XIV International Economic History Congress, Helsinki 2006
Session 118

Oil Companies and Parent Governments: The Impact of the 1973 Oil Crisis.

Fiona Venn

In this paper, I shall be examining the way in which the 1973 oil crisis affected the role of oil companies in the international petroleum industry, with particular reference to the relationship between the large international Anglo-Saxon oil majors and their respective parent governments. For reasons of space, I shall focus on the two main parent governments, the United States and the United Kingdom.

It is appropriate to begin with a brief review of the relationship between the companies and the parent governments in the period leading up to the 1973 oil crisis. Prior to the Second World War, American and British companies had been in competition with each other for concessions over the oil-rich areas of the developing world, supported by their respective parent governments. Towards the end of the Second World War the American and British governments sought to regulate that competition, and negotiated an Anglo-American Oil Agreement: however, this Agreement was never ratified by the United States Senate, and so hopes for a diplomatically-constructed global petroleum order were dashed.[1] However, for the first twenty years after the end of the Second World War, there was no reason to predict any upheaval within the international oil industry; the American majors, Texaco, Exxon, Mobil, Chevron and Gulf Oil, together with the other two 'Seven Sisters', British Petroleum and Royal Dutch Shell, cooperated with each other to control the international oil market through a series of marketing agreements and also interlocking ownership of many of the large oilfields of the Middle East. The oil companies thus created an informal, company-operated petroleum order which was based, not upon diplomatic agreement, but inter-company co-operation, financial incentives to host governments to encourage rapid development of comparatively cheap oil supplies, and careful setting of prices.

In constructing and maintaining this new world order, the petroleum companies were assisted by their parent governments, which provided favourable tax regimes (thus enabling larger revenues to be paid to the host governments), and, in the case of the United States, halted anti-trust investigations into the operations of the international oil cartel.[2] This indirect government sponsorship of the international oil order allowed the United States to pursue contradictory policies in the Middle East:

support for the state of Israel on the one hand, and a strong American stake in Arab oil, which was increasingly seem as a national security interest, on the other.[3] Ultimately the extent of the majors' power was to be whittled down, first by increased competition from other oil companies, and later by the producing governments, but until the late 1960s they co-operated to provide a stable international petroleum order, which provided cheap oil not only to the United States but also West Europe and Japan.

In maintaining the post-war petroleum order, international oil companies had to interact with three main groups of governments. First, there were the parent governments, essentially the United States and the United Kingdom in the case of the majors (with the Netherlands also in the case of Royal Dutch-Shell), although the Japanese, French and Italian governments also had controlling interests in national companies which operated overseas. The parent governments were also consumers, and, in the case of the United States and (after 1970) the United Kingdom, producers too. The producing (host) governments were, in most cases, also the owners of the oil resources: increasingly after 1945 the bulk of oil available for export within the non-Communist world came from developing nations, which had entered into long-term concessions with international oil companies for the exploitation of their petroleum resources. Third were the oil-consuming countries, with which government-company relationships were more complicated, not least because several different oil companies were involved in supplying each national market. For much of the period after the Second World War, until 1970, the oil company majors were generally able to balance the potentially conflicting demands of the three types of government.[4] It was this which cemented the global petroleum order.

In the case of producing governments, the oil companies managed to maintain largely stable relations, providing sufficient additional revenue to satisfy growing demands for development, improving the terms of business, and providing services over and above the precise boundaries of the oil concessions. Although the host governments were increasingly aware of their lack of control over basic decisions regarding the exploitation of their resources, such as exploration policies, production levels and prices, an awareness which led to the formation of the Organization of Petroleum Exporting Countries (OPEC) in 1960, it was not until a decade later that that organization was able to make any substantial contribution to the oil industry. The consuming countries – or at least the industrialized governments of the West -

also had reason to be reasonably content with the relationship. The oil companies delivered ample supplies of cheap oil, which fuelled a massive increase in energy use and contributed to the period of prosperity which lasted from soon after the Second World War until the early 1970s. Although there was some resentment in Continental Europe at the largely Anglo-Saxon monopoly of the international oil industry, a resentment which resulted in the creation or strengthening of national oil companies, the large oil companies retained their hold of the European and Japanese markets for the most part. Parent governments had little need to demand special treatment from their individual companies, as the operations of the market seemed to provide plentiful and secure supplies of oil, and the policies of the oil companies in many ways mirrored those of their parent governments. Indeed, oil companies could act as agents of parent government diplomacy and foreign policy: they provided the additional revenue which helped to promote stability in potentially unstable oil producing states; they assisted national security by expanding supplies of oil; and they also contributed to more specific policies, such as the transfer from coal towards oil as the staple of energy generation in Europe during the Marshall Plan. Although there were some problems, notably in the case of Iran and British Petroleum prior to 1954, companies generally benefited from their relationship with parent governments, not least in their diplomatic support and favourable taxation regimes.

It was widely assumed that the existing system of company-directed oil diplomacy would continue to serve the objectives of the industrial West for the foreseeable future. In an era of cheap oil, petroleum replaced coal as the most important source of energy and by 1970 every country in Western Europe, with the exception of the United Kingdom, relied more on oil than coal. In the world as a whole, oil's share of commercial energy consumption rose from just under a quarter in 1950 to over 45 per cent in 1973.[5] The industry appeared a very orderly one, controlled by an elaborate network of marketing agreements, production agreements and inter-company deals. Many of the most prolific concessions were for very long periods of time and, particularly in the Middle East, the very large reserves and comparatively low cost of production enabled the oil companies to adjust production to demand which, for the three decades after the Second World War, essentially meant upwards adjustments as the demand for oil roughly doubled every decade.[6] While the oil majors controlled geographically diverse reserves of petroleum, enabling them to switch production if required, any host government taking the route of nationalization faced an uncertain future, as the cases of Mexico (1938) and Iran (1951-3) apparently demonstrated.

However, conditions began to change in the late 1960s, both within the oil industry, and within the Middle East, still a major source of both production and reserves.[7] In the case of the economic conditions within the oil industry, commencing in 1971 OPEC was able to use the changing conditions within the market (which was rapidly becoming a sellers' rather than a buyers' market) and the involvement of a growing number of oil companies, to challenge the majors' control of prices in particular. In 1971 the companies negotiated collectively with OPEC governments for the first time, resulting in the Teheran and Tripoli Agreements, which set a new price for crude oil and built in an annual escalation in cost for the next five years.[8] Hopes that this would provide stability in the medium term were dashed when host governments quickly demanded adjustments to the price to compensate for greater-than-expected inflation and the depreciation of the dollar. In addition, OPEC began to argue that their stake in their natural resources should be formally represented by a percentage share, or participation, in the companies exploiting those resources. In 1972 agreement was reached with the companies by which participation was to start at 25 per cent and rise to 52 per cent by 1982, with provision for compensation and company 'buy back' of government oil.[9] Meanwhile, in the Middle East consideration was given to the possibility of using the 'oil weapon' in the ongoing Arab-Israeli conflict. Although the attempted use of Arab oil in the 1967 war had had little effect, by the early 1970s conditions had changed: not only was there less spare capacity within the oil industry outside the Arab world, but a new organization, the Organization of Arab Petroleum Exporting Countries, had been set up in 1968, and provided a forum for discussion and planning. By mid-1973 the West, and particularly the United States, had been warned by both Aramco and also the Saudi government that oil might be used as a weapon in any future Arab-Israeli war.

This is not to imply that the oil majors had lost their power. They still owned the most prolific concessions of the Middle East; moreover, their control over transportation and, in particular, refining and distribution facilities gave them a predominant position. Nonetheless their control over prices was partially undermined by the Teheran and Tripoli Agreements. In addition, in their dealings with OPEC, the majors had to take account of the significant importance of its oil in the world oil market. This was particularly the case as the United States no longer had the spare capacity to increase production, and both West Europe and Japan relied heavily upon imported oil. Market forces had swung in favour of the OPEC members, whose oil was now literally essential for the West. The companies could not now contemplate the possibility of a major disruption in supply, such as had occurred at the time of the Iranian crisis. There was not the spare capacity readily available to compensate for any shortfall, particularly as an attempt to boycott a single producer would not succeed in the face of OPEC solidarity. This was in marked contrast to the position that had prevailed since 1945, in which oil companies had managed production from the prolific fields of the Middle East, in order to keep prices low and supplies high. The new power of the oil producers was clearly demonstrated in the case of Libya, where in 1970 the new, and more radical regime of Colonel Gaddafy demanded, and obtained, better terms from the oil companies, triggering a process of leapfrogging as other producers demanded similar terms, only to be followed by further Libyan advances.[10]

Despite some expressions of concern, and indeed direct warnings, the October 1973 oil crisis came as a considerable surprise to the consuming countries, including the parent governments. Whilst the events of October 1973, and their impact, are well known, it is worth briefly recapitulating on the main salient features. It is important to understand that the severity of the crisis was as a consequence of the conjuncture of two different, if inter-related developments: the desire of OPEC members to exercise more control over the exploitation of their petroleum resources, in particular the setting of prices on the one hand; and the willingness of Arab oil producers to use their oil resources as a weapon in the Arab-Israeli conflict on the other. In October 1973 the host governments demanded a substantial increase in the posted price of crude oil. The companies consulted the governments of the main consuming countries, and there was a general unwillingness to accede to OPEC's demands. Meanwhile, on 6 October 1973, the Jewish festival of Yom Kippur, two Arab states, Egypt and Syria, launched an attack on Israeli troops on the Golan Heights and the Sinai Peninsula, in an attempt to recapture territory occupied by Israeli forces as a result of the 1967 war. As the war intensified, it became plain that questions of supply would be critical, particularly for Israel.[11] On 16 October the main Persian Gulf producers met in Kuwait and decided to act unilaterally, setting the price of Arabian light crude at 5.12 dollars, an increase of over 70 per cent on the prevailing price, whilst the individual producer government's share of the price was also increased, from 1.99 dollars per barrel to 3.44 dollars.[12] The following day OAPEC decided to put in place a programme of production cuts, staring at five per cent of the September figure, and increasing by a further five per cent per month until Israeli forces had been evacuated from all the territories occupied in the June 1967 war, and the legitimate rights of the Palestinians had been restored.[13] Saudi Arabia, Kuwait, Libya, Algeria, Egypt, Syria, the United Arab Emirates, Bahrain and Qatar all agreed with the policy: Iraq, although a member of OAPEC, chose instead to nationalize the American and Dutch holdings in the Basra Petroleum Company. It also participated in the boycott of the United States, which was announced on 20 October, later extended to the Netherlands and Portugal. In a clear attempt to influence Western attitudes towards, and support for, Israel, the boycott was refined: any state designated as 'preferred' would continue to receive the same level of supplies as before the production cuts, which implied that other countries would see an even greater reduction. These cutbacks meant that in November the OAPEC states reduced their production by 4.5 million barrels a day (mbd) compared to September, although increases in production by other non-Arab OPEC members brought the reduction to only 4.2mbd. Nonetheless, this still represented thirteen per cent of OPEC's September production.[14] As supplies tightened in the face of the production cuts and embargo, OPEC discussed the possibility of a further price increase. By December 1973 producer governments were receiving bids for their 'participation' oil far in excess of the official price, even as high as twenty dollars a barrel for crude from the Mediterranean producers. Led by Iran – neither an Arab country nor a participant in the boycott – and supported by Kuwait and Iraq, some OPEC members argued for a much higher price to be set, a position opposed by Saudi Arabia, which had taken the initiative in implementing the oil boycott.[15] It was finally agreed that from January 1974 the posted price would be 11.65 dollars per barrel, including a government take of seven dollars – a quadrupling of the oil price in under four months.[16]

Moreover, although the Arab-Israeli war was halted fairly rapidly, with a ceasefire, supervised by the United Nations, in place as early as 25 October 1973, the use of the oil weapon continued in an effort to influence the subsequent negotiations for disengagement, and to secure Israeli withdrawal from the Occupied Territories. Indeed, it was actually intensified: on 4 November the Arab oil ministers agreed that production that month would be reduced by 25 per cent from the level prevailing in September, with a further five per cent planned for December. The boycott against the

United States and the Netherlands would continue, and consumer countries previously exempted would be expected to demonstrate a positive attitude towards the Arab cause for their favoured position to continue. Over the next two months the boycott was further refined, with the most favoured countries obtaining as much oil as they required (this included the United Kingdom, France, Spain, the Arab importing countries, Islamic countries, and African countries which had broken off diplomatic relations with Israel), preferred countries which had modified their policies in support of the Arab cause including (after January 1974) Belgium and Japan, receiving supplies at the level prevailing in September, neutral countries whose supplies would be cut in accordance with the general level of production cuts, and hostile countries, which in addition to the United States and the Netherlands, included Portugal, South Africa and Rhodesia, facing a total embargo on oil from the member states of OAPEC.[17]

The consumer governments thus found themselves faced by an immediate crisis on two fronts: in economic terms, a sharp escalation in oil prices at a time of existing economic difficulties, accompanied by pressure upon availability of supplies; in political terms, a demand from Arab oil producers for a clear indication of support for their position, with particular reference to the provision of military supplies to Israel. The oil companies, too, found themselves in an invidious position. Officially decisions on production levels from individual oil fields and countries rested with the oil companies, but it is a measure of the extent to which the balance of power had shifted towards the producer governments that the companies were prepared to co-operate and implement the production cutbacks and abide by the strict letter of the boycott, not least because of threats of sanctions should they fail to comply.[18] Not only did the companies cut back production as requested, in the case of the Arabian American Oil Company (Aramco), it informed the Saudi Government of the destinations of all tankers, and even complied with a request for information of Aramco’s crude oil supplies to U.S. military bases throughout the world.[19] However, whilst the producing governments were demanding that they should impose the boycott and cuts in supply determined by OAPEC, individual consuming countries were also seeking to influence company policy, although their demands differed according to their particular designation as most favoured, preferred, neutral or hostile. Thus France, for example, was insistent that it should receive as much oil as it required, in line with its position as a most favoured nation, although the companies do not appear to have abided by this ultimatum.

Parent governments, it might be thought, were in a particularly strong position, since they had offered diplomatic and financial support to their respective majors for many years: yet two of the parent governments, the United States and the Netherlands, were regarded as hostile by OAPEC. The boycott of the United States continued throughout the ceasefire and mediation attempts led by Secretary of State Henry Kissinger, with a temporary lifting of its conditions in March 1974, following the negotiation of the Egyptian/Israeli disengagement agreement under American auspices, before being finally terminated in June and July 1974. The potential impact of this boycott should not be taken lightly. Prior to October 1973 the United States had been importing 1.2mbd of Arab oil, and five months later that had fallen to just 18,000 barrels per day, whilst the Netherlands drew over 70 per cent of its oil from Arab sources.[20] The United Kingdom, meanwhile, was afforded a more favourable status, and here, with the heavy British dependence on imported oil, taken together with the simultaneous conflict between the British Government and the National Union of Miners, it was politically important for the British to receive the preferential treatment that they had been promised by the host governments. The informal petroleum order, which had prevailed since 1950, and which had been supported by both oil companies and parent governments, was undermined. The effect of the 1973 oil crisis was to have a critical impact upon the oil industry in general, and on the relations between parent governments and the companies.

One question that must be asked is the extent to which the companies and the consuming governments had prepared in anticipation of either an economic demarche by the OPEC members to impose higher prices, or a political attempt to use the Arab oil weapon in the longstanding dispute with Israel. There had been a number of indications of possible threats in both the economic and the political arenas, yet it is the case that very little was in place in terms of forward planning. Part of this was because of the speed of events, as the Teheran and Tripoli Agreements, which represented a major dent in the company control of the industry, was originally intended to last for at least five years, but was rapidly overtaken by events. However, in addition there was a reluctance, particularly on the part of the governments, to acknowledge the scale and immediacy of the problem.

In the United States, the oil companies had to contend with the fact that they had a poor reputation in the country at large. In the 1960s and early 1970s there was a spate of hostile journalistic reports into the dealings of the oil companies, published in books with titles such as *The Control of Oil*, *The Politics of Oil* and *The Empire of Oil.* [21] The immense size and profitability of the oil majors, their global reach and the benefit that accrued to them from the definition of foreign oil as a national security interest, together with the very favourable tax regime, all attracted criticism. As this grew, in 1973 the Senate Foreign Relations Committee set up a sub-committee on multinational corporations under Senator Frank Church. This conducted a wide-ranging investigation into the multinational oil industry.[22] The conclusion of many of these investigations was that the complex interlocking relationships between the major oil companies, together with the small amount of oil which actually found its way on to the free market, allowed price fixing. By implication, whilst host governments were accusing oil companies of keeping down prices artificially, and were seeking higher prices, the consumers were more prone to argue that oil companies had distorted the oil market in ways that artificially kept prices high. This did not suggest that Americans at least were prepared to accept the realities of a future price hike.

However, at the same time as criticism was growing of the oil companies, the dependence of the West on OPEC oil, and their vulnerability to any interruption in supply, was escalating. In the case of the United States, although for much of the twentieth century it had been the world's largest oil producer, it was also the largest oil consumer. From 1948 onwards it relied on oil imports for some of its consumption, and by October 1973 it was importing over a third of its oil requirements, with over ten per cent of American oil consumption coming from the Eastern Hemisphere. Whereas just before the Second World War the United States had produced 62 per cent of the world's oil, by 1972 that figure was down to 21 per cent.[23] Other industrialized nations were even more dependent: Japan imported virtually all of its petroleum. In addition to its uses for transportation and petro-chemicals, oil was increasingly used in place of coal for energy generation. In 1955 coal had accounted for three quarters of West Europe's energy usage, and as a consequence 78 per cent of its energy was supplied from within West Europe: by 1972 less than a quarter of its energy came from coal, and as a result it relied on imports for 65 per cent of its energy in 1972.[24] The United Kingdom was rather better placed than the rest of West Europe, reliant on imports for only ten per cent of its energy, but that had a political cost, in terms of reliance upon the domestic coal industry.[25] The growth in road and air transport also increased demand for petroleum products. Moreover, European dependence on imported oil was heavily tied to the Arab oil producers. In 1972 the European Community relied on Saudi Arabia for 23 per cent of its oil imports, Kuwait and Libya both contributed fourteen per cent, whilst Iran supplied eleven per cent.[26]

There had been some half-hearted planning for a possible petroleum crisis, but to little avail. The Nixon Administration had set up a Task Force in 1970 to consider energy issues, but it did not anticipate the scale of America's rising dependence on imports, and its main recommendations were not implemented anyway.[27] In May 1972 the United States had suggested that the Organization of Economic Cooperation and Development (OECD) might consider creating an international organization to coordinate the policies of the main consumers in the event of any restrictions on supplies, and to encourage research and development into alternative sources of energy, but there was little support for the idea, not least because the United States proposed confining any pooling arrangement to water-borne supplies, thus excluding the United States' own production and any imports from Canada.[28] The European Community had also considered the possibility of a collective energy policy, but the wide differences between member states precluded any substantial sharing of energy policy, although in October 1972 it was agreed that members should keep oil stocks equivalent to 90 days' usage, and by October 1973 reserves roughly equivalent to 70 days were in place.[29] According to the Company's official historian, Shell had also tried to warn heads of government that the West was vulnerable to any disruption in Middle Eastern oil supplies, and had begun to urge that a system be put in place to share supplies in such a case; however, no such system was forthcoming.[30] Nor did the parent governments encourage the oil majors to hold firm in the face of, first Libyan and then Iranian pressure for improved conditions and prices in 1971.[31]

As well as the possible economic problems associated with any rise in price or disruption in supply, there was also the potential for a politically-motivated interruption in supplies, aimed at influencing diplomacy. This had already been demonstrated at the time of the 1967 Arab-Israeli war, and although the use of the oil weapon had little effect then, market conditions were very different in 1973. There had been some consideration of this possibility: oil company officials, particularly from Aramco, conveyed to the United States Government in particular the concern expressed by the Saudi Government at American policy towards Israel, and those warnings increased in tempo and severity in the lead-up to the October war. Their concerns were shared by James Akins, the oil expert of the State Department and later U.S. Ambassador to Saudi Arabia. In an article published in the prestigious *Foreign Affairs*, Akins explicitly addressed the possibility of an oil boycott, and concluded that it could have very severe consequences for the United States.[32] The days in which the United States could combine a policy of support for Israel with protection of the national security interest in Arabian oil, through an informal policy operated by the oil companies, were numbered. However, the ineffectiveness of the 1967 boycott left a legacy of complacency. No coherent policy had been devised by any of the Western industrialized consumers, either singly or collectively, to deal with a possible politically-motivated interruption to supplies: the United States because it believed that its relatively small reliance on Arab oil could be compensated for, for example from Venezuela; the Europeans because they assumed that any politically-motivated boycott was likely to be directed mainly towards the United States.

The companies were rather better prepared to deal with the repercussions of the oil boycott, at least in terms of handling shortages. The oil majors in particular were well used to working together to manage production; they had also had experience of managing the effects of the Iranian nationalization (although the missing Iranian oil was covered by increased production from Saudi Arabia and Kuwait), the impact of the closure of the Suez Canal in 1956 and the various upheavals to supplies in 1967. In 1956 a large number of companies, including the majors, had worked through a temporary OECD Petroleum Industry Emergency Group, to re-allocate supplies in order to meet European demand, and other ad hoc committees had been set up at other times of pressure. In 1971, the companies had also formed a temporary alliance in the London Policy Group (which included not only the majors, but some of the independents and some non-Anglo-Saxon companies), to orchestrate negotiations with OPEC members, an alliance that was kept in place as companies faced a series of challenges, with OPEC demands for a participation agreement, currency adjustments, and the re-negotiation of the Teheran and Tripoli Agreements. However, because of anti-trust legislation in the United States, these arrangements had to be temporary and ad hoc: no permanent group was permissible, and the U.S. Department of Justice began to signal its concerns as requests grew for the London Policy Group to remain in existence to deal with additional issues of collective concern. Also because of antitrust legislation, at least in part, the companies could not afford to advertise their efforts to police the petroleum order. In the circumstances, even before the oil crisis, the view was being expressed by commentators such as Walter Levy that the oil companies were acting as agents of the host governments,[33] a sentiment that was likely to grow when Aramco used public advertising to urge the need for a more balanced American foreign policy in the Middle East shortly before the oil crisis broke out. It has also been suggested, then and since, that the companies (and, indeed, the United States Government) had a vested interest in higher oil prices, in order to facilitate exploration and production in more expensive, non-OPEC, oil fields as well as allowing the development of cost-effective alternative sources of energy.[34] Thus, the decision by OPEC to press for higher prices was not necessarily unwelcome to the oil company majors, which tended to be involved both in new exploration and also research and development of non-petroleum based sources of energy.

The oil companies, particularly the large majors already under attack for their policies both domestically and abroad, were therefore unlikely to emerge well from the oil crisis. The massive and abrupt rise in prices increased the value of their stock, and thus their profits. For the sake of their continued relationships with the host governments, they could not be seen to be flouting the terms of the OAPEC policy, yet at the same time they were castigated by the consumer governments, and in particular the parent governments, for not meeting their own (often widely differing) needs and requests. In the event, the companies managed both to heed the letter of the OAPEC boycott and production cutbacks, whilst also re-allocating supplies so that some of the shortfall experienced by the ‘hostile’ nations was met from non-OAPEC sources. Although there was an overall shortfall in supplies, despite the willingness of some non-OAPEC members to increase production, the companies agreed on a policy of ‘equal misery’, sharing the shortfall between all consumers. The decision was taken not to use the OECD Oil Committee, or to re-activate the Petroleum Industry Emergency Group, which had been effective in 1956. In many ways this was understandable, since it avoided signalling to the Arab producers that the oil companies were seeking to undermine the spirit of their action, whilst paying strict heed to its letter. However, one problem about the understated way in which the companies set about sharing out the shortfalls is that, in the absence of fact, rumour and exaggeration abounded.[35]

Reaction to the hostilities and the boycott in the main Western oil consuming nations varied. What the boycott did do was to ensure that countries which would otherwise played only a minor role, if any, in the resolution of the Arab-Israeli War, became directly involved: it also caused tension within the Western alliance.[36] In addition, the oil crisis signalled the collapse of the post-war petroleum order, which had allowed parent governments to distance themselves from the politics and diplomacy of oil. Yet the two parent governments might be forgiven for expecting favourable treatment from their respective majors, in view of the support that they had afforded to the companies in the past. The positions of the two parent governments differed widely. In the case of the United Kingdom its heavy reliance on imported oil was exacerbated by a concurrent crisis in the coal mining industry; moreover, its government had traditionally taken a pro-Arab line in its Middle Eastern policy. It had been awarded a favoured status in the oil boycott, and looked to the oil companies, particularly British Petroleum and Shell, to ensure that this status was reflected in oil deliveries. The United States, on the other hand, had a very large domestic oil production, imported only limited amounts of oil from Arab producers, had traditionally taken a pro-Israeli line, and was Israel's main arms supplier. Faced with a total boycott of Arab oil, however, it faced a shortfall in supplies, and also was pressed by the American majors working in the Middle East, particularly the companies involved in Aramco, to modify its Middle Eastern policy in view of oil considerations. The evolution of American policy towards the Arab-Israeli Yom Kippur war is complex and I have discussed it elsewhere.[37] What I wish to do here is to look at the interaction between the two governments in their role as parent governments, and also to consider their attitudes towards the end of the informal company-operated petroleum order.

The British Government had tended to take a pro-Arab line in its foreign policy, and this was reflected in a rapid decision to ban supplies of oil to both sides in the conflict, although it was suggested at the time that, given the pattern of arms sales prior to October 1973, this apparently even-handed response was, in effect, equivalent to favouring the Arab side.[38] As regards the economic dimension of the crisis, the United Kingdom faced a particularly acute short-term problem. Although its position as a parent government and a potential producer suggested that in the medium term their position was comparatively positive, the Heath government had been engaged in a lengthy series of disputes with the National Union of Miners, which had led to widespread strike action in early 1972: in the period following the October war, a resurgence of problems in the coal industry, coinciding with the possible impact of the oil embargo, led to the introduction of a State of Emergency and severe restrictions on the use of power (the three day working week). The United Kingdom was awarded a preferential status in the Arab oil boycott, first as a preferred nation, later as most favoured (meaning that it should receive whatever petroleum it required). As the parent government of two leading majors, British Petroleum and Shell, and indeed a major shareholder in the former, the British Government could perhaps be forgiven for assuming that it would be in an advantageous position when it came to receiving petroleum. Pressure was initially exerted by the Ministry of Defence and the Department of Trade and Industry. Eventually Prime Minister Edward Heath summoned the chairmen of both Shell (Frank McFadzean) and British Petroleum (Sir Eric Drake), to Chequers on 21 October to put this point of view: however, the two men were adamant in their refusal, since such a request was counter to their own strategy, which was to share the costs of production cuts equally amongst their customers. The outcome of the meeting, which was notably acrimonious, has been widely reported.[39] The oil men stated that only if the government passed legislation, forcing them to comply, would they be in a position to accede to the request, as they could then plead *force majeure* to their other customers. The Prime Minister was also asked to suggest which other countries should be deprived of some of their deliveries in order to satisfy British demands. Heath himself, in his autobiography, suggested that the oil companies, in not giving the United Kingdom as much oil as it needed, were motivated by the fact that they could make higher profits. In his account, when he met the two chairmen, they completely refused to co-operate. ‘I was deeply shamed by the obstinate and unyielding reluctance of these magnates to take any action whatsoever to help our own country in its time of danger.’[40] It has however recently been revealed that British Petroleum did prove more flexible in private, in order to assist the United Kingdom.[41] The position had now been reversed: rather than wishing to court parent governments in order to win diplomatic backing, the companies were anxious not to alienate the producer governments.[42] Relationships between the British Government and the two oil majors remained strained, with issues such as the imposition of oil sanctions on Rhodesia causing difficulties.

In the case of the United States, the situation was a more complex one. In terms of oil supply, it was far less dependent upon Arab oil than many of its allies, and had a substantial, if inadequate, domestic production upon which to draw. Within the Western Hemisphere there were two other large oil producers (both exporters), Venezuela and Canada. In addition, the United States was home to five of the seven sisters. Nonetheless, it was subject to a total boycott, and inevitably there was a shortfall in imports. News of the boycott soon triggered alarm, in part because of President Nixon's announcement that supplies might be expected to fall by anything up to seventeen per cent. The Administration also introduced energy-saving measures as a matter of urgency. The first major programme to address American dependence on imported oil came a month after the October crisis began, when on 7 November 1973 President Nixon introduced what he called 'Project Independence', aimed at encouraging conservation and the use of alternative sources of energy, to make the United States self sufficient in energy by the end of the decade. His proposals included a number of obligatory measures to cut consumption, such as speed restriction on roads and reductions in air flights, as well as the encouragement of voluntary conservation.[43] On 16 November 1973 the controversial Alaskan Pipeline bill became law. Despite this, drivers queuing for gasoline were as likely to feel that the federal government, as well as the oil companies, were to blame for the crisis.[44] The oil boycott had demonstrated to the American public, and indeed to Congress, that there was a problem to be faced in reconciling the growing demand for oil at cheap prices with increased conservation concerns and policies intended to push up prices in the producing countries. For a beleaguered President Nixon, the domestic impact of a prolonged boycott were serious, and it is clear from Kissinger's memoirs that, even if during the immediate crisis the first priority was the Cold War dimension of the Arab-Israeli conflict, in the aftermath the question of oil supplies for the American domestic market was accorded a high priority by the President.[45]

However, the United States Government was determined not to give the impression that its Middle Eastern policy was in any way directed by the oil embargo, and on 19 October 1973, two days after the announcement of the boycott, the United States reinforced its support for Israel, when President Nixon asked Congress for over two billion dollars in additional aid for Israel. Prior to the ceasefire, the United States continued to re-supply Israel, and Secretary of State Kissinger was publicly contemptuous of what he saw as European surrender to the oil boycott. The European

Community and Japan called for a peace settlement on the lines of UN Security Council resolution 242, (in the case of the European Community, this statement came on 13 October, before the boycott was announced) and several European powers refused to allow their bases to be used for the re-supply of Israel.[46] Yet Kissinger's shuttle diplomacy, both during the crisis and in its aftermath, as he sought to broker first a ceasefire, then a disengagement and a more lasting peace, was both more even-handed in its dealings with the respective belligerents than the Israeli Prime Minister, Golda Meir, expected, and was also a startling departure from normal practice, in the 'hands-on' approach adopted by the Secretary of State, entailing his spending long periods of time out of the United States. Indeed, it could be argued that OAPEC had good reason to consider that their policy had been successful, for the United States pushed through a ceasefire in a matter of days, on the basis of a cessation of hostilities in place, at a time when Israel appeared to be encircling Egyptian forces.[47] However, at the same time as trying to broker peace, in December 1973 President Nixon wrote to King Faisal of Saudi Arabia, suggesting that the oil embargo and production restrictions were more likely to persuade the United States to withdraw from its role in the Middle East than persuade it to pursue peace, whilst on 7 January 1974 Defence Secretary Schlesinger appeared to threaten retaliatory action against the countries implementing the boycott, including, implicitly, the use of force.[48]

The American Government's relationship with the American oil companies during the crisis was a mixed one. Public opinion was increasingly critical of the oil companies, exacerbated by gasoline shortages, increasing prices and mounting oil company profits. Senator Jackson accused the companies of disloyalty for obeying the embargo of Saudi Arabian oil, even on deliveries to the U.S. Navy.[49] The ongoing Church investigation into the multinational corporations revealed the extent to which successive administrations had assisted oil companies by providing extremely favourable income tax provisions, waiving antitrust legislation at the request of the oil companies to enable collective action to take place, and terminating a major Department of Justice investigation into the multinational petroleum cartel in the 1950s. The public involvement of Aramco – which was a consortium of four of the leading American oil majors – in American foreign policy was a very clear demonstration of the extent to which host governments were seeking to use oil companies as a means of influencing American foreign policy. Yet, against that, not only were the oil companies a substantial part of the American economy, their cooperation was needed, not only to supply the domestic oil market in the face of the Arab embargo, but also to supply American military bases and other countries facing problems with deliveries, notably Israel and the Netherlands.

The Administration kept in contact with oil company representatives during the crisis. Even before the declaration of the boycott, company executives asked for a meeting with the State Department, at which they stressed the vulnerable position of the oil companies in Arab countries, and urged the Administration to exercise caution in their policy towards Israel and in particular the supply of arms. Indeed, the company representatives urged the American Government to make a similar statement to that already made by the British Government, that it would ship no arms to the Middle East. [50] This contact continued during the period after the boycott, and it is clear that the Administration was deeply concerned about the possible impact of the embargo, and keen to persuade the producers, and particularly the Saudis, that the Americans would try to resolve the crisis: in return, Secretary of State Kissinger urged the oil companies to 'tell your Arab friends that we are serious about trying to achieve a peace settlement but that they have to make an effort to move from there to here'.' Kissinger did not hesitate to call upon the companies to restrain their intervention, stating that some of the comments made by oil company executives had been 'an unmitigated disaster'. Nonetheless, he explained the position in the conflict at the time, suggested that he was aware of the oil company problems, and won from the oil company representatives present the statement that 'We want to cooperate with you'[51]. However, the companies made no secret of their desire to influence American foreign policy, and the crisis signalled clearly that the post-war petroleum order, which had allowed the United States simultaneously to benefit from the riches of Arab oil whilst also pursuing a policy of aid to Israel, through the auspices of the oil companies, had now collapsed.

In the aftermath of the crisis, the consuming governments became, hardly surprisingly, more involved in the conduct of the oil industry; whilst the Continental Europeans and the Japanese had always been somewhat wary of the Anglo-Saxon majors, the two main parent governments also sought thereafter to provide more structure and government control, instead of relying upon a company-organized and company-led informal petroleum order. In fact, over the winter of 1973-4, which was unusually mild, there were no real shortages of oil products: reserves of oil products in the European Community member states never fell below the equivalent of 80 days of consumption, suggesting that any reductions in consumption were a response to changes in demand, rather than supply.[52] By the end of 1973, the main part of the crisis was over, with a ceasefire in the Middle East, although the embargo and production cutbacks continued.

However, the crisis did serve to concentrate minds within the consuming countries. The International Energy Agency (IEA), discussed at the Washington Energy Conference in February 1974, and in place as part of the OECD by November of the same year, was meant to be an important part of the new order. The IEA was very much the inspiration of the United States, although it was supported by many of the other industrialized consumer nations (France was a notable exception). First, it provided a formal mechanism for the collective action of the consumers in any future crisis, along with structured emergency plans for sharing oil in the event of any future shortfall. In March 1975 it adopted the idea of a minimum floor price for oil (agreed at seven dollars per barrel), which at first sight might seem unexpected, but was intended to prevent the development of new reserves and alternative sources of energy being sabotaged by a sudden drop in price. It also required greater transparency from the oil companies, which were required to provide a range of information, albeit some of it on a confidential basis.[53] The oil crisis had brought home to the consumers how little they knew about the commercial operations of the oil companies upon which they relied so heavily. Thus, just as the host governments had taken upon themselves decisions and policies that had hitherto been the prerogative of the oil companies, the consuming nations also were demonstrating that in any future crisis it would be the governments, not the oil companies, that would decide on how to divide up the misery. However, this should not be seen automatically as an anti-company development. If the host governments could use a collective organization to issue instructions to the oil companies, so too could the consumers, thus enabling the companies to argue that any action they took was in accordance with political directives. It would still be the companies that would play the major role in orchestrating any pooling scheme, with the necessary antitrust waiver from the American government.[54] The minimum floor price provided security for the oil companies, as well as support for consumer attempts to pursue conservation and alternative sources of energy.

The 1973 oil crisis demonstrated the extent to which the old petroleum order had changed. The oil majors, already having to adapt to a more complex and diverse oil industry, had lost the power to set prices: although in October 1973 they still ostensibly had majority management responsibility in most concessions, they were effectively unable to halt the cuts in production imposed by OAPEC. It was the governments of Iran and Iraq, rather than the oil companies, that decided to increase production from their oilfields to compensate for the shortfall. Even after the oil had been produced and sold on, the companies were solicitous of host government requirements, and refused to break the terms of the boycott: thus, no oil from Saudi Arabia went to the United States for example. This shift of power away from the companies and towards OPEC raised additional concerns amongst consuming countries. Although in 1973 the oil companies succeeded in managing the available supplies to avoid any really serious shortfall even for those countries officially embargoed by the OAPEC,[55] it was apparent that consumer governments could no longer assume that the major oil companies would automatically serve their interests: nor could the parent governments assume that their special relationship with the companies would overcome the wishes of the host governments. A more formal arrangement, mediated through the IEA, replaced the tacit company-run oil regime.

Although there was a redistribution of power within the oil industry, the consequences for the large oil companies were mixed. For many companies the immediate effect was a very positive one, as their stocks of oil suddenly increased in price: as a consequence, they reported exceptional profits in early 1974, with the American majors registering an increase in their net profits of over 68 per cent for the first half of 1974 compared with the previous year.[56]Moreover, the companies were no longer as subject to the often contradictory political pressures from parent, consumer and producing governments. Their position undoubtedly did change, with the rapid introduction of one hundred per cent participation In particular, they tended to fulfil technical and managerial functions only, with decisions on prices and production levels now in the hands of the producing governments. In effect, this marked the end of the concession system, many years ahead of schedule.[57] Thus, rather than having a secure long-term supply of crude under their own control, companies had to meet a third or more of their needs from short-term sources.[58] They still had a crucial role to play, in part for their technical and managerial expertise, but also their worldwide network of transportation, refining and distribution facilities. With managerial contracts rather than concessions, companies had fewer rights to make decisions but, on the other hand, neither could they be put under sustained pressure by a single host government to play particular attention to their wishes, as had been the habit of the Shah of Iran during the 1960s. Moreover, in certain key areas, such as refining, the oil companies still retained an overwhelming position. The oil companies continued to wield considerable power in the world economy: in 1983 the five American majors and Standard Oil of Indiana were in the top ten American industrial corporations, and the five majors accounted for roughly the same share of the profits of the Fortune 500 as before the 1973 oil crisis.[59] The oil companies also retained an important interest in non-OPEC oilfields, such as the North Sea and Alaska: the building of the Alaskan pipeline and the higher price of crude, both a consequence of the 1973 oil crisis, helped to offset the high costs of exploration and production in such inhospitable areas. The companies were no longer in a position to oil the wheels of the Western economies with cheap petroleum: leaving aside the possibility of further political interruptions to supplies, there was also the possibility that the most prolific oil states, especially those with small populations, might decide to cut off supplies for economic reasons as well.[60] Moreover, the oil companies were no longer in a position to act as intermediaries between the producing and consuming countries. Far from being mediators, as they had been so often in the past, they had become scapegoats for their parent governments' failure to grapple with the tension between their political goals and their economic interests. October 1973 marked the sudden demise of the post-war petroleum order which had served both the oil companies and the parent governments well.

Fiona Venn
Department of History, University of Essex
Colchester, United Kingdom

---

[1] See Michael Stoff, *Oil, War and American Security: The Search for a National Policy on Foreign Oil, 1941-1947* (Yale University Press: New Haven, 1980); and also my forthcoming book, Fiona Venn, *The Anglo-American Oil War 1912-45* (I.B. Tauris, 2007).
[2] Burton I. Kaufman, *The Oil Cartel Case: A Documentary Study of Antitrust Activity in the Cold War Era*. (Greenwood Press: Westport, Connecticut, 1978). The impact of the tax incentives to oil companies should not be underestimated. For example, in 1950 Aramco paid the United States Government 50 million dollars in taxation, as opposed to the 66 million in royalties given to the Saudi Government. In 1951, after the introduction of a new form of payments to the host governments (the so-called 50-50 agreement, based in part on the introduction of Saudi taxes on company revenue), the Company gave the United States Treasury only six million dollars, whilst the Saudi Government

received 100 million. David Howard Davis, *Energy Politics* (3rd edition) (St. Martin's Press: New York, 1982) pp. 86-7.

[3] Although the United States imported very little oil from the Middle East, at least until the late 1960s, Western Europe and Japan were heavily dependent upon oil from that region. This was important, not only because the prosperity of these regions was seen as crucial for continued American prosperity, but also because otherwise the rest of the industrialized world might look either to the Soviet Union or the Western Hemisphere for oil, both, for different reasons, unappealing to the United States.

[4] There were some notable exceptions, including the Iranian crisis of 1951-4 and the various problems encountered in 1967 at the time of the Six Day War between Israel and its Arab neighbours. However, in both cases the oil companies were able to react flexibly, to minimize impact upon the supply of oil to consuming countries. See Steve Marsh, *Anglo-American Relations and Cold War Oil* (Palgrave Macmillan: Basingstoke, 2003); and Louis Turner. *Oil Companies in the International System* (3rd edn.), (George Alen & Unwin: London, 1983), pp. 52-3. .

[5] Colin Robinson, 'The Changing Energy Market: What Can We Learn from the Last Ten Years?' in David Hawdon (ed.*), The Energy Crisis Ten Years After* (Croom Helm: London, 1984), pp.7-36, p. 10.

[6] British Petroleum, *Our Industry Petroleum* (British Petroleum: London, 1977), Table 2, p. 564.

[7] Space does not permit a discussion of the various factors which brought about this change: see my book, Fiona Venn, *The Oil Crisis* (Longman: London, 2002).

[8] Ian Skeet *Opec: Twenty-five Years of Prices and Politics* (Cambridge University Press: Cambridge, 1988), , pp. 64-70

[9] In the event, this staged agreement was overtaken by events: after 1973 host governments demanded a more rapid, and more extensive growth in participation: some individual governments (for example, Algeria, Libya and Iraq) acted even before 1973 to nationalize all or part of foreign company holdings. James Bamberg, *History of the British Petroleum Company. British Petroleum and Global Oil, 1950-1975: The Challenges of Nationalism.* (Cambridge University Press: Cambridge, 2000), pp. 450-474.

[10] Frank C. Waddams, *The Libyan Oil Industry* (London, 1980)

[11] Burton I. Kaufman, *The Arab Middle East and the United States: Inter-Arab Rivalry and Superpower Diplomacy* (Twayne Publishers: New York, 1996), p. 81.

[12] Skeet, *Opec*, pp. 88-90.

[13] Ian Seymour, *OPEC: Instrument of Change* (Macmillan: Basingstoke, 1980), p. 117.

[14] Skeet, *Opec*, p. 100.

[15] George Lencowski, 'The Oil Producing Countries', in Raymond Vernon (ed.), *The Oil Crisis* (Norton: New York, 1976) pp. 59-72, pp. 69-70.

[16] Skeet, *Opec*, p. 102.

[17] Seymour, *OPEC*, p. 117-8.

[18] Robert B. Stobaugh, 'The Oil Companies in the Crisis', in Vernon (ed), *The Oil Crisis*, pp. 179-202, pp. 186-7.

[19] Turner, *Oil Companies*, p. 138.

[20] Anthony Sampson, *The Seven Sisters: The Great Oil Companies and the World They Made*. (Hodder and Stoughton: London, 1975), pp. 274-5.

[21] John M. Blair, *The Control of Oil* (Vintage Books: New York, 1976); Harvey O'Connor, *The Empire of Oil* (Monthly Review Press: New York, 1962); and Robert Engler, *The Politics of Oil: Private Power and Democratic Directions* (University of Chicago Press: Chicago, 1961).

[22] United States Congress, Senate, Committee on Foreign Relations, *Hearings, Multinational Corporations and United States Foreign Policy*. *Parts 4-9* (U.S. Government Printing Office: Washington D.C., 1973-6).

[23] S. Rabe, *The Road to OPEC*: *United States Relations with Venezuela 1919-1976* (Austin, 1982) pp. 18-19.

[24] Romano Prodi and Alberto Clo, 'Europe', in Vernon (ed) *The Oil Crisis*, Table 1, p. 92; and Thomas O. Enders, 'OPEC and the Industrial Countries: The Next Ten Years', *Foreign Affairs*, 53 (1974-5), pp. 625-637, p. 625.

[25] Turner, *Oil Companies*, p. 35.

[26] Simon Bromley, *American Hegemony and World Oil: The Industry, the State System and the World Economy* (Polity Press: Cambridge, 1991, p. 166

[27] James A. Akins, 'The Oil Crisis: This Time the Wolf is Here', *Foreign Affairs* 51 (1973) pp. 462-490. pp. 462-3.

[28] Statement by Under Secretary of State Irwin to the O.E.C.D. meeting, 26 May 1972, *American Foreign Relations: A Documentary Record: 1972* (New York, 1976), pp. 519-21.

[29] Louis Turner, 'The Politics of the Energy Crisis', *International Affairs* 50 (1974), pp. 404-415, p. 405.
[30] Stephen Howarth, *A Century in Oil: The "Shell" Transport and Trading Company 1897-1997* (Weidenfeld and Nicolson: London, 1997), p. 308.
Bamberg,. *British Petroleum and Global Oil*, pp. 456-60.
[32] James A. Akins, 'The Oil Crisis: This Time the Wolf is Here', *Foreign Affairs* 51 (1973) pp. 462-490. The main message of the article is well conveyed by its title.
[33] Walter J. Levy, 'Oil Power', *Foreign Affairs* 49 (1970-1), pp. 652-668.
[34] Bromley, *American Hegemony* pp. 141-2. .
[35] Turner, *Oil Companies*, p. 179.
[36] See Fiona Venn, 'International Co-operation versus National Self-Interest: The United States and Europe during the 1973-4 Oil Crisis', in Kathleen Burk and Melvyn Stokes (eds.), *The United States and the European Alliance since 1945* (Berg: Oxford, 1999).
[37]Venn, *The Oil Crisis*.
[38] *The Economist*, 249 (1973), October 20, p. 14.
[39] See, for example Howarth, *A Century in Oil*, p. 308.
[40] Edward Heath, *The Course of My Life: My Autobiography* (Hodder and Stoughton: London, 1998), p. 503.
[41] Bamberg, *British Petroleum and Global Oil*, pp. 480-483.
[42] Stobaugh, 'Oil Companies', in Vernon (ed) *The Oil Crisis*, p. 179.
[43] Richard Nixon, Address to the Nation: Policies to Deal with the Energy Shortage, 7 November 1973, *Public Papers of the Presidents of the United States: Richard Nixon, 1973*. (U.S. Government Printing Office, Washington D.C., 1974), pp. 916-922.
[44] According to a Gallup poll conducted in December 1973, nearly a quarter of the population felt that the federal government was responsible for the energy crisis, and nineteen per cent specifically blamed the Nixon Administration, whilst only seven per cent blamed the Arab nations and a quarter thought that the oil companies were primarily to blame. James W. McKie, 'The United States', in Vernon, *The Oil Crisis*, pp. 73-90, p. 85.
[45] Henry Kissinger, *Years of Upheaval*, p. 634.
[46] Lencowski, 'Oil Producing Countries', in Vernon, *The Oil Crisis*, p. 66. James Prior, Leader of the House of Commons and regarded by the United States as an informal channel to Edward Heath, made it clear at a very early stage that it wanted assurances that U.S. bases in the United Kingdom were not being used for re-supply. U.S. Embassy, London to State Department, 18 October 1973, http://www.gwu.edu/~nsarchiv/NSAEEB/NSAEEB98/octwar-39.pdf. It should be borne in mind, however, that the original six members of the European Economic Community had agreed as early as May 1971 on a united position on the Arab-Israeli conflict, based on a call for withdrawal from the Occupied Territories and the right for every state in the region to enjoy secure and recognized boundaries. Thus, it was re-asserting, rather than re-appraising, its policy.
[47] Dankwart A. Rustow, 'U.S. – Saudi Relations and the Oil Crises of the 1980s', *Foreign Affairs* 55 (1976-7), pp. 494-516, p. 507.
[48] Kissinger, *Years of Upheaval*, pp. 882 and 890; and Peter Mangold, *Superpower Intervention in the Middle East* (Croom Helm: London, 1978, pp. 72-6.
[49] Joseph S. Nye Jr., 'Multinational Corporations in World Politics', *Foreign Affairs* 53 (1974-5), pp. 153-175, p. 164.
[50] Memorandum of a conversation between Deputy Secretary of State Kenneth Rush and Petroleum Company Executives, 10 October 1973, http://www.gwu.edu/~nsarchiv/NSAEEB/NSAEEB98/octwar-26.pdf
[51] Memorandum of a Conversation between Secretary of State Kissinger and Oil Company Executives, 26 October 1973, http://www.gwu.edu/~nsarchiv/NSAEEB/NSAEEB98/octwar-82.pdf
[52] Romano Prodi and Alberto Clo, 'Europe', in Vernon (ed) *The Oil Crisis*), pp. 91-111, p. 101.
[53] Turner, *Oil Companies*, p. 95.
[54] Simon Bromley, *American Hegemony*. p. 158.
[55] Despite a global shortfall of around seven per cent, the major oil companies managed this by a pro rata cut in supplies, a policy followed even by the state oil companies. Robert J. Lieber, *The Oil Decade: Conflict and Cooperation in the West* (Praeger: New York, 1983), p. 18.
[56] Romano Prodi and Alberto Clo, 'Europe' in Vernon, *The Oil Crisis*, pp. 91-111, pp. 103-4.
[57] The Aramco concession was originally scheduled to last until 1999, and that of the Kuwait Oil Company 2026. Turner, *Oil Companies*, pp. 126-9.

[58] Sir Peter Baxendell, 'Oil Companies and the Changing Energy Market', in David Hawdon (ed), *The Energy Crisis Ten Years After.* (Croom Helm: London, 1984), pp. 48-56, p. 49.
[59] That is, around a seventh. Bromley, *American Hegemony*, p. 217
[60] The implications of the changes in the oil industry as a result of events between 1971 and 1973 were spelt out in detail by Walter Levy in his article, 'World Oil Cooperation or International Chaos', *Foreign Affairs* 52 (1973-4), pp. 6i90-713. In this article Levy expressed his view, again, that the oil companies had become 'completely subservient' to the producer governments, and had been used as the instruments for 'carrying out the embargo on oil shipments to their own home countries.' *Ibid*, p. 693.