Phillips will be sunk.

In July 1999, the French private oil company Total, which only weeks before had purchased control of the Belgian Fina Oil to create Totalfina, announced that it intended a takeover of the former French state oil giant, Elf Aquitaine, to create the world's fourth-largest private oil company.

As of today, these four—BP-Amoco, Exxon-Mobil, Royal Dutch Shell, Total-Elf—dominate the world energy market to an unprecedented degree. They overwhelmingly dominate the ten largest world oil refiners in terms of capacity, along with the two smaller refiners, Texaco and Chevron.

The cartelization goes even further, behind the scenes. For example, in the United States, Shell Oil Co. and Texaco jointly own Equilon Enterprises LLC. Equilon, in turn, runs the refining and marketing, transportation, and lubricants business of both Texaco and Shell in the midwestern and western United States. This means that a driver who drives into his local Shell station to tank up, is actually buying oil and gasoline from a joint venture of Texaco and Shell. In Europe, BP-Amoco gas stations are jointly owned together with Mobil, now part of Exxon-Mobil. Chevron owns Gulf Oil, and Texaco now owns Getty Oil.

The same cross-control operates internationally. On March 14, it was announced that BP Amoco will acquire Burmah Castrol, the manufacturer world's best-selling motor oil. The $4.7 billion deal, according to BP Amoco officials, will mean the elimination of 1,700 jobs.

Prices of other commodities rise

Since spring 1999, there has been a pronounced increase in industrial metals' prices. These are the metals that are used in producing a large amount of the world's non-wood, non-carbon-based finished products. There is also a sharp increase in the price of certain precious metals, including gold, silver, and the platinum group.

For roughly the first quarter of 1999 compared to the first quarter of 2000, the prices of the following commodities have increased by the percentages noted: aluminum, 39.6%; copper, 28.0%; zinc, 10.3%; and nickel, 126.5%. Thus, prices for all four metals have undergone a double-digit growth rate, with nickel more than doubling in price, from $4,635 per metric ton (first quarter 1999), up to $10,500 (as of March 10, 2000).

Precious metals are also shooting up. Over the last ten weeks, prices for the platinum metals group (platinum, palladium, rhodium, and ruthenium), which have electronic and other uses but are also considered part of the precious metals group, rose between 10% and 120%!

- Palladium rose from $441.90 per ounce on Jan. 4, 2000, to $707.50 on March 13! This reflects the control by owners of the Siberian supplies. The demand for palladium comes from its current use in catalytic convertors in cars.
- Platinum rose from $429.70 per ounce on Jan. 4, to $471 on March 13.
- Rhodium rose from $910 per ounce on Jan. 4, to $2,000 per ounce March 13.
- Ruthenium rose from around $37.50 in early January, to $80 on March 13.

According to a source at a New York metals trading house, the prices of these metals were rising so strongly that in late February, to stem the tide, officials at the New York Mercantile Exchange increased the margin required for a purchase of a contract for palladium from 16% of the total value of the contract, to 32%. At that time, palladium was trading at above $800 per ounce. The price turned back to $680 per ounce, but it is now $707.50.

Economic impact of the oil price shock

The impact of the months of rising prices of oil and gasoline, on top of already financially stressed conditions, is causing chain reactions of damage throughout national economies, from home heating, to transportation, manufacturing, and agriculture. The projections of sector-by-sector cost burdens are raising explicit calls in many capitals, for national security-based emergency measures.

In Canada, the proposal was put to Prime Minister Jean Chrétien, to convene a national "energy summit," in a request by New Democrat Member of Parliament John Solomon earlier this month. Solomon asked that provinces, major oil companies, and other "stakeholders" be involved in forming a national strategy to reduce energy costs, including having the government look at ways to regulate fuel prices, as well as to cut the Goods and Services Tax on fuel, and provide emergency home heating help to the needy.

In Argentina, estimates of across-the-board costs to the national economy of rising fuel costs were made by the M&S consulting firm, reported by the Buenos Aires daily *Ambito Financiero* on March 10. Overall, the oil price increase will mean that another $1.8 billion will have to be spent, of which $820 million will be paid by consumers, and $950 million by companies. More specifically, the transportation sector will pay out $633.4 million, agriculture $285 million, and industries and energy plants $31.7 million. There is panic in the country, combined with fury at the government's economics team, which was already imposing harsh austerity since Fernando de la Rúa took over as President last December.

In the United States, partial estimates of the impact of rising fuel prices are coming out. In agriculture, spring planting will be at least $1 billion more costly. High-energy livestock operations are hard hit, for example, in dairying.

On March 2, the Pennsylvania Milk Marketing Board met in emergency session in Harrisburg, to consider a temporary hike in the milk price received by farmers, to help with their rising diesel fuel prices. Harold Curtis, chairman of the Pennsylvania Farm Bureau's Dairy Committee, said, "These are truly desperate times. The increased cost of production due to fuel price increases will be adding to an already large shortfall between price and cost of production for the average Pennsylvania dairy producer."

The situation in Pennsylvania, typical of many states, was outlined on Feb. 10, in a letter sent by state Reps. Harold James and Leanna Washington, both Democrats from Philadelphia, to Gov. Tom Ridge (R), for the purpose of "urging him to act immediately to protect the jobs and well-being of Pennsylvanians who are finding it more difficult to heat their homes and pay for high transportation costs."

The legislators wrote, "In the last two weeks, the average cost of heating oil in many Pennsylvania communities has nearly tripled. . . . Consumer Price Index statistics show the cost of gasoline rose by more than 75% in 1999 and more than 8.5% in December alone—the highest levels in 10 years. The average pump price for diesel fuel is $1.42 per gallon, including an 11¢ spike in January that was the largest weekly price increase record." The letter said, "The potential impact is staggering—higher product costs, business closings, job furloughs to compensate for increased fuel prices." Pennsylvania used to have a state Energy Office to deal with unexpected rises in fuel prices, which was set up in 1987, but the Ridge administration disbanded it in 1995.

Petroleum-based feedstocks

The rising costs of petroleum-based feedstocks are causing chemical, plastics, and other manufacturing costs to go up in thousands of ways. During 1999, PVC resin prices climbed more than 50%. One of its major ingredients, ethylene, is derived from oil and natural gas. PVCs are used widely, from water pipes, to house siding. Prices for other oil-based or related products also rose in 1999, too, including styrene (40%) and latex.

In Brazil, Merheg Cachum, president of the Brazilian Plastics Industry Association, said, "Oil must be seen as a question of national security, otherwise, it will continue to be a big ingredient in the composition of inflation." His views were reported in the March 8 issue of the daily *O Estado de São Paulo,* in which it was pointed out that 60% of Brazil's oil needs is provided for by Petrobras, while 40% is imported. Even though the local costs of producing a barrel of oil is around $3, nonetheless, the domestic price is determined as if all oil were imported. This is so, in compliance with IMF mandates for committing Petrobras and related revenues to cover domestic and national debt service. Sen. Antônio Delfim Netto commented, "We all know that $33 for a barrel of oil is an unreal price. . . . Its cost of production is also unreal, and Brazil consumes 300,000 barrels daily of imported [oil]. . . . The government should think of how to avoid having the economy contaminated by these international changes."

The famous-name international companies, such as Dow Chemical and Procter & Gamble, are reporting significantly rising costs of production. Chemical Manufacturers Association chief economist T. Kevin Swift estimates that the general rule is that even a 10% increase in the price of oil translates into a price increase of 2-2.5% in the costs of chemicals the following quarter. Dow Chemical Co. paid $540 million more for oil and hydrocarbons in 1999 compared with 1998, even though Dow has some flexibility to shift from one type of hydrocarbon to another, in response to price.

The situation for smaller manufacturers in the United States is disastrous. The Akron, Ohio daily *Beacon-Journal* summarized the impact in the state, home to many medium-sized factories. For example, in Fairlawn, Omnova Solutions Inc., which makes wallpaper, vinyl wood-grain laminates, and chemicals for magazine coatings and carpet backing, is hit hard by the oil price shock, because most of its raw materials are oil-derived. Lubrizol Corp., in Wickliffe, said that the cost of one of its major raw materials, base oil, increased nearly 50% over the past year. Wickliffe makes specialty chemicals used in transmission fluids, compressor lubricants, motor oils, and similar goods.

Transportation

The big U.S. transport companies are tacking on surcharges and raising rates. Federal Express has added a fuel surcharge on bills to customers. United Parcel Service already increased rates on Feb. 7 for air freight by 3.5% and ground freight by 3.1%, in part because of higher gas costs. Roadway Express Inc. of Akron, Ohio, which buys diesel fuel in gigantic volume for its truck fleet, is adding a fuel surcharge to the cost of freight-hauling. Roadway's surcharge is based on fluctuations in the Department of Transportation's national diesel fuel index. As of the second week in March, the surcharge was about 4% of a customer's shipping bill.

In contrast, truck owner-operators and small fleet companies cannot impose surcharges or rates in the same way, and are in an impossible financial bind. The Feb. 22 and March 16 truckers rallies in Washington, D.C. make the point.

Commercial airlines are raising rates by as much as $40 per fare, to defray jet fuel costs.

At the pump, the U.S. national average per gallon price is $1.54, according to the Lundberg Survey of March 10. In California, with higher state levies, it is nearly $2. The U.S. average per gallon price may reach $2 by this summer.

In Canada, gas pump prices in early March were 72.9¢ a liter in Regina, compared to the price a year ago of 55.9¢.

In Europe, where the public has tolerated gas prices typically much higher than North America (distances are shorter and rail and urban transit options are available), nevertheless, the rising pump prices have reached "the pain area" for most people. The latest monthly average gasoline at-the-pump prices for various European countries, as compiled by the U.S. Department of Energy Information Agency, including taxes, are: Britain, $4.61 per gallon; the Netherlands, $4.22; France, $3.94; Italy, $3.84; and Germany, $3.63.