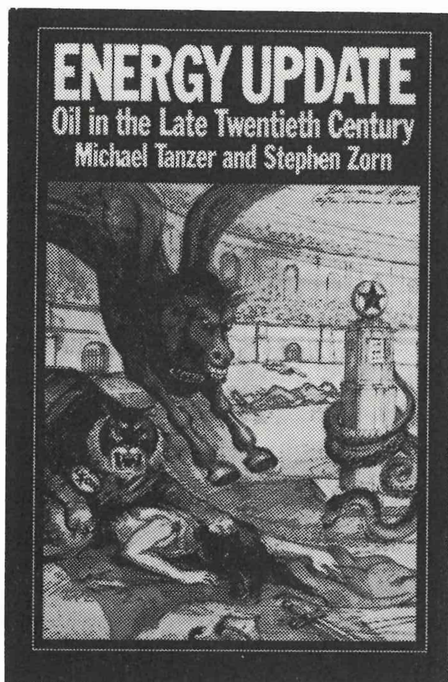
BOOK REVIEW



Michael Tanzer and Stephen Zorn, *Energy Update: Oil in the Late Twentieth Century.* New York: Monthly Review Press, 1985, 164 pp. 8 USD (paperback).

The old notion that "The more things change, the more they remain the same" seems once again validated: without taking a static view of the energy scene, Tanzer & Zorn arrive at the conclusion that — learning from the history of this century — the international capitalist system, and its leading components of international oil companies, show an enormous durability, notwithstanding tremendous upheavals which has radically transformed the industry. The book, a sequel to Michael Tanzer's *The Energy Crisis* (Monthly Review Press, 1974) looks at the changes of the last decade and their implications for the future. A lucid analysis is given of the key players in the energy world (which are still the same as those of ten or thirty years ago): the international oil companies and their home governments, the international financial institutions (i e the World Bank), the oil-importing industrial and third-world countries, the oil-exporting countries and the centrally planned economies. Dealing with so many subjects in a book of 164 pages obviously leads to some superficiality, but in this case this qualification should be interpreted in a positive way: as an *introduction* to students of energy politics it is highly recommended (the low price being an additional advantage).

The question of control

The prolific literature on the relationship between oil companies and oil-importing and oil-exporting countries is often characterized either by a belief that since 1973 the fate of the international oil industry has been decided almost unilaterally by the OPEC countries, or (the other extreme) that there is a continuing 'alliance' between companies and oil producing countries. Tanzer and Zorn take up a third position in the debate by pointing out the continuing machinations of the international oil companies and their government brokers. Tanzer takes the same starting point for his analysis of the international mineral industry in his *The Race for Resources* (Monthly Review Press, 1980).

Diversification in the energy sector

The authors start by giving a historical and up to date overview of supply and demand of energy resources. They come to the conclusion that for the rest of the century at least, petrofuels will continue to dominate world energy markets, no matter how effectively new energy technologies are developed. The international oil giants, which represent the greatest concentration of private economic and political power in the history of modern capitalism, have entered competitive energy industries assuring them the advantages of near-monopolistic suppliers of raw materials. However, the recent collapse of the uranium market, along with the slowdown in the growth of the coal market, has made this diversification less profitable than expected.

With regard to charges by some critics who believe that the oil companies are out to suppress the development of solar power (in order to protect their investments in oil), Tanzer and Zorn rightly state that the:

> "goal of each oil company is to 'hedge its best' by investing in solar power, hoping that it will be able to emerge in the future as one of the leading players in a vastly expanded and profitable solar energy" (p 36).

Not surprisingly, the four top solar firms in the United States are wholly owned by oil companies and two other major solar companies have important joint ventures with oil companies.

Attention is also paid to the oil companies' ventures into other non-energy businesses, which by and large have fared very badly and induced some companies to turn to the seemingly safer strategy of buying each other ("drilling for oil on Wall Street"). Unfortunately, the oil companies' strategies — which are very differentiated indeed — are treated as being all the same. But, within the context of this introductory book this might not be a fair upbraid.

National vs corporate interest

Under the title "Trade and the Flag" a picture is given of the history of oil and government power, showing that the international oil companies have been the key instruments of national policy for their home governments. Refering to the 1958 crisis in the Middle East (toppling of the Iraqi monarchy, growing 'unrest' in Jordan and Lebanon) the authors aptly quote Robert Engler as saying "This gunboat diplomacy was clearly in line with the State Department's commitment to pipelines and profits" (p 54). Within this framework of company-government relations due attention is given to all kinds of efforts to

expand non-OPEC oil supplies, among others by the revitalization of the US government's investor guarantee program, the Overseas Private Investment Corporation (OPIC). The World Bank's oil-lending program is judged unfavourably and characterized as being in full harmony with the interests of the international oil companies and, more generally, of the industrial countries that control the World Bank.

The oil-importing industrialized countries — among which Japan, Germany, France and Italy are the most important — have lost out to the United States and Great Britain in the oil struggle of the twentieth century: they all have to rely on foreign-controlled oil supplies. Nonetheless, most of these industrial countries seem to have managed to cope with their increased costs of oil imports, although once again the authors tend to judge all the countries concerned alike, whereas e g there are obvious differences between countries like France and Germany in the field of export policy towards the OPEC countries.

Tanzer and Zorn are at their best when unravelling the myth that since 1973 OPEC has been able to bend the world to its will and holding the international oil companies and their home governments at its mercy. On the basis of a careful examination of the events leading up to 1973 and following thereafter, they can come to only one conclusion: the international oil companies still remain dominant in the industry and the "rich but not powerful" OPEC countries have missed a great opportunity to generate real economic development. Although it would be unfair to say that oil wealth has brought no improvement at all for the mass of people in the OPEC countries, one cannot evade the inference made by the authors:

> "The principal problem is that (. . .) there have not been developed new economic, political, and social structures that would permit the harnessing of the oil resources in a positive way on a wide scale" (p 83).

In this respect they draw attention to the often overlooked position of small elite groups who control and use the state for their own private profit.

Options for the developing countries

Although the discussion of the developing countries is somewhat affected by the authors' inclination of lumping all these countries together, this chapter deserves special attention because of the stimulating remarks made on the unused capabilities of Third World countries to establish oil independence. Tanzer and Zorn have to admit, however, that during the present oil glut the trend of the late 1970s — in which contract terms dramatically shifted in favor of developing countries — has been slowed down (and, in some cases, even reversed). Nowadays, international oil companies have to be lured by embarrassing 'sweat terms' offered by Third World countries. One could wonder therefore if the authors' conclusion in this respect is not a bit illusory:

> "The strategy of integration into the capitalist world oil economy has clearly failed, and self-sufficiency appears to be the only plausible candidate to succeed it" (p 105).

The centrally planned economies

Through a policy of pursuing self-reliance and the development of domestic oil and energy resources, the centrally planned economies have been able to escape from the energy crisis that rocked the capitalist world in the past decade. The case of Vietnam is presented as an examplary model of how a relatively small and poor (socialist) country could see through the mythology of the international oil industry by attaining "the most favorable contracts (. . .) in the history of the oil industry" (p 118). The authors have done well by elaborating on this case which the oil trade press gave virtually no coverage of.

Conclusions

The book emphasises the ongoing company control of the energy industry, despite the (one-off?) set-back they had in the last decade. While OPEC is in a predicament that offers no easy solution in the short term, the multinationals have made up for the ground they had lost. The consecutive price rises have allowed the realization of capital invested earlier and greatly increased the companies' profits from their crude oil production in the West and in non-OPEC third world countries. As Tanzer and Zorn illustratively point out, although their per barrel profits in OPEC countries may now be much lower than before, in some places they have climbed as high as 10 USD. "In the light of this situation it is hardly surprising that the seven majors' total profits more than quadrupled from 1972 to 1983" (p 125). This enormous profitability enabled the companies to extend their control over the energy industry as a whole.

Although the book contains several weaknesses (sometimes the reader gets the impression that the authors took upon themselves a real 'crusade' against the multinational oil companies and their ideological supporters such as Walter Levy; why not number the notes in the text? Too many repetitions, and now and then unbalanced discourses), as in introduction to the world of energy politics it certainly is advisable. Smoothly written and in a provocative style, *Energy Update* gives us a useful analysis of changes and durabilities in the international oil industry.

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Mining 1986

Mining 1986, the Financial Times Mining International Yearbook 1986 published by the Longman Group Ltd, London 1985, 546 pp.

A basic source of data in the research work of the Raw Materials Group is information from mining companies, mainly annual reports, press releases, questionnaires, interviews etc. A valuable complement to these data is processed information on corporate activities in directories, year books and periodicals.

One of the most useful directories is *Mining,* which is published yearly. The 1986 edition contains data on about 720 mining companies involved in mining, exploration and refining, mainly from the market economies and a few from socialist countries. Corporate data are grouped under recurrent headlines, facilitating the search for a specific type of data.

Besides corporate addresses, names of directors and top personnel, one finds descriptions of the business, property and operations of the company, a financial summary for the latest three years and in many cases an operating summary for the same period, as well as figures on ore reserves and capital.

The companies appear in alphabetical order. A company index includes all companies mentioned in the book, i e principal entries as well as secondary references within the text of a parent or associate company. There are also geographical and minerals indexes.

Mining is thus useful tool for a researcher trying to get an overview of a mining company, for making comparisons of mining companies and for tracing relations between mining companies. Its distinct lay-out facilitates this task.

In earlier editions of *Mining,* the information was not up-to-date, as it was published more than 15 months after the latest financial year-end reviewed, i e about the time when the corporate annual reports from the following year were published. This shortcoming has now been reduced. The latest edition, *Mining 1986,* was published in November 1985, 10 months after the latest financial year-end reviewed. However, it would be desirable to reduce this time lag even further. Six months seems to be a realistic possibility.

Our most serious criticism against Mining is the unsystematic presentation of ownership data. From our own research we know that ownership relations are difficult to trace. But through reading corporate annual reports the editors of Mining could have informed its readers on a number of important ownership data, e g that Blyvooruitzicht Gold Mining Co was owned by Amgold (6.8 per cent), Gold Fields of SA (8.3 per cent) and TCL (now Rand Mines, 9.8 per cent).

In our view it is always important to determine the ultimate owner of a producer, e g through a chain of holding companies. Let us look at just one example:

The annual report of East Rand Gold and Uranium Co (Ergo, a South African gold and uranium producer) is obviously the source for the editors of Mining 1986 when they name five owners of Ergo: a nominee company (11.7 per cent), Amgold (11.4 per cent), African and European Investment Co (5.7 per cent), Marjoram Holdings (5.7 per cent) and South African Mines Selection (5.7 per cent). It should, however, be of value for most readers to know that the three last companies are all wholly-owned subsidiaries of Anglo American Corp of South Africa (AAC). Through these and other holding companies, the AAC holding in Ergo is brought up to 35.9 per cent, which is in fact reported in the annual reports of both Ergo and AAC.

Similarly, subsidiary ownership brings the Amgold holding in Ergo up to 19.8 per cent.

Finally, a closer look at the De Beers annual report for 1984 reveals a 12.0 per cent holding in Ergo. Since AAC, Amgold and De Beers belong to the same group, headed by AAC, the holdings can be summarized to 67.7 per cent in the hands of one company, AAC.

Another shortcoming of Mining is the lack of information on companies in the steel industry and, to a lesser degree, the iron ore and manganese industries.

It would also be useful if all production figures were converted to SI units. And when such conversions are made, it is a clear advantage if the exactness of the figures is retained. For example, 1 M oz (million ounces) should not be converted to 31 104 kg, but to 0.03 kt, or possibly 30 t.

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