PREFACE

For many years the thought of exploring the history of oil industry in India has been fascinating me. My association with the Petroleum Ministry, as an officer for the last ten years encouraged me to undertake research in this vital subject. Oil is no ordinary commodity. It is synonymous with military and economic power and has revolutionised our life today. As a source of energy and feed stock for agricultural, chemical and other industries, oil provides an economic and strategic lifeline to both developed and developing nations.

The importance of oil had considerably increased in the 1970's as a natural corollary to the massive expansion of worldwide petroleum exploration that had taken place in the sixties. Exploration was carried out mostly under the aegis of the foreign oil companies, but in the seventies, the concept of direct State participation was gaining acceptance. In some countries this led to complete State ownership of petroleum operations through negotiated nationalisation.

The Government of India set up its own facilities by establishing State-owned companies responsible for exploration,
production, refining and marketing activities. This led to stiff competition, the State owned companies having the advantage of State patronage and support. The international companies saw their disadvantage and dwindling share in the otherwise monopolistic situation and agreed to negotiate with the Government for a mutually acceptable settlement.

Nationalisation of the oil industry in our country is a watershed in its history. Having lived under foreign political domination for over two hundred years, the Government was only too keen to take over this industry from the foreign oil companies. The reasons for this were manifold, foremost being to have a complete control over a commodity which is a life line of the economy and the military machine. The oil crises and steep rise in oil prices quickened the pace of nationalization. Nationalization of the oil industry in India was completed in 1981, with the take-over of Assam Oil Company. The thrust of my work therefore, is not only the growth but also the dynamics of nationalization of the oil industry.

The historical growth has to be traced from a certain point of time in history and the landmark I have chosen for my study is the Second World War. In the ensuing years the economic impact and importance of oil in the process of development assumed new directions requiring increased use of this wonder fuel. Being highly technological and capital-intensive, the oil industry could not be established effectively initially except with foreign investment. India having achieved independence in 1947 was not yet ready for devoting its attention to such (ii)
industries especially when to tackle poverty and to rehabilitate displaced persons was the need of the hour. Foreign investment was welcome and oil industry flourished in foreign hands till architects of modern oil industry like Pandit Jawaharlal Nehru and Keshav Dev Malaviya emphasised that effective control of critical industries should always rest in Indian hands.

Nationalization of the three oil companies that is Esso, Burmah Shell and Caltex was by no means an easy task. After laborious, long drawn negotiations and reasonable compensation, the companies agreed to withdraw. I had the privilege of going through personally a large number of Government files on the subject of the take-over.

I owe my sincere thanks to my supervisor Professor R.C. Jauhri for his able guidance. He was my first source of inspiration to complete the thesis in spite of my full time job in the Government of India.

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