VIEWING GUIDE TO EPISODE 7 OF THE PRIZE: THE TINDERBOX

Background: The *Seven Sisters* or The *Majors* (the world’s largest private oil companies) developed, pumped, and exported oil out of the Middle East from the early 1900s, but even more so after World War Two. In the early years, the oil companies were able to keep most of the oil revenues themselves. Known as production sharing agreements, these arrangements persisted well into the post war period, though Mexico’s nationalization of their oil industry in 1938 was a harbinger of things to come.

OPEC: (Organization of the Petroleum Exporting Countries) created in 1960 by Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela (other countries now are members). Purpose was to coordinate supply and prices to global market.

Kuwait: small Persian Gulf nation the holds 10% of the world’s total oil reserves.

Characterize relations between the oil companies and the local Kuwaiti people and Kuwaiti oil engineers:

Sheikh Ahmed Zaki Yamani, Saudi Oil Minister 1962 – 86: The price of oil in the short term is decided \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, but in the long term the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_factors will prevail.

Early 1970s: What was the general feeling in the Middle Eastern nations about the price they were getting for their oil?

The Tehran Agreement, gave the oil producing countries for the first time the right to join the \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in fixing the price. “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ was outstripping supply. It was a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ market.”

This was an ominous development for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ countries.

THE OIL WEAPON

1973: US support of Israel was resented by Muslim countries in the Middle East. The US ignored warming of Saudi Arabia that if the US helped Israel in a war, that oil would be used as a weapon.

Later…OPEC decided on the price of oil \_\_\_\_\_\_\_\_\_\_\_ the oil companies.

For us as oilmen, it was all a question of the future of Western dependency on Middle Eastern oil that was at stake. (18:30)

The oil delegates left Vienna, went to Kuwait City. There they decided to increase prices by cutting back on production. (Oil Embargo) In the US, gasoline prices rose 40%. This was serious blow to the world economy.

US Secretary of State diplomacy in region was aimed at ending oil embargo.

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OIL SHOCK IN JAPAN

Transformed Japan’s industrial strategy – had been heavily oil dependent. Strategy moved to computers, high technology, information technology.

“we are very \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ with resources underground, but very rich in \_\_\_\_\_\_\_\_\_ resources.”

Blessing in disguise – fuel efficient Japanese autos captured markets in US, globally. “The Great Oil Shock” laid the base for Japan’s success today: cars computers, electronics and energy saving made Japan an economic super power.

OPEC earned $23 billion in 1972, but $\_\_\_\_ billion by mid-1970s.

Kuwaitis nationalized oil industry: Gulf and BP requested 2 billion, they got $50 million.

Since the Majors lost their Middle Eastern reserves, the Great Oil Hunt began…

North Sea fields put into production. The embargo made North Sea fields economic, ironically.

While the Shah of Iran wanted high oil prices for military nationalism, Saudi Arabia wanted \_\_\_\_\_\_\_\_\_\_\_\_\_ price increases, in order to keep global demand for oil on the rise.

Shock of Embargo’s much higher prices caused conservation policies in west, and oil exploration, development

1979: Iranian Revolution: fall of Shah, the exiled Iranian Ayatollah Khomeini came to power. The Revolution shut down \_\_\_ million barrels of supply, global price \_\_\_\_\_\_\_\_\_\_\_\_\_.

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Vienna: during 1980 OPEC meeting, \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_ attacked Iran. Objective to \_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_\_ SW Iranian oil fields. Oil supply of Iraq and Iran disrupted.

Meanwhile in Alaska huge oil reserves tapped on North Slope (BP, Exxon Arco). By early 1980s, 2 million barrels produced per day (25% of US production)

OPEC misguided: conservation, new oil supplies, alternative energy made the difference. New production from North Sea, AK, and elsewhere.

1983 OPEC cut production (31 million BPD in 1979, 17.5 million BPD 1983)

1986 oil price collapses: $29 to $10. Thus in US gasoline was cheap again.

(Amazingly, even though Persian Gulf oil tankers were under attack in Persian Gulf)

Persian Gulf oil tankers began to fly flags of US, Britain, and \_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ in order to gain the protection of the navies of these countries.

1988: Iraq-Iran war ended. Iraq deep in debt ~$75-80 billion. Owed Kuwait 8 billion, Saudi Arabia 31 billion, United Arab Emirates 8 billion.

1990 Iraq invades Kuwait; oil rises to $40

The US-led Gulf War removes Hussein from Kuwait. Oil prices fall again.

“It’s only because of \_\_\_\_\_\_ that we had the war”