

The Secret World of Oil

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The Secret World of Oil (2014)

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Dodgy practice in the oil industry may appear to be a ‘yawn, yawn’ subject – don’t we all know that companies lobby and pay into campaign funds? And aren’t the excesses of oil-rich dictators well documented elsewhere? That may be so – but Silverstein’s skim through the world of fixers, traders and lobbyists manages to bring new detail, most notably to the under-discussed activities of the Swiss-based commodity houses. Although the book sometimes lacks direction or depth, Silverstein’s personal encounters with individuals do shed light, providing some fascinating insights and views on how the industry is adapting to regulatory challenges.

The Changing Role of Fixers

So, oil deals are run by fixers, the state-less few dozen middle men who live charmed lives, enjoying the confidence of presidents, oil executives and hedge fund managers. Their role is to do the business that oil companies either don’t *want* to know about, or *can’t*: they make the deals and take their cut. No surprises – but still many of Silverstein’s encounters prove illuminating.

As one such fixer, Gulbenkian, explains, the *modus operandi* is changing. It used to be simple – the company seeking an energy concession passed money to the fixer who took his cut and funneled the rest into Swiss bank accounts belonging to various officials. Hey presto – the company got their contract.

However, the modern pay-off has become more complex as states have implemented anti-bribery measures. Suitcases of money have, partly, been replaced with stock market tips and contracts to buy over-priced assets owned by inner-circle family. “I spent 99% of my time trying to figure out ways to not technically violate the FCPA (Foreign Corrupt Practices Act),” complains one former Mobil executive based in Angola. Fixers are themselves likely to be buying and selling concessions.

Human Cash Register

One gets the impression that, despite his ill-concealed disgust, Silverstein is not immune to the awe inspired by some of these figures – indeed, he admits to being an ‘unlikely friend’ to Ely Calil, one of the ‘anonymous’ elite (although where this book leaves their friendship, the reader can only wonder).

His contempt is pure and unadulterated, however, when it comes to Tony Blair with his paid friendships in the ‘dark landscape’ of the Caucasus. “Few have donned the pom-poms with as much vigour,” asserts Silverstein, making Blair a ‘human cash register’. As the man who, post 9/11, declared

there were ‘no more excuses for dictatorship and corruption’ and was the prime mover behind the Extractive Industries Transparency Initiative, he now heads a ‘complex, deliberately opaque corporate structure’, and profitably amalgamates his roles of Middle East peace envoy, private paid speaker and door-opener for his various employers. Silverstein’s wrath for Blair is only exceeded by his derision for Neil Bush, brother of George, who likewise has joined the ‘con artists and hangers on’ that feed off the industry – though quite ineffectually.

Geneva Bandits

With more skim than detail, Silverstein’s search-light reaches Geneva and the relatively under-documented role of the Swiss commodity houses – Vitol, Mercuria, Gunvor, Trafigura and Glencore, once all private companies and therefore not subject to corporate disclosure laws. Silverstein poses the question of why Glencore chose to float in 2011: the answer appears to be not only the unimaginable wealth that came to its senior executives, but the funds generated for mergers with companies such as Xstrata. This has enabled Glencore to lead the pursuit of the common goal of vertical integration, the ownership of a spectrum of assets from production to refining to shipping. This allows huge ‘leverage of information’ in trading, giving the commodity houses the ability to move ahead of the markets on correlated commodities and currency swings.

Interestingly, another reason given for Glencore’s coming out of the shadows is that ethics are improving. The days of sending rust-buckets to Africa are coming to an end, according to one trader, since Western banks (though not Eastern) have tightened up on their lending and are asking more relevant questions. Personal morals remain unaffected, apparently. “We’re all bandits here,” says one Geneva trader, “You’re accepted as long as you bring a lot of money.”

The universality of corruption is brought home in the chapter on Louisiana, America’s third largest energy-producing state that ranks close to the bottom in key development statistics. ‘Legacy lawsuits’ abound, with landowners attempting to get compensation for contaminated land while the industry fights to keep cases with the regulators that they control. The fact that this is a Republican-Republican battle adds ‘edge’.

“Americans want their gasoline cheap,” shrugs Ely Calil. Silverstein offers no coherent argument against this justification of underhand practice: the book is, unfortunately, somewhat random in its selection of targets and occasionally hard to follow. But for those who want to understand the secret world of oil, Silverstein definitely adds a few more pieces to the jigsaw. ■

