Eight Squeezed Sisters. The Oil Majors and the Coming of the 1973 "shock"

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This paper investigates the role of the eight oil majors[1] in the events leading to the 1973 crisis. The basic assumption is that 1973 was the outcome of a process set in motion some years earlier. The 1969 Libyan military coup could be identified as the starting date of a triangular dialectic which involved oil companies, producing and consumer countries, that resulted in the demise of the concessionary system and drastically increased the price[2]. In this critical phase the companies were in direct charge of the negotiations with the producing countries, while the consumer governments stood in the backseat, following with growing anxiety a situation that seemed increasingly out of Western control. Two consequences derive from the preceding assumptions: first, in order to understand 1973 one cannot start from the Yom Kippur war but has to delve into the events that preceded it; second, this period has to be studied not only from the point of view of governments but also and especially from that of the companies that were, together with the OPEC members, the protagonists. Furthermore, by an international historian's point of view, the study of three-year-long negotiations that led to the crisis is a fascinating subject of transnational history, where enterprise and government, North and South, politics and economics interact.

The paper concentrates on the events between Summer 1970, when the new Libyan government demanded a revision of the concessionary terms, and February 1971, when a group of thirteen companies and the Persian Gulf producer governments signed in Tehran an agreement on new prices. The paper represents a first attempt to go a step further relative to the existing literature and analyze the details of these negotiations in the light of some of the available primary sources. Indeed, very few works has analyzed in detail the events narrated here. The only one written from companies' point of view is not a history work but the report drawn by Henry Schuler, executive of a US "independent"[3] company who had a direct role in the negotiations, for the hearings on multinational corporations held by the US Senate in1974[4].

In general, as regards the companies' role in 1970-1973, the existing literature oscillates between two alternative poles. On one side the oil majors are depicted as all powerful entities, which controlled every aspect of the oil markets and mastered the intricate relationship with consumer and producing countries. In its extreme form this picture is stretched to the point of seeing the rise of oil prices as the result of a plot orchestrated by the companies in conjunction with the US government and the financial circles in New York and London[5]. This line of analysis, like all conspiracy theories, results in an over-

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[1] In order of their production of crude in 1972: Exxon (US), Shell (UK-The Neth.), British Petroleum (UK), Texaco (US), Gulf (US), SoCal (US), Mobil (US) and Compagnie française des pétroles (France).

[2] The main passages were the agreements of the companies with Libya on new posted prices (the reference price for tax purposes) and a new tax rate in early Autumn 1970; the agreements signed between January and June 1971 with Gulf and Mediterranean producers on posted prices; in early 1972 the Geneva agreement on compensations for the US dollar depreciation and at the end of 1972 the agreements on the participation of some producing countries to the ownership of the extracting companies.

[3] This term indicates any company other than the majors.

[4] 93rd Congress, United States Senate, Committee on Foreign Relations, *Multinational Corporations and United States Foreign Policy*, Hearings Before the Subcommittee on Multinational Corporations, Washington, US Government Printing Office, 1974 (*Hearings*), Part 6, pp. 1-59. It is a very useful source, full of insightful remarks but vitiated by the acrimony between majors and independents. Even more useful are the 163 pages in appendix with documents regarding the negotiations.

[5] This view was widely circulating in the French debate at the time, see for ex Jean-Marie Chevalier, *Le nouvel enjeu pétrolier*, Paris, Calman-Lévy, 1973. More recently a similar line is adopted by Éric Laurent, *La face cachée du pétrole*, Paris, Plon, 2006; William Engdahl, *A Century of War. Anglo-American Oil Politics and the New World Order*, London, Pluto Press, 2004.

deterministic narrative, where nuances are banned and contingency has no place, and above all completely blurs the agency of the producing countries as autonomous political subjects. Moreover it usually rests on a very tiny documentary evidence.

Partly as a reaction against the conspiracy theories that thrived in the immediate aftermath of the oil shock, another current of thought tends to depict a passive picture of the companies. They are portrayed as impotent and/or inadequate in front of the revolution carried out by the producing countries, which by the way, in line with the more classical clichés of an "orientalist" point of view, are often depicted as the destroyers of a grandiose system of production and distribution created by the majors, that presented themselves as the evangelists of the market and a bulwark of reason in a world (the Middle East) marred by irrationality and extremism[6]. In front of the vandals, the companies were – we are told – fundamentally weak because of their unpopularity amongst the consumers and the lack of support by their parent governments, and they had little else to do than surrender. Thus, for ex., the prudent stance assumed in the early 1970s by the governments of the oil importing countries, wary of engaging an open fight with OPEC members, is emphasized to stress the companies' isolation and the absence of alternatives to giving in to producers demands[7].

Also the authors more critical towards the big business tend to portray a passive picture of the companies emphasizing their inadequacy in front of the challenges of decolonization and of a changing oil market[8]. While this picture contains elements of truth, I think there is need to stress the agency of the companies, which were not completely at the mercy of the producers countries but had at their disposal means, knowledge and a world-wide network of relationship which had no equal in the world of enterprises. At the same time I'm convinced that the documentary evidence does not lend support to visions of the crisis as an intrigue in which the producers were mere puppets in the hands of the multinationals and the US government. I intend simply to argue that the oil companies, once realized that the era of the oil concessions had come to an irremediable end, tried, and largely succeeded in doing so, to ride the wave and restore their profit margins that in the preceding years had known a steady decline. The rise in price was instrumental in restoring the profitability of the majors in the Eastern Hemisphere, which in the preceding years had been squeezed by the grips of a pincer constituted on one side buy the increase in producing countries' take on the oil revenues, and on the other side by the sheer evolution of the petroleum market in which a huge supply was not adequately met by the albeit rising demand.

A crisis of profitability

As Joe Stork has written, the years between 1948 and 1960 were a "bonanza" for the oil industry. The constant increase of the demand coupled with a fine tuned system of market control by the majors, which prevented the price slumps that had hitherto characterised the oil market, assured unprecedented levels of profit. The area of major expansion for oil production became the Middle East, where the costs of extraction were particularly low: According to Morris A. Adelman, in 1960, with a market price at $1.63 per barrel (/b), the total production cost of the Persian Gulf crude amounted to $0.18[9],

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[6] In the words of an executive of a French oil group, the oil majors: "ne sont jamais qu'un exemple de cette chose magnifique, sans laquelle rien ne se fait dans ce monde et qui est 'l'entreprise'. Car, pour créer une richesse pétrolière à partir de quelque chose que le droit minier français appelle 'res nullius' […] il ne suffit pas de gouvernements, d'administrations, d'opinion publique, de presse, même s'il en faut aussi. Il faut des gens qui se réunissent […] pour constituer ce qu'on appelle une entreprise, c'est-à-dire une équipe d'hommes qui, malgré la diversité de leurs origines, se mettent tous ensemble pour poursuivre un même objectif qui est de créer quelque chose au service de la collectivité des hommes" (Archive de la CFP, Paris (ACFP), *Le choc pétrolier de 1973 et ses conséquences sur l'économie de l'énergie*, s.d., p. 8, ACFP, SC 89/15).

[7] In this sense see for ex. Bamberg's excellent history of BP: J. Bamberg, *British Petroleum and Global Oil*, p. 460. Not surprisingly this point is widely shared by the other companies' official histories: Bennett H. Wall, *Growth in a Changing Environment. A History of Standard Oil Company (New Jersey) 1950-1972 and Exxon Corporation 1972-1975*, New York, McGraw-Hill, 1988; Keetie Sluyterman, *A History of Royal Dutch Shell: Vol. 3: Keeping Competitive in Turbulent Markets, 1973-2007,* New York, Oxford University Press, 2007. This is also the point of view adopted by the more famous history of the oil industry, the companies' friendly Yergin, *The Prize*.

[8] See for ex. A. Sampson, *The Seven Sisters*, the best primer on the history of oil industry from its birth to mid 1970s.

[9] M. A. Adelman, *Genie Out of the Bottle*, op. cit., p. 56.

compared to more than one dollar in Venezuela and $1.3 for the Texan oil[10]. These extraordinarily cheap resources were developed by the majors through an intricate system of participations in joint ventures in the principal producing countries (Iran, Iraq, Saudi Arabia, Abu Dhabi, Kuwait).

The constitution of OPEC in 1960, the entry into the market of new producers and the return in full swing of Soviet oil on the markets didn't seem to prevent the oil industry from guaranteeing a squaring of the circle of sorts: high profits for the companies and low prices and stable supply for the consumers (at the expense, of course, of the exporting countries). Yet, actually, the price of the crude tended to decline: between 1954 and 1970 the Arabian Light, FOB from the Persian Gulf, passed from $1.90/b to $1.25/b[11]. This price reduction was determined by the oversupply on the global oil markets, in spite of the steady growth of demand. Between 1950 and 1970 the world oil demand grew more than fourfold[12]. But supply grew even more rapidly. The combined production of the Persian Gulf countries passed from 1,8 million barrels per day (mbd) in 1950 to 14 mbd in 1970[13]. In the same period the USSR production grew from 750.000 bd to 7 mbd. Even in the USA, the world most exploited oil region, crude production almost doubled. "Indeed, overproduction was the hallmark of the Golden Age of Oil."[14]

The majors avoided a disastrous slump in prices by containing the oil surplus through a careful management of production, and by limiting to the bare minimum the development of new producing fields in the Middle East. Thus, they achieved a "gently declining price" .[15] However, this was done at the cost of provoking strong resentments in the producer countries more damaged by this policy (especially Iraq and Iran), and, more disturbingly for companies, this did not prevent the profit per barrel from falling. According to Stork's calculation, in 1963 the total gross profits earned by the oil companies in the Middle East (Iran, Iraq, Saudi Arabia, Kuwait, Abu Dhabi and Qatar) came to $1.7 billion. In 1969 total profits fell just slightly, equaling $1.6 billion. But this stability of profits was only made possible by the doubling of output; that is by the halving of the profit per barrel. As Stork points out, "the most prominent and notable trend in these figures is the sharply declining rate of return per barrel."[16]

This predicament was acknowledged by the companies themselves, According to BP: "through much of the decade [the 1960s] the rates of return of the seven major oil companies declined by comparison with those of the US manufacturing industry"[17]. According to a Shell report published in April 1971, the revenues of the seven majors in the Eastern Hemisphere were passed from $0.565/b in 1960 to $0.327/b in 1970.[18]

Furthermore, a growing slice of the oil revenues was going no more to the majors but to the "independents", the smaller companies, outside the circle of the big multinationals, which, since the mid 1950s, began to enter into the more profitable areas of production in Middle East and in North Africa.

Last but not least, the companies' position was made more delicate by the oil exporting countries' attempt of getting a bigger revenue from their natural resources. After the OPEC birth, the producer countries succeeded in getting a small but significant rise in the fiscal revenue they received

[10] L. Maugeri, *The Age of Oil*, p. 80.

[11] F. Parra, *Oil Politics*, p. 74.

[12] F. Parra, *Oil Politics*, p. 41.

[13] M. A. Adelman, *Genie Out of the Bottle*, p. 43.

[14] L. Maugeri, *The Age of Oil*, p. 80.

[15] Parra, *Oil Politics*, p. 73.

[16] Stork, *Middle East Oil*, p. 120.

[17] British Petroleum Archive, University of Warwick, Coventry (BPA), BP 57665, Strategy Planning Committee, Note: Energy Policy, 28/3/1973.

[18] Archivio Storico ENI, Pomezia (Roma) (AENI), BB.III.1, 442, Direzione Estera, fasc. Organismi nazionali internazionali, Shell Briefing Service, *Financial Needs of the Oil Industry in the 1970s*, aprile 1971, Italian translation of 7/7/1971. For similar data see: ACFP, *Le choc pétrolier de 1973 et ses conséquences sur l'économie de l'énergie*, 1973, p. 16, loc. op. cit..

from the concessionary companies.[19] According to Shell, between 1960 and 1970 the government take in the Eastern hemisphere grew from $0.708/b to $0.860/b.[20] As reported by Adelman, in the 1960s the profits realized by the oil industry in the Persian Gulf fell by 24 percent, while the payments to governments grew by 15 percent; so, in 1970, the government take came to count for nearly 70 percent on profits.[21] In sum, according to Dillard Spriggs, an expert on the financial aspects of the oil industry: "most of the companies experienced declining rates of return on investment during this period [1967-1971]. It was a period of considerable pressure on profit margins world-wide."[22]

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Revolution in Libya

On 1 September 1969 a group of young army officers, inspired by Nasser's Pan Arabism, took power in Tripoli. In the preceding years, with the discovery of vast reserves of high quality low-sulfur crude so near to the European market, the North African country had become the new oil Eldorado. Esso firstly found oil in the country in 1957 and quickly the production skyrocketed catapulting the country to the fourth place amongst world oil exporters in the late 1960s. In contrast to the Persian Gulf, in Libya the main beneficiaries of the oil bonanza were not the majors but the independent companies which transported and marketed to Europe.

Oil Production in Libya, by company, 1969

Company (in **bold** *the independents)*	*Average daily production (thousands bd)*
Oasis[1]	789,7
Esso[2]	746,2
Occidental	608,1
Amoseas[3]	368,9
BP-**Bunker Hunt**[4]	321,3
Mobil-**Gelsenberg**[5]	264,5
Phillips (US)	6,0
Aquitaine[6]	5,5
Amoco (US)	0,5
Total	*3.110,7*

[1] **Marathon** (US, 33,3%), **Continental** (US, 33,3%), **Amerada Hess** (US, 16,66%), Shell (16,66%).
[2] Exxon, **Atlantic Richfield** (US), **Grace Petroleum** (US).
[3] Texaco (50%) and SoCal (50%).
[4] BP (50%) and **Nelson Bunker Hunt** (US, 50%).
[5] Mobil (75%), **Gelsenberg Benzin** (Germany, 25%).

[19] In 1964 the "Royalty Expensing" agreement abolished the detraction of the royalties paid by companies from the calculation of the 50 percent taxation of profits. Robert Mabro, *On Oil Price Concepts*, Oxford Institute for Energy Studies, WPM 3, 1984, pp. 7-8; Bamberg, *British Petroleum and Global Oil*, pp. 151-161.

[20] AENI, Shell Briefing Service, *Financial Needs of the Oil Industry in the 1970s*, loc. cit.

[21] Out of a profit of $1.334/b, defined as the posted price minus the royalty, various discounts and accounting cost, the government take, that is the royalty plus the income tax at 50 percent, amounted to $0.892 (M.A. Adelman, *The First Price Explosion 1971-1974*, MIT Center for Energy and Environmental Policy Research – 90-013WP, 1990, p. 5, http://dspace.mit.edu/bitstream/handle/1721.1/50146/28596081.pdf?sequence=1).

[22] 93rd Congress, United States Senate, Committee on Foreign Relations, *Multinational Corporations and United States Foreign Policy*, Hearings Before the Subcommittee on Multinational Corporations (Washington: US Government Printing Office, 1974 (*Hearings*)), Part 4, p. 77.

[23] 93rd Congress, United States Senate, Committee on Foreign Relations, *Multinational Corporations and United States Foreign Policy*, Hearings Before the Subcommittee on Multinational Corporations, Washington, US Government Printing Office, 1974 (*Hearings*), part 4, p. 77.

[6] **ELF/ERAP** (France, 39%), **Hispanoil** (Spain, 45%), **Murphy** (US, 16%).
Source: Hearings, part 4, p. 162 and p. 177.

The main objective of the new Libyan government, as far as the oil was concerned, was to maximize the revenue per barrel thus allowing preservation of the national natural resources without lowering the government take.

In 1970 a combination of factors put the oil companies in an exceptionally weak position vis-à-vis members of OPEC and especially the Mediterranean producers. In the framework of an increase in European demand, a tanker shortage, which had existed since the closure of the Suez Canal in 1967, was exacerbated by an unexpectedly rapid increase in world oil demand, by the rupture in Syrian territory of the Trans-Arabian Pipeline (that transported 500.000 bd of crude from Saudi Arabia to the Lebanese coast) and by a number of accidents to supertankers. The tanker shortage caused freight rates to soar to two or three times their normal levels. Producers of "short-haul" crude were thus placed in an exceptionally strong bargaining position, a situation the Libyan government quickly proceeded to exploit. In early 1970 they demanded to companies a rise in the posted price (the reference price for tax purposes[24]) of their oil of $0.40/b, as a recognition of the quality and the freight advantage of the Libyan crude. Furthermore they wanted retroactivity payments till 1965 in order to redress what they perceived as the undervaluation of the Libyan crude in the preceding years. Initially the companies, headed by the Esso representative in the country, Hugh Wynne, categorically refused to acquiesce to Libyan requests, stating that even a rise of $0.05/b would be economically disastrous for them. In response, the Libyans started to apply pressure, by drastically cutting production level, on the more vulnerable of the independents (that is the ones which had no other alternative sources of crude to aliment their downstream operations). In June Occidental was hit first by the imposition of a cutback of its production of 300.000 bd. The following month, the CEO of Occidental, Armand Hammer, went to see Ken Jamieson, chairman of Exxon, to ask for help in the form of a supply of crude at cost to aliment his refineries in Europe. He met a flat refusal[25]. The majors (whose production came for the large majority from the Persian Gulf) thought that higher Libyan prices would damage mostly the independents, but they were "not realizing the extent to which they were opening the floodgates for the next period."[26]

Summary of cuts imposed on oil companies by Libyan government, September 1970

Company	*Cut (bd)*	*Cut disposed on*
Occidental	300.000	June 1970
	60.000	August 1970
Amoseas	120.000	June 1970
Oasis	150.000	July 1970
Mobil	40.000	August 1970
Esso	110.000	August 1970
Total cuts	780.000	

Source: NA, FCO67-434, 6238

Threatened by being stripped off of their sole source of oil and deprived of support from other companies, the independents one by one capitulated in front of Libyan demands in early September. The attitude of the majors was somewhat different, even if in the end the result was the same. Given

[24] As pointed out by Timothy Mitchell, during the era of majors' predominance there was no such a thing as a market price for Gulf crude, given the fact that in the vertically integrated international oil companies the oil passed directly from the wells to the end user. Only in the late 1960s thanks to M. A. Adelman's efforts, a market price for Mid-Eastern oil was calculated, basically by deducting from prices of refined products in Europe (published by a group of independents, mostly German) the known costs of refining and shipping: T. Mitchell, *Carbon Democracy*, p. 168.

[25] For an account of the "historic meeting between the two opposite sides of the oil business" see Sampson, *The Seven Sisters*, p. 225.

[26] Paul Stevens, *The History of Oil*, "Polinares WP", n. 3, 2010, pp. 1-20, p. 9.

the extension of their interests, the majors feared the worldwide implications of any cave-in and were especially opposed to retroactivity. As stated by the representative of Shell in Libya, Carlisle: "To answer yes would be to demonstrate to the world that governments could not only dictate present and future tax reference prices, which is in itself bad enough, but could also dictate what they should have been in the past and this cannot be anything but disastrous".[27]

A few days later, the chairmen of BP and Shell, Eric Drake and David Barran, lunched in New York with the UK Foreign Secretary, Alec Douglas-Home, announcing to him that they intended to stand firm, "at whatever cost locally, against Libyan demands. It would be disastrous to them to concede the principle of host governments decreeing posted price, especially retroactively, in view of their world wide interests."[28] The US majors (four out of five – the exception was Gulf – were operating in Libya) nurtured similar views. On this ground a meeting of the seven sisters was arranged in New York for the 25th of September to formalise an agreement to create a common front to oppose Libyan demands. The main obstacle to the constitution of such a front, as pointed out by Exxon's lawyers, seemed to be US government objections on anti-trust grounds. Yet the majors were convinced that the obstacle could be overcome through the good offices of John J. McCloy, an extremely influential figure in American public life who, whose law firm represented not only all the seven sisters but also nearly all the biggest independents[29]. But the companies had not considered another source of hindrance to their plans: the US State Department. While in the UK Douglas-Home had expressed his support for the companies initiative, at least in the first instance[30], the US State Department deeply worried about Europe's fate in the highly probable case of a complete shut down of the majors' Libyan production as a response the rejection of the government's demands.

Provenance of OECD Europe's oil imports, 1968 (% on total imports)

Abu Dhabi	2
Algeria	1
Iran	8
Iraq	12
Kuwait	14
Libya	24
Qatar	2
Saudi Arabia	13
Venezuela	5
OPEC Total	81

Source: NA, POWE 63-769, 64.

Libyan crude exports, (1969)

	thousands bd	*% of Total Libyan Exports*
Total Libyan Exports	3069,5	100
Of which to:		
FRG	751,4	24,5
Italy	662,4	21,6
UK	418,8	13,6
France	333,7	10,9

[27] Carlisle (Shell), 21/9/1970, in UK National Archives, Kew (NA), FCO67-435, 94. See also NA, FCO67-435, 53-54 and 50 for David Barran's (chairman of Shell) opinion.

[28] Douglas-Home to UK Embassy in Washington, 23/9/1970, in NA, FCO 67-435, Libya, 81.

[29] Sampson, p. 226.

[30] "We agree that a common front by the majors is desirable", 23/9/1970, NA, FCO 67-435, Libya, 81. Two days later, evidently made aware of American doubts, Douglas-Home rectified his unconditional support to companies' position: "'We share the anxieties of Shell and BP […]. On the other hand, the Libyans are quite capable in their present mood of stopping the majors' production there and depriving Europe of one and a half million barrels a day of short haul oil. This would be most serious development . --------------

Netherlands	309,8	10,1
Spain	162,7	5,3
Belgium	122,3	4,0
Switzerland	30,1	1,0
Total Europe	2869,2	93,5
USA	115,5	3,8

Source: *Petroleum Press Service*, August 1970, p. 280[31].

The State Department estimated that the shut down of Libyan production would have meant a loss of 1,5 mbd directed to Europe at the gates of winter. This was bound to cause a severe shortage of energy in Europe. In this case, it was all the more likely that the Europeans would attempt to reach bilateral deals with the Libyans, bypassing the majors. At that point, the parent governments of the majors would have found themselves in a very awkward position. As explained by James Akins, Director of the Office of Fuels and Energy, the "oil man" in the State Department, if no agreement was reached "the Libyans would shut down their production and expropriation might follow. […] This oil cannot be replaced and European countries, already faced with a shortage, could well take fright and buy direct from the Libyans any oil they offer."[32] In this situation the danger of nationalization of the companies, not only in Libya but also in Europe, may well arise. In fact, in Akins' view, the majors' reaction would probably be to refuse to run this oil through their refineries. The governments concerned would then order them to do so and in the last resort might take over the refineries[33]. As Akins pointed out: "HMG might be prepared to see British companies' assets nationalized not only in Libya but also in countries such as Germany and France, the US government was not"[34].

On the margin of the companies meeting of 25th September, the oil executives met the State Department officials. Barran and, especially, Drake ("a formidable character"[35], "the meeting was dominated by Sir Eric Drake, who spoke more than all the other company representatives put together"[36]) vehemently defended the idea of a common front. Yet, as pointed out by Akins, the BP and Shell views were "totally misguided"[37], and the companies had "no real options now but to settle on the Libyans' terms"[38]. The US authorities were under no illusion on the consequences of giving in to Libyan requests: "If a settlement were made, the result would obviously be that all producing countries would demand the same deal"[39]. But, as explained by the President's Assistant for international economic affairs, Peter Flanigan:

> The increased cost would be passed on to consumers in Europe and Japan and, to the extent the U.S. imports oil of and from Canada to U.S. consumers. Since this increase would affect 100% of European and Japanese petroleum supplies and only a small per cent of U.S. petroleum supplies, the result would be a competitive benefit to the United States.[40]

Faced with the State Department hostility, but somewhat relieved having been prospected the easy way out of passing on the increased costs to consumers (what they proceeded speedily to do in

[31] NA, FCO67-434, 6258.
[32] NA, FCO67-435, 68.
[33] This was the point suggested by Walter Levy, one of the most world prominent advisor of the oil industry, to undersecretary Alexis Johnson who called him in the morning of 25 September asking advice for the meeting with the companies (NA, FCO67-435, 9).
[34] NA, FCO67-435, 22. For analogous preoccupations on the UK part see J.R.A. Bottomley, 23/9/1970, FCO63-435, 54.
[35] NA, FCO67-435, 68.
[36] NA, FCO67-435, 22.
[37] NA, FCO67-435, 22.
[38] NA, FCO 67-435, 79. See also the opinion of US embassy in Libya, Foreign Relations of the United States, 1969-1976, vol. XXXVI, Energy Crisis 1969-1974 (FRUS), p. 167.
[39] FRUS, p. 131.
[40] *Ibidem.*

December), the US majors quickly backed off from their projects of resistance. By 30 September SoCal and Texaco, both known as hardliners in the oil industry, had signed agreements with the Libyan government. They were followed by Esso, Mobil and BP[41]. Shell, whose Libyan production had been totally shut down by the government in the meanwhile, was the last to surrender on 16 October[42]. The new agreements increased the posted price by $0.30/b and established a new higher tax rate.

Thus, as it was expected, the Libyan example led to similar concessions being gained by most of the Persian Gulf producers by the end of the year. The 14th of November an agreement between the Iran Consortium[43] and the Shah's government extended the 55% tax rate to the country. Afterwards the companies, well aware that a resistance would be unjustified, proceeded to offer the new tax rate to all producers in the Gulf that accepted in short run[44]. Some adjustments to the posted price of heavy crude were also agreed but of very little amount if compared to the Libyan gains. In early December the Venezuelan government introduced a law under which the tax on oil companies was raised to 60% (from the previous 52%) and the government reserved to itself the right of unilaterally raise the oil prices. The Algerian government, too, were at this time exerting strong pressure on the French oil companies for more favourable terms.

In early January, the Libyan Government summoned the companies operating in Libya and confronted them with demands for a further 5% tax increase, a further premium on Libyan short- haul crude, and a compulsory 25% reinvestment of profits. Libyan requests were based on the solid argument that, if the agreement of early Autumn had recognized a premium to Libyan crude, in recognition of its quality and freight advantage, that premium had to be restored after the concessions made to the Persian Gulf producer. In the companies' view this was leap-frogging or ratchet effect. As summed up by Henry Schuler, the chief negotiator of Nelson Bunker Hunt in Libya: "We suddenly found demand coming back to us. Now, the Libyans said, if the standard rate is 55% for everybody, we didn't get anything special last September, so we have to have what you gave us last September on top of the new standard. Well, it had obvious implications this ratchet would go on interminably"[45]

Battle in Tehran

The developments of Autumn 1970 encouraged the OPEC countries collectively to make further demands. Meeting in Caracas on 9-12 December 1970, they adopted a series of resolutions aimed at further increasing the payments made to them by the companies. The main demands were the generalization of the 55% tax rate on oil companies' net profits, which anyway didn't pose much problem to the companies as it was already adopted by the major producing countries and the establishment of "uniform general increases" of the posted prices in all member countries[46].

A committee of Ministers of Iran, Iraq and Saudi Arabia, was set up by OPEC to negotiate on behalf of the six member countries situated in the Gulf (the other three being Kuwait , Abu Dhabi and Qatar). They insisted that negotiations with members of the Iranian Consortium should begin in Tehran on 12 January 1971.

The companies, learning from past errors, seemed determined to stop the ratchet and to present a unitary position to OPEC which for the first time moved at the unison. As summed up by McCloy: "Unified action by the governments required unified action by the companies"[47].

Again, Shell and BP took the initiative to create a common front[48]. In early January, in response to the Libyan leap-frogging, Shell advanced proposals for a collective action. Shell planned for negotiations with all oil companies together in an attempt to get a firm agreement lasting at least 5 years

[41] Also two independents, the German Gelsenberg and Bunker Hunt, signed in this period.
[42] See *Hearings*, Part 4, p. 171.
[43] The Consortium comprised all the eight majors plus some US independents.
[44] Skeet, pp. 62-63.
[45] *Hearings*, part 5, p. 80.
[46] Text of the Resolutions in NA, FCO51-242, 41.
[47] John J. McCloy to Richard W. McLaren (Head of Anti-trust division), 23/7/1971, *Hearings*, part 6, p. 234.
[48] As related by Schuler, he was approached by Shell people in early January asking him to take part in the creation of a common front of companies (Hearings, p. 80).

which should provide for a general increases in posted prices (their initial proposal was 15 cents per barrel); a tax rate of 55% and some premium in short haul crude (25 cents per barrel) to be open to review every year depending on freight rates.[49]

This time though, they stressed the necessity of getting full support from parent governments and of involving also the independents. On 5 January Drake wrote to the Prime Minister Heath, who was leaving to Washington for intergovernmental talks on the oil situation, to draw his attention to the serious problem facing the oil companies. He said that unless the companies were fully supported by their governments they would have no choice but to acquiesce in any legislation which the producer governments might enact and pass on the additional costs to the consumer. If any attempt were to be made to resist OPEC's demands the companies would need the concerted support of all the consuming governments, both vis-à-vis the producing governments and in order to make sure that no individual Western oil company broke the line for the sake of immediate commercial advantage[50].

At the Washington meeting of 6-7 January, representatives of the parent governments of the major international oil companies (the United Kingdom, the United States, France and the Netherlands) met to review the situation created by the OPEC resolutions. There was general agreement on the importance of the companies acting together, preventing "leap-frogging", and associating independents with the negotiations. As hopefully commented the UK Department of industry:

> there are signs that this time, unlike the Autumn of 1970, the companies, including those of less importance, may be able to stand together. Also on this occasion there is a distinct possibility that consumer governments will support the companies in achieving sensible negotiations. The Washington discussions […] indicate so far that the US State Department (unlike its 1970 attitude) probably will support resistance by the companies and will work with us to rally other consumer governments[51].

On 9th January Occidental and Bunker Hunt were summoned again by the Libyan government, which imposed a strict deadline for a response to their demands[52]. The companies, emboldened by the prospect of a common front, let expire the deadline without nothing happening: "They are expected to hold firm as an agreement has been reached with the majors and other independents on a 'mutual aid' formula should production be cut back."[53]

The agreement took form in the following days, when the companies, majors and independents, met in New York, from 11 January onwards, under McCloy's aegis and with the supervision of a representative of the US Justice Dept., to settle down the form of their co-operation and get a waiver from US anti-trust authorities[54]. They proceeded along two lines.

First they drew up a common message to OPEC in which they outlined their stance for the coming negotiations[55]. They proposed a five year agreement with a revision of posted prices "to new levels subject to moderate annual adjustment against the yardstick of worldwide inflation", no further increase of the tax rate beyond 55%, a premium for short-haul crudes. It is interesting to note that the annual review clause was not present in the original OPEC demands. The companies' main interest were clearly not low posted prices per se, but a stable frame of reference which permitted them to guarantee the flow of their product to consumers' markets. Bigger producing governments' takes would be passed on to consumers in the form of higher prices and/or fiscal allowances. To avoid leap-frogging, the companies' message specified as an essential condition that the negotiations had to be unitary: "for our part we are not able to conclude negotiations with individual member countries". The message was initially signed by 13 companies (all the majors plus five independents[56]). Subsequently other 11

[49] FRUS, p. 165.
[50] NA, PREM 15-1090, 104
[51] Note by Warrington, NA, DTI, 7/1/1970, NA, POWE 63-769, 91.
[52] NA, POWE63-769, 61
[53] NA, POWE63-769, 58
[54] NA, POWE63-769, 58
[55] Text in *Hearings*, part 6, pp. 223-224.
[56] These were Amerada Hess, Continental, Marathon, Bunker Hunt and Occidental, all had production in Libya.

companies[57] associated themselves to the message. On 13 January the Department of Justice gave an anti-trust waiver to the message and to the companies common front.

Afterwards, on 15 January, fifteen companies signed the "Libyan Producers Agreement", valid for three years, which created a safety net for the companies operating in Libya in order to provide them the means to resist production cutbacks imposed by Qaddafi's government. In practice the agreement (which also get the approval of the Justice Dept.) provided mutual support, in the form of the supplying of oil at cost, to the companies subject to a cutback imposition. The agreement regarded not only the Libyan oil but also the Persian Gulf production (up to a maximum of 1,5 mbd)[58]. This would assure the independents the support that Jamieson had refused to give to Hammer few months earlier.

A negotiating team was created, headed by George Piercy, the Mid-East chief negotiator of Exxon, and Lord Strathalmond of BP[59]. To back up the negotiations the companies created a two-prong structure with a decisional centre in New York, at Mobil headquarters, where the CEOs met to decide the overall strategy, and another in London, the London Policy Group (LPG), created on 20 January, headed by Addison and composed by senior executives charged of following the day-to-day evolution of the negotiations. The companies had apparently succeeded in creating a formidable negotiating front.

Meanwhile, on 12 January, a hastily formed Consortium team met the OPEC committee in Teheran. The team was not empowered to negotiate (the companies had not yet defined their common position) and the meeting broke down[60]. On 15 January, the negotiations began in earnest when the companies delivered their joint message to OPEC.

The parent governments discreetly followed the companies deliberations from outside. As explained by an FCO memorandum: "the general feeling […] was that the right course would be to leave the oil companies to make the running, with diplomatic support coming well behind; the dispute would thus be kept as far as possible on a commercial basis."[61] In support of the companies message, the Nixon administration sent undersecretary of State John Irwin to Iran and Saudi Arabia. In his talks with the Shah in Tehran and with Yamani and King Faisal in Riyadh, Irwin was told that the companies negotiating position was a reasonable starting point except the request of OPEC-wide negotiations. If OPEC was treated as one unit – as Yamani explained to Irwin – then moderates in the Gulf would have to associate themselves with radicals, and "no one should expect the moderates to be able to influence the radicals"[62]. Instead, if the companies dealt with the Gulf separately, there would be "stability and assured supplies from the region"[63], and – as assured by the Shah – "Persian Gulf countries would agree to abide by five-year agreement even if oil companies caved in to higher demands of Libya, Algeria, and Venezuela"[64]. Irwin and the US Ambassador to Iran, Douglas MacArthur II, got fully convinced by Iranian and Saudi arguments and recommended that the companies "be urged to negotiate with Persian Gulf group separately"[65].

When Piercy and Strathalmond met the Gulf negotiating team (the Iranian Finance minister Jamshid Amouzegar, the Saudi Oil minister Ahmad Zaki Yamani and the Iraqi Oil minister Saadoun Hammadi) in Tehran, on 19 January, they were told that global negotiations would be "not logical nor practical"[66] and that, if the companies insisted, the OPEC would demand "Venezuelan terms". As commented by the two negotiators, "it was perfectly clear that Amouzegar believes he and HIM have convinced the

[57] There were also from some consumer countries, such as the German Gelsenberg, the Japanese Arabian Oil, the Belgian Petrofina, the Spanish Hispanoil. Notable for their absence were ENI, which had not been invited to the New York talks and thus decided to stay aloof from the companies front, and ELF/ERAP.

[58] Text in *Hearings*, part 6, pp. 224-228.

[59] On the organization of the companies' common front see McCloy in *Hearings*, part 6.

[60] As it was hoped by companies, see Drake in NA, POWE63-769, 97. See also NA, POWE63-769, 100.

[61] NA, FCO51-242, 11.

[62] FRUS, p. 189-190. In Yamani's opinion the radicals in Libya were "young officers ignorant on oil issues who were killing goose that laid the golden eggs".

[63] Yamani, FRUS, p. 190.

[64] FRUS, p. 187.

[65] FRUS, 19/1/1971, p. 192,

[66] Van Reeven to Addison, n.d., in *Hearings*, p. 67.

American government […] of the correctness of their position on a Gulf negotiation coming first, with the result that our negotiating stand […] is by no means an easy one."[67] Indeed the news were shocking for the companies[68]. The support they thought to enjoy from the US government had resulted in the impairment of one of the two pillars on which the companies unitary front resided: the all embracing negotiations. In fact, the demand of separate negotiations introduced a wedge in the companies front, insofar the majors, which produced many more times in the Gulf than in Libya, were enticed by the prospect of a quick and stable agreement with the Persian Gulf countries, while the independents, especially those operating in Libya, feared they were being sold off to the "radicals". At the first meeting of the LPG, on January 20, the different stances emerged, with the majors more open to a changing of approach and the independents, headed by Bunker Hunt, openly skeptical about assurances against leapfrogging. However, at the end of the day the LPG unanimously approved a new letter to OPEC in which they did "not exclude that separate (but necessarily connected) discussions could be held"[69].

The Gulf negotiators responded with a message which criticized the companies second letter as ambiguous and vague and reiterated the point that negotiations "will in no way involve any other country or region" outside the Gulf. On the 24th the Shah gave a 2½ hour long press conference in which he attacked the global approach and threatened Venezuelan terms and an embargo of Gulf production if the companies persisted.

In the meantime Akins traveled to London where he briefed representatives from the major and independent companies on the Irwin mission, pressing for the regional approach. While most of the majors' executives accepted Akins' views, the independents were recalcitrant. They were "unimpressed with Akins' argument (and that of the majors) that a reasonable accommodation in the Gulf might make it easier to reach an agreement in Libya. They informed Akins that they had entered into general agreement with the major oil companies in order 'to save their skins' and they thought the majors, more dependent on the Gulf producers, might undercut the interests of the independents in Libya"[70]

The group of the CEOs, meeting in New York, decided for a conciliatory answer to Gulf producers and clearly stated the readiness of the companies to negotiate all Caracas matters with the Gulf countries alone. To preserve the overall approach, or at least a semblance of that, the "chiefs" relied on the so-called "hinge" effect, that is on the assumption that the Gulf negotiations would fix also the East Mediterranean posted prices (a part of Saudi and Iraqi oil reached the East Med through pipelines) thus ensuring the "necessary connection" between Gulf and Libya. On January 25 the LPG, implementing the "two-halves-of-one-team" approach agreed upon by "chiefs", created two negotiating teams, one for Tehran, headed by Strathalmond, the other for Tripoli, headed by Piercy. Soon, one of the two halves got lost, as the negotiations stalled in Tripoli where everybody wished to wait the outcome in the Gulf. Meanwhile, in Tehran the Gulf negotiators rejected the "hinge" proposal; the last tenuous link to the original global approach, was disappearing. At this point the companies didn't get no global approach, no separate-but-necessarily-connected negotiations, no two-halves-of-one-team, no hinge. In Schuler's opinion: "we met a little resistance and we backed off, and were seen to back off and off and off and off, and later developments showed we constantly moved back"[71].

The most combative of the Libyan independents, Bunker Hunt, tried to stop the rout, but found themselves isolated in a dramatic meeting of the LPG on the evening of January 30, when only the German Gelsenberg sided with Hunt[72]. All the other companies appeared resigned to the definitive dismissal of the global approach and the Libyan independents evidently put their hopes of survival in the safety net agreement (and, as the majors, ultimately in the possibility to pass on the extra costs to consumers).

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[67] Strathalmond and Piercy to Addison, 19/1/1971, in *Hearings*, p. 69.
[68] See Schuler's declarations, *Hearings* p. ---.
[69] *Hearings*, part 6, p. 15.
[70] FRUS, p. 204.
[71] *Hearings*, part 5, p. 122.
[72] *Hearings*, part 6, pp. 21-22.

Yet, the gap between the companies' offer and the Gulf demand was still wide. The companies offered $0.18 for temporary freight and $0,15 for general increase of posted price, then risen to $0.27. The Gulf countries demanded a rise of posted prices of $0.54 then reduced to $0.35. Above all, the sides were distant on the assurances against leap-frogging in the event of a higher settlement in the Mediterranean, a possibility now more than likely, having abandoned the all embracing negotiation. The companies wanted assurances against the participation of the Gulf countries to an embargo decreed by the North African producers, but the Gulf countries were disposed only to offer guarantees about their Gulf crude not the one that reached the Mediterranean terminals. A thorny issue was the special transportation differential, tied to a freight index, accorded to Libya in Autumn. Gulf countries demanded that it would be extended to their oil, if the freight fell and the transportation differential was not eliminated. Thus the companies were not getting the "hinge" from the, supposedly moderate Gulf into Mediterranean, but the "reverse hinge" from Mediterranean to the Gulf. And this scared the majors which would have found themselves to pay freight rates on a production much more large than that of Libya.

On February 2 the companies broke off negotiations. The OPEC meeting in Tehran on February 3-4 closed with a resolution that threatened legislation unless a settlement was reached by 15 February. On 4 February the majors held a meeting, presided by Drake, to discuss the situation. With the exception of the French, they agreed that there was no advantage to be gained from accepting the terms offered by producer, "the lesser evil was to let them go ahead with legislation. [..W]ithout assurances, on which there seemed to be no prospect of progress, any deal done with Gulf producers would be valueless"[73]. In any case, as indicated by Drake to the Department of Trade and Industry, legislation would almost certainly be retroactive to 1 January and the companies had no cash thus they would have to raise their prices by more than the rise in the price decreed by the producers. Not finding any assurances from the producers, the companies were looking for them among the consumers. In this perspective they estimated that to be legislated against would put them in position of saying that they had done everything possible in the interest of consumers to keep oil prices low. In the same days the OECD Council meeting expressed its support for the companies' action and indicated clearly that the priority for consuming governments was the regular flow of supply and the price was considered a dependent variable[74].

However, in the turn of few days the companies position changed again. A meeting of Shell and BP with the DTI and the FCO indicated that the government preferred a continuation of talks. From Tehran Lord Strathalmond communicated that a legislation would be far more onerous than previously estimated[75]. It would entail an increase of posted price by $0.40 and a number of extras, whereas an agreement might be for an increase of the order of $0.30. at these conditions the consumers would not be very pleased by the companies' decisions. Furthermore, the legislation would probably be only for one year and could be well succeeded by more onerous measures, as perhaps an increasing of the tax rate[76]. At the light of these new pieces of information the majors held another meeting on 8 February where they agreed that a negotiated agreement was almost certainly in their interest. As far as the independents were concerned, at this point there was unlikely to be any objection from them and so the US Department of Justice would not make life difficult for the American majors[77].

On 9 February Strathalmond and Piercy met Amouzegar secretly in Paris. On the following day they went to Tehran to continue the negotiations. By late night on 13 February the two sides had reached agreement on all the main points and on 14 February the agreement was signed by the six OPEC members bordering the Gulf and all the companies associated with the negotiations except for the Japanese Arabia Oil Co. and Atlantic Richfield, the terms of whose concessions were incompatible with the agreement.

[73] NA, FCO67-557, 27.
[74] NA, FCO67-557, 3; POWE63-770, 27.
[75] This was also CFP view, see: NA, POWE63-770, 62.
[76] NA, FCO67-557, 3.
[77] NA, FCO67-557, 12; FCO51-242, 22.

The Tehran agreement provided uniform increase in posted prices of 35 cents a barrel from 15 February 1971; introduced a new system of gravity differentials which represented a further average rise in posted prices of 4 cents a barrel resulting from increases on prices of heavier crudes. To meet inflation it gave another 2½% increase in posted prices on 1 June, 1971 (representing an average increase of 5 cents a barrel) and on the first of January of each of the years 1973- 1975. It also gave a further increase on all posted prices of 5 cents a barrel on 1 June 1971 and on the first of January of each of years 1973-1975, justified in rather obscure terms with reference to the increase of demand for oil in the period. As commented by the DTI, in monetary terms the agreement was worse than that which the companies hoped to achieve before returning to Tehran, "The financial terms of the agreement were very close to those tabled by the OPEC countries on 2 February and were slightly better for the companies than the original OPEC demands"[78]. The original OPEC demand had been for an increase in posted price of 54 cents, whereas under the agreement the posted price of an average Iranian light crude went up by 48.4 cents (to $2,.274) as from 1 June 1971.

In terms of stability and assurances against leap-frogging the companies got rather a little: a validity of five years, tax rates for Gulf exports at 55% (as had a already been agreed in most countries by the end of 1970); no retroactivity. The majors secured an agreement whereby if the temporary freight premium agreed for Libya failed to be reduced when freight rates fell, only a small proportion of this premium would be added to Gulf prices. The companies were unable to obtain assurances on pipeline supplies in the event of Libyan troubles and on East Mediterranean prices and tax rates in relation to a Libyan settlement. Therefore leap-frogging remained a quite likely possibility.

Conclusion

Three years after the signature of the Tehran agreement, Schuler declared to the Senate subcommittee on multinational corporations that for the companies it was an "unmitigated disaster". Conversely, Skeet, a former Shell executives, writes in his history of OPEC that the Tehran agreement was "by no means disastrous" for the companies[79].

Both affirmations contain a part of the truth. On the one hand, one can agree with Schuler: the companies had utterly failed in presenting a united front; they had divided between big and small and along national lines. The events between September 1970 and February 1971, with the constant retreat in front of producers demands, destroyed the credibility of the companies in front of both consumers and producers and set in motion a chain of events that led directly to the crisis of 1973. The negotiations showed in full light the cracks in companies' front[80] and revealed the difficulties in the co-ordination between companies and parent governments[81].

On the other hand, though losing a position of absolute supremacy in the governance of oil markets (a position that anyway had its days numbered in the post-colonial world), the majors managed to survive the storm, at least financially, essentially passing on the extra costs to consumers. Indeed, why the companies should have defended strenuously the low prices? In the 1950s and 1960s the oil oversupply made essential for the companies to defend low posted prices and thus rendered credible their claim of being the best defenders of consumer interests. In the early 1970s, when the balance between supply and demand had reversed and the market entered a phase of instability, the rise of posted prices became entirely acceptable for the companies, provided the extra government take could be passed on to consumers[82]. As declared by Barran, as early as 1968: "Pressure from the producing

[78] NA, FCO51-242, 26.

[79] I. Skeet, *OPEC*, p. 68.

[80] Also the Libyan Producers Agreement didn't work as expected. According to Schuler, Texaco, Socal, Exxon and BP did live up to their obligations under the agreement. Shell, Mobil (which were "short on oil"), Gulf and the other Libyan independents didn't (*Hearings*, part 5, p. 94).

[81] But it is not exact to say that the governments didn't support the companies. It's true instead that the companies themselves were often wary of a US or UK government intervention, lest it would "politicize" the talks, and declined offers of support. For ex. at the end of January BP and Shell preferred the FCO not to recommend a personal intervention of the Prime Minister (NA, FCO51-242, 16).

[82] In this sense I. Skeet, *OPEC*, cit., p. 68.

governments on costs is something that we can live with provided we are not at the same time denied freedom to move prices in the market so as to maintain a commercial margin of profit."[83]. The freedom to move prices was not denied to the companies. As pointed out by Pierre Desprairies of ELF/ERAP, the final result of Tehran and Tripoli for the European consumers was a rise of 50% to 100% of the prices of the refined products[84]. As commented by Spriggs, the negotiations on the oil prices of 1970-71 had taught to the companies that "they could pass the tax increase along to the customer" [85]. Thus the companies' net profits, after a rise of 1% between 1969 and 1970, in 1971 rose by 11%[86].

However, by no means the cave in to producers' demands was a foregone conclusion. The negotiations represented a difficult balancing act for the companies, caught between the producers' offensive and the consumers' obvious aversion towards higher prices. The consumer countries were disposed to accept higher prices in exchange of stability of supply, but the companies can't afford to give the impression of selling off their customers lest the latter would begin to bypass their services[87]. The companies tried to stem the tide with the united front, but it soon revealed a paper tiger. Thereupon they proceeded to prepare the ground for the price raise[88]. It has to be noted that the producers made an attempt to prevent such a development, when the Shah proposed the agreement to include a linking of the posted price to the price of refined products[89]. As pointed out by an alarmed Piercy to Yamani, this would represent "an attempt by consuming countries to freeze the companies' margin at the very depressed 1969 and up levels. […] Yamani conceded returns were too low. He indicated some sympathy and thought something might be done abut the negotiations".[90]

In August 1973 the world-renowned oil consultant Walter Levy, in a talk with Kissinger, summed up effectively the sense of the story: "the profits on foreign oil have never been as large as before; they are unbelievably high […].[T]he oil companies will agree to most price increases as long as they are sure they can pass them on to the customers"[91]. Or, more colourfully, in Kissinger's words: "I've become convinced that the oil companies are politically irresponsible and, in fact, idiots. They are concerned only with profits, to get along with the producer-countries, and they, therefore, pass along price increases. . . . The overriding concern then as now is not to rock the boat, to maintain their access to oil at almost any price."[92]

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[83] Paul H. Frankel, *The Current State of World Oil*, in "Middle East Economic Survey", 6/9/1968.

[84] AENI, BB.III.1, 442, *La crise pétrolière de 1970/71 et ses conséquences politiques*, Paris, 7/2/1972, press conference given by Desprairies at the French Chamber of commerce in Brussels, 2/2/1972.

[85] *Hearings*, part 4, p. 55.

[86] F. Parra, *Oil Politics*, cit., p. 134.

[87] In fact, considering "the industry's virtually total capitulation to the producing governments" (NA, POWE63-771), many consuming countries started to ponder alternatives to the dependence from the majors, even in the parent countries. See for an alarmed evaluation of this trend: BP Archive, Coventry, BP 36967, Economic Relations Department, *The Role of the International Oil Companies*, 26/7/1971, p. 1.

[88] Parra dedicates three pages of quotes to the grim forecasts on the oil supply that flourished in the early 1970s. Significantly, all these quotes but one are coming from sources directly or indirectly linked to the industry (see Parra, pp. 115-117). On the social construction of oil estimates see T. Mitchell, *Carbon Democracy*, pp. 189-190.

[89] FRUS, p. 186. As indicated by the Shah, the statistics "showed company price increases already put into effect more than covered increases Iran had in mind. Therefore if companies tried to increase prices as result of agreement reached in forthcoming negotiations, producers would have to benefit accordingly".

[90] Piercy to New York, 20/1/71, *Hearings*, part 6, p. 70.

[91] FRUS, Doc. 190, p. 503 and p. 504.

[92] FRUS, Doc. 191, *Memorandum of Conversation*, 10/8/1973, p. 510.