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The Changing Framework of Concession Agreements and the Oil Industry

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THE CHANGING FRAMEWORK OF CONCESSION AGREEMENTS AND THE OIL INDUSTRY

The long-term concession agreement between countries possessing reserves of primary resources and companies desiring to extract those resources has received growing criticism in recent years as being incompatible with the economic progress and, indeed, the sovereignty of the developing country. This criticism has been especially strong in those nations in which the company is viewed as an exploitative arm of an industrialized nation. Efforts by countries to revise the terms of concession agreements, often effectively dictated by companies many years earlier, therefore have not been surprising. An increasing negotiative sophistication of host countries and a growing demand for primary resources have accompanied and strengthened these efforts. As the continuing occurrence of expropriation demonstrates, moreover, satisfactory company-state arrangements have yet to be made in many instances.

Perhaps the most widespread use of the company-state concession agreement has been in the oil industry; and it is in that context that an examination of the concession agreement seems particularly appropriate. The recent embargo imposed by Arab oil-producing nations and the precipitous worldwide increase in oil prices illustrates the degree to which resource-producing nations are assuming control over the production and distribution of their natural resources. This Symposium presents discussions of various aspects of the subject of the changing framework of concession agreements and the oil industry. Dr. Zuhayr Mikdashi analyzes policy considerations that influence developing nations seeking greater benefit from their resources, and presents several suggestions for increased cooperation among developing countries. Dr. Theodore Moran offers a critical evaluation of traditional United

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States investment policies and advocates a modified concession agreement aimed at minimizing friction between the parties. Mr. James Jensen concludes the Symposium with a comprehensive analysis of recent trends in company-state relations in the Middle East.