CHAPTER 1

INTRODUCTION

The member states of the Commonwealth Caribbean Common Market were not spared the repercussions of the dramatic increase in petroleum prices which began in October 1973. The era of cheap petroleum which had prevailed prior to 1973 had ensured that these territories with the exception of Trinidad and Tobago were almost totally dependent on imported petroleum for their energy supplies. The "energy crisis" therefore placed the petroleum importing Caricom countries in a dilemma. On the one hand reduction in imports of petroleum would necessarily curtail their industrialisation programmes, bearing in mind the close relationship between energy consumption and G.D.P. growth. On the other hand the continued consumption of petroleum at pre-1973 levels would impose even more severe constraints on the already precarious balance of payments. This, needless to say would in its own way detrimentally affect developmental efforts based as these were on import substitution requiring extensive imports of raw materials, machinery, etc.

Trinidad and Tobago, and to a much lesser extent Barbados were able to escape the negative effects of the price increase. The former, a surplus petroleum producer made windfall revenue gains as a result of the price increase. The latter had the good fortune to be itself able to produce about one third of its petroleum requirements. This magnanimity of nature coupled with astute economic management enabled Barbados to weather rather well the economic turbulence of the 1970's.

However Trinidad and Tobago is not without problems of its own with respect to petroleum. The domestic industry in that country is controlled by four companies. Trinidad Tesoro Company Limited is a joint venture with government holding 50.1% equity, Trintoc a wholly owned state corporation, Texaco (Trinidad) Inc. a U.S. owned multinational and AMOCO another U.S. multinational. Trinidad Tesoro's business is strictly production, their output being sold to Trintoc which is an integrated company with a 100,000 b.p.d. refinery. Texaco and AMOCO are however the two most important firms. The former's major local interest is a 355,000 b.p.d. refinery although they are into some production. AMOCO on the other hand is the major crude oil producer in that country. An anomalous situation therefore exists in the Trinidad and Tobago petroleum industry where, under the aegis of AMOCO the country's crude production is exported and Texaco's refinery feedstocks are almost entirely imported. The loss to the local economy brought about by this arrangement is patently obvious. On the one hand the export of its indigenous crude oil is sub-optinal as far as Trinidad and Tobago is concerned. On the other hand the gains from the refining of imported crude are minimal since revenue acruals to the economy are not based on value added but on a fixed refining fee which is oft-times less than actual refining costs. The loss on refining imported crude is thus written off against the value added on local crude processed in Texaco's refinery.[1]

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[1]c.f. Trevor M.A. Farrell The multinational corporation, the petroleum industry and economic development PhD dissertation, Cornell University, 1974.