotiations make headlines in all Syrian newspapers and are the most difficult problem facing the new government. Recent mass meetings held all over Syria by a multipartisan "Executive Popular Committee on Oil Affairs" have sponsored resolutions, enthusiastically signed by many citizens, to the effect that Syria which is now receiving $7 million in pipeline royalties from IPC and the Aramco Tapline should receive $90 million for transit rights from these two firms.

Presumably, this amount would consist of $58 million which would accrue to Syria, according to the Parliamentary Oil Commission, under the proposed formula to split all profits realized by the companies from pipeline shipments (as compared to tanker shipment costs) on a 50/50 basis. In addition, it would cover taxes and import duties from which the IPC and the Tapline are now exempted. At present, IPC pays 3.34 per exported ton of oil and $6.05 per thousand transported tons. In its counter proposal IPC has reportedly suggested the building of additional pipelines through Syria - a new Holms-Tripoli pipeline branch being their first project - to bring up the quantity of transit oil and thus Syria's royalties. The Tapline Co. has made no proposals but has indicated it will amend its agreement only if IPC does so first.

If Syria should cancel IPC's oil transit concessions, as has been threatened, it may come into conflict with neighboring Iraq whose own royalty payments from IPC would be affected if a stoppage of the oil flow occurs. Iraq is now planning a new oil harbor near Fao and has also approached Kuwait for permission to build a pipeline to its Persian Gulf Harbor.

In other oil developments in Syria, a limited concession was finally given to the Syrian-born U.S. drilling contractor J.W. Menhall who will drill on a site abandoned in 1951 by IPC. Also, a sum of $36.5 million (LS 80 million) was set aside in the new 6-year development budget for the construction of Syria's first refinery.

Requests for higher pipeline revenues are also reported from LEBANON where the Tapline and two IPC branch lines have their terminals. In a speech in Parliament last August, former Premier Al-Yafi advocated a policy of complete unity with Syria on the pipeline question. Al-Yafi stated that there was no other way for Lebanon to improve its standard of living except through higher pipeline royalties. He also quoted figures on the millions of pound sterling Lebanon would allegedly have gained had it taken income taxes and customs duties from the oil companies. He then criticized his successor for signing a new oil agreement. In his reply, the present Premier...
Sami al-Sulh stated that the new agreement would not become effective until ratified by Parliament but that in the meantime oil royalties were frozen and therefore action must be taken. He also agreed on complete unity with Syria on this and all other economic problems. At present Lebanon's pipeline royalties from IPC amount reportedly to $1,824,000 per year but the country is also benefitting directly from the two Western-owned refineries in Lebanon, one of which belongs to IPC.

Other oil news from Lebanon concerns the granting of an exploration concession to the Compagnie Libanaise des Petroles. However, unlike the concessions granted recently in neighboring Syria and Jordan, Lebanon has reportedly given its concessionaire exclusive exploration rights over the entire country.

Two recent oil developments are reported from JORDAN: the Edwin E. Pauley Co. of Los Angeles has about completed its concession negotiations and expects to start geological surveying in the near future. The new contract will give Pauley concessions over one-third of the country's territory and will reportedly include the standard Middle Eastern 50/50 profit sharing agreement with the government plus a staggered concession fee for eight years. Interests in the remaining two-thirds of the country are reported from several European firms. No oil has ever been discovered in Jordan but according to a report issued some time ago by the U.S. oil expert Louis Gardner, the country's oil prospects are decidedly favorable.

The other development in Jordan is the release of the Ministry of Economy's plan for construction of the country's first oil refinery. Under it, a 6000 b/d plant is to be built, financed partly by the Government and partly by the Arab Bank. With Jordan's current consumption below 3000 b/d, the projected refinery would give it an export surplus for several years until domestic consumption - increasing at about 10% annually - has reached the 6000 b/d level.

An interesting development in IRAN is the increasing endeavor of the National Iranian Oil Co. (NIOC) to enter the world oil market on a permanent basis with its 12.5% share of the International Consortium's crude production. In the first seven months of this year NIOC received about 37,000 b/d out of a total production of 297,000 b/d. In addition it produced 4000 b/d from its northern Naft-i-Shah field, mostly for local consumption. It appears now that NIOC prefers not to sell its oil share back to the Consortium as it may do under the 1954 agreement but wishes to establish permanent outlets in various importing countries even though these may bring in lower initial earnings (see W.B. July 1955, p.6). Among oil agreements currently under discussion or recently concluded are the following:

1. A three-month contract with the Japanese firm Idemitsu Kosan, signed on August 31st, for the sale of 250,000 tons of crude oil and 50,000 tons of products. Idemitsu distributes NIOC oil throughout the Far East and pays for it half in dollars and half in Japanese currency. Still tentative future plans call for a 7-10 year contract for the annual purchase of 1 million tons of crude oil from Iran to fuel Idemitsu's projected 18,000 b/d refinery for which it is presently seeking a loan in the U.S.

2. The establishment of the Turco-Iranian Oil Co. to purchase 100,000 tons of NIOC oil per year (see p.7).
3. Advanced negotiations with India for NIOC's participation in a new refinery project which would use only Iranian crude. Two NIOC officials are to go to India in the near future for the final round of negotiations.

4. Negotiations with the Italian firm "SUPER" which bought Iranian oil during the Anglo-Iranian dispute, for the establishment of a new refinery company based on Iranian crude supplies.

5. Unconfirmed reports that the NIOC will participate in a new refinery project planned by an independent group in Hamburg, Germany.

The resumption of development work is reported from KUWAIT after a one-year suspension due to difficulties in connection with building the Kuwait deep water port. The new development programs which will cost around $280 million is to include, besides resumption of the port work, construction of a water pipeline from the Shatt-al-Arab river in Iraq, a road connection to Barsrah, electrification works, the use of natural gas from the oil fields for Kuwait town gas and road construction within Kuwait.

Continued financing of these projects may become smoother in the future due to the recent decision of Sheikh Abdullah to turn all oil revenues over to a new state treasury. In the past these payments which will amount to about $260 million for this year had gone into the personal treasury of the Sheikh.

**MIDDLE EAST COUNTRY BRIEF**

TURKEY: The Turkish economy continues to live precariously on borrowed capital from abroad. However, a large share of this capital is now overdue and Turkey is being pressed from many sides to pay up her arrears. At the same time she is finding it exceedingly difficult to obtain new foreign credit sources elsewhere. The reason behind this state of affairs is the rapid industrialization of Turkey which consumes enormous expenditures for capital equipment while at the same time the country's export earnings which are still mainly agricultural have declined due to both lower world market prices and poor cereal crops last year. For the first half of this year the total foreign trade deficit amounted to $112.5 million, or 15% more than for the same period of last year. The importance of industrial investment in the import bill is shown by the fact that machinery, iron and steel alone accounted for 38% of the $264 million import total.

The foreign trade picture may improve somewhat in the second half of the year when Turkish exports traditionally show a seasonal increase. However, the recent mass riots against Greek shopkeepers over the Cyprus issue which resulted in the destruction of an estimated $300 million of goods and property may well be reflected in a rise in imports.

Another difficulty is the exhaustion of credits from most supplier countries. Particularly, traders in Britain are not extending any more credits to Turkey, claiming that she has not, so far, made any payments under the commercial arrears agreement, signed last January. The same applies to most other OEEC nations with the exception of the Germans who are still willing to extend credits. However, since German exporters know that Turkey can not buy for cash and cannot obtain new credit
elsewhere, they are quoting her prices up to one-third above the current world market. This in turn increases further the strong inflationary pressure.

In a determined attempt to prevent further inflation and stop the large-scale black market the Turkish government has recently instituted higher bank rates, has blacklisted importers who hoard goods and has given exporters permission to use part of their foreign exchange earnings to import freely such essential goods as mining equipment, industrial machinery and spare parts and transport vehicles, all of which have become so scarce that production as well as transportation are suffering badly. This will undoubtedly result in an increase of Turkey's vehicle imports ($28 million in the Jan-June 1955 period) and in higher domestic gasoline and diesel consumption.

A more drastic policy to solve Turkey's economic ills has been proposed by the U.S. economist and Turkey's oil adviser Max Thornburg who has recommended a substantial devaluation of currency plus further import cuts even if it means a slowing down of the country's economic development. According to informed observers, Turkey is unlikely to devalue her currency now but may well increase the stringency of her import regulations in order to pay off her most pressing foreign arrears.

A very important share of Turkey's imports is taken up by oil products which at $18.82 million accounted for 9.2% of all imports in the first half of this year (for all of 1954 oil imports amounted to $42.5 million). The country consumes at present about 1.2 million tons of oil, a rise of 20% over last year, all but 150,000 tons of which must be imported. However, like with most other imports, Turkey has also fallen way behind in payments for this commodity and owes at present some $40 million in arrears to Western oil companies marketing in Turkey, mainly to Socony Mobil but also to Caltex, Shell and B.P. These firms in turn are now going slow on deliveries until an agreement regarding back payments has been reached.

As a result, Turkey is now trying to obtain some of its oil elsewhere. She has been rejected in this attempt by the Soviet Union whose ambassador in Ankara has recently declared that his country is now not willing to sell oil to Turkey. The reason for this decision is not quite clear since Soviet-Turkish trade in other commodities is steadily increasing. However, Turkey has been luckier in regards to oil supplies from Iraq. That country is to supply her with up to $36 million in oil supplies under a recent agreement which settles Turkish World War I claims against what was then Mesopotamia. Iraq's sudden willingness to pay off these old debts may have something to do with the recent political rapprochement of the two countries within the framework of the Middle East Defense Pact.

Turkey may also receive oil from Iran, her other oil-producing neighbor. Under a tentative arrangement a Turco-Iranian Oil Company is to be set up at Ankara with a capital of $7.2 million of which 51% will be owned by the Turkish government and the balance by the National Iranian Oil Co. The new concern is scheduled to purchase 100,000 tons of oil per year.

Of much more significance than either of these developments could be the recent upsurge in exploration interests by many Western oil concerns. Until last year, there had been very little foreign investment in the mining sector of Turkey, largely because of the restrictions against foreign ownership. The mining law of 1954 and its subsequent clarifications have greatly changed this situation by offering foreign oil companies the opportunity to exploit any deposits under the now standard 50/50 net profit-sharing principle. Foreign companies will also receive
the privilege of duty-free imports of equipment and may transfer freely both profits and assets. The only restriction on foreign-owned oil production under the new law consists of a priority to fill all Turkish civilian and military oil needs at prices prevailing in the nearest world market before exporting any oil.

Regulations for the detailed administration of the new oil law are expected very shortly. In the meantime, preliminary surveying has begun by all international companies with marketing facilities in Turkey plus Jersey Standard, Cities Service, Tide Water Associated, the Gillsland Oil Co. of Los Angeles, Husky Oil Corp. and C. Deilmann Bergbau of Germany. The last two firms are exploring only in the small European part of Turkey.

In addition to the foreign companies, exploration is also carried on by the Turkish National Petroleum Company which was founded after the promulgation of the new mining law. The new government company which has a capital of $54 million will have exclusive rights over Turkey's two existing oil fields but elsewhere it will work under the same conditions as the private concerns. It will also operate Turkey's only refinery at Batman which is now in the final stage of being expanded from an annual capacity of less than 30,000 tons to about 330,000 tons (by the Los Angeles firm Ralph M. Parsons) with a yield of 25% gasoline and 45% residual fuel oil.

The expanded refinery will be connected by a 450-mile products pipeline to the coastal city of Iskanderum where a NATO airbase is located. NATO will bear the $15 million construction cost. In addition, the refinery will be expected to supply diesel and heavy fuel oil to railroads in southeastern and central Anatolia which are to be either dieselized or switched to fuel oil under a current transportation improvement program. Thus, in view of the present rapid industrialization program, the defense build-up and the beginning shortage of domestic coal, there is no doubt that Turkey's real petroleum needs are considerably larger than the present consumption rate would indicate.

LATIN AMERICA

PETROLEUM DEVELOPMENTS

Oil Investments: Recently released official statistics on U.S. foreign investments in 1953 and 1954 reveal some interesting facts about Latin American investments of the U.S. petroleum industry*. At the end of 1954 these stood at $1.76 billion, or about 38% of the $6.43 billion figure for all direct U.S. investments in Latin America (including European dependencies). The petroleum sector thus accounted for the highest U.S. investment in any major industry in Latin America and represented by far the highest U.S. petroleum investment in any part of the world, outside the U.S.

The distribution of petroleum investments among the various Latin American republics and dependencies showed, of course, a very strong concentration on Venezuela which accounted for $1.04 billion of the total. Next came Panama with $216 million which represent almost entirely U.S.-owned oil tankers under Panamanian flag. (This figure puts Panama still somewhat ahead of Liberia, the world's other "oil tanker nation" whose U.S. tanker investments amounted to $178 million by last December. However, there seems to be a shift towards more U.S. tanker registrations in Liberia since they rose by $38 million over 1953 compared to $9 million for Panama). Other Latin American countries with major U.S. petroleum investments are

*U.S. Dept. of Commerce, Survey of Current Business, August 1955, pp. 10-20
Brazil ($178 million) and Colombia ($109 million). Investments in Latin America's European dependencies, mostly Trinidad and the Dutch West Indies, amounted to $73 million.

Between 1953 and 1954 total U.S. petroleum investments in the Latin American Republics had increased by only $4 million, compared to over $100 million in the 1952-1953 period. At the same time, the European dependencies registered a $9 million decline in their U.S. petroleum investment sector. The very low increase in the Latin republics was due almost entirely to the large liquidations of accounts receivable for oil products delivered in 1953. These helped to reduce U.S. oil investments in Brazil by $28 million from 1953. Reductions by $8 million were registered in Colombia. These and the lower increases in some other countries are probably due to increased exploration activities which are charged against income and thus reduce new capital accumulations. The major increase in petroleum investment was recorded by Venezuela. It amounted to $32 million.

Capital flow between U.S. firms and their Latin petroleum holdings (exclusive of European dependencies) resulted in a net capital inflow into the U.S. of $22 million in 1954, compared to a net outflow to Latin America of $58 million in 1953. Over the 5-year period 1950-1954, there was a net capital inflow, after deduction of all outflows, of $76 million into the U.S. In contrast, U.S. petroleum investments in the Middle East registered a net capital outflow to that region for every year since 1950.

Earnings from U.S. petroleum investments, including undistributed subsidiary earnings, in the Latin Republics amounted to $380 million in 1954, a return of 22.5% on the investment. Of the total, $342 million came from Venezuela, $17 million from Panamanian tanker operations (compared to $8 million from Liberia) and $11 million from Brazil. A loss of $6 million was reported from Colombia. On the whole, Latin American petroleum earnings were kept down by rising exploration expenditures and a drop in the return on tanker operations. Furthermore, a large amount of new investments since 1950 had not yet reached the production stage by the end of 1954 and currency depreciations had drastically cut the dollar value of local-currency earnings in several countries. All of these factors reduced Latin American petroleum earnings of the U.S. in 1954 below the 1953 and 1952 figures. In contrast, U.S. petroleum earnings in the Middle East increased to $413 million in 1954.

Other Latin American oil developments: Increased activity was registered in the oil sector of CENTRAL AMERICA in the recent past. Two refinery proposals were reported, one from El Salvador and the other from Costa Rica; both have yet to be approved by the respective governments. The El Salvador proposal comes from the Brown-Lite Co. of Tulsa while the Costa Rican project which is for a 4,000 b/d plant comes from an unidentified U.S. firm. Since El Salvador consumed only about 3,100 b/d in 1954 and Costa Rica only 2,200 b/d, both refineries would probably have regional export surpluses.

This might be of significance in view of present efforts of the new Organization of Central American States (which excludes Panama) to form a regional customs union. Total consumption of the six Central American republics was about 32,000 b/d last year of which about half was consumed in Panama and the Canal Zone. Central America's present main supplier are the Dutch West Indies which accounted last year for approximately 85% of the area's requirements.
In Central America's oil exploration sector interest is continuing in Guatemala whose new oil law was recently enacted while in Costa Rica Union Oil Co. has applied for permission to drill in the country's security zone along the Panamanian border.

Important oil news are also reported from Cuba where Stanolind has completed negotiations with Trans-Cuba Oil Co. and the Cuban-Venezuelan Oil Voting Trust (a group of 24 firms) for concession rights on their 12 million acres area. The firm expects to spend up to $10 million on investments. When this figure has been reached it will share on a 50/50 basis in any production from the entire concession. With this new investment about $25 million have now been committed for oil search in Cuba over the next two years. At present, production is still only around 2,000 b/d while consumption has reached at least 55,000 b/d.

Down on the South American Continent recent oil news have been reported from Colombia and Brazil. In Colombia a new depletion law was issued on August 3rd which modifies the controversial ruling of last March and gives more liberal depletion allowances for petroleum exploration, particularly in eastern Colombia (Llanos area) where about half the country's prospective oil lands are located. The new statute also introduces the principle of the 50/50 net profit split between the government and the oil concern. However, the 50% government share is not fixed except as an upper limit. Actual taxes and royalties will vary between 40-50% in western Colombia and 27.5 - 50% in the Llanos region. It is hoped that the new law will bring in enough new explorations to reverse the decline in oil production in Colombia. In the first half of 1955 total crude oil output amounted to 19.23 million bbls, or about 7% less than for the same period of last year. Foreign capital influx for the petroleum industry during the first half of 1955 amounted to $12.8 million.

Also from Colombia comes the news that the Internat'l Petroleum Co. (Jersey Standard) has signed a contract with the Bechtel Co. to build its 25,000 b/d refinery at Cartagena which will run mostly on imported crude and that the Texaco's 30,000 b/d pipeline from its Puerto Nini field to the government-owned Barrancabermeja refinery is about completed.

In Brazil President Cafe Filho has authorized a 70-million cruzeiro loan to help finance completion of the 5,000 b/d refinery at Manaus on the Amazonas. The refinery which is privately owned (Amazonia Petroleum Co.) will probably go on stream next February. It will be Brazil's eighth refinery and will bring total capacity above 100,000 b/d.

The refineries already operating in Brazil will save the country $43 million in foreign exchange this year, according to the government oil agency Petrobras, and $68 million in 1956 when the Cubatao refinery will have been increased by over 10,000 b/d to a total of 65,000 b/d and several new petro-chemical plants as well as a premium gasoline plant in Sao Paulo will have come on stream. In 1954 total petroleum imports amounted to about $250 million. For the first half of 1955 they ran at an estimated value of $130 million, or 8% above the same period of last year. Domestic consumption during the same period increased by 15% to around 177,000 b/d, indicating a much sharper rise in the volume than in the value of oil imports as a result of the switch from products to crude oil.

Labor developments in Latin America's petroleum industry are reported from three countries. In the Dutch West Indies the campaign to organize the workers of the Shell oil and Jersey Standard refineries have been successful, according to the C.I.O.'s chief organizer for the area, and labor unions have now been established at
both Curacao and Aruba under the auspices of the International Federation of Petroleum Workers (IFPW) which gave financial support to the organizing campaign. The IFPW is a world-wide organization with headquarters in Denver, Colo. According to the organization's report, Jersey Standard tried to foil the attempts to form a union while Shell showed "a much more enlightened policy". The union hopes to count eventually all 10,000 employees of the two refineries among its members but it is admittedly still far from this goal.

In TRINIDAD, the Oilfield Workers Trade Union and the Oilfields Employers' Association have agreed to accept the recommendation of an impartial British inquiry board to raise wages by 10%. The original union claim was for a 25% raise. However, the biggest oil concern on the island, Trinidad Leaseholds, has refused to go along with employer's association and has just concluded an independent agreement with its workers. The employer's argument against higher wages was based upon the precarious geological conditions of the Trinidad petroleum industry which will necessitate increasing outlays for new drilling to maintain present output. In addition, they claim that the island's 16,000 oil workers are already receiving wages which compare favorably with those prevalent in the area.

From Colombia it is reported that the national oil workers union Utrapatrol has commenced wage negotiations with the government oil agency Empresa Colombiana as well as with Jersey Standard's Internat'l Petroleum. In both cases the union is asking for a 15% wage increase plus higher benefits. The union seems pessimistic about the chances of reaching an agreement with government arbitration in either case.

Another labor event from Colombia is the coming Western Hemisphere oil workers conference which will be the first of its kind ever to be held. It will deal with social, economic and trade union problems as they affect the oil industry in all producing countries of the Americas.

***

PERU: The economy of Peru deteriorated perceptibly during the 2nd quarter of 1955. At the end of June the foreign trade deficit for the first six months amounted to $20 million, or 33% more than for the same period of last year, all of the decline having occurred between March and June. The main reason for the higher deficit was a sharper increase in imports than in exports, especially in trade with the United States. The prospects for the remainder of the year are not too favorable since this year's output of cotton - Peru's main export commodity - is estimated at 15 - 20% below the 1954 crop and is of inferior quality. Only Peru's copper, zinc and lead shipments which together make up 20% of total exports are expected to do better than last year.

For the long run, however, the economic prospects look somewhat more hopeful due to the increased attention paid to Peru by foreign capital. Among recent foreign investment proposals or requests are a $15 million offer from a French group to build several industrial plants and engineering projects, including oil pipelines; an initial $8.5 million offer from the British Markus group to finance the purchase of machinery and equipment from Europe; the possibility of a 20-year loan for $60 million from a group of U.S. bankers to finance the construction of 30,000 low-cost houses; two loan requests totalling $20 million, to the World Bank for highway construction; application for a loan for similar purposes with the U.S. Export-Import
Bank and a $100 million loan, just approved by the Export-Import Bank, for the
development of Southern Peru's copper deposits by a group of U.S. firms. Foreign
capital is also eyeing with interest Peru's power industry which is badly in need
of expansion. A new national electrification law is designed to make investment in
this sector more attractive to private capital.

Meanwhile, the current economic decline is also reflected in the present
state of Peru's oil industry. Net oil exports in 1955 will probably be lower than
last year's. Crude oil production during the first six months amounted to a daily
average of about 47,300 bbls which is about 30 b/d less than was produced in the
same period of last year. Yet, domestic consumption of oil products is expected to
increase by at least 10% this year to about 38,500 so that the exportable surplus
will be reduced to less than 9,000 b/d. If consumption continues to expand at the
current rate - and in view of the many new housing, industrial and highway projects
and the current acquisition of a 40 jet-plane air force this seems quite likely -
Peru may cease to be an oil exporter altogether within the next three years.

This would undoubtedly be a serious blow to the foreign oil concerns operating
in Peru who are required to meet all domestic oil needs at the extremely low prices
set by the government before they can ship any oil abroad. Peru's oil imports have
also been affected by the higher consumption rate. While in the past only avgas and
lubes had to be imported, this year an estimated 550 b/d of fuel oil will also have
to be brought in.

The forecast for declining oil exports is of course based only on the current
 crude oil production and reserve situation. At present, all oil fields, with the
exception of Ganso Azul, lie along Peru's northwestern seaboard near the Ecuadorian
border. Production in most of these fields has levelled off or is declining. The
largest of the fields, International Petroleum's La Brea-Parinass which accounts for
about 65% of Peru's total production, is currently maintaining its output of 34,000
b/d only with the most modern recovery methods. Peru's total proven reserves are
reported at 225 million bbls.

Exploration in new areas has been centered until recently in the Sechura
desert, to the south of the existing fields. On the whole, they have not yielded
any satisfactory results. Other explorations, carried on by Richfield and Cities
Service in Peru's existing producing area on the northwest coast, were recently
crowned by success when a test well near the town of Lobitos flowed at 760 b/d.

However, the main search for oil is now concentrated in the eastern part of
Peru where the only producing field up to now is the small (4,300 b/d) Ganso Azul
field, operated by the Texas Gulf Producing Co. The government is furthering the
search in this area and has recently amended its petroleum law to permit concen-
sionaires in eastern Peru to hold twice the 2.4 million acres of land to which they
were limited so far. Among the firms planning to make use of the higher concession
limit is the Cerro de Pasco Mining Corporation which has extended mining operations,
including a large smelter, in that area consuming approximately 1,200 b/d of oil.
Any oil or gas found by Cerro de Pasco will therefore at first be used towards meet-
ing its own fuel needs. Another outlet for crude found would be the Manaus refinery
(5,000 b/d) on the Amazonas in northwestern Brazil. Under present arrangements the
crude oil for this new refinery is to come from Ganso Azul. However, this field
may not be able to supply all of the required crude since it must also furnish crude
for its own 1,200 b/d topping plant which supplies nearby communities, particularly
the new town of Tournavista which the Texas manufacturer and road builder Robert G.
Le Tourneau is building there, partly because of the availability of local oil.
Le Tourneau is also helping oil exploration, particularly in the Oriente region, with his highway building program. The Northern Peru Highway which he will build as soon as appropriate loan arrangements have been made, will constitute a new traffic route between the Pacific Coast and the Amazon Basin and will greatly increase the accessibility to the 20-odd million acres of prospective oil lands located between the northwestern coastal plains and the Maranon River, east of the Andes. This highway should be of particular interest to the Texas Co. which has carried on an intensive survey along the lower Maranon and has recently spudded the first well ever to be drilled there by a major company.

Le Tourneau's other highway project which is already well under way will cut through the forestland of Eastern Peru to link up with the Trans-Andean Highway. In return for building this road, Le Tourneau is receiving 1 million acres of land in the area, including over 300,000 acres of petroleum concessions. Another much shorter road into the trans-Andean jungle has recently been proposed by the Peruvian oil firm Cia. Peruana El Oriente which is carrying on extensive explorations in conjunction with a consortium of three major German oil concerns (Deutsche Erdoel A.G., Gewerschaft Elwerath, Wintershall A.G.).

Other oil news from Peru concern (1) a report that a Peruvian firm, Helios S.A., has been formed for the purpose of constructing a refinery and fertilizer plant near the port of Pisco and (2) a claim from the Ecuadorian government that the 300,000 acres concession of the Canadian-owned Peruvian Oil & Minerals Co. in the northwestern-most part of Peru is "void" since it lies actually in Ecuadorian territory. The claim is denied by Peru.

* * * * * * *

MEXICO: As of now it looks as if 1955 will be the best year ever recorded in Mexico's economic history. New statistical records have already been achieved in many sectors of the economy and there are no signs of an approaching let-up of the current pace of balanced expansion. According to the recent mid-term state-of-the-nation report of President Ruiz Cortinez the country has completely recovered from the slump following the peso devaluation in April 1954. The real national income has increased 7% in the last 12 months and 10% in the first half of 1955. The same goes for industrial production.

Among the mining industries, all of which increased their output, the sharpest rise was registered by the sulphur industry which is about to turn Mexico from a net importer of this material into a substantial exporter. The beginning of large-scale sulphur extraction has also brought proposals from several foreign firms - Phillips Petroleum, Shell Oil, Mathieson Chemicals, Squibb and Montecatini - for the establishment of sulphur-based fertilizer plants in Mexico.

The major bottleneck in industry and mining is now the power shortage. Droughts in the earlier part of this year caused the temporary shut-down of hydroelectric plants and thus prevented even higher records in production. To bring power output in line with needs, the Mexican Light & Power Co. and the American Foreign Power Co. plan to spend about $130 million in new investments over the next ten years.

Agricultural production has also suffered somewhat from the earlier droughts but is now 20% ahead of last year. The increase is especially pronounced in cotton, Mexico's major export commodity.
The most striking improvement, however, has taken place in the international balance of payments. At the end of August, dollar reserves stood at $305 million, the highest figure in three years. Of special significance is the fact that reserves rose steadily since February in complete contrast to the traditional seasonal loss of foreign exchange during this period. This improvement was due to the combined effects of a rise in exports relative to imports, an increase in tourist revenue as well as a rapidly increasing flow of foreign investments, especially from the U.S., and the return of private Mexican capital after last year's flight.

Total imports are still larger than exports and will continue to be for some time to come but the gap has been reduced, especially in trade with the U.S. Even more significant, the composition of Mexican imports is rapidly changing in favor of capital goods and raw materials. These wealth-producing goods have now risen to about 76% of all imports while consumer goods imports are steadily declining.

In his report President Ruiz repeatedly stated that foreign capital and know-how were welcome in Mexico and pointed to the recent law to encourage private investment through tax exemptions. Total foreign investments at the beginning of 1955 amounted to almost $550 million of which 70% was in U.S. hands.

Mexico's oil production and refining industry has kept well ahead of the overall economic expansion. In the year ending September 15th, crude oil output increased by 15% over the previous year to a daily average of 250,400 bbls. At present the crude oil flow is over 280,000 b/d and a figure of 315,000 b/d is predicted for the end of 1955. Next year, the government oil agency Pemex plans to drill 750 new wells, compared to 365 scheduled for this year and 293 in 1954. Some Pemex officials hope that this will bring production up to 500,000 b/d but, according to other estimates, this figure will not be reached before 1964. Total reserves as of September 1st, 1955 are estimated officially at 2.76 billion bbls compared to 2.43 billion a year ago and 835 million in 1938 when the industry was nationalized.

Refinery capacity is also increasing. The latest expansion project includes the doubling of the Atzapotzalco (Mexico City) refinery to 100,000 b/d and the increase of the Minatitlán (Vera Cruz) refinery to 50,000 b/d. A smaller expansion - from 4,000 b/d to 10,000 b/d - is under way at the Reynosa refinery near the U.S. border. At the end of this year when these and several other expansion projects will have been completed, Mexico's total refinery capacity will amount to 334,500 b/d compared with about 250,000 during 1954. The cost of the refinery, pipeline and other expansion programs was $100 million for the year ending in September 1955. According to unofficial reports, Pemex plans to spend $350 million for such purposes over the next 2½ years.

Mexico's oil consumption is increasing at a much slower rate than production. In the last twelve months it went up by only 9% to just above 200,000 b/d. The rise may become somewhat more pronounced in the future in line with the growing increase in industrialization, mechanization of agriculture and transportation as well as the rising standard of living but over the next few years the annual consumption growth is not expected to rise much above 10,000 b/d. This means that Mexico's petroleum surplus which amounts to about 80,000 b/d at present is likely to grow sharply in the future.

The result will be a steady growth in Mexico's oil exports and a decline in imports. In 1954 the country was still a net importer of petroleum in terms of value. Total petroleum exports amounted to $40 million (64,000 b/d) while imports of
all oil products are estimated by the U.S. Department of Commerce to have reached about $60 million. For 1955, total petroleum exports are estimated at slightly over 80,000 b/d with a value of $45-48 million while for 1956 an export volume of 120,000 b/d is foreseen.

No oil import figures are as yet available for 1955 but imports have in all likelihood declined due to the coming on stream of the Salamanca lube oil plant at the beginning of the year which obviated all lube imports plus the increased availability of other domestic refinery products. Imports will be further reduced in the near future as a result of the expansions of the Minatitlan and Atzapotzalco refineries. The Mintitlan plant will supply, via pipeline across the Tehuantepec Isthmus, most of the west coast states with products which up to now had to be imported. In addition, the refinery will supply increased base stock for the production of more aviation gas. The completion early next year of a 300-mile pipeline from the Tampico refinery to Monterrey and the aforementioned enlargement of the Reynosa refinery will bring a further reduction of imports since it will make northeastern Mexico largely independent for its petroleum needs from the adjacent areas of the U.S.

Mexico is also about to increase vastly its natural gas exports. Under a new 20-year contract it will ship 100-200 million cubic ft. daily to the Texas Eastern Transmission Corp. Pemex has estimated that its income from this contract will amount to about $65 million per year. It will use the contract as a collateral to finance its overall expansion program which aims at keeping Mexico's crude oil output and refinery capacity well ahead of domestic consumption.

(Addendum: as this issue of W.B. goes to press the first reports are received here on the severity of Mexico's latest hurricane and flood. According to these incomplete accounts, the damage to the country's agricultural areas are extremely heavy with an estimated 5% of the arable land, including some of the richest areas, totally ruined. Large damage was also inflicted on many harbor installations and the highway system. Tampico, Mexico's main oil shipping port and location of a large refinery, was almost completely destroyed and the oil producing center of Vera Cruz and vicinity, including the big Poza Rica fields, suffered so heavily that oil production there came to a temporary halt. While no full appraisal of the disaster is as yet possible, the extent of damage could be large enough to affect the above described current economic prosperity).

* * * * * * * * *

ARGENTINA: Argentina's pressing economic problems have not been solved or even alleviated by the end of Juan Peron. On the contrary, the present political uncertainty and the interruption of work has only added to the country's difficulties. While it is too early to form any judgment of the economic policies of the new government it is clear what problems it is facing.

The country's economy has now been steadily deteriorating since the middle of 1954. At the end of last year, the favorable trade balance had fallen to $80 million from over $350 million in 1953. The cause had been a 9% increase in imports and a 9% decrease in exports. For the first half of this year the decline continued at an accelerated pace with foreign reserves dropping by 18% to a low of 2.48 billion pesos. During the same period last year there had been a 10% increase. Trade with the U.S. in the first half of 1955 resulted in a $6 million deficit compared to an $11 million surplus in the first half of 1954. Behind this decline lies the diminished foreign exchange earning power of Argentina's export trade due to lower
international prices for grains and hides, declining foreign sales of its meats and smaller domestic crops of some other commodities.

By the end of this year the country will probably have a substantial overall trade deficit and its foreign reserves will be about depleted. Yet, its pent-up import needs, artificially kept down by restrictions, will be higher than ever. Argentina is now trying to shift its purchases to those countries which will still give it long-term credits or at least "swing" credits but its current trade indebtedness of some $200 million is a handicap in this attempt. The only area with which trade is now being expanded is the Soviet Bloc. However, this trade seems to be somewhat one-sided since, so far, all Soviet Bloc countries purchased more from Argentina than they sold to it.

In order to forestall this situation Peron reversed in 1953 his long-standing opposition to foreign investments. However, the response to his new foreign investment law has been very poor. In all of 1954 - the first full year of its operation - only $30 million of new capital investment moved into Argentina. In a last-minute attempt to attract more U.S. capital, Peron made the gesture of releasing $4-5 million of profits accumulated by U.S. concerns between 1951 and 1953 (profits earned since 1953 are transferable at the rate of 8% per year). Peron also tried to interest German capital in investing in Argentina and has recently offered to return all German industrial firms seized during World War II at inventory value, provided the Germans invest $45-50 million in rehabilitating and expanding them.

Oil is by far the major source of foreign exchange losses in Argentina. With a daily domestic production of about 82,000 bbls, up 2.5% from last year, and a consumption estimated at 208,000 b/d for 1955, or 6.1% above 1954, Argentina must bring in over 60% of its oil requirements from abroad, mostly from Kuwait and the Caribbean, at a current cost of $200 million. Last year, oil imports accounted for about 13% of total imports; this year the figure will be closer to 20% due to higher tanker rates, increased volume of oil imports and a decline in the import of most other items. Since per capita consumption of total energy is still only 10% above the artificially restricted war-time figure and since 69% of all energy consumption is now met by oil, imports of petroleum are certain to increase and may well amount to nearly half of all imports by 1965 when oil consumption is expected to reach 365,000 b/d, according to a U.N. estimate.

It is against this background which only offers the two dismal alternatives of either increasing oil imports at the expense of all other essential imports or curtailing them and thereby creating a strangé-hold on the entire economy that the proposals by S.O. Cal., Jersey Standard and the reported interest of Shell Oil must be viewed.

According to U.N. experts, Argentina will have to spend at least $755 million (and possibly $1 billion) between 1954 and 1965 to double its present crude production and increase its present refinery capacity (208,000 b/d) to meet the projected consumption rate of 365,000 b/d. Of the total investment, at least $490 million will have to be made in foreign currency. Thus, the exploration deals with the foreign oil companies would have been a significant initial contribution to investments in the most risky sector of the oil industry to which the government oil agency Y.P.F. could least afford to allocate large sums.

Unfortunately the proposals became soon hopelessly mixed up with politics. Peron was so intent on getting the S.O. Cal contract ratified before the September 30th deadline that he devoted a good part of his very last speech to defending it and asked his top assistants to do the same in nation-wide broadcasts. In these
broadcasts it was asserted that Y.P.F. was already committed to spend between 1954 and 1958, in addition to its normal budget, $30 million on explorations on its present territory plus $180 million on pipeline and refinery projects but that even this large sum was not sufficient to increase substantially the share of domestic oil in the 260,000 b/d consumption estimated for 1958. Therefore, the entry of experienced foreign companies to explore new territories was absolutely essential for the national welfare. On the other side, Arturo Frondizi, leader of the opposition Radical Party, spent an equally long time in denouncing the contract when making his first nation-wide broadcast in over ten years. His main argument was that the contract was a "national sellout" since it handed 50,000 square miles of Argentinian territory over to a "foreign power" in whose possession it will remain until the year 2,000.

The continuing political importance of the now voided S.O. Cal. contract is shown by the fact that it also came up in the very first public address of the new president, General Lonardi. When addressing the crowds greeting him on his arrival in Buenos Aires, he stated that the new government would respect all existing pacts whereupon thousands shouted "not petroleum" in a clear reference to the S.O. Cal. pact. In spontaneous reply, General Lonardi stated that he would try to "obtain technicians and material to drill on our own account". It is not clear whether this was a basic policy declaration but in any case a long cooling-off period will be necessary before any Argentinian government can safely renew concession discussions with U.S. oil companies. A key man in this connection may be the new minister of Industry, Horace Morixe, who was for many years on the board of directors of Y.P.F.

Meanwhile, Y.P.F. is continuing its own expansion program. A new well with a daily output of 500 bbls has just been brought in in the Tierra del Fuego area and a 900-mile pipeline linking the northern fields in the Salta province with ports on the Parana River is about to be constructed. When completed, it will take the crude directly to the 17,000 b/d San Lorenzo refinery in Santa Fe. Another pipeline, between the Neuquen fields and the Atlantic port of Bahia Blanca, is still in the planning stage.

OIL DEVELOPMENTS

BEHIND THE IRON CURTAIN

(Caution: While PIRINC believes its sources of information on oil developments behind the Iron Curtain to be fully reliable, it has no way of checking such information and can therefore not vouch for its accuracy.)

Soviet Bloc oil shipments to the non-Communist world amounted to approximately 3.8-4 million tons in 1954, according to recently released U.N. statistics. This is somewhat less than previous unofficial but well-informed estimates which put Soviet Bloc oil exports at about 4.5 million tons. Of the U.N. total, 2.7 million tons went to Europe (1.55 million tons from Romania, 1.1 million from the USSR and the balance from other East European countries) while approximately 1.2 million went to other non-Communist areas.

In terms of dollar value, the following world breakdown of Soviet Bloc oil exports to all non-Communist countries has recently become available:
SOVIET BLOC OIL EXPORTS - 1954
(thousands of U.S. Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Albania</th>
<th>Czechoslov.</th>
<th>E. Germany</th>
<th>Hungary</th>
<th>Poland</th>
<th>Romania</th>
<th>USSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Oil</td>
<td>13,854</td>
<td>1</td>
<td>24,216</td>
<td>1</td>
<td>13,804</td>
<td>5,445</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light Products</td>
<td>24,216</td>
<td>4,965</td>
<td>1</td>
<td>430</td>
<td>1</td>
<td>10</td>
<td>10</td>
<td>116,454</td>
</tr>
<tr>
<td>Fuel Oils</td>
<td>55,272</td>
<td>6,433</td>
<td>152</td>
<td>41,015</td>
<td>26,797</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other products</td>
<td>23,112*</td>
<td>1,432</td>
<td>5,539</td>
<td>298</td>
<td>298</td>
<td>5,321</td>
<td>10,054</td>
<td></td>
</tr>
<tr>
<td></td>
<td>116,454</td>
<td>1,433</td>
<td>16,937</td>
<td>583</td>
<td>298</td>
<td>41,015</td>
<td>56,150</td>
<td></td>
</tr>
</tbody>
</table>

* includes $28,000 from unspecified Soviet Bloc

As the above table shows, outside of the Soviet Bloc's two major oil producing countries only East German's oil exports were of significance. These latter are all coal-based synthetic oil products. Most of them went to West Germany which bought 173,000 tons last year. Czechoslovakia's oil production is also coal-based. The Soviet Bloc's oil exports will undoubtedly be considerably larger for this year and will, according to informed estimates, run to 5.5-6 million tons. Furthermore, some of the smaller countries, particularly Hungary and Albania, will show sharp increases in their exports to the West while Bulgaria has begun its first modest export shipments this year.

SOVIET BLOC OIL EXPORT AGREEMENTS

EGYPT signed an agreement with the USSR on September 6th under which it will receive 500,000 tons of crude oil in return for 2.5 million (Egyptian) worth of rice. The first oil shipment is to arrive in October. This is in addition to the two oil vs. cotton barter agreements signed by Egypt last April with the USSR and Romania (see W.B. May 1955, p.20) and will meet one-third of Egypt's oil requirements. According to an Egyptian government spokesman, the new agreement will cause a cessation of most Western oil imports. Last year, Egypt received about 500,000 tons of oil from Saudi Arabia plus smaller quantities from other Middle Eastern countries.

Quantity figures are now available on the NORWAY - USSR trade agreement reported in our June issue (p.21). According to an official announcement, Norway will receive 100,000 tons of fuel oil during 1955. No Soviet oil was shipped to Norway in 1954.

WEST GERMANY signed a trade agreement with BULGARIA on April 29th, valid for one year, under which it will receive $150,000 worth of Bulgarian crude oil.

WEST GERMANY also signed an agreement with HUNGARY for one year, ending June 30th, 1956. Under it, Germany will receive $600,000 each of Hungarian fuel oil and of bitumen.

ITALY signed a trade agreement with the USSR on August 12th under which it will receive undisclosed quantities of crude oil and products.

YUGOSLAVIA signed an agreement with ALBANIA on May 17th under which it will receive 30,000 tons of Albanian crude oil.
AFGHANISTAN signed an agreement with the USSR on August 27th, valid for one year, which further expands the exchange of goods between the two countries, according to an official statement. The USSR has again pledged the delivery of all requested petroleum products.

ANNEX

SUEZ CANAL PETROLEUM TRAFFIC

(With this issue WORLD BUSINESS is beginning a cumulative statistical annex of oil shipments through the Suez Canal in both directions. The tables show tanker movements, crude oil and products shipment by countries of origin and destination for comparable periods of the current and previous year).

During the first seven months of 1955 a total of about 40.1 million tons of crude oil and products was shipped through the Suez Canal compared to 39.3 million tons for the same period of 1954. However, this very slight overall increase from last year hides very significant changes in the north-south movement of oil which dropped by 71%. The reason for this, as is generally known, is the coming on stream since last fall of a number of new refineries east of Suez as well as the return to production of the Abadan refinery in Iran. This obviated most products shipments from Europe and the Caribbean. Hence, of all products shipments to east of Suez only lubricating oil showed an increase (33%) over last year.

Of special interest in the north-south movements are shipments from Soviet Bloc. As is shown in Table III, the USSR and Romania were the only countries which increased their north-south shipments (by 290,000 tons). As is seen from Table IV, a large part of these shipments went to Siberia and Red China and thus were not exports to the free world. However, 100,000 tons of Soviet Bloc oil did go to non-Communist areas via the Suez Canal in the first seven months of this year, including 36,000 tons of crude oil to the port of Suez in Egypt. This, incidentally, is the first crude oil shipment in a north-south direction in the history of the Suez Canal.

The north-south decline was, however, more than offset by increases in south-north shipments. During the first seven months these amounted to 38.7 million tons, or 18% more than for the like period of 1954. South-north oil shipments originating in the Middle Eastern countries (including Egypt) accounted for about 36.5% of that area's total crude oil production, the same ratio as last year. While over 90% of the south-north traffic was in crude oil, the increase over last year was considerably sharper among the products shipments. This is mainly the result of the aforementioned revival of the Abadan refinery and the coming on stream of the Aden plant. Products exports have also increased from Egypt which is undergoing a refinery expansion program.

Among the receiving countries of the south-north oil shipments, the major one, Great Britain, registered an increase of only 1% over last year. British import figures show that total oil shipments from the Middle East during the first seven months of 1955 actually declined by the fractional amount of 0.2%, compared to last year. However, within this minute overall decline, products shipments from Bahrain - which go through the Suez Canal - increased sharply as did crude shipments from Saudi Arabia. The major increase among the receiving countries, 37%, was registered by the United States which received almost 5 million tons of Middle East oil via the Suez Canal in the first seven months of 1955.
## Suez Canal Petroleum Traffic

### January - July 1954 & 1955

#### North-South Traffic

##### I. Tanker Movements

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loaded Tankers</td>
<td>2,568</td>
<td>714</td>
<td>-72</td>
</tr>
<tr>
<td>Empty Tankers</td>
<td>16,302</td>
<td>18,697</td>
<td>15</td>
</tr>
<tr>
<td>Total N-S</td>
<td>18,870</td>
<td>19,411</td>
<td>3</td>
</tr>
</tbody>
</table>

##### II. Products Shipments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>1,049</td>
<td>378</td>
<td>-64</td>
</tr>
<tr>
<td>Kerosene</td>
<td>679</td>
<td>293</td>
<td>-57</td>
</tr>
<tr>
<td>Gas/Diesel Oil</td>
<td>396</td>
<td>142</td>
<td>-64</td>
</tr>
<tr>
<td>Residual Fuel Oil</td>
<td>2,226</td>
<td>263</td>
<td>-88</td>
</tr>
<tr>
<td>Lubricating Oils</td>
<td>153</td>
<td>204</td>
<td>33</td>
</tr>
<tr>
<td>Other Oil Products</td>
<td>34</td>
<td>27</td>
<td>-21</td>
</tr>
<tr>
<td></td>
<td>4,537</td>
<td>1,307</td>
<td>-71</td>
</tr>
</tbody>
</table>

Crude Oil Shipments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>1,334</td>
<td>49</td>
<td>-96</td>
</tr>
<tr>
<td>France</td>
<td>691</td>
<td>135</td>
<td>-80</td>
</tr>
<tr>
<td>Italy</td>
<td>807</td>
<td>224</td>
<td>-72</td>
</tr>
<tr>
<td>Netherlands</td>
<td>347</td>
<td>179</td>
<td>-48</td>
</tr>
<tr>
<td>Total Western Europe</td>
<td>3,179</td>
<td>587</td>
<td>-82</td>
</tr>
<tr>
<td>U.S.</td>
<td>466</td>
<td>107</td>
<td>-77</td>
</tr>
<tr>
<td>Caribbean</td>
<td>516</td>
<td>53</td>
<td>-90</td>
</tr>
<tr>
<td>Total Western Hem.</td>
<td>982</td>
<td>160</td>
<td>-84</td>
</tr>
<tr>
<td>U.S.S.R. &amp; Romania</td>
<td>168</td>
<td>376</td>
<td>124</td>
</tr>
<tr>
<td>Other Areas</td>
<td>55</td>
<td>16</td>
<td>-71</td>
</tr>
</tbody>
</table>

*Includes all products and crude oil shipments except lubricating oils.

* - Contains a table of data for tankers, products, and countries of origin.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>India, Pakistan, Burma, Ceylon</td>
<td>1,240</td>
<td>143</td>
<td>-88</td>
</tr>
<tr>
<td>British Malaya</td>
<td>504</td>
<td>146</td>
<td>-71</td>
</tr>
<tr>
<td>Australia, New Zealand</td>
<td>379</td>
<td>100</td>
<td>-74</td>
</tr>
<tr>
<td>Total Far East</td>
<td>2,123</td>
<td>389</td>
<td>-82</td>
</tr>
<tr>
<td>Egypt and other Red Sea</td>
<td>661</td>
<td>287</td>
<td>-57</td>
</tr>
<tr>
<td>Aden</td>
<td>1,202</td>
<td>77</td>
<td>-94</td>
</tr>
<tr>
<td>East Africa</td>
<td>235</td>
<td>79</td>
<td>-66</td>
</tr>
<tr>
<td>USSR (Siberia), China</td>
<td>108</td>
<td>275</td>
<td>155</td>
</tr>
<tr>
<td>Other Areas</td>
<td>55</td>
<td>32</td>
<td>-42</td>
</tr>
<tr>
<td></td>
<td>4,384*</td>
<td>1,139*</td>
<td>-74</td>
</tr>
</tbody>
</table>

*Includes all products and crude oil shipments except lubricating oils.
### SOUTH - NORTH TRAFFIC

#### I. Tanker Movements
(Thousands of net registered tons)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loaded Tankers</td>
<td>17,880</td>
<td>21,266</td>
<td>19</td>
</tr>
<tr>
<td>Empty Tankers</td>
<td>564</td>
<td>185</td>
<td>-66</td>
</tr>
<tr>
<td>Total S-N Tanker Movements</td>
<td>18,444</td>
<td>21,451</td>
<td>16</td>
</tr>
</tbody>
</table>

#### II. Crude Oil & Products Shipments
(Thousands of metric tons)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Oil</td>
<td>31,529</td>
<td>36,131</td>
<td>16</td>
</tr>
<tr>
<td>Gasoline</td>
<td>163</td>
<td>237</td>
<td>45</td>
</tr>
<tr>
<td>Kerosene</td>
<td>120</td>
<td>191</td>
<td>59</td>
</tr>
<tr>
<td>Gas/Diesel Oil</td>
<td>298</td>
<td>664</td>
<td>123</td>
</tr>
<tr>
<td>Residual Fuel Oil</td>
<td>387</td>
<td>1,246</td>
<td>222</td>
</tr>
<tr>
<td>Other oil products</td>
<td>149</td>
<td>185</td>
<td>24</td>
</tr>
<tr>
<td>Total oil products</td>
<td>1,117</td>
<td>2,523</td>
<td>126</td>
</tr>
<tr>
<td></td>
<td>32,646</td>
<td>38,654</td>
<td>18</td>
</tr>
</tbody>
</table>

#### III. Countries of Origin
(Thousands of metric tons)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuwait*</td>
<td>23,598</td>
<td>25,816</td>
<td>9</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>4,031</td>
<td>3,705</td>
<td>-8</td>
</tr>
<tr>
<td>Iran</td>
<td>62</td>
<td>2,545</td>
<td>4,000</td>
</tr>
<tr>
<td>Iraq (Fao)</td>
<td>1,582</td>
<td>2,229</td>
<td>46</td>
</tr>
<tr>
<td>Qatar</td>
<td>2,395</td>
<td>1,874</td>
<td>-22</td>
</tr>
<tr>
<td>Bahrein</td>
<td>470</td>
<td>1,019</td>
<td>117</td>
</tr>
<tr>
<td>Aden</td>
<td></td>
<td>333</td>
<td></td>
</tr>
<tr>
<td>Total Persian Gulf</td>
<td>32,084</td>
<td>37,521</td>
<td>17</td>
</tr>
<tr>
<td>Egypt</td>
<td>31</td>
<td>75</td>
<td>142</td>
</tr>
<tr>
<td>Indonesia, Malaya</td>
<td>488</td>
<td>1,011</td>
<td>107</td>
</tr>
<tr>
<td>New Guinea</td>
<td>43</td>
<td>47</td>
<td>9</td>
</tr>
<tr>
<td>Total Far East</td>
<td>531</td>
<td>1,058</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>32,646</td>
<td>38,654</td>
<td>18</td>
</tr>
</tbody>
</table>

*Including Kuwait Neutral Zone*
IV. Countries of Destination
(Thousands of metric tons)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>12,224</td>
<td>12,343</td>
<td>1</td>
</tr>
<tr>
<td>France</td>
<td>6,343</td>
<td>7,089</td>
<td>12</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3,118</td>
<td>4,192</td>
<td>34</td>
</tr>
<tr>
<td>Italy</td>
<td>2,954</td>
<td>4,139</td>
<td>40</td>
</tr>
<tr>
<td>Belgium</td>
<td>1,038</td>
<td>1,172</td>
<td>13</td>
</tr>
<tr>
<td>Sweden</td>
<td>728</td>
<td>965</td>
<td>33</td>
</tr>
<tr>
<td>Germany</td>
<td>620</td>
<td>686</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total, Major European Oil Importing Countries</strong></td>
<td><strong>27,025</strong></td>
<td><strong>30,586</strong></td>
<td><strong>13</strong></td>
</tr>
<tr>
<td><strong>U.S.</strong></td>
<td><strong>3,594</strong></td>
<td><strong>4,933</strong></td>
<td><strong>37</strong></td>
</tr>
<tr>
<td><strong>All Other Countries</strong></td>
<td><strong>2,027</strong></td>
<td><strong>3,135</strong></td>
<td><strong>55</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32,646</strong></td>
<td><strong>38,654</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>