Vanderbilt Journal of Transnational Law

Volume 9
Issue 3 *Summer 1976*

Article 2

1976

The Transition from Private to Public Control in the Venezuelan Petroleum Industry

Felix P. Rossi-Guerrero

THE TRANSITION FROM PRIVATE TO PUBLIC CONTROL IN THE VENEZUELAN PETROLEUM INDUSTRY

*Felix P. Rossi-Guerrero**

It is a great honor and privilege to have been asked to speak on behalf of Venezuela.

The subject of my speech is a recent and sensitive one, and the ink is still wet on some of the measures taken by my Government.

I will try to give you some background on the Venezuelan oil industry prior to nationalization. I will refer to the debate and the steps taken to nationalize the oil industry, the new organization that is still in the process of formation, what we think should be done, and how we foresee the future years. I will also refer to our two countries and the relationship I would like to see develop.

Background

Oil was discovered in Venezuela in 1914. The Zumaque No. 1 well on eastern Lake Maracaibo was Venezuela's first commercial discovery. The beginning of the First World War, however, delayed exploration and it was not until 1922 that a well being drilled in La Rosa, in the state of Zulia, blew out of control sending oil 200 feet into the air and spreading oil all around at a rate of some 100,000 barrels daily for nine days. The world took notice of Los Barrosos No. 2, and the Bolivar Coastal Field—one of the three or four largest oil fields in the world—was discovered; the oil era had just begun for Venezula.

The first law specifically concerned with hydrocarbons was introduced to Congress in 1920 by Development Minister Gumersindo Torres. It stated: "The right of exploitation does not confer any ownership on the mine . . . nor does it constitute any division of such ownership which is inalienable and imprescriptible." The second Hydrocarbons Law was enacted in 1922 and lasted for two decades. During this period, Venezuela's oil production increased rapidly. By 1928, the country was already the leading oil exporter and was producing 300,000 barrels daily.

In 1943, a new Hydrocarbons Law came into being. This law unified the system of concessions that were, in many cases, over-

---

* Minister Counselor for Petroleum Affairs, Embassy of Venezuela, Washington, D.C.

lapping and of uncertain legal status. It established reversion of concessions to the State within forty years, set royalties at a sixth (16 2/3 per cent) of the oil extracted, introduced several technical improvements and the obligation to refine, and opened the way for our Income Tax Law to be applied to the oil companies.

The principle of the 50-50 profit share was established by amendments to our Income Tax Law in 1948. People in Venezuela still remember the outcry of the oil companies when this principle was adopted; they called it destructive and predicted the collapse of the industry—which twenty-five years later was still doing reasonably well.

By 1948, Venezuela's production had reached 1,139,000 barrels daily, having doubled during the war years. In 1958, the Income Tax Law was amended again, increasing the complementary tax to a minimum of 47.5 per cent and boosting profit sharing to 65-35 in favor of the Venezuelan State. Something extremely important occurred in 1959, which was going to stir and upset United States-Venezuelan relations for the following fifteen years and which, according to some, even led to the establishment of OPEC. A quota system for oil imports was imposed by President Eisenhower to protect domestic producers from cheap foreign oil, but it also gave a preferential treatment to Canadian and Mexican oil. While the effect on Mexico was insignificant, it turned out to be very important for Canada, which could depend on a guaranteed and protected United States market in a period of depressed prices and oversupply.

At first Venezuela reacted with disbelief, then with anger. After all, we thought, the contribution of Venezuelan oil in times of crisis—the Second World War, the Korean War, the Suez Canal in 1956, etc.—had been second to none. Also, it was no secret to some American engineers who worked in Venezuela, particularly in Eastern Venezuela, that some of our fields had been overproduced during the Second World War, thus reducing the ultimate recovery of their reserves. But the United States fleet needed the fuel and had made considerable use of Venezuelan fuel oil. In fact, Venezuela's production almost doubled between 1941 and 1946.

Besides these moral arguments, precedent argued for special treatment for Venezuelan oil. In 1940, President Roosevelt's system of allocations had given Venezuela the most favored position: our quota was equivalent to 71.9 per cent of the total United States oil imports; in the early 1950's, the United States again assigned quotas to individual countries based on the country's share of imports, and our share was 59.4 per cent.

Our arguments were not persuasive. Some of our listeners were quite sympathetic, but when the time came to make some changes, we were offered only meaningless and token gestures.

Venezuela was faced with a declining price for its only resource, and she turned to the other big exporters in the Middle East and sponsored the establishment of OPEC in 1960. Our first efforts were to create a conscience among the larger exporters of oil—to make them understand that oil was not going to last forever and that it was our only chance for development, progress, and for a better standard of living.

After that, things began to happen. Reference prices were negotiated with the oil companies and adopted in 1966. According to these prices, payment of taxes by oil companies was calculated on the basis of reference values if the sale prices were beneath those values. The objective was to shield the nation's income from the pitfalls of decreasing prices in the international market. But in 1970, Congress passed a law and the President signed it, authorizing the State to set oil export prices unilaterally. This law was later adopted by other members of OPEC. Another law reserving the industry of natural gas to the State was also approved in 1971.

Finally, a new President took office in 1974 and announced his intention to nationalize the oil industry. By that time, several countries in the Middle East had already acquired major participation in their concession agreements and had announced their intention to proceed gradually towards total control. Following conclusion of a Draft Bill prepared by a Special Presidential Commission, discussions began in the National Congress on the Oil Nationalization Bill. It was approved on August 21, 1975, signed into law on August 29, and became effective on January 1, 1976.

It is often asked why Venezuela did not wait until concessions expired in 1983. After all, the Government already had a firm grip on the industry, and profit-sharing was around 90-10 in its favor. Besides, concessions would have reverted free of charge in 1983. The answer is that Venezuela could not remain immune from what was happening all around her. In President Perez' words: "The haste is not ours—it is part of the world we live in."

Nationalization

The basic principles of the nationalization of our oil industry as set out below were outlined by President Perez in 1974.

(1) The State is going to assume control of exploration, exploitation, manufacturing, refining, transportation, and marketing of oil

without waiting for the legal expiration of the revision process.
(2) The Government will pay a fair indemnification never greater than the true value minus the amortization paid on the assets we receive.
(3) In order to insure uninterrupted continuity of petroleum activities, not the enterprises but their assets will become the property of the Government. Consequently, it will be necessary to create new legal entities which will receive these assets and carry on companies' activities. To transfer all of the activities of the units that now comprise these companies into a single one may have grave, even catastrophical consequences for the normal continuity of the activities.
(4) A new organization, or national petroleum enterprise, should be created to direct and supervise these Venezuelan enterprises. In other words, this new organization—or holding company—will act in a way similar to a parent company, say like Exxon, which has affiliates in Canada, the United Kingdom, Germany, and other countries.
(5) Finally, the President emphasized strongly that the Government would take the time necessary to implement the decision because the national destiny could not be compromised through "hasty, disorderly, or demagogic attitudes." He concluded by assuring the international companies and countries receiving our oil that "[W]e will not damage anyone's legitimate rights, we will not disregard the country's obligation . . . to those who have traditionally benefited from our oil."

I believe that the Government interpreted not only the Venezuelans' desire for a change but also their desire for a careful, well-planned approach. Oil is, after all, the backbone of Venezuela's economy, and it accounts for over 90 per cent of the Government's income. A mistake, therefore, could not be afforded.

The Government began introducing changes by a report prepared by a special commission, set up to this effect, and in which representatives of all sectors of Venezuela's society were included. Although it faced opposition—actually more of the parliamentary than of the public type—the Government obtained the right by law to enter into association agreements with private organizations, should the situation call for it.

Thereafter, the Government proceeded slowly to a negotiated nationalization. Three main special commissions were appointed to meet with representatives of the oil industry.

The first special commission was to discuss the amount of compensation to be paid, terms of payment, and other items. An offer was made to the oil companies which was finally accepted. The amount of the indemnification is spelled out in article 15 of the

Organic Law reserving to the State the industry and commerce of hydrocarbons:

> To all legal purposes and effects of this Law, including the expert accounting appraisal referred to in subhead (e) of article 13 hereof, the amount of the indemnification for the property rights over the assets expropriated shall not exceed the net value of said assets, plants and equipment understanding as such the purchase price thereof, less the amount of the accrued depreciation and amortization on or before the date of the expropriation petition, according to the books used by the concessionaire for income tax purposes.

Article 16 specified that "[T]he payment of the indemnification, less the amount of the deductions made, may be deferred for a specified period not exceeding ten years, or paid in government bonds under terms suited to the national interest, as determined by the National Executive after consultation with the Central Bank of Venezuela. The interest drawn by such bonds shall not exceed a yearly rate of six per cent."

It is my understanding that the Government has paid slightly over $1 billion as compensation to the oil companies—about half of which will be paid within a short period of time and the rest in five-year Government bonds.

The second commission negotiated the draft of technological contracts with the parent companies of the Venezuelan subsidiaries in order to assure a continuous flow of technology after nationalization. The price to be paid for this transfer of technology appears to some fairly high—it varies with each company—but I consider it an insurance policy, because it is essential that our nationalized industry remain up-to-date, efficient, and competitive. Some basic technology does exist in Venezuela, but another kind of technology belongs exclusively to the oil companies and it is not always readily obtainable. Some technology can be bought, but the problem is how to use it and how to adapt it to a particular country.

These technological fees will amount to 1.7 per cent of the average selling price of the oil sold. The contracts will last two years, and special companies have been set up in Caracas to arrange for these services. After this period our holding company, Petroleos de Venezuela, will be able to determine the real value of the technological services provided, and their contributions, and will decide whether or not to continue them. It is estimated that the technological contracts will cost the Government some $160 million in 1976, but it is interesting to observe that the amount is related to the selling price: the lower the price, the lower the fee.

These contracts will provide for ordinary technical assistance plus the right of access to new techniques being worked out in the research labs of the companies. In the meantime, the Government will create an Institute of Petroleum Technology in Venezuela, and it is hoped that within a few years the Institute will be able to produce the necessary technological assistance for the Venezuelan industry.

The third commission, to which I belonged, negotiated marketing agreements with the parent companies. Through lengthy, often extenuated discussions, we slowly managed to make progress and to agree on clauses dealing with volume, duration, tolerance, terms of credit, phase-outs, etc. An agreement on prices was more difficult to achieve because of a different approach and even an apparent philosophical difference between the two sides. The Government's negotiating position included three main factors:

(1) The security of supply represented by Venezuelan oil;
(2) Our desire for a long and stable relationship; and
(3) Our expectations of market improvements during the first quarter of 1976, when the oil was going to be sold.

On the other hand, the companies emphasized the short-term market situation and the need for an immediate commercial benefit.

It is my impression that we were proved right in the end, and prices did improve sufficiently for the oil companies to do reasonably well during the first quarter of 1976. Once again, it was pointed out to us that some companies were willing to lose money for the sake of beginning a new relationship, but it turned out that some are now surpassing the volume previously agreed upon. The companies' behavior differed, of course, and some did show more understanding than others; some were able to focus on the long-term view and realized that Venezuela, after all, is the only major petroleum exporter in the Western Hemisphere and that it will remain so for a long period of time.

The operating structure of the industry was not modified after nationalization. The current operating companies continued to function exactly as they did, only with a different name and a different boss. Personnel changes have been few; previously most of the directors were Venezuelans anyway, and the technological contracts have permitted foreigners—mostly Americans—to retain their jobs if they so desire.

A special commission recommended, at first, that the sixteen concessionaires should be grouped into four or five and special companies for refining, exploration, and marketing should be created. I, personally, did not favor this approach. The Government finally rejected it, because it felt that drastic changes should not be introduced for the time being. It cannot be ruled out that some of the smaller companies may eventually be brought together. But, as the Minister of Mines and Hydrocarbons, Dr. Valentin Hernandez, recently said: "We will continue with the existing structure until we have sufficient proof that there is another system more convenient to the national interest." The operating companies are being coordinated by a new parent company, Petroleos de Venezuela (Petroven).

Petroven's functions, according to its statutes, will be to plan, coordinate, and supervise the actions of its subsidiaries. To this effect, it will appoint special coordinators for exploration, production, transportation, refining, international marketing, etc. Petroven is empowered to make sure that all the operating companies' activities will be conducted in an efficient and viable way, but Petroven will also need the cooperation of the highly competent and sophisticated technological group in the Direction of Hydrocarbons of the Ministry of Mines and Hydrocarbons. This organization, established some forty years ago, before the Ministry itself (at first, it was part of the Ministry of Development), has built a reputation of seriousness, integrity, and professionalism unmatched in Venezuela. Its experience cannot be replaced. The Ministry, of course, will continue to determine and dictate oil policy decisions both nationally and internationally.

According to section 5 of article 6 of the Law, the operating companies should deliver to Petroven 10 per cent of their net receipts originating from the petroleum exported by them. This amount should be free from payment of federal taxes and will be deductible by the operating companies for income tax purposes. It is estimated that this sum will represent some $500 million in 1976, which will be used for the investment programs of the operating companies.

Petroven operates with a president, vice president, and a board of directors made up of nine members. An executive committee and fifteen other committees dedicated to specific purposes are subdivisions of the board.

Needless to say, the Government has been extremely careful in choosing the people of Petroleos de Venezuela. It has selected gentlemen beyond reproach, of impeccable integrity, of the highest standard, with well-earned reputations. A graduate from the Massachusetts Institute of Technology, also a former military man, with a superb record of public service, General Rafael Alfonzo

Ravard, is the President. The board of directors includes, by the way, two former ambassadors to the United States.

I am not trying to downplay the period which lies ahead. I realize—and most people in Venezuela do—that we have taken a step which will test all our abilities and know-how. It will not be easy, and we will finally be able to see how much we really know about the oil business. We believe that we have taken the necessary precautions—they may not be enough, but, then, the law gives us the necessary flexibility.

I would like to conclude this subject by pointing out that the nationalization of the oil industry in Venezuela cannot be separated from the long process that preceded it. It is a mistake to interpret it as an isolated act. Rather, it is the logical end of a series of Government measures which began some fifty years ago. The political necessity to nationalize a basic industry was apparent to most historically-minded observers. Some United States Government officials and even some oil company executives have understood it perfectly.

Simply stated, it is politically impossible for a sovereign country—be the country big or small—to have its most basic, most vital, most important resource in foreign hands, no matter how favorable the economic conditions. How would the United States feel if German or Japanese interests controlled General Motors or U.S. Steel? Perhaps an idea of how it would feel may be drawn from recent legislation proposed in the United States Senate that would limit foreign ownership of any United States company to 1 per cent.

Nevertheless, it has been a negotiated nationalization, framed within our Constitution and according to principles which are universally recognized in international law. *Time* magazine called it "[t]he most gentlemanly nationalization in history." The *New York Times* observed that the big battle expected between the Government and the oil companies did not even turn out to be a skirmish. The *Christian Science Monitor* suggested that our approach to nationalization could very well be copied elsewhere. The head of the Federal Energy Administration, Frank Zarb, remarked on September 4, after the President of Venezuela signed the Nationalization Bill that:

> Nationalization of U.S. oil companies by Venezuela will not affect U.S. customers. This move has been expected and has not come as a surprise. The oil industry has played an important role in the development of the Venezuelan economy. It can continue to do so in this transition period as well as in the years ahead. We believe this legacy of cooperation will continue to work to the mutual bene-

fit of both our Nations. We look forward to continuing good relations with Venezuela as a friend of the U.S. and a reliable partner in our energy trade.

Policy and Plans for the Future

Finally, I would like to tell you about our policy and plans for the future, and about Venezuela-United States relations.

We believe the oil price increase in 1973-74 was long overdue and more than justified. After all, the price of Venezuelan oil declined by 60 per cent in constant 1957 dollars between 1957 and 1970, while the price of United States commodities imported by Venezuela rose by some 25 per cent. The decline in the price of oil went almost unnoticed to consumers because the F.O.B. price of a barrel of oil was only a fraction of the price actually paid by consumers. Taxes in consuming countries in 1967, for example, were over $5 per barrel, or 50 per cent of the total price component. At the same time, taxes in producing countries were less than $1 per barrel (the difference was accounted for by production and refining costs, storage, distribution, and companies' profits). The system was obviously unfair, to put it mildly, and it could not be justified simply by referring to "market forces." In fact, discovery rates began to drop in the mid-1960's, and this decline accelerated in 1969-70.

The Chief Geologist of British Petroleum, H.R. Warman, observed in 1972, that if oil demand continued to increase at the 7.5 per cent yearly rate, we would need to discover some further 4,000 billion barrels (and he compared this figure with maximum estimates of world ultimate reserves of 2,000 billion barrels). He concluded that even with a drop to a rate of increase of 4 to 5 per cent in demand that: "This is already getting us into the critical zone regarding availability. . . . The most obvious conclusion is that the pressure of shortages will inevitably lead to continued price increases."

The situation has turned around now, and I sincerely believe that the oil price increase of 1973-74 should be looked at as a blessing in disguise. It has given the world a breathing space. It has reduced the world's thirst for oil. It will slow down the fantastic rate of growth of previous years—which was very rapidly depleting everybody's reserves—and it has made possible the exploration of areas previously considered noncommercial, particularly for the United States.

The most important objective forVenezuela right now is to maintain the current purchasing power of a barrel of oil. Future prices are bound to reflect inflation rates, relative currency values, and the cost of alternative sources. They will, undoubtedly, react to temporary considerations of supply and demand—as they do now. In the long run, however, as calculated existing oil reserves decrease, prices will reflect increasingly and proportionately the depletion charges.

Recently, it has been revealed that even at a reduced rate of growth of 3 to 4 per cent in oil demand, it will not be possible to replace the oil being consumed with new discoveries. With regard to alternative sources, I read a few weeks ago that shale oil will have to be sold at $21 per barrel to achieve a reasonable return in investment. Obviously, the long-term trend for the price of oil can only be upwards; however, I would rule out spectacular increases. I would expect instead a steady yearly increase of around 6 or 7 per cent.

Equally important for Venezuela is the development of new reserves, and an aggressive program for exploration will be launched. Current potential is between 2.5 and 3 million barrels per day, depending on how much gas should be either used or injected. Current production is close to 2 million barrels per day and the Government is aiming at this figure for budgetary purposes in 1976.

However, all reservoirs decline, sometimes by 10 per cent yearly, and the Government plans for the next four years cannot be described as timid. Public projects under consideration include investments of $30 billion, 17 of which are for industry alone. Expansion of our steel industry using iron ore in Guayana and coal from Zulia will require over $6 billion. Widening the Guri dam to install another ten turbines will increase its installed electricity generating capacity, but it will cost $2.5 billion. Agriculture will need $4.4 billion. And so on.

To a large extent, oil will have to finance these ventures, and that is why the Government will undertake extensive conventional exploration throughout the country and a program to begin limited operation of the Orinoco oil belt. Over the next five years, investment in the oil industry will amount to $3.5 billion. It must be remembered that the oil companies practically suspended exploration activities in Venezuela fifteen years ago, supposedly because of Venezuela's "no more concessions" policy. Exploration expenditures during most of the 1960's were only $10 to $15 million per year compared to some $700 million in the United States and $150 million in Canada. Venzuela has stated her intention to produce 2 million barrels per day for the next twenty-five years and to do this will have to find new oil.

Our possibilities are bright. I remember the answer given by a former president of Shell a few years ago when asked how much, in his opinion, Venezuela could produce in the next twenty years, he replied: "As much as they want to." Indeed, in spite of our long history as an oil producing country, Venezuela remains to a large extent unexplored. The Gulf of Venezuela, north of the famous Lake Maracaibo, has never been drilled, and a seismic survey of a few years ago revealed some extremely promising structures. The continental shelf along the Caribbean coast is an enormous sedimentary basin, still untouched. The Delta Amacuro area, on the Altantic coast just south of Trinidad, is considered by some geologists an even better prospect than the Gulf of Venezeula. And then, of course, there is the Orinoco belt where the amount of oil in-place is probably unmatched anywhere. The Government is planning to bring the Orinoco oil belt gradually into the picture. We will not do it quickly because we would run the risk of misusing the income derived from the oil—not to do it at all would indicate a lack of confidence and perhaps a missed opportunity.

The oil belt is a large area of some 40,000 square kilometers running north of the Orinoco river; it is known to have a variety of crudes ranging between 8 and 18 degrees API. The oil is of high sulphur and metal content and of high viscosity; it will have to be upgraded to 24-26 degrees API for marketing pruposes. The Government contemplates a fully integrated operation including both production and refining, and proposes to build, initially, four 50,000-barrels-per-day plants so that total production would be 200,000 barrels per day. A cocking technique is to be used and some hydrocracking will also be attempted. It will take some five or six years and capital requirements of $1.3 billion to bring these plants into operation.

At the current price for 26-degree-API oil, the operation is economically sound. When asked to compare the development of the Orinoco oil belt with the Athabasca tar sands, the Minister of Mines and Hydrocarbons, Dr. Valentin Hernandez, stated: "The Canadians have a much more complex problem than we do, and our cost should be much lower. We believe our cost should be around one-third of that of Canada."

Nevertheless, the Government will consider various possibilities for financing these plants, including association with private capital and other State companies. Article 5 of our law nationalizing the oil industry specifically refers to a venture of this type when stating: "In special cases and whenever it so suits the public interest, the National Executive or the said agencies, in exercising any of the activities herein referred to, may enter into partnership agreements with private entities."

The opening of the Orinoco belt will allow us to program our development into the future. It will give the country a firm base for planning capital projects because we will have a guaranteed income for a long period of time.

Initially, oil in-place in the oil belt was estimated at some 700 billion barrels, 10 per cent of which could be economically recovered. In spite of this very low recovery factor, it would have meant more than triple our current proved reserves. However, exploration in the oil belt is still going on, and a final survey will take another three years to complete. It appears now that the eastern part of the oil belt alone may have 700 billion barrels in-place.

United States-Venezuela Relations

What about United States-Venezuela relations in the future? This is a sensitive subject and I will say only a few things, and it must be clearly understood that these are just my personal views. It is my impression that during the last two decades, Venezuela has given much more to the United States than it has received. And to have good, sound relations between two countries, the give-and-take must be more or less equal, or at least should balance out over a period of time.

I believe we started receiving a bad deal beginning with President Eisenhower's quota system of 1959, which failed to recognize the importance of Venezuelan oil. Adding insult to injury, this quota system was established for "national security" reasons, when it was precisely our oil that contributed so heavily to the security of the United States.

The quota system stressed and strained our relations for many years until the whole system was finally scratched in 1973. As you well know, there has never been an interruption in the flow of Venezuelan oil in the past, and none is expected in the future. However, to call on our oil when the going gets difficult, and to forget about it when everything runs smoothly, is not the best way to foster a good relationship.

Venezuelan oil was called upon to fuel the United States fleet in the Second World War, and some of our eastern fields were damaged beyond repair because they were developed too fast. Our oil was again called upon during the Seven Days War of 1967—and we suspended some gas-oil ratio regulations in Lake Maracaibo and for a while produced over "maximum efficient rates" to pump more oil because it was needed. Venezuelan oil was called upon during the 1973 embargo, and, as usual, we responded by increasing our exports to the United States.

In return, however, we were stuck with a quota system which forced us during the 1960's to compete with cheaper Eastern Hemisphere oil, and drove our prices down further. Last year, our exports were seriously hampered—and they still are—by regulations favoring crude imports at the expense of products, and favoring offshore refiners not using Venezuelan oil. I am not saying that these regulations were designed to have this effect, but the negative effect on the Venezuelan oil industry was clearly felt.

This is why I believe that United States policy towards Venezuela should have been more even-handed in the past. Also, I hope that the United States does a little bit more to help itself, for I have detected certain reluctance to move ahead and develop your own very considerable resources (but no reluctance when it comes to suggesting the development of other countries' resources). After all, it took the United States five or six years and an embargo to approve the Alaska pipeline; drilling in a proved area in California was suspended years ago because of a spill, and it has not resumed since; oil fields known as "Navy reserves" have been shut in for years, and one was not even put into production during the embargo of 1973-74, although it could have produced over 10 per cent of the oil embargoed in a matter of weeks; promising structures in the Atlantic Coast exist, but drilling is still far off for a number of reasons; and two or three Texas fields were held below their maximum efficient rates during the embargo.

However, the United States and Venezuela have historical, geographical, and economic ties. This is your bicentennial year, and it is a good time to recall our affinities, our similar political convictions, and our geographical situation in the Western Hemisphere.

What can Venezuela offer to the United States? We can contribute the oil the United States requires, offering stable and reliable supplies. To do it, we can draw on the Western Hemisphere's largest oil reserves, comparable only to those of Saudi Arabia.

What, in return, can the United States do for Venezuela? The country which has developed the most advanced technology in the world and the most economic power could provide an immense number of things. I am going to refer to one of them. I would like a consistent, stable, and predictable United States policy toward Venezuela—a policy which would acknowledge what Venezuelan oil has meant during so many years and in so many difficult times—a policy which would allow imports of our oil without having to cope with adverse regulations—a policy which would make possible long range planning for our refineries.

Conclusion

A former President of Venezuela, Rafael Caldera, recently suggested that the time has come for us to try to reach the average American rather than to limit our efforts to meeting with Government officials. We should try to explain to the common man our point of view, and, for example, that when we raised the price of oil we were not trying to offend anybody, we were trying to correct something we considered unfair.

I first came to this country in 1948, to study petroleum engineering, and I lived here until 1953. I came back to live in 1972, and surely the country and the people had changed. But some features do not change. I still find that same sense of fairness and objectivity that always distinguished Americans. And it is this trait, perhaps, to which we should appeal.