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THE POLITICAL ECONOMY OF INTERNATIONAL OIL AND THE UNDER-DEVELOPED COUNTRIES. By Michael Tanzer. Pp. x, 435. Boston: Beacon Press, 1969. $12.50.

In this book author Michael Tanzer focuses upon the familiar and prolific theme of oil's impact upon the under-developed countries (UDC's). Tanzer does, however, approach the subject from a different angle: he concentrates upon oil's effects on the oil-importing UDC's rather than its effects upon the oil-exporting UDC's. One expects at first that this change in emphasis would produce a vastly different account of the plight of the UDC's. It turns out, however, that despite the basic dissimilarity between importing and exporting of oil, the problems facing the importing UDC's are quite similar to the well-known problems long experienced by the oil-rich exporting UDC's. This is so because those problems, insofar as they involve oil in its international aspect, all arise from the same root cause. Simply stated, that cause is the monopolistic character of the ownership and distribution of the world's crude oil. This monopoly extends from the derricks in the oil fields of the producing countries to the retail markets of the finished products elsewhere. Of course it is not a "pure" monopoly in the sense of single ownership and control, but since international oil is dominated by only seven major companies that do not operate in what may be called a real atmosphere of competition, the resulting situation is justifiably characterized as monopolistic.

Tanzer is realistic in recognizing this pervasive aspect of the international oil predicament, and he uses it to construct a basic model upon which to base his discussion. Several factors comprise this model: first, the seven major companies that produce most of the world's crude oil; second, their control of the tanking fleet that transports the oil; and third, their ownership or control of the companies in the importing UDC's that buy the crude oil for refining and retail. As a result, the major companies are able to control both supply and prices all up and down the line. This control makes it possible for these companies to discourage oil development in the importing UDC's and to resist nationalization and other forms of governmental interference by UDC's that must rely upon oil imports. However, one disturbing force in this monopolistic model is the entrance of 20 to 30 minor oil companies into the international oil market. These "minors" constitute a competitive element which threatens to upset the "majors'" control of the market.

After setting up the described model, Tanzer devotes most of the remainder of his book to an analysis of the effect upon this model of the six interacting forces which he sees as influential in the international oil field. In this regard the author breaks with the traditional approach of analyzing this complex subject in terms of only three forces, namely the exporting countries, the importing countries, and the oil companies as "intermediaries." This is a significant departure since, as Tanzer's model demonstrates, the major oil companies' influence extends well beyond the role of mere "intermediary."

The first important force examined by the author is that of the oil companies themselves. Predictably, their major interest is the economic one of maximizing profits. A second and related force is that of the governments of the oil companies' home countries. Since these countries are primarily Western, they tend to promote the expansion of capitalism as well as the furtherance of their cold war objectives. The interests of these two forces frequently collide with those of the third, the oil-exporting UDC's. But since none of the exporting countries has enough exportable oil to enjoy a supply monopoly, and since many of their governments are dependent upon Western support to maintain political power, each of them is to some extent deterred from taking steps inconsistent with the Western interests.

Russia, the fourth international force, sees oil as a tool of foreign policy by which to gain influence in the UDC's; this they accomplish by stirring discontent with the West and capitalism, by encouraging public rather than private ownership of oil facilities (thus incidentally promoting the idea of socialism), and by making oil imports to UDC's a form of foreign aid by long deferral of payments.

World organizations such as the United Nations and the World Bank form the fifth international force. In the main these organizations promote the goals of the West and encourage private investment since they are financed primarily by the

Western governments.

The sixth and last (in every sense) force in international oil is comprised of the more than 100 oil-importing UDC's. Among the common characteristics that these UDC's share are a lack of native energy sources, a shortage of goods for foreign exchange, and a heavy reliance upon the Western countries for foreign aid.

Given the varying, competing, and often incompatible interests of these several forces, one can imagine no end of real and potential conflicts. Perhaps the most striking one is the dilemma in which both the importing and exporting UDC's find themselves by reason of international oil's monopolistic character. Quite obviously, the oil companies' goal of maximizing profits is frequently inconsistent with the interests of the UDC's. The major goal of these countries, Tanzer suggests, is to achieve rapid economic development with maximum political independence. To do this the importing UDC's need vast amounts of the earth's great energy producer, oil; only with this essential energy source can these nations advance toward their goal. This crucial need creates a distinct bargaining disadvantage for the importing UDC's. To get oil from the Western exporters they are subject to the previously described monopolistic system; but in obtaining oil from the Soviet Union, the UDC's get a mixed bag of less expensive prices and greater political commitment. Moreover, the choice of East or West also leads frequently to an involuntary choice of public versus private ownership. No matter what choice is made, the particular UDC involved is almost inevitably drawn into the cold war power struggle amidst constant pressure for ideological alignment.

This perplexing situation presents real difficulties for the UDC's in developing a national oil policy. Because of its high-energy potential and low cost, oil offers the only realistic opportunity for rapid economic development, and yet it cannot be obtained except in an atmosphere of conditions that are incompatible with this end goal. Thus whether supplied by East or West the exploitative potential of oil in either economic or political terms is substantial. As Tanzer's analysis aptly illustrates, it is absurd to speak of "imperialism" through international oil strictly in terms of the Western powers; if anything, the Soviet Union's use of oil as an instrument of foreign policy is even more directly imperialistic. In any event, the dilemma posed for the leaders of the UDC's is enormous, while the alternatives are limited. Severe measures, such as nationalization of company facilities, may have short-range political popularity, but they often result in loss of both a vital oil supply and a source of foreign aid; playing to the galleries by taking a tough stand against foreign "imperialists" may seem momentarily inspiring, but it is usually shortsighted both politically and economically. At the other extreme, a complete hands-off policy may have considerable political unpopularity because of the hue and cry that the government permits the exploitation of its people while enjoying no substantial benefits from the importation of oil commodities. With a dearth of viable middle-ground policies, it can be seen that any approach adopted is likely to have serious political and economic repercussions. Having few alternatives and little bargaining power, it is understandable that the UDC's have largely been unable to develop oil policies tailored to serve their own best interests.

It is this major dilemma that makes Tanzer's book important. His analysis in terms of six rather than the traditional three competing forces is a real contribution, since it places the issues in more realistic perspective. Recent events such as the Libyan oil crisis and the granting of new oil-exploration licenses in Malaysia and Indonesia tend to confirm the soundness of this approach. While discussing specific issues in international oil as well as examining specific UDC's such as India, the emphasis tends to be on further analysis of old problems rather than on the recommendation of new solutions. The work is well documented, and it draws upon the insights of the author's own experience in India and with Standard Oil of New Jersey. If the book has a major weakness, perhaps it is in the lack of proposals for correcting the many problems which it explores. This, however, does not detract from its considerable merit as an analytical expose of the underlying difficulties within a realistic framework.

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