Venezuela: Three Major Parties Debate Foreign Participation In Oil Industry

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In 1975, during President Carlos Andres Perez's first term in office, exclusive rights to oil production in Venezuela were reserved for the government under Article 5 of the Petroleum Nationalization Law. About a year ago, the Perez administration commenced discussion of opening up oil exploration to foreign participation. The debate was postponed, result of broad-based opposition. On May 7, debate on the issue was resumed by the country's three major political parties Accion Democratica (ruling social democrat party), COPEI (Christian Democrat party), and the Movement Toward Socialism (MAS). According to government planners, Venezuela needs $50 billion in new investment in oil exploration and production facilities during the 1990s. Christian Democrat Deputy Humberto Calderon Berti, a former energy minister, said he has changed his mind about foreign participation, arguing that if Venezuela aspires to producing 5 million barrels of crude per day, foreign capital is necessary. Of the $50 billion worth of investment required over the course of the decade, according to Calderon, at least $15 billion must derive from the private sector. Calderon said Venezuela must exploit its political stability, given that 70% of global oil supplies derive from the Middle East. Next, Calderon criticized Venezuela's posture within the Organization of Petroleum Exporting Countries (OPEC). Caracas had to request OPEC authorization to increase output alongside Saudi Arabia prior to the war against in Iraq. In contrast, in 1973 the Arab nations implemented an oil embargo without prior consultation of other OPEC member-nations. Venezuela was a founding member of OPEC, created in 1960. The deputy asserted that under OPEC quota conditions, Venezuela cannot earn sufficient revenues to invest $35 billion in oil infrastructure by the year 2000. At present, Venezuela's quota is 23 million bpd. Calderon Berti said it is reasonable to reform Article 5 with exploitation of the Orinoco strip (heavy and extra-heavy crude deposits) in mind. Accion Democratica Deputy Carmelo Lauria said that in the 1970s, oil export earnings totaled $88 billion, and in the 1980s, $60 billion. According to Laurica, when the oil nationalization process began, officials did not take into account declining investment over time. MAS Deputy Freddy Munoz said Venezuela he supported permitting private sector participation only in areas considered non-fundamental or strategic to the oil industry. The latter, he asserted, must remain under state control. (Basic data from AFP, 05/08/91)