



Author of Anatomy of Britain

ANTHONY SAMPSON

**THE GREAT OIL COMPANIES AND
THE WORLD THEY SHAPED**

THE SEVEN SISTERS

**PLUS
IMPORTANT
NEW
CHAPTER**

Dedicated to the memory of
Ivan Yates
1926–1975

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First published in Great Britain 1975 by
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Coronet Edition 1976
Third impression (updated) 1980
Fifth impression 1981

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'A book that will help us understand the most profound economic changes of our time.' *New York Times*

'In this book I try to tell, in political and human terms, one of the oddest stories in contemporary history: how the world's biggest and most critical industry came to be dominated by seven giant companies: how the Western governments delegated much of the diplomatic function to them; how their control of oil was gradually countered by the producing countries, until in October 1973 it appeared to be suddenly wrested from them. And how since then the seven companies, still the giants of world trade, have found themselves caught on a political tightrope balancing between the demands of their Western oil-consumers and their partnerships with the producers.' From the author's introduction

'Anthony Sampson has performed one of the higher functions of journalism. He has entered an area of baffling complexity and made sense of it . . . His story is one of institutionalised greed, of amorality, of the abrogation of governmental responsibility, often times of stupidity. It is the story of the cartelisation of the earth's most precious commodity.'

The New York Times Book Review

'Without exaggeration a brilliant achievement . . . at once a captivating story and an intellectual analysis of oil . . . To my mind, no critic of the industry will retain credibility who does not read it.' *Business Week*

'Immensely enjoyable, with vivid character sketches, marvellous quotes, and an air of immediate presence during the various crisis.' *Financial Times*

'Excellent, balanced, and perceptive.' *The Sunday Times*

'Anthony Sampson has succeeded in doing what few others have even tried: he has brought his considerable intelligence and skill to bear on an extraordinarily complicated area of business – the oil trade – and explained it clearly, sensibly and with seeming ease.'

Chicago Tribune

The Seven Sisters

**The Great Oil Companies
and the World They Made**

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'Sampson has lifted some of the layers of secrecy that have hidden much of the oil companies' operations from public scrutiny . . . (He) gets behind the great stone faces of oil corporate head-quarters.'

John Barkham Reviews

'Sampson, a first-rate British journalist with a keen eye for colour, gives us delicious accounts of (John D Rockefeller and) some of the other gamey characters who run the industry.' *Washington Post*

'Whether you regard the giant international oil companies as plundering privateers or as heroic industrialists, I think you will find some surprises in Anthony Sampson's *The Seven Sisters*.' *Los Angeles Times*

'The best effort to date . . . for anyone who would begin to understand the role oil plays in making and breaking governments and economies, here's a starting point.' *Playboy*

'Sampson is probably the English-speaking world's leading journalistic anatomist since John Gunther's "inside" books stopped coming out.'

Gerald Priestland

Anthony Sampson is the author of the bestselling *The Sovereign State of ITT* and *The Arms Bazaar*, both available in Coronet.

The Sovereign State of ITT

'An original, topical, sensational, truly significant book.'
Evening Standard

**'A lucidly written and very readable account of ITT.
Mr Sampson's book is likely to be widely read.'**
Sunday Telegraph

**'This book is very, very good – and unquestionably the
best book ever written about ITT.'** *New York Times*

The Arms Bazaar

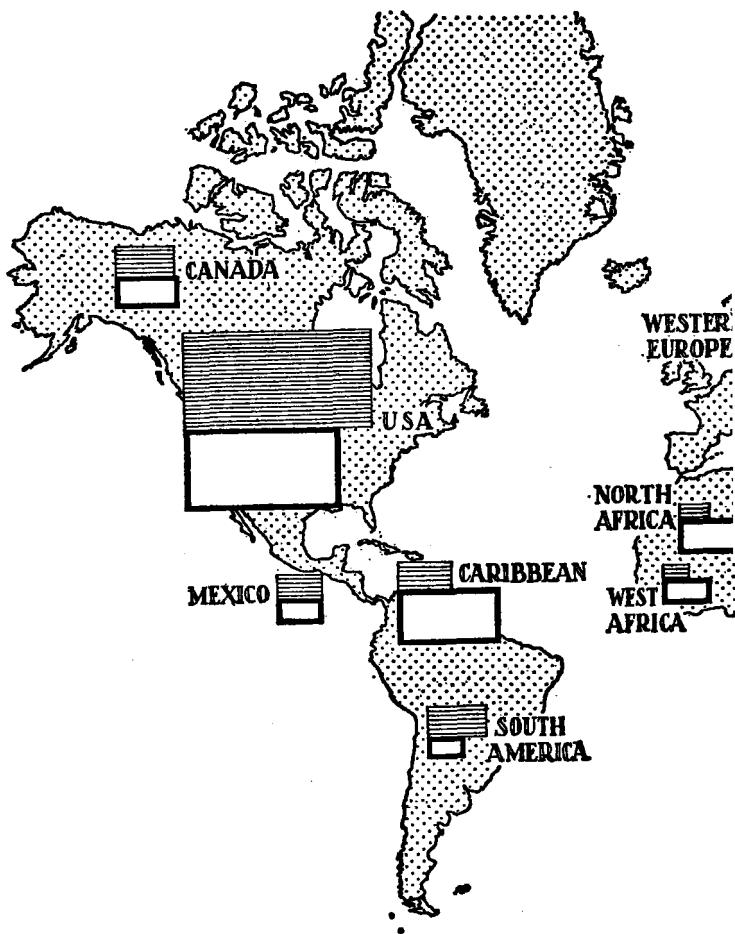
'Brilliant – has the impact of a major scoop.'
New York Times

**'Personalities and human drama, international
affairs, relationships and rivalries within and between
huge companies and governments are woven into a
gripping story.'** *Daily Telegraph*

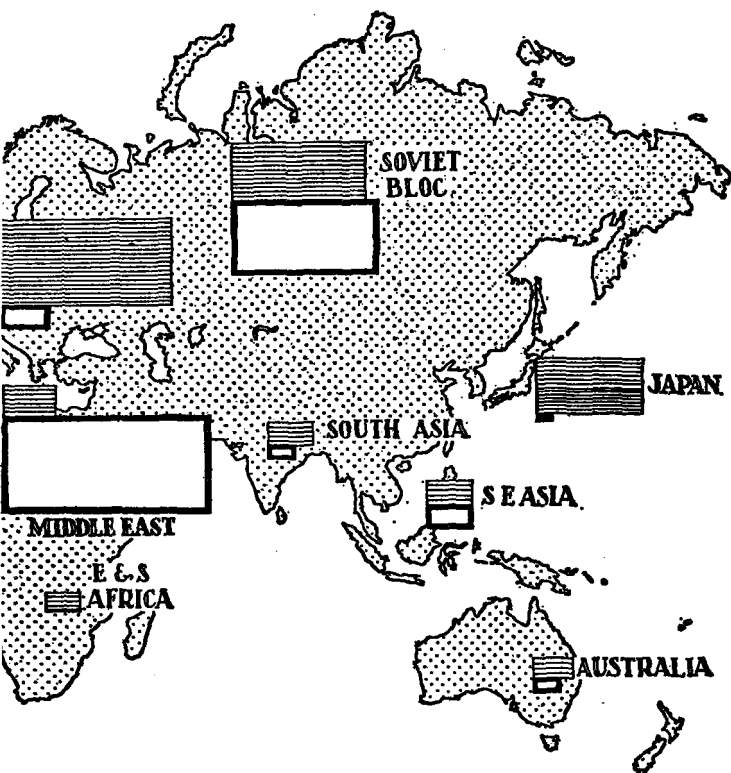
'A splendid, absorbing, shocking tale.'
Edward P Morgan, In the Public Interest

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WORLD OIL SUPPLY AND DEMAND



WORLD OIL
CONSUMPTION
PRODUCTION



Source: BP Statistical Review of the Year (1975)

Introduction

In this book I try to tell, in political and human terms, one of the oddest stories in contemporary history: of how the world's biggest and most critical industry came to be dominated by seven giant companies; how the Western governments delegated much of the diplomatic function to them; how their control of oil was gradually countered by the producing countries, until in October 1973 it appeared suddenly to be wrested from them. And how since then the seven companies, still the giants of world trade, have found themselves caught on a political tightrope, balancing between the demands of their Western oil-consumers and their partnerships with the producers.

I have approached this task not as a specialist or an economist, but as an enquiring journalist with a writer's licence to talk to anyone and to travel anywhere. There is already a vast literature of oil. There are exhaustive company histories allocating praise to all executives. There are technical studies of the economics of the industry. There are romantic narratives of spudding and gushers in the desert. And there are radical attacks on the intrinsic evils of the companies and the cartels. But there has been very little that describes in human terms how these companies grew up, how ordinary men became caught up in extraordinary exploits, and how the Western nations became dependent on these strange corporations.

I had first become interested in the oil companies in the early sixties, while they were competing hectically across Europe, when I wrote a long profile of Shell in my *Anatomy of Britain*, which brought me into contact with oilmen, including Enrico Mattei, the Italian tycoon who first popularised the phrase 'The Seven Sisters'. Thereafter I became interested in the problem of the control of multinationals, which I wrote about in my book *Anatomy of Europe (The New Europeans)*, and later in the *Sovereign State of ITT*. My interest in the oil companies, as the oldest and biggest of the multinationals, was greatly stimulated in Washington, where I was

spending a year from September 1973, coinciding with the embargo and the energy crisis.

The role of big companies in influencing foreign policy and changing global relationships is an engrossing subject for study; but it is difficult to describe or analyse the workings of the companies without a body of reliable documentary evidence. It was not until the crisis of 1973 that a great deal of such documentation came to light; particularly through the exhaustive investigation by the Multinationals Subcommittee of the Foreign Relations Committee, under Senator Church. The detailed testimony, the subpoenaed memos, secret agreements and cable traffic that emerged from those hearings, some published, some still unpublished, provide a unique glimpse into the methods and workings of the men inside the oil companies. To this copious source this book is much indebted.

With this basis of reliable documentation, I have tried to trace the narrative in an informal style, portraying events and decisions through the eyes and minds of the people that were involved. There are many economists and oilmen who are inclined to depict their industry as subject to iron laws of supply and demand which allow little scope for human choice or initiative: they suggest that if there is any real master of the business, it is the slippery fluid itself, which has changed the balance of the world. Certainly the dark, greasy character of crude oil plays an important part in this story. But looking at the key turning points in oil history, it is difficult, I believe, to ignore the decisive roles of a handful of masterful figures who imposed their personalities on the business; from Rockefeller at the beginning, through Deterding and Teagle between the wars, to the post-war intruders like Getty and Mattei, to the new oil tycoons of our time, including the Shah of Iran and Sheikh Zaki Yamani. It is through the views and attitudes of such men that I try to convey part of this story.

This book does not set out to explain all the intricacies of the oil business and the energy crisis; it does not touch on natural gas, coal or nuclear fuel. Nor does it pretend to give a comprehensive picture of Middle East politics, and the Arab-Israel question which are exhaustively dealt with elsewhere; the fact that Arab nations here receive much more space than Israel reflects only the fact that they have the oil, and the close links with companies which are the subject of the book. It is the chief aim of the book to convey the history of oil through the people involved in it, and

to show the attitudes and the psychological changes that have lain behind the extraordinary revolution of our times.

In writing this book, particularly in the early chapters, I owe much of course to the many historical analyses of the oil business, and I have made much use of the standard works which are acknowledged at the end of each chapter. But I have supplemented these sources with scores of conversations with many of the chief participants in the events I describe, who have helped to give the atmosphere and attitudes behind the decisions. I have travelled as widely as possible to the chief centres of the oil industry: to the headquarters of the companies, in London, New York, San Francisco, Pittsburgh; to the historic oilfields in Pennsylvania and Texas; to meetings of OPEC in Vienna and Algiers; and to the chief oil-producing countries in the Middle East. By quoting views and assessments from all sides—from the companies, from the Western governments, from the producing governments, and from the critics of the industry—I have tried to present a fair balance to my narrative, and to let the reader decide for himself where if anywhere the blame lies before giving my own conclusions in the last chapter.

This is essentially a book about the political consequences of oil, not its economic basis or its engineering achievements, remarkable as they are. I make no apologies for trying to simplify the problems into the basic political questions; for the more one looks at the critical decisions—whether in 1954, 1960 or 1973—the more it appears from the testimony of the decision-makers, that they were taken on the basis of relatively simple choices. Behind all the intricacies of specific gravities, premiums, discounts and buy-backs, many of the problems of oil have been crude, in both senses.

I have tried to avoid jargon as far as possible, to let the narrative flow easily. The names of the companies present a special difficulty, for some of them have changed in the course of their long lifetimes; BP was originally Anglo-Persian, then Anglo-Iranian; Exxon was originally Standard Oil of New Jersey, then known as Esso, as it still is in Europe; Mobil was originally two companies, Standard Oil of New York (Socony) and Vacuum, then Socony-Vacuum, then Socony-Mobil. In each case I have decided to call the companies throughout by their current names—BP, Exxon, Mobil. While their names have changed, their character has been a continuous development.

My debt to individuals is very great, for a book of this kind

depends heavily on the co-operation and helpfulness of the participants in the story. Within the companies themselves I have been received with varying cordiality, but only Texaco have been downright unco-operative (for reasons which may emerge in the book). Shell have been the most helpful and open, though touchy (readers may note that they alone refused to allow their symbol to appear alongside the others on the jacket). Mobil have been the most talkative, and BP the most uniformly loyal.

Many of my informants inside the companies would prefer not to be mentioned; but many executives and former executives went to great trouble to put their viewpoints, in spite of my sceptical attitude. In Exxon, I am specially grateful to Ken Jamieson, George Piercy, Howard Page, Steve Stamas, Emilio Collado and Bill Slick. In Mobil, I enjoyed outspoken talks with Rawleigh Warner the chairman, Bill Tavoulareas the president, Herb Shmertz and Andrew Ensor. In Socal, Dennis Bonney and George Ballou went to special trouble to convert me. In Gulf, I owed much to Jimmy Lee the president and Paul Sheldon, as well as to several former employees. About Texaco, I resorted more to former company men and shareholders. For recollections about Texaco's early history, I am grateful to Andrew Jackson Wray, the son-in-law of the founder, for his exuberant hospitality.

Within BP, I am grateful to Sir Eric Drake the chairman, to Peter Walters, John Sutcliffe, Julius Edwards and Dr. Ronald Ferrier, the company historian, for interesting arguments; and to former employees including Geoffrey Keating, Martin Jay and Archibald Chisholm, whose information about the early history of Kuwait has been invaluable, and who has kindly shown me proofs of his important forthcoming book: *The First Kuwait Oil Concession Agreement* (London 1975). Within Shell, I have had helpful discussions with Gerry Wagner the chairman, Sir Frank McFadzean the vice-chairman, and two previous chairmen, Sir David Barran and John Loudon; while in Houston I was helped by the president of U.S. Shell, Harry Bridges. I am also grateful to André Bénard, Dan Samuel, Geoffrey Chandler and Ian Skeat, who have all tried to inform me without trying to brainwash me.

Among many officials of Aramco, I am grateful to Joseph Johnstone and Ted Phillips of the New York office, to Mike Ameen in Washington, and to Frank Jungers, the president in Dhahran. To all these company men I am grateful for their time in trying to convince me of their company's viewpoint. But I am

not indebted in any other sense; all my travelling and the costs of research have been at my own expense.

I have gained much from visits to Houston, Texas, and from the hospitality of my brother-in-law Dr. Philip Bentlif. I have learnt many insights from Houstonians, particularly from John Jacobs, Philip David, and Manro Oberwetter; James Clark kindly gave me advice and the use of his remarkable library of oil books. Elsewhere I have been helped by many independent oil experts and critics with their sidelights on the big companies, including Paul Getty, Henry Schuler, Charles Perlitz, George Spencer of *Oil Week*, and I am especially grateful to my friend Thomas Mullins in London, for his shrewd observations.

Outside the companies, I am indebted to many politicians and diplomats who have given their side of the picture, and of past decisions. In the United States they included John McCloy, George McGhee, James Akins, Abe Fortas, George Ball, Thomas Kauper, Senators Edmund Muskie, Jacob Javits and Abraham Ribicoff, and Congressman Les Aspin. In the Federal Energy Administration I received useful advice from Mel Conant and Pamela Kucser. I owe a very special debt to Senator Church, who encouraged me to pursue my enquiry, and to my friend Jerome Levinson, his chief counsel on the Multinationals Subcommittee, who helped patiently to guide me through the maze of evidence that he had assembled; and to others of the sub-committee staff, John Henry, Jack Blum and Bill Lane, who gave much of their time. In Britain, I have had useful advice from many past and present diplomats and politicians concerned with oil, including Sir Kenneth Younger, Sir Denis Wright, Sir Harold Beeley, Lord Balogh, Eric Varley, Hugh Fraser and several serving ambassadors. At Chatham House, the observations of Louis Turner have been always stimulating.

From the OPEC side, I have enjoyed talks with three earlier secretaries-general: Fuad Rouhani in Iran, Nadim Pachachi in London, and Abderrahman Khene in Vienna; and also with the current incumbent, Chief Feyide. I also had a useful conversation with the Secretary-General of OAPEC, Ali Atiga in Kuwait. In St. Moritz I talked with the Shah of Iran, and in Teheran and Vienna with his oil minister, Dr. Jamshid Amouzegar. In Riyadh I talked with Sheikh Zaki Yamani the oil minister, with Dr. Abdulhadi Taher the head of Petromin, with Hisham Nazer the Minister of Planning, and many others. In Bahrain I talked to